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FEDERAL HOUSING ADMINISTRATION

NORMAN P. MASON
Commissioner

for the year ending
December 31, 1954

TWENTY-FIRST ANNUAL REPORT

of the

FEDERAL HOUSING ADMINISTRATION

Year ending December 31, 1954

A reprint of Part III of the Eighth Annual Report of the Housing and Home Finance Agency

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FHA FUNCTIONS

Under authority of the National Housing Act of June 27, 1934, as amended, the Federal Housing Administration operates insurance programs designed to encourage improvement in housing standards and conditions and to exert a stabilizing influence in the mortgage market. The FHA makes no loans and does not plan or build housing.

As provided by the President's Reorganization Plan No. 3 of 1947, the FHA is a constituent unit of the Housing and Home Finance Agency.

The various types of FHA insurance in effect in 1954 are summarized below. Modifications of the FHA program made by the Housing Amendments of 1955 (Public Law 345, 84th Cong., approved Aug. 11, 1955) are not reflected in this report.

Title I

Section 2 of Title I of the Act authorizes the FHA to insure qualified lending institutions against loss on loans made to finance the alteration, repair, improvement, or conversion of existing structures and the building of small new nonresidential structures.

Section 8 of Title I, added to the Act in 1950, authorized the insurance of mortgages on new single-family dwellings for families of low and moderate income, particularly in suburban and outlying areas. This authority was terminated by the Housing Act of 1954 (Public Law 560, 83d Cong., approved Aug. 2, 1954), and similar authority was provided under Section 203 (i) of Title II, which also authorizes FHA insurance of mortgages in amounts up to $6,650 on farm properties.

Title II

Section 203 authorizes the insurance of mortgages on new and existing 1- to 4-family dwellings. This section accounts for nearly two-thirds of all mortgage insurance written by the FHA.

Section 207 authorizes the insurance of mortgages, including construction advances, on rental housing projects.

Section 213, added to Title II in 1950, authorizes the insurance of mortgages on cooperative housing projects. In a sales-type project (one built by a nonprofit corporation or trust organized for the purpose of building homes for members), the individual homes may be released from the blanket mortgage on the project and mortgages on the individual homes may be insured under Section 213. This section also authorizes the FHA to furnish technical advice and assistance in the organization of the cooperatives and in the planning, development, construction, and operation of their housing projects.

Section 220, added in 1954, provides FHA mortgage insurance on liberal terms to assist in financing the rehabilitation of existing salvable housing and the replacement of slums with new housing in areas for which urban renewal plans or urban redevelopment plans have been certified to FHA by the Housing and Home Finance Administrator. Urban redevelopment plans under Title I of the Housing Act of 1949, as amended prior to the Housing Act of 1954, are eligible for the Administrator's certification. However, Title I as amended by the Housing Act of 1954 now requires, as a step preliminary to such certification, that the Administrator shall have approved and certified a workable program designed for the entire community to eliminate slums and prevent the spread of urban blight.

Section 221, also added in 1954, authorizes mortgage insurance on homes for families from urban renewal areas. Mortgage insurance is available under Section 221 for purchase of existing housing, rehabilitated housing, and new construction. It is also available for rental housing if the mortgagor is a private nonprofit organization regulated under Federal or State law.

Section 222, added in 1954, authorizes the insurance of mortgages on dwellings owned and occupied by persons on active duty with the Armed Forces or the Coast Guard, on certification by the Department of Defense (or the Treasury Department, for Coast Guard personnel).

Section 223, added in 1954, authorizes the insurance under Sections 203 and 207 of mortgages on specified types of permanent housing sold by the Government. This authority is similar to that formerly provided under Section 610 of Title VI.

Title VI

Sections 603 and 608 were enacted in 1941 and 1942, respectively, to aid the production of war housing through mortgage insurance provisions more liberal than those under Sections 203 and 207. The authority to issue commitments of mortgage insurance on new construction under Section 603 expired April 30, 1948, and new-construction commitments under Section 608 were limited to those for which applications were received on or before March 1, 1950.

Section 609, added in 1947, authorized the insurance of short-term loans to finance the manufacture of housing, and the insurance of lending institutions against loss on notes given in part payment by purchasers of manufactured housing financed with insured loans.

Section 610, added in 1947, authorized the insurance under Sections 603 and 608 of mortgages on specified types of permanent housing sold by the Government.

Section 611, added in 1948, authorized the insurance of mortgages on projects of 25 or more new single-family dwellings in order to encourage the application of site fabrication and other cost-reduction techniques to large-scale home building operations.

The Housing Act of 1954 provided that no new insurance commitments should be issued under Title VI after August 2, 1954.

Title VII

Title VII, added in 1948, authorizes the insurance of a minimum amortization charge and an annual return on outstanding investments in debt-free rental housing projects.

Title VIII

Title VIII, added in 1949, authorizes the insurance of mortgages on rental housing built on or near military reservations for the use of military or civilian personnel of the Armed Forces, on certification by the Secretary of Defense, and rental housing for employees of Atomic Energy installations on certification by the Atomic Energy Commission.

Title IX

This title, added to the Act in 1951, authorizes FHA insurance of mortgages on housing programed by the Housing and Home Finance Administrator for critical defense areas. The Housing Act of 1954 provided that no commitment should be made after June 30, 1954, on new construction, except that the President was given stand-by authority until July 1, 1955, to authorize the use of Title IX for Federal aid in the provision of defense housing during certain periods or for a specific project or projects.

SECTION 1
GENERAL REVIEW

The year 1954 was a critical one in FHA history. It saw the enactment of a new housing program in which the FHA was given a vital role. It saw a rapidly accelerating volume of applications for FHA mortgage insurance. It saw the FHA free itself of debt to the Federal Government. But it also saw the searchlight of investigation turned on the 20-year-old agency to reveal weaknesses and errors in the past that required vigorous corrective action.

When the year ended, the FHA was in a much stronger position than it had been twelve months before. Its insurance programs had been streamlined. The scope of its activities had been expanded to cover service to neighborhoods and families never before reached. Its policy-making staff had been reorganized. Its procedures had been strengthened. Despite the unfavorable publicity resulting from the investigations, public confidence in the FHA had been maintained. In the last five months of the year, following passage of the new housing law, the rate at which applications for home mortgage insurance were received had established a new record for each individual month.

FHA in the New Housing Program

On January 25, 1954, President Eisenhower presented to Congress a housing program based on recommendations made to him on December 14, 1953, in the report of the President's Advisory Committee on Government Housing Policies and Programs. The committee, established by executive order on September 12, 1953, with the Housing and Home Finance Administrator as chairman, had been directed to study Government housing policies, programs, and organizations and to develop recommendations that would define the proper role of the Federal Government in the housing field and "outline more economical and effective means for improving the housing conditions of our people."

The major proposals made by the President in his housing message were incorporated in the Housing Act of 1954 (Public Law 560, 83d Cong., approved Aug. 2, 1954). The Act included a number of important amendments to the FHA program.

In general, the effect of the amendments was to make the benefits of the program available to a greater number of families, particularly in the lower income group and in rural and suburban communities; to remove inequities in the financing terms available at various price levels; to do away with discriminatory provisions that had affected the financing of older homes; to assist in the restoration and preservation of blighted neighborhoods; to consolidate the provisions for mortgage insurance and simplify their administration; and to safeguard property owners and renters against exploitation under the FHA program.

Property Improvement Loans

To emphasize the responsibility of lending institutions holding contracts of insurance under Title I of the National Housing Act, this title was amended by limiting FHA insurance on property improvement loans to 90 percent of loss on the individual loan (instead of 100 percent as before), up to 10 percent of the aggregate net proceeds of all such loans made by an institution. Other amendments restricted Title I insurance to the financing of items that substantially protect or improve the basic livability or utility of properties, and authorized the Commissioner to declare ineligible any item that he determined to be especially subject to selling abuses. Title I as amended also provides that a residential structure to be improved must have been completed and occupied for at least six months, and that the outstanding balance of all loans for any one structure may not exceed the maximum specified in the Act for the particular type of loan: that is, $2,500 to improve an existing property, $3,000 to build a new nonresidential structure, or $10,000 to improve or convert a structure used or to be used as a dwelling for two or more families. (The last mentioned type of loan has been limited by FHA regulation to $2,500 per dwelling unit or $10,000, whichever is less.)

Home Mortgage Insurance

Section 203.—The principal amendments made to Section 203 of Title II were:

1. The maximum mortgage amounts were increased from $16,000 to $20,000 for a 1- or 2-family dwelling, from $20,000 to $27,500 for a 3-family dwelling, and from $25,000 to $35,000 for a 4-family dwelling.

2. For owner-occupied dwellings, the maximum loan-value ratio was established at 95 percent of the first $9,000 of appraised value plus 75 percent of additional value, if the property was approved for mortgage insurance before construction was begun; and 90 percent of the first $9,000 plus 75 percent of the remaining value, if the property had not been so approved. When the mortgagor is not the occupant of the property, the mortgage may not exceed 85 percent of the amount that an owner-occupant could obtain.

3. The maximum mortgage maturity was set at 30 years, but not to exceed three-fourths of the FHA estimate of the remaining economic life of the building.

4. The authority to insure mortgages on low-cost homes under Section 8 of Title I was terminated, and a similar provision was made in Section 203(i). The maximum mortgage amount is $6,650 when the mortgagor is an owner-occupant and $5,950 when the mortgagor is a builder. The structure must be a single-family dwelling approved for mortgage insurance before construction starts, and the ratio of mortgage loan to appraised value may be as high as 95 percent for an owner-occupant mortgagor and 85 percent for a builder mortgagor.

This type of financing was made available to an owner-occupant mortgagor regardless of his credit standing, if a person or corporation, other than the builder, with satisfactory credit standing, guarantees payment of the mortgage. The guarantor may lend to the mortgagor all or part of the required down payment, on a note maturing after the maturity date of the mortgage.

5. Section 203(i) financing was also authorized for the construction of a farm home on a site of 5 or more acres adjacent to a public highway. This replaced the farm mortgage insurance authority formerly contained in Section 203(d), which was terminated.

6. The insurance of mortgages up to $7,000 and 100 percent of value on owner-occupied single-family structures built to replace homes destroyed by floods, fires, or other disasters was authorized in Section 203(h). This authority had formerly been contained in Section 8.

Mortgage Insurance for Servicemen.—A new Section 222 of the National Housing Act was designed to assist men on active duty in the Armed Forces and the Coast Guard to finance homes. The Act provides that any mortgage eligible under Section 203 may be insured under Section 222, except that under the latter section the mortgage amount may be as much as 95 percent of appraised value but not over $17,100. The serviceman must occupy the dwelling or certify that his failure to do so is occasioned by his military assignment. The Secretary of Defense (or the Secretary of the Treasury if the mortgagor is serving in the Coast Guard) must certify that the serviceman requires housing, is on active duty, and has been serving on active duty for more than 2 years. The Secretary of Defense (or the Secretary of the Treasury, for Coast Guard personnel) will pay the mortgage insurance premium as long as the serviceman owns the home.

Other Provisions.—Other provisions of the Housing Act of 1954 affecting home mortgage insurance included a requirement that the borrower make a down payment of at least 5 percent of the acquisition cost of the property; that the seller of a 1- or 2-family dwelling give the mortgagor a written statement of the FHA appraisal; and that the builder or seller of a new 1- to 4-family dwelling give the purchaser a warranty of substantial conformance with the plans and specifications on which the FHA valuation was based.

The FHA was authorized to insure advances to the mortgagor for improvements and repairs under an open-end provision in the insured mortgage.

Rental Housing

Section 207 was amended by increasing the maximum mortgage amount per room from $2,000 to $2,400 and the maximum amount per unit (applicable to projects of less than 4 rooms per unit) from $7,200 to $7,500 in projects consisting of elevator structures. The $10,000 per-unit limitation for Section 207 mortgages on projects of 4 or more rooms per unit was removed, and the insurance authority under the section was extended to rehabilitation of eligible properties in slums and blighted areas.

The insurance under Section 207 of mortgages in amounts up to 90 percent of estimated replacement cost was authorized for properties in Alaska and Guam.

Cooperative Housing

The provisions of Section 213 were amended in the interests of soundness and wider applicability.

The new Act provided for determining the maximum insurable mortgage amount on the basis of estimated value of the project rather than on the previous basis of replacement cost. The maximum of $5 million was increased to $25 million for a mortgagor regulated by Federal or State laws. For other mortgagors the maximum was left at $5 million.

The maximum mortgage amount was set at $2,250 per room and 90 percent of estimated value, except that if at least 65 percent of the cooperative members were veterans, these limitations might be increased to $2,375 and 95 percent respectively. For projects of fewer than 4 rooms per family unit, the mortgage amount was to be not over $8,100 per family unit (or $8,550, in veterans' projects). FHA administrative rules, however, limited these amounts to $7,200 per family unit, or $7,600 in a veterans' cooperative, in order to encourage the creation of larger family units under Section 213.

Higher amounts per room and per unit were authorized for projects consisting of elevator structures.

Urban Renewal

The Housing Act of 1954 provided two new programs of FHA mortgage insurance in Sections 220 and 221 of the National Housing Act to assist the financing of rehabilitation and new construction in urban renewal areas.

Section 220 authorized the insurance of mortgages on homes and rental properties on terms similar to those under Sections 203 and 207, and in addition provided for the insurance of mortgages on dwellings with more than 4 units but fewer than 12. The property must be located within the area delimited by an urban redevelopment or renewal project which the Administrator of the HHFA has certified to the FHA Commissioner as an approved project for which the local government has the organization and financial capacity necessary to carry to successful completion.

Section 221 authorized the insurance of mortgages on low-cost housing for families displaced because of governmental action in communities which have workable programs for the prevention and elimination of slums or blight or for which redevelopment or urban renewal projects have been approved. The maximum mortgage for an owner-occupant mortgagor was limited to $7,600, or $8,600 in a high-cost area, and 95 percent of appraised value. Mortgages in amounts up to $6,800 ($7,650 in high-cost areas) or 85 percent of value could be insured on single-family homes built, or acquired and rehabilitated, for sale to owner occupants. Insurance under Section 221 could also cover mortgages up to $5 million in amount to finance the construction or rehabilitation of rental accommodations for 10 or more displaced families when the mortgagor was a private nonprofit organization subject to Government supervision. The maximum number of units to be financed under Section 221 was limited to the number that the Housing and Home Finance Administrator certified to the FHA Commissioner were needed to relocate displaced families.

Veterans', Military, and Defense Housing Insurance

FHA authority to insure mortgages under Title VI of the National Housing Act was terminated.

A new Section 223 authorized the FHA to insure under Sections 203 and 207 mortgages to finance sales of publicly owned housing. Mortgages for this purpose were formerly insurable under Title VI. Section 223 also provides that a mortgage insured under Section 608 of Title VI or under Section 903 or 908 of Title IX could be refinanced under Section 203 or 207 of Title II.

Authority under Title VIII of the National Housing Act to insure mortgages on housing at national defense installations for military and civilian personnel, and housing for personnel at atomic energy installations was continued through June 30, 1955.

The President was given stand-by authority until July 1, 1955, to authorize the use of Title IX of the National Housing Act (mortgage insurance on housing for workers in critical defense areas) for Federal aid in the provision of defense housing during certain periods or for specific projects. One- and two-family dwellings on which mortgages were insured under Section 903 of Title IX after August 2, 1954, must be held for rental for at least 3 years.

Miscellaneous Provisions

COST CERTIFICATION.—To guard against the possibility that on multifamily housing projects financed with FHA-insured mortgages the loan proceeds might exceed the approved percentage of cost, the new act provided that the mortgagor must certify to the actual cost of the project, and, if the mortgage amount was more than the statutory ratio applied to such actual cost, the mortgage amount must be correspondingly reduced.

VIOLATIONS.—The FHA Commissioner was authorized to refuse to permit any person or organization that has wilfully violated the provisions of the National Housing Act to participate in any way in the FHA program. Before such action is taken the person or firm must be given an opportunity for a hearing on the specified charges.

RESTRICTION TO RESIDENTIAL PURPOSES.—The use of FHA-insured housing for transient or hotel purposes was specifically prohibited unless the Commissioner on or before May 28, 1954, agreed to rental for such purposes, or unless the project was located in a resort area in which, before May 28, 1954, part of the accommodations had been made available for hotel or transient purposes.

MUTUAL MORTGAGE INSURANCE FUND.—Revisions were made in the method specified in Section 205 of the National Housing Act for managing the Mutual Mortgage Insurance Fund, in order to give added protection to the Treasury.

INSURANCE AUTHORIZATION.—All FHA mortgage insurance authorizations were combined and the aggregate amount was limited to the estimated total of mortgage insurance in force and commitments outstanding as of July 1, 1954, plus $1.5 billion, with authority given to the President to approve an increase of $500 million.

DEBENTURES.—The Housing Act of 1954 provided that debentures presented in payment of mortgage insurance premiums under Title II must represent obligations of the particular insurance fund to which the premium charges were to be credited.

In place of the former requirement that the mortgagee acquire possession of property and transfer it to the FHA before the issuance of debentures, the FHA Commissioner was authorized to permit the mortgagee to tender conveyance of title and transfer possession direct from the mortgagor.

A standard term of 20 years was established for all debentures issued with respect to mortgages insured on or after August 2, 1954, except those under the new Section 221 of the National Housing Act.

The interest rate on debentures will be the rate in effect at the time of insurance, as determined by the Secretary of the Treasury by estimating average yield to maturity on marketable obligations of the United States having maturities of 15 years or more.

Investigations of FHA

On April 12, 1954, on the basis of reports indicating that there had been widespread abuses of the FHA Title I program and the Section 608 postwar rental housing program, the President authorized the Housing and Home Finance Administrator to impound all FHA files and records on Title I and Section 608.

The Administrator immediately appointed a special Deputy Administrator to conduct an investigation of FHA operations, particularly under these two programs.

Two reports touched off the investigation. The Commissioner of Internal Revenue had reported that the income tax returns of corporations sponsoring Section 608 projects revealed large windfall profits in hundreds of projects; and a report by the Federal Bureau of Investigation had pointed to evidence of extensive victimization of property owners by unscrupulous dealers and salesmen negotiating Title I loans.

Norman P. Mason, whom the President named Acting Commissioner of the FHA on April 13, instructed FHA offices to cooperate fully with the investigative staff.

Field offices were directed to make comprehensive reports to the HHFA Administrator on Section 608 projects in their respective jurisdictions, and a procedure was set up for making FHA files available for inspection by investigators.

The investigative staff formerly maintained by the FHA was transferred to the office of the Administrator.

FHA headquarters and field offices were instructed to forward to the Deputy Administrator in charge of the investigation all complaints received while the investigation was in progress, concerning FHA procedures and policies, improper actions by FHA personnel, frauds, violations of FHA regulations, and similar matters.

To aid the investigation, the Commissioner forwarded to all Section 608 mortgagors on June 17, 1954, a questionnaire calling for detailed information on project costs. A special staff of 65 attorneys and accountants was assigned to review the questionnaires and prepare cases for submission to the Department of Justice when such action should be found appropriate.

A report of the investigation was submitted to the HHFA Administrator on August 31. It confirmed the existence of the conditions that had provoked the investigation, pointed out the danger of similar abuses under other FHA programs, and presented a series of 33 recommendations designed to correct abuses and safeguard future operations of the agency. Some of the measures recommended were placed in effect by the FHA Commissioner before the report was completed, and others were subsequently adopted.

In the course of the investigation, a number of FHA employees shown to have been delinquent in their responsibilities as public servants were dismissed or suspended.

Court actions were initiated in 1954 to recover windfalls on seven Section 608 projects, and further actions were contemplated. No new mortgage insurance commitments were issued under this section after March 1, 1950, except pursuant to applications for mortgage insurance received in FHA insuring offices on or before that date, and the fact that for many projects the statute of limitations had expired may prevent recoveries that might otherwise be obtainable.

Over 1,200 firms and individuals were placed on a Title I "precautionary measures" list from April 1, 1954, to the end of the year. By comparison, only 598 names had been placed on the list in the preceding 12 months.

In addition, the Department of Justice before the end of the year reported 132 indictments naming 225 individuals in criminal cases developing from the investigations. Other cases were still in preparation.

While the HHFA investigation was under way, the Housing Act of 1954 was being studied by the House and Senate Committees on Banking and Currency. In order to evaluate the provisions of the bill in the light of charges affecting FHA operations, the Senate Committee conducted an investigation of its own. Preliminary hearings were held in Washington April 19–29. Senate Resolution 229 provided funds for a further investigation, and from June 28 through October 8 hearings were held in Washington and in six other cities.

The testimony presented in the Senate hearings brought out evidence similar to that developed by the HHFA investigation. It was apparent that excessive profits totaling many millions of dollars had been made by firms sponsoring rental housing projects financed under Section 608 in the years immediately following the war, and that Title I also had been subject to abuses.

As a result of the hearings, a number of additional safeguards recommended by the Federal Housing Commissioner and the Housing and Home Finance Administrator were incorporated in the Housing Act of 1954, which was approved August 2.

In the report of its investigation, the Senate Committee on Banking and Currency recommended that funds be made available to it to conduct a thorough study of the effect on FHA operations of the safeguards placed in the Act.

Objectives and Policies in 1954

Norman P. Mason of Chelmsford, Mass., a member of the board of directors of the Chamber of Commerce of the United States, a past president of the National Retail Lumber Dealers Association, and a member of the President's Advisory Committee on Government Housing Policies and Programs, was appointed Acting Commissioner of the FHA on April 13, 1954. He became Commissioner on August 2.

When Mr. Mason took charge of the FHA as Acting Commissioner, preparations for the HHFA investigation of FHA were under way. Morale in the agency was at a low point. The public was shocked by the widely publicized charges, for the FHA had been highly esteemed. Various commentators suggested now that its usefulness might be coming to an end.

The task facing the new Commissioner was a formidable one. The effects of past abuses had to be rectified in so far as possible, and safeguards instituted to prevent their recurrence. All programs of the agency had to be scrutinized to discover danger spots. The organizational structure had to be rebuilt, employee morale restored, and public confidence regained. The basic purposes for which the FHA was established had to be re-emphasized and its responsibility to the consumer and to the industry placed in the proper perspective.

Cooperation by the building industry, the public, and FHA personnel was necessary to attain these ends.

Within a few days of his appointment, the Acting Commissioner established a review committee composed of FHA and other HHFA staff members to assist him in determining legislative and administrative actions needed to improve FHA programs and operations. Four subcommittees of the review committee undertook studies of organization, multifamily housing, sales housing, and the Title I program, respectively.

An industry advisory committee made up of 12 leaders in home building and financing, and a consumers' interest advisory committee of 8 members from labor and consumer interest groups were also appointed. They met with the Acting Commissioner in Washington early in May to discuss recommendations for additional safeguards to be incorporated in the pending housing act and for amendments to FHA procedures and regulations.

A series of recommendations that the Acting Commissioner made to the Senate Banking and Currency Committee on May 17, at the

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request of the chairman, incorporated suggestions received from the three committees. Most of the legislative proposals were made part of the Housing Act of 1954 as it was finally enacted.

In the following months, numerous changes in administrative policy and procedure were adopted in order to improve the soundness and effectiveness of FHA operations.

The Commissioner emphasized that the primary purpose of the FHA was to serve the public; that the partnership of FHA, lending institutions, and the building industry existed to provide better housing for the people of the United States, and that the interest of the consumer must be the first consideration in carrying out the FHA program.

The necessity for integrity on the part of FHA employees in the discharge of their responsibilities was also repeatedly stressed.

The FHA security program, which had been in operation since September 1953, was broadened in 1954 and the number of positions in the agency designated "sensitive" was increased from 21 to 91, including key personnel in Washington and in the field.

Despite the importance of the reorientation of FHA personnel and procedures, the major objective pursued during the year was to put into effect as quickly and as widely as possible the benefits that the President's housing program made available through the FHA. Cooperation with industry was stressed throughout the year. The Commissioner addressed 30 different groups in the course of the year on the subject of the new program and its significance to their members.

A number of advisory committees representing financial, professional, and industrial groups were appointed to confer with appropriate FHA staff members on various phases of FHA operations.

Home Mortgage Insurance

The insurance of mortgages on homes accounts for over 60 percent of all insurance written by the Federal Housing Administration. This is the program by which the FHA is best known. It was the means through which homes for nearly 4 million families were financed from 1934 through 1954. Nearly 30 percent of all privately financed nonfarm dwellings started in that period were constructed under the FHA system of compliance inspections.

A very important purpose of the Housing Act of 1954 is to provide greater opportunity for home ownership to families of limited means, to those living in small communities and remote areas or in blighted areas of cities, to members of minority groups, and to men and women on active military service.

Public acceptance of the new mortgage insurance provisions of the Act was evident in the volume of applications coming to the FHA in

the five remaining months of 1954 after the Act became law. Applications received in each of those months broke all previous records for the month. The volume was so great that serious backlogs developed in many insuring offices and special measures were necessary to expedite processing.

The steps taken, which had to be within budgetary limitations and without sacrifice of processing standards, included authorization for temporary use of independent fee appraisers for mortgages involving older homes, payment for overtime work in field offices, and the employment of additional personnel for property inspection and appraisal work in the field. Insuring office directors were also authorized, after an appraisal on a pilot house had been established, to issue conditional commitments covering all other substantially similar homes in a project.

Early in 1955 Congress made available a supplementary budget authorization to permit the recruitment of additional technical personnel in field offices.

Applications were received from August through December 1954 for home mortgage insurance on over 279,000 units. Of these, over 47 percent were in existing homes. Applications on existing homes were more frequent than ever before after the passage of the new Act, as a result of the more helpful terms it provided.

The total volume of applications also included 7,466 for mortgage insurance under Section 203(i) on new low-cost homes in outlying areas.

Accelerating interest by servicemen in the provisions of the new Section 222 is indicated by the increase in number of applications from 13 in September to 492 in December. Of the 632 applications received under this section, 72 percent were on existing homes.

Multifamily Projects

Because of irregularities disclosed by the investigation of the Section 608 program, all FHA multifamily project programs were subjected to particularly careful review in 1954 and various procedural amendments were effected.

Insuring offices were directed not to insure, without headquarters approval, mortgages exceeding the statutory limit of $5 million when executed by a single mortgagor with respect to several properties which for all practical purposes were a single project. With such approval, exceptions might be made for multifamily housing under Section 220 when the limitation would unduly restrict an urban renewal program involving one particular area with the soundness of each project depending to some extent on the completion of other projects on adjoining sites. In addition, some exceptions might be necessary or desirable in other multifamily insurance programs in order to meet urgent housing needs and to avoid hardships or inequities.

Insuring offices were also instructed to send to Washington, for approval before issuance of a commitment, any application for mortgage insurance on 12 or more rental units under Section 203. This step was taken to prevent exploitation of Section 203 by promoters seeking to avoid the more restrictive requirements for multifamily project insurance.

On May 18 the Commissioner put into effect a requirement that corporate sponsors of multifamily projects obtain FHA approval before paying dividends out of proceeds of insured loans or making changes in capital structure.

The necessity for enforcing the prevailing wage requirements set forth in Section 212 of the National Housing Act, applying to multifamily housing projects insured by the FHA, was emphasized to directors and detailed procedures were outlined for the guidance of the directors.

Mortgages on nearly 600,000 units were insured by the FHA under its multifamily housing programs from 1947 through 1954. The volume has declined each year since 1950, when the authority to issue new commitments under Section 608 expired. An occupancy survey of rental projects with mortgage insurance in force has been made annually as of March 31, beginning in 1950. In that year, the vacancy ratio was 7.2 percent. Thereafter it declined each year until 1953, when it reached 2.8 percent. In 1954 for the first time there was an increase in the ratio, which was reported as 3.5 percent.

COOPERATIVE HOUSING.—Additional safeguards were developed in 1954 to protect the consumer's interest in projects developed under Section 213 of the National Housing Act.

To prevent exploitation of families acquiring homes under the Section 213 program, the FHA put into effect on July 9, 1954, with respect to statements of eligibility issued after that date, a requirement that construction contracts should provide for payment on the basis of actual cost plus a fixed fee not to exceed 10 percent and exclusive of kickbacks, rebates, and normal trade discounts. Certification of costs must be filed with the FHA before endorsement of the mortgage note for insurance.

Through December 31, 1954, project mortgages insured under Section 213 totaled nearly $299 million, covering 31,853 units in 283 projects; outstanding commitments amounted to approximately $13 million, covering 1,521 units in 16 projects; eligibility statements outstanding amounted to $64 million, covering 7,068 units in 57 projects; and applications in process at the end of 1954 amounted to $106 million, covering 10,803 units in 80 projects.

As of the same date, 247 Section 213 projects had been completed and 43 others were under construction.

YIELD INSURANCE.—A committee was appointed in September to study methods for developing the use of Title VII of the National Housing Act so that it would serve the intent of Congress.

This title, added to the Act in 1948, provides for the insurance of yields on equity investments in rental housing for families of moderate income. No mortgage financing would be involved. An investing corporation owning a project outright could sell its bonds to other investors and the FHA would insure the yield.

Although no formal applications for insurance under Title VII have been filed in the 6 years since its enactment, it is hoped that practical solutions may be found to the problems that have so far hampered its use.

Property Improvement Loans

A number of amendments to the Title I regulations were made in 1954 to bring them into accord with the provisions of the new housing law and to prevent repetition of abuses brought to light by the investigation.

The new regulations limited the amount of the claim paid by the FHA on an individual loan to 90 percent of the loss sustained by the lender. At the same time, the amount for which lenders could be reimbursed for legal expenses incurred in their collection activities was substantially increased; additional measures were taken to prevent abuses of the program by unethical dealers; the period during which lenders could file claims for loss on delinquent accounts was extended from 6 months to 9 months; a requirement of at least 6 months' occupancy was made for new residential structures to be improved; and the insurance charges were reduced to 0.65 percent for loans on which the charge had formerly been 0.75 percent, and to 0.45 percent for loans on which the charge had been 0.5 percent. These and other changes in the regulations became effective October 1, 1954.

The regulations were reviewed by an advisory committee of Title I lenders before issuance.

The kinds of improvements being financed came under review during the year and certain types of improvements were made ineligible—some because they failed to contribute to basic livability or utility, others because they were believed to be subject to selling abuses, and still others because it was believed that homeowners did not need Government assistance in acquiring the items.

Urban Renewal

The new program for FHA participation in urban renewal projects through mortgage insurance under Sections 220 and 221 of the National Housing Act is one of the most significant programs ever authorized for this agency. It enables the FHA to help families whose need for better housing is great and for whom opportunity to improve their housing conditions has heretofore been remote. FHA property and location standards have not in the past made feasible the insurance of mortgages in blighted urban neighborhoods; but the Housing Act of 1954 visualizes such insurance as part of a comprehensive program to renew and preserve values in the central areas of cities through collaborative action by Government and industry.

FHA appraisals in such areas are made upon the assumption that the specific neighborhood improvements to which the locality is committed in its urban redevelopment or urban renewal plans will be carried out successfully. Further, when it becomes apparent that deterioration of a neighborhood has been arrested, proposed loans can be considered economically sound and eligible for mortgage insurance under other FHA programs.

No Federal funds may be used for the construction or improvement of any private building in an urban renewal project. The intent is that building operations will be carried out by private enterprise, with FHA assistance where necessary.

An urban renewal officer was appointed by the FHA Commissioner in 1954 to administer the provisions of Sections 220 and 221 with the assistance of a small staff. At the end of the year, basic underwriting and administrative instructions for processing applications under the two sections were completed. In order to gain experience necessary to the formulation of sound procedures under Section 220, six applications were accepted in the New York area and processing was carried forward by supervisors from the headquarters staff working with insuring office personnel. No commitments were issued in 1954 under Section 220 or 221.

The provisions of the Housing Act of 1954 made it necessary for FHA insuring offices and local public agencies to collaborate in the formulation of new urban renewal plans. In recognition of this requirement, the FHA, the Office of the HHFA Administrator, and the Urban Renewal Administration worked to develop procedures which would facilitate the formulation of urban renewal plans acceptable to all interested agencies. These procedures were still in the development stage at the end of the year.

Technical Standards

The report of the Conference Committee on the Housing Act of 1954 called attention to the basic importance of the FHA appraisal system, as well as FHA property location standards, minimum construction requirements, inspection system, and other procedures, in

the proper underwriting of mortgage risk. The report also pointed out the fact that these procedures operate for the benefit and protection of the individual home buyer as well as for the protection of the Government and its insurance funds.

FHA underwriting organization, requirements, and procedures were reviewed and amended during the year to improve the quality and speed of processing applications for mortgage insurance.

The former Underwriting Division was reorganized into two operating divisions—an Appraisal and Mortgage Risk Division with authority over valuation, land planning, borrower's credit, and review functions, and an Architectural Standards Division responsible for architectural standards, construction cost estimating, and property requirements. Both divisions are under the supervision of an Assistant Commissioner for Technical Standards.

The establishment of a separate Architectural Standards Division indicates the increased emphasis that the FHA is placing on the importance of good design and construction. The Architectural Standards Division is sponsoring greater research into contemporary residential design and advanced engineering methods applicable to housing, and area engineers are being stationed in many field offices to facilitate prompt and effective field review of these problems. Structural, mechanical, architectural, sanitary, and cost engineers will be stationed in the field to provide advice and assistance in the early planning stages for problems formerly submitted to headquarters.

An advisory committee on architectural and technical standards composed of representatives of national associations allied with the building industry, and leading members of industry groups was appointed by the Commissioner and met in Washington to discuss the adoption of new FHA techniques that would permit the FHA to give recognition in its appraisals to quality in design, construction, and materials over and above FHA minimum requirements.

In November, the FHA regional sanitary engineers met in Washington for the first time for a 5-day conference.

Housing Market Analyses

Over 150 housing market studies were prepared in 1954 by the field staff of market analysts for the use of FHA insuring offices and headquarters officers in the administration of the various mortgage insurance programs. The studies covered localities in 41 states, Puerto Rico, and Alaska. The type of market problem dealt with varied considerably. Some analyses were overall studies of the demand for new sales and rental housing. Others were concerned specifically with the market for housing among minority groups, proposals for military housing under Title VIII, problems having to do with proposed slum clearance and urban redevelopment projects, the disposition of acquired properties, and the impact of defense activities.

Two comprehensive housing market reports were released to the public late in the year under a new experimental policy as part of a program of action designed to provide more extensive public service and to aid in the development and maintenance of sound housing and mortgage markets.

Housing of Minority Groups

The FHA intensified in 1954 its efforts to promote improvement in the housing conditions of racial minorities.

Amendments made to FHA programs by the Housing Act of 1954 provide opportunities for minority groups as well as others to obtain better housing. They include the more liberal home financing terms under Section 203, particularly with respect to older properties; the mortgage insurance authorized in Sections 220 and 221 for urban renewal areas; the voluntary home mortgage credit program through which private lending institutions undertake to place FHA-insured home mortgages for members of minority groups and others; and the safeguards instituted for FHA programs.

FHA directors and their staffs, as well as the Washington headquarters staff of the FHA, were alerted during the year to their responsibility for doing all in their power to make the benefits of the insurance programs available to all families on an equal basis. The role of the minority-group housing adviser in Washington and the 10 racial relations officers in the field was re-emphasized.

In July the Commissioner announced that the FHA would encourage the development of demonstration open-occupancy projects in key areas.

The racial relations officers met in Washington in October to study the provisions of the new housing law as they affected minority groups, and to discuss new procedures and approaches in racial aspects of private housing.

The FHA programs are helping to make an impressive volume of good housing available to minority groups.

Organization and Personnel

One fact that became apparent early in the investigations of FHA in 1954 was the need for closer internal supervision and control of its operations.

On the basis of studies initiated shortly after he took office on April 13, 1954, Acting Commissioner Mason put into effect in June a

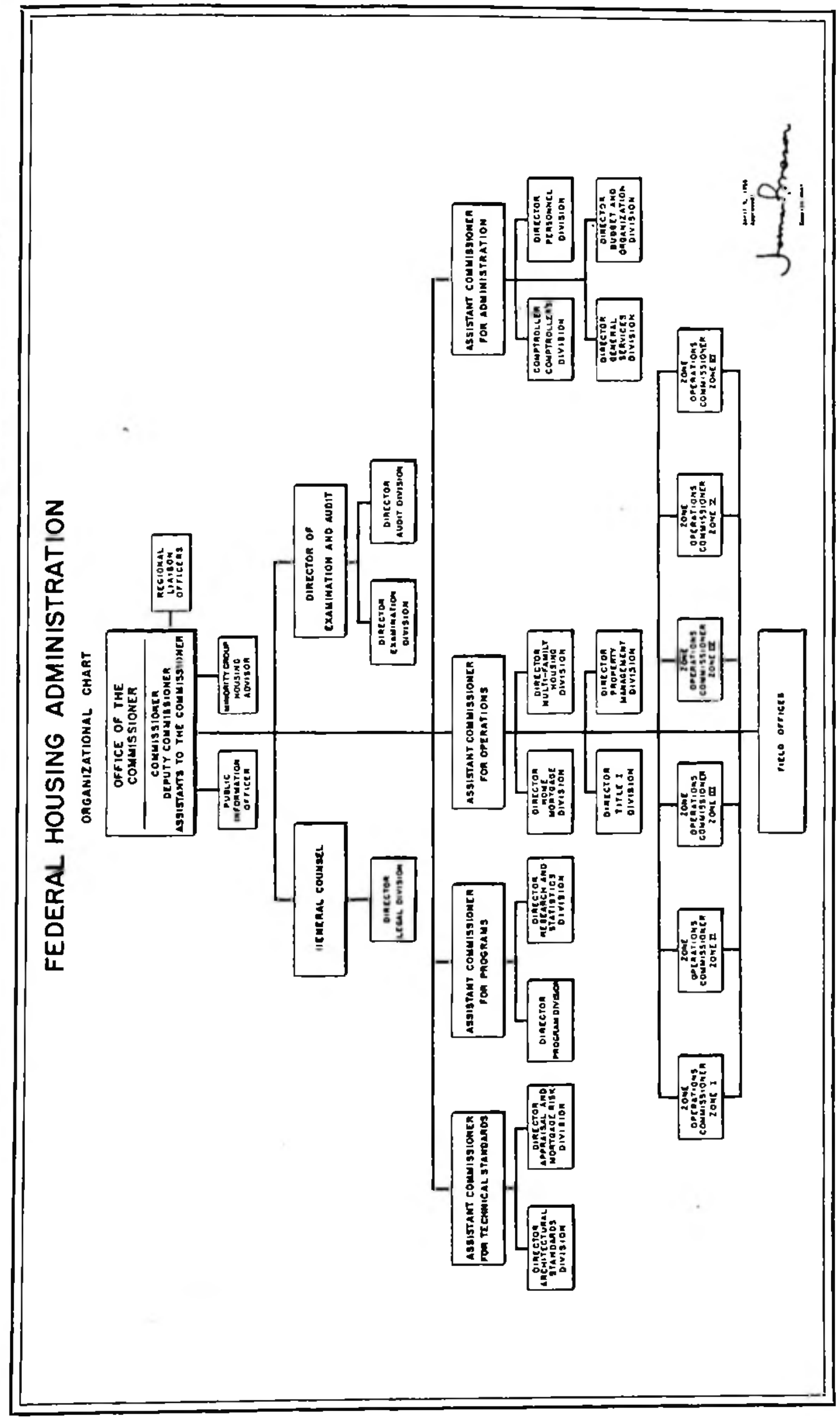

CHART 16

reorganization designed to increase efficiency and improve control of operations both at Washington headquarters and in the field.

Headquarters Reorganization

Chart 16 shows the new Washington headquarters organization. The number of officials reporting directly to the Commissioner, in addition to his immediate staff, has been reduced from 12 to 6, including the General Counsel, the Director of Examination and Audit, and Assistant Commissioners for Programs, Operations, Technical Standards, and Administration.

The new position of Assistant Commissioner for Programs was established to assist the Commissioner in formulating and evaluating FHA programs in the light of the objectives set by Congress.

The Director of Examination and Audit, in another newly created position, is responsible for independent selective review of procedures and operations in both headquarters and the field to assure the effective functioning of established procedures and responsibilities.

An Assistant Commissioner for Technical Standards directs the activities of the Appraisal and Mortgage Risk Division and the recently established Architectural Standards Division. Increased emphasis is being placed on appraisal standards and on recognition of quality in construction, materials, and architectural design, in properties financed with FHA-insured mortgages.

One of the most important objectives of the reorganization was to obtain closer contact with and control over the 75 insuring offices. An Assistant Commissioner for Operations was appointed with responsibility for all operating programs. By this means a single line of supervision was provided for field operations—home mortgage insurance, multifamily project insurance, property improvement loan insurance, and property management—where formerly there had been four.

The new FHA policy of keeping the public fully informed about its activities is reflected in the appointment of a public information officer on the staff of the Commissioner.

Field Office Reorganization

A special committee was appointed to study, with the help of the Civil Service Commission, the organization and staffing of FHA field offices. The insuring office organizational chart (Chart 17) was drawn up after the study had been made. Within the limitations of administrative policies determined at Washington headquarters, the insuring office directors are responsible for the successful operation of the FHA programs in their jurisdictions. The organization of field offices and the selection of field office directors are therefore of great

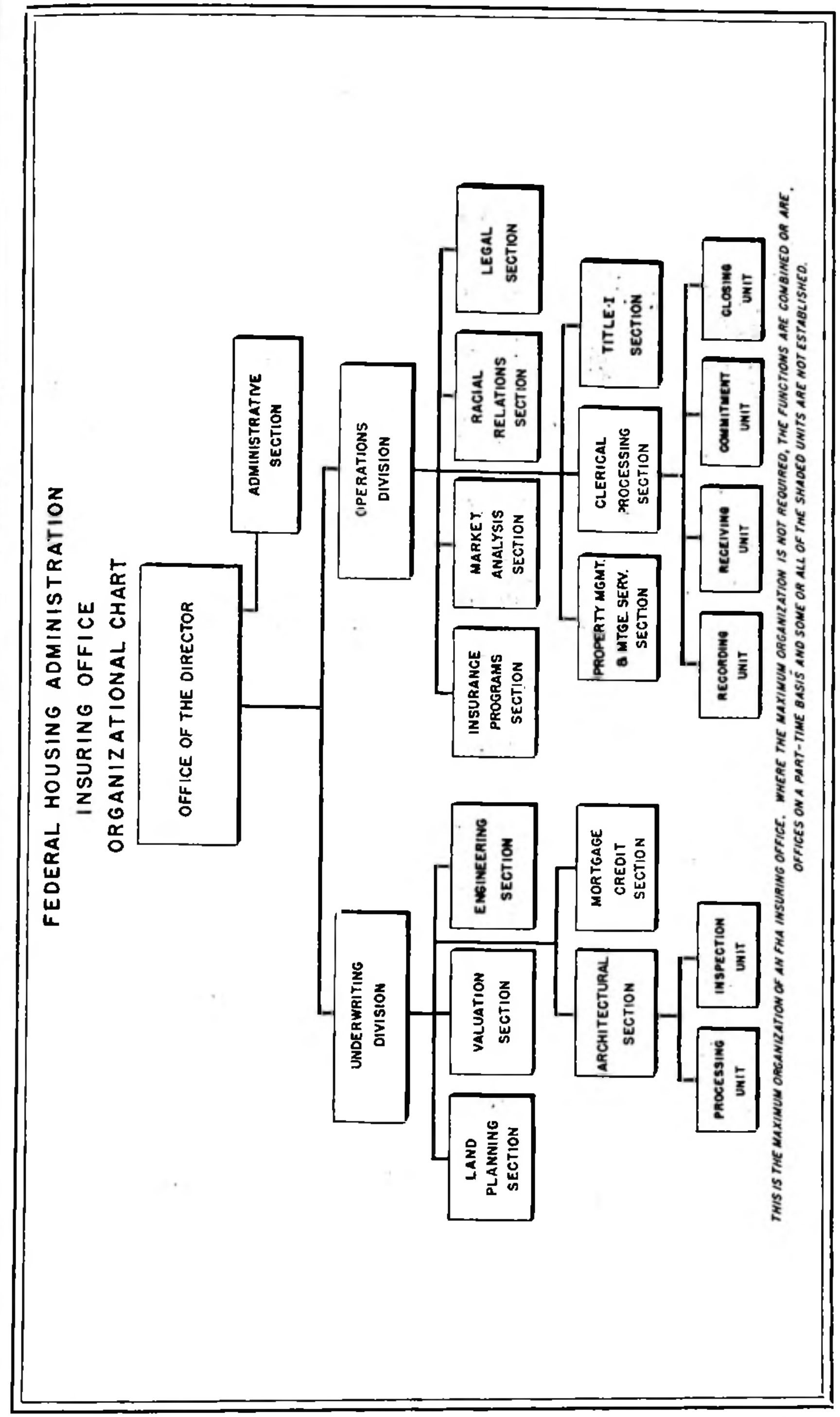

CHART 17

importance in the FHA pattern of operation. New directors were appointed for 10 insuring offices in 1954.

On August 16, 1954, the first general meeting of FHA directors held since the end of World War II convened in Washington for a two-day session to discuss national housing policies and their execution, and the provisions of the Housing Act of 1954.

Number of Field Offices

At the end of 1954, there were 137 field offices. They included 75 insuring offices, which receive and completely process applications for mortgage insurance; 15 service offices, which receive applications for mortgage insurance and process them for submission to insuring offices for review, issuance of commitments, and endorsement for insurance; and 47 valuation stations, where technical personnel prepare architectural and valuation reports for the insuring offices in their respective areas.

New Regional Pattern

On December 23, 1954, the Housing and Home Finance Administrator announced a reorganization of HHFA field office operations to improve efficiency, promote economy and public convenience, and achieve closer coordination of the various agency programs. As part of the reorganization, a uniform regional pattern was created for the conduct of all HHFA field activities, and six regional offices were established.

FHA regional boundaries were changed to accord with the overall agency pattern, and the States comprising the former 5 FHA regions were regrouped into the 6 regions shown in Chart 18.

FHA Personnel

There were 5,231 FHA per-annum employees at the beginning of 1954 and 5,226 at the end of the year. The average employment during the year was approximately 5,089, with about 71.8 percent of the employees serving in field offices. The remaining 28.2 percent was divided among the realty, fiscal, and liquidation operations carried on centrally in Washington, and the administrative services and other management staff functions necessary in the Washington headquarters office to support, direct, and control the operating program. In 1954, there were 842 appointments of per-annum employees, and 847 separations were effected. Of the total number of employees separated, 115 were separated by reduction-in-force action, and 10 were displaced under the separated-career-employee program. The separation rate averaged 16.6 percent. During the year, 658 employees were promoted, 1,184 reassigned, and 154 demoted.

JURISDICTION OF FIELD OFFICES - FEDERAL HOUSING ADMINISTRATION
JANUARY 15, 1955

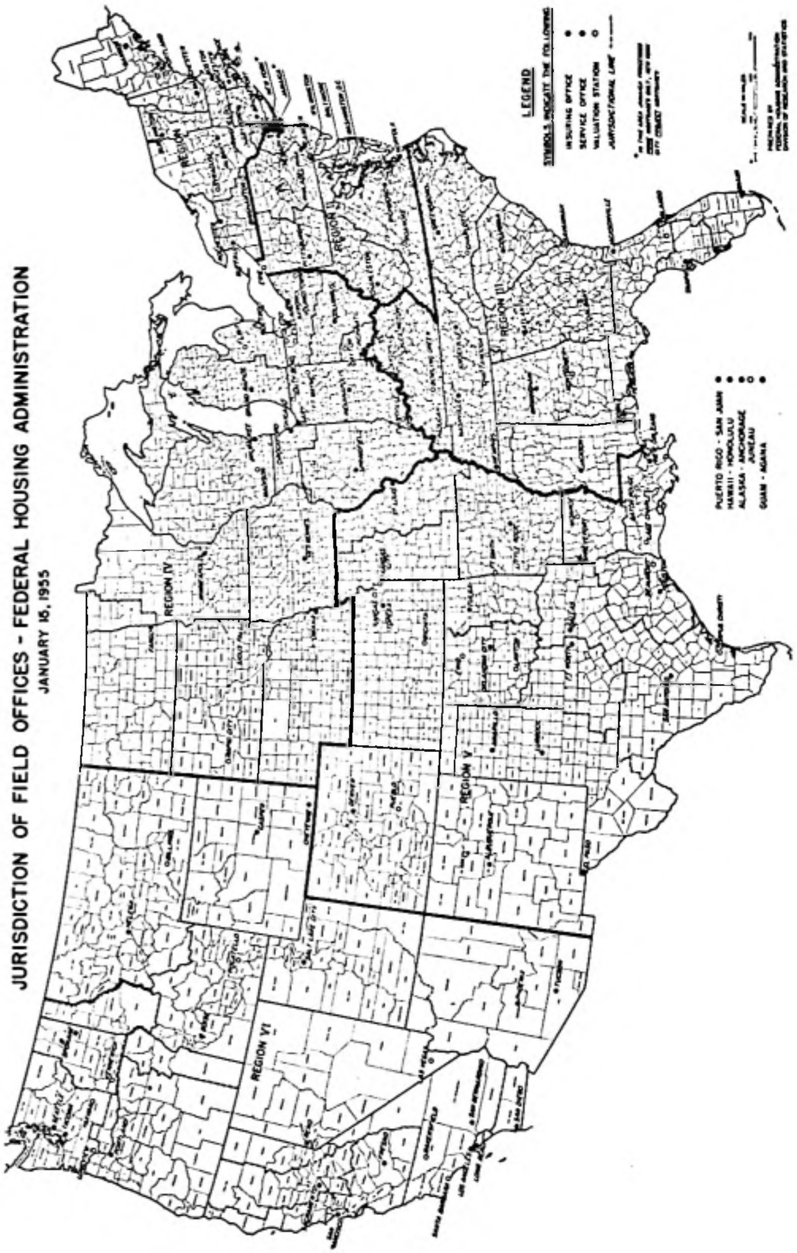

CHART 18

Volume Of Insurance

Insurance under all FHA programs from 1934 to the end of 1954 totaled more than $36 billion. Of this amount, $22.8 billion represented the insurance of 3.6 million mortgages on 1- to 4-family homes, $4.9 billion the insurance of 8,450 mortgages on multifamily projects with 668,000 housing units; and $8.3 billion insurance covering 18 million property improvement loans. The volume of each of the three types of insurance was less in 1954 than in 1953.

As of December 31, 1954, $14.1 billion of the $36 billion insurance written since 1934 under all programs had been terminated, leaving in force loans and mortgages with original face amounts totaling $21.9 billion. An estimated $3.6 billion of this amount had been amortized, and $18.3 billion was outstanding. The amount outstanding included $1.4 billion insurance on property improvement loans and $16.9 billion mortgage insurance on homes and multifamily projects.

Home Mortgages

Home mortgages were insured in 1954 under the following sections of the Act:

Section	Number of mortgages	Percent of total number	Amount (000)	Percent of total amount
Total	214,237	100.0	$1,942,266	100.0
Sec. 8	15,897	7.4	80,389	4.6
Sec. 203	175,698	82.0	1,640,302	84.4
Sec. 213	4,502	2.1	42,095	2.2
Sec. 222	10	(1)	142	(1)
Sec. 610	1	(1)	6	(1)
Sec. 903	18,128	8.5	170,200	8.8

[1] Less than 0.05 percent.

The number of home mortgages insured in 1954 was 47,304 under the number insured in 1953. The difference occurred chiefly in Section 203 insurance, which was 24 percent less in 1954 than in 1953. There was a sharp increase in volume under Section 8 from about 4,000 mortgages insured in 1953 to nearly 16,000 insured in 1954. This program was terminated on August 2, 1954, and a similar program was provided under Section 203(i) of Title II.

Following passage of the Housing Act of 1954 in August, home mortgage insurance applications for the last 5 months of 1954 were at a higher level than for the corresponding months in any preceding year. The large volume of applications involving existing construction was particularly notable, apparently as a result of the more liberal provisions in the new law for mortgage insurance on older homes.

Project Mortgages

The volume of project mortgage insurance in 1954 and for the entire period of FHA operations is as follows:

Section	1954			1934–54		
	Number of units	Percent of total units	Amount (000)	Number of units	Percent of total units	Amount (000)
Total	28,257	100.0	$234,022	668,342	100.0	$4,881,334
Sec. 207	11,442	40.5	92,928	75,452	11.3	408,161
Sec. 213	6,220	22.0	56,417	31,853	4.8	298,610
Sec. 608				465,683	69.7	3,439,771
Sec. 610				3,915	.6	8,360
Sec. 611				1,984	.3	11,991
Sec. 803	9,310	33.0	74,764	81,076	12.1	651,939
Sec. 908	1,282	4.5	9,820	8,379	1.2	62,503

Project mortgage insurance has declined each year since 1950, when Section 608 of the National Housing Act became inactive. There was a slight increase in 1954 under Section 207. The insurance of mortgages on projects in critical defense areas under Section 908 in 1954 was less than a third of the preceding year's volume.

Foreclosures and Losses

At the end of 1954 the FHA had acquired through foreclosure or the assignment of mortgage notes 48,494 units of housing, representing about 1 percent of the 4,498,580 units covered by mortgages or loans insured since the beginning of operations. Of the acquired units, 26,085 had been sold and 22,409 remained on hand at the end of 1954.

Losses realized on the total amount of mortgage insurance written from 1934 through 1954 amounted to three one-hundredths of 1 percent. Losses to the Mutual Mortgage Insurance Fund on sale of acquired properties under Section 203 amounted to two one-hundredths of 1 percent.

Dwelling Units Started

The 276,307 dwelling units started under FHA home and project mortgage programs in 1954 were 9.7 percent above the number started in 1953. The 250,910 units started under the home mortgage programs alone exceeded the 1953 number by 15.9 percent. Total units started under FHA programs amounted to 23.0 percent of all privately financed nonfarm units started in 1954 as estimated by the Bureau of Labor Statistics. This was slightly below the 1953 ratio of 23.6 percent. Over the 20 years of FHA mortgage insurance operations, dwelling units financed under FHA programs have accounted for 29.4 percent of the total.

Property Improvement Loans

In 1954 there were 1.5 million property improvement loans with net proceeds of $0.9 billion tabulated as insured, while in 1953 there were 2.2 million such loans with net proceeds totaling $1.3 billion. The volume of property improvement loans tabulated in 1954 cannot fairly be compared, however, with the 1953 volume. As explained in the FHA report for 1953, the volume of insurance tabulated in that year was substantially higher than the volume of loans reported for insurance during the year (1.8 million for $1.1 billion), because of a carryover of loans reported in 1952 but not insured until 1953. The backlog resulted from the near exhaustion in 1952 of the maximum statutory insurance authorization, which made it necessary for the FHA to limit Title I insurance to the estimated liquidation rate of outstanding loans until the authorization was increased in March 1953. For the 5 years beginning with 1950, about 1½ million property improvement loans have been tabulated as insured each year, except for the abnormally high 2.2 million tabulated in 1953. The 1954 volume was the second largest in FHA history, exceeded only by the 1953 volume.

Title I income for 1954 exceeded losses, expenses, and additions to reserves during the year by more than $7 million. As of December 31, the total earned surplus of the Title I insurance fund was $34.1 million.

In 1954 the FHA paid 47,488 claims amounting to $21.0 million on Title I property improvement loans, bringing the year-end cumulative volume of claims paid to $168.8 million, or 2.03 percent of the total net proceeds of all loans insured, as compared with 1.99 percent at the end of 1953.[4] FHA recoveries, actual and anticipated, from notes and security assigned as a result of claims amount to $86.1 million, leaving unrecoverable paid claims of $84.1 million. The estimated unrecoverable amount is 1 percent of the net proceeds of all loans insured.

Cash recoveries in 1954 amounted to nearly $7 million, representing a decrease of 8.5 percent from recoveries in 1953. A major portion of the decrease is attributable to the fact that FHA collection activity, which in former years was carried on largely through correspondence between debtors and Washington headquarters, was decentralized late in 1954 by transfer of accounts and collection personnel to FHA field offices. During this reorganization the close follow-up of debtors was temporarily disrupted, but it is expected that the change will ultimately improve the effectiveness of the collection program.

After a claim on a defaulted note is paid, the FHA makes every effort to effect collection of the obligation. This is done by correspondence or personal interview with the debtor by the staff of the FHA field office, and, if these efforts fail, by reference of the case to the Department of Justice for legal action. If this is of no avail, the case is held in suspense as uncollectible, although periodic attempts at collection on such accounts result in some recoveries.

Detailed statistics on volume of FHA insurance operations will be found in Section 2 of this report.

[4] The cumulative figure of $168.8 million excludes 810 claims totaling $1.4 million paid on mortgages insured under Title I (Section 2).

Property Management

All properties acquired by the FHA under the terms of mortgage insurance contracts are managed and sold under the supervision of the Property Management Division of the FHA in compliance with general policies established by the Commissioner. The intent is to dispose of all properties as rapidly as possible, consistent with sound business practice.

No sale of a rental project or a group of four or more houses may be concluded without specific concurrence of the Commissioner.

The policy of the FHA is not to sell acquired home properties in bulk, but to place them in good condition and then return them at fair prices in the going market, without speculative markup, to the homeownership use for which they were originally produced. The agency uses the facilities of qualified local real estate brokers to manage and sell 1- to 4-family properties through established retail channels.

The FHA rehabilitates acquired rental project properties to the extent necessary to enable them to compete in the rental market, and then operates them until the income is stabilized. Although a local real estate broker is engaged to act as managing agent for such a property, the marketing of the property is handled independently of a broker as a direct transaction between the Government and the purchaser. The sale is publicized in advance through advertisements stating minimum prices and terms, and the property is sold to the qualified operator whose offer meets the minimums and is most advantageous.

Properties owned by the FHA at the beginning of 1954 included 1,524 1- to 4-family homes and 86 rental developments consisting of 7,614 units. During the year, 1,576 1- to 4-family properties were acquired and 638 were sold, leaving 2,462 properties of this type on hand at the end of the year. Rental developments owned at the end of 1954 totaled 84 with 8,463 units, resulting from the acquisition of 34 developments totaling 2,514 units and the sale of 36 developments comprising 1,665 units.

Statements of profit and loss on sales of properties acquired under the various FHA home mortgage insurance programs are included in Section 4 of this report (Accounts and Finance), together with similar

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statements for properties acquired and mortgage notes assigned to the FHA under the multifamily housing programs.

Financial Position

At June 30, 1954, the Federal Housing Administration had capital and statutory reserves of $354,026,126 which had accumulated from earnings. Of this amount, $338,826,126 represented earned surplus and statutory reserves. The remaining $15,200,000 represented capital contributions from earnings of FHA insurance funds to other FHA insurance funds under the provisions of Section 217 of the National Housing Act as amended.

The capital and statutory reserves of each fund at June 30, 1954 are as follows:

Title I Insurance Fund	$29, 387, 380
Title I Housing Insurance Fund	1, 449, 262
Mutual Mortgage Insurance Fund	191, 957, 095
Housing Insurance Fund	7, 166, 328
War Housing Insurance Fund	106, 498, 018
Housing Investment Insurance Fund	832, 880
Military Housing Insurance Fund	9, 895, 918
National Defense Housing Insurance Fund	6, 839, 245
Total	354, 026, 126

From the establishment of the Federal Housing Administration in 1934 through June 30, 1954, gross income from fees, insurance premiums, and income on investments totaled $882,770,694, while operating expenses for the same period amounted to $346,098,702. Expenses of the agency during the first 3 fiscal years, 1935 through 1937, were met from funds advanced through the Reconstruction Finance Corporation by the United States Treasury. During the following 3 fiscal years, 1938 through 1940, partial payments of operating expenses were met from income. Since July 1, 1940, the operating expenses of the FHA have been paid in total by allocation from the various insurance funds.

Gross income from fees, insurance premiums, and investments during the fiscal year 1954 from all insurance operations of the FHA totaled $125,223,448. Expenses of administering the agency during the fiscal year 1954 amounted to $31,365,885, leaving an excess of gross income over operating expenses of $93,857,563.

During fiscal year 1954, the Federal Housing Administration completely liquidated its indebtedness to the United States Treasury Department for funds advanced by the Treasury for salaries and expenses during the early years of FHA operations and for the establishment of certain insurance funds. Repayment was required under

the provisions of Public Laws 5 and 94, 83d Congress. The principal indebtedness repaid by each fund, together with the interest thereon, is as follows:

Fund	Date of final payment	Principal	Interest	Total
Title I Insurance Fund	July 1, 1953	$8, 333, 314		$8, 333, 314
Mutual Mortgage Insurance Fund (Title II)	Mar. 11, 1954	41, 994, 095	$17, 059, 846	59, 053, 941
Housing Insurance Fund (Title II)	Oct. 31, 1953	4, 170, 024	1, 386, 667	5, 556, 691
War Housing Insurance Fund (Title VI)	Sept. 30, 1953	5, 000, 000	1, 390, 009	6, 390, 009
Housing Investment Insurance Fund (Title VII)	July 31, 1953	1, 000, 000	107, 915	1, 107, 915
Military Housing Insurance Fund (Title VIII)	Nov. 30, 1953	5, 000, 000	441, 092	5, 441, 092
Total		65, 497, 433	20, 385, 529	85, 882, 962

FHA Debentures

On March 29, 1954, the FHA called for redemption on July 1, 1954, at par and accrued interest, all its callable debentures issued through March 15, 1954, in the total amount of $67.3 million.

On September 22, all callable debentures issued through September 1, 1954, were called for redemption on January 1, 1955, in the total amount of $19.4 million.

With the concurrence of the Secretary of the Treasury, the interest rates on FHA debentures issued pursuant to mortgage insurance commitments made on and after May 29, 1954, were reduced ¼ of 1 percent. On 10-year debentures the rate was reduced from 2¾ percent to 2½ percent, and on debentures with longer terms it was reduced from 3 percent to 2¾ percent.

In September, with the concurrence of the Secretary of the Treasury, the interest rate on debentures of the Mutual Mortgage Insurance Fund was reduced from 2¾ percent to 2½ percent, effective with respect to mortgages on which commitments were issued after September 1. This reduction was made in accordance with a provision of the Housing Act of 1954 to establish an interest rate consistent with that prevailing for other Government obligations having similar maturities.

Publications

The following are the principal new or revised FHA publications issued in 1954. Unless otherwise indicated, they can be obtained without charge from the Federal Housing Administration, Washington 25, D. C.

Administrative Rules and Regulations for Military Housing Insurance under Title VIII of the National Housing Act; FHA Form No. 3300, revised September 23, 1954.

Administrative Rules and Regulations under Section 908 of Title IX of the National Housing Act; FHA Form No. 3375, revised September 23, 1954.

Amortization and Mortgage Insurance Premium Tables—For mortgages to be insured under Section 203 of the National Housing Act; FHA Form 2042B, revised December 1954. Superintendent of Documents, Government Printing Office, Washington 25, D. C. 30 cents.

Annual Report—Twentieth annual report of the Federal Housing Administration; year ending December 31, 1953. Superintendent of Documents, Government Printing Office, Washington 25, D. C. 60 cents.

FHA Plan of Home Ownership—FHA Form No. 2098, revised January 1954. (Obsolete)

Insured Mortgage Portfolio—(Issued quarterly—discontinued at the end of 1954). Vol. 18, Nos. 3 and 4; Vol. 19, Nos. 1 and 2. Superintendent of Documents, Government Printing Office, Washington 25, D. C. Copies 15 cents.

Minimum Requirements for Low Cost Housing under Sections 203 (h) and 203 (i) of the National Housing Act; FHA Form No. 3400, August 2, 1954.

Multifamily Rental Housing Insurance—Administrative rules and regulations under Section 207 of Title II of the National Housing Act; FHA Form No. 2012, revised August 13, 1954.

Mutual Mortgage Insurance—Administrative rules and regulations under Section 203 of the National Housing Act; FHA Form No. 2010, revised August 9, 1954.

National Defense Housing Insurance—Administrative rules and regulations under Section 903 of the National Housing Act; FHA Form No. 3350, revised August 11, 1954.

Property Improvement Loans—Regulations under Title I, Section 2 of the National Housing Act; effective October 1, 1954; FHA Form No. 20.

Property Improvement Loans—General administrative policy applicable to property inprovement loans reported for insurance under Title I of the National Housing Act; for use in connection with regulations effective October 1, 1954; FHA Form No. 20A.

Rehabilitation and Neighborhood Conservation Housing Insurance—Administrative rules and regulations under Sections 220 and 221 of the National Housing Act; FHA Form No. 3500, effective October 15, 1954.

Section 213 Cooperative Housing Insurance—Administrative rules and regulations under Section 213 of Title II of the National Housing Act; FHA Form No. 2076, revised September 10, 1954.

Servicemen's Mortgage Insurance—Administrative rules and regulations under Section 222 of the National Housing Act; effective November 5, 1954; FHA Form No. 3600.

What is the FHA?—Revised September 1954.

SECTION 2

VOLUME OF FHA MORTGAGE AND LOAN INSURANCE OPERATIONS

Section 2 of the FHA report provides detailed statistical information on various phases of FHA insuring operations during 1954, including such topics as the geographical distribution of FHA business, types of financial institutions financing, purchasing, selling, or holding mortgages and loans insured under the various programs, termination and foreclosure experience, and the default status of mortgages with insurance in force. In 1954, insurance was available to approved lending institutions under programs authorized by various titles and sections of the National Housing Act. These programs may be functionally classified into the following principal categories:

(1) Home Mortgage Insurance.—Title I, Section 8; Title II, Sections 203, 213, 220, 221, 222, 223, and 225; Title VI, Sections 603, 603–610 and 611; and Title IX, Section 903.

(2) Project Mortgage Insurance.—Title II, Sections 207, 213, 220, 221, and 223; Title VI, Sections 608, 608–610 and 611; Title VIII, Section 803; and Title IX, Section 908.

(3) Property Improvement Loan Insurance.—Title I, Section 2.

(4) Prefabricated Housing Production and Marketing Loan Insurance.—Title VI, Section 609.

(5) Rental Housing Investment Yield Insurance.—Title VII, Section 701.

Mention of the Section 609 prefabricated housing loan insurance program is restricted to the major volume tables, since there was very little activity under this program during the year.

There will be no further reference to the Title VII yield insurance program in this section of the report, inasmuch as no contracts had been insured under this program at the end of 1954.

Summary of Operations

Combined Insurance Activity

Insurance written by FHA during 1954 aggregated slightly more than $3 billion. Although this was about 20 percent under the volume insured in 1953 and represented the lowest yearly volume since 1947, Chart 19 shows that it compared favorably with other

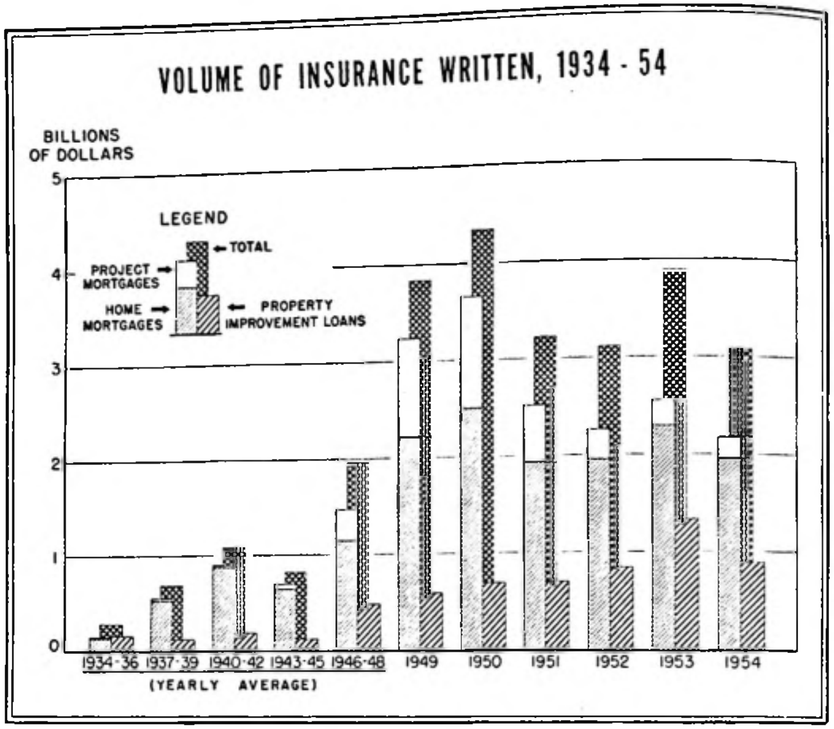

CHART 19

years since World War II and was the seventh consecutive year in which insurance written exceeded $3 billion. Some 214,000 home mortgages, 28,300 dwelling units in multifamily projects, and over 1.5 million property improvement loans were financed with the aid of FHA insurance in 1954 (Table 18).

The following table indicates the relative importance of the three major types of FHA programs on the basis of dollar volume of insurance written during 1954 and cumulatively from 1934 through 1954:

Type of program	Year 1954		1934–54	
	Billions of dollars	Percent	Billions of dollars	Percent
Home mortgages	1.9	63	22.8	63
Project mortgages	.2	8	4.9	14
Property improvement loans	.9	29	8.3	23
Total	3.1	100	36.0	100

In 1954, as in the last several years following the termination of the Title VI veterans' emergency housing program, most FHA mortgage insurance was written pursuant to the provisions of Title II of the

National Housing Act. This title accounted for nearly 3 of every 5 dollars insured in 1954 (a somewhat larger proportion than in 1953), with over one-half of the year's total attributable to Section 203 insured home mortgages (Table 19). Ranking next in volume of insurance written during 1954 was Title I, which accounted for over 32 percent of the total, a slightly lower proportion than in 1953, with property improvement loan insurance—the major activity under this title—responsible for 29 percent of the year's aggregate volume. Title IX defense housing activity accounted for only about 6 percent of the total (down slightly from 1953). The preponderant proportion of Title IX insurance was written under the home mortgage provisions of Section 903. Some 2 percent of the year's insurance was written under the Title VIII military housing program. Activity under the virtually inactive programs of Title VI (which were terminated by the Housing Act of 1954, approved August 2) was practically limited to the insurance of manufactured-housing loans under Section 609. The

TABLE 18

Mortgages and loans insured by FHA, 1934–1954

[Dollar amounts in thousands]

Year	Total—all programs [1]	Home mortgage programs [2]		Project mortgage programs [3]		Property improvement loans [4]		Manufactured housing loans [5]	
	Amount	Number	Amount	Units	Amount	Number	Net proceeds	Number	Amount
1934	$27,406					72,658	$27,406		
1935	297,495	23,397	$93,882	738	$2,355	635,747	201,258		
1936	532,581	77,231	308,945	624	2,101	617,697	221,535		
1937	489,200	102,076	424,373	3,023	10,483	124,758	54,344		
1938	671,593	115,124	485,812	11,930	47,638	376,480	138,143		
1939	925,202	164,530	694,704	13,462	51,851	502,308	178,647		
1940	991,174	177,400	762,084	3,559	12,949	653,841	216,142		
1941	1,152,342	210,310	910,770	3,741	13,565	680,104	228,007		
1942	1,120,839	223,562	973,271	5,842	21,215	427,534	126,354		
1943	933,986	166,402	763,097	20,179	84,622	307,826	86,267		
1944	877,472	146,974	707,363	12,430	56,096	389,615	114,013		
1945	664,985	96,776	474,245	4,058	19,817	501,441	170,923		
1946	755,778	80,872	421,949	2,232	13,175	799,304	320,654		
1947	1,788,264	141,364	894,675	46,604	359,944	1,247,613	533,645		
1948	3,340,865	300,034	2,116,043	79,184	608,711	1,357,386	614,239	3	$1,872
1949	3,820,283	305,705	2,200,842	133,135	1,021,231	1,246,254	593,744	106	1,466
1950	4,343,378	342,582	2,492,307	154,597	1,156,681	1,447,101	693,761	175	569
1951	3,219,836	252,642	1,928,433	74,207	583,774	1,437,764	707,070	131	560
1952	3,112,782	234,426	1,942,307	39,839	321,911	1,495,741	848,327	85	237
1953	3,882,328	261,541	2,288,626	30,701	259,194	2,244,227	1,334,287	40	221
1954	3,067,250	214,237	1,942,266	28,257	234,022	1,506,480	890,606	115	356
Total	36,021,100	3,637,185	22,835,114	668,342	4,881,334	18,071,879	8,299,372	745	5,280

[1] Throughout this report, component parts may not add to the indicated totals because of negative adjustments or rounding of numbers.

[2] Includes the following sections listed in order of enactment date: Sec. 203, June 27, 1934; Sec. 2 (class 3), Feb. 3, 1938; Sec. 603, Mar. 28, 1941; Sec. 603-610, Aug. 5, 1947; Sec. 8, Apr. 20, 1950; Sec. 213 (individual home mortgage provisions), Apr. 20, 1950; Sec. 611 (individual home mortgage provisions), Apr. 20, 1950; Sec. 903 Sept. 1, 1951; Secs. 220, 221, and 222, Aug. 2, 1954.

[3] Includes the following sections listed in order of enactment date: Sec. 207, June 27, 1934; Sec. 210, Feb. 3, 1938 (repealed June 3, 1939); Sec. 608, May 26, 1942; Sec. 608-610, Aug. 5, 1947; Sec. 611 (project mortgage provisions), Aug. 10, 1948; Sec. 803, Aug. 8, 1949; Sec. 213 (project mortgage provisions), Apr. 20, 1950; Sec. 908, Sept. 1, 1951.

[4] Sec. 2 (classes 1 and 2), enacted June 27, 1934. Data are based on loans tabulated in Washington. The increase in 1953 loans over 1952 loans insured resulted in part from authorization controls which caused a tabulation backlog of approximately $200 million as of Dec. 31, 1952. See text of report for detailed explanation.

[5] Sec. 609, enacted June 30, 1947.

TABLE 19

FHA insurance written by title and section, 1953, 1954, and 1934–54

[Dollar amounts in thousands]

	1954			1953			1934–54		
	Number	Amount	Units	Number	Amount	Units	Number	Amount	Units
Title I	1,522,377	$979,005	NA	2,248,606	$1,356,233	NA	18,150,473	$8,597,225	NA
Section 2 property improvement loans	1,506,480	890,606	NA	2,244,227	1,334,287	NA	18,071,870	8,299,372	NA
Section 2 home mortgages							46,115	126,611	46,115
Section 8 home mortgages	15,897	89,359	15,897	4,379	21,946	4,379	32,470	171,242	32,479
Title II	180,448	1,831,974	203,483	234,261	2,192,992	250,693	2,877,907	19,101,244	3,100,342
Section 203 home mortgages	175,698	1,640,392	181,309	231,445	2,037,210	239,250	2,866,157	18,292,355	2,982,288
Section 207 project mortgages	100	92,028	11,442	82	53,839	7,175	718	408,161	75,452
Section 213 cooperative housing	4,640	98,512	10,722	2,734	101,943	10,268	11,022	400,586	42,592
Project mortgages	(138)	(56,417)	(6,220)	(45)	(74,880)	(7,579)	(283)	(208,610)	(31,853)
Home mortgages	(4,502)	(42,095)	(4,502)	(2,689)	(27,062)	(2,689)	(10,739)	(101,976)	(10,730)
Section 222	10	142	10				10	142	10
Title VI	116	406	5	115	1,468	217	635,929	7,127,277	1,166,821
Section 603 home mortgages				65	278	65	624,653	3,645,212	690,007
Section 608 project mortgages							7,045	3,439,771	465,683
Section 609 manufactured housing loans	115	356	NA	40	221	NA	745	5,280	NA
Section 610 public housing sales	1	6	1	7	44	7	3,386	24,468	9,072
Section 603–610 home mortgages	(1)	(6)	(1)	(7)	(44)	(7)	(3,363)	(16,109)	(5,157)
Section 608–610 project mortgages	(—)	(—)	(—)	(—)	(—)	(—)	(23)	(8,360)	(3,915)
Section 611 site fabricated housing				3	920	145	100	12,546	2,059
Project mortgages	(—)	(—)	(—)	(3)	(926)	(145)	(25)	(11,991)	(1,084)
Home mortgages	(—)	(—)	(—)	(—)	(—)	(—)	(75)	(556)	(75)
Title VIII	30	74,764	9,310	44	100,558	12,181	260	651,939	81,076
Section 803	30	74,764	9,310	44	100,558	12,181	260	651,939	81,076
Title IX	18,144	180,110	22,227	23,000	232,584	29,799	53,690	543,415	69,795
Section 903 home mortgages	18,128	170,290	20,945	22,956	202,086	25,909	53,594	480,912	61,416
Section 908 project mortgages	16	9,820	1,282	44	30,497	3,890	96	62,503	8,379
Total [1]	1,721,115	3,067,250	[2] 250,922	2,506,023	3,882,328	[2] 303,000	21,718,259	36,021,100	[2] 4,496,628

[1] All tables presenting cumulative data for Section 207 include 106 mortgages for $7,782,866 and 2,176 units insured under Section 210.
[2] Excludes Title I, Section 2 property improvement loans and Section 609.

1954 insurance volumes under all titles and sections were lower than in 1953 except for Section 8, which increased threefold, Section 207, which went up 73 percent, and Section 609, which was 61 percent greater than in the preceding year.

Through the end of 1954, some $36 billion in mortgages and loans had been financed with the assistance of FHA insurance—63 percent ($23 billion) in home mortgages, 23 percent ($8 billion) in property improvement loans, and 14 percent ($5 billion) in multifamily projects. In addition, some $5 million in loans for the production and sale of manufactured houses had been facilitated by FHA insurance. Table 19 shows that $19 billion or 53 percent of the total represented insurance written under Title II. Of this amount, the long-term Section 203 home mortgage program has accounted for over $18 billion, representing over one-half of the total amount of insurance reported under all programs since 1934. Over $8.5 billion or roughly one-fourth of the total volume for all programs has been in Title I insurance—very largely in property improvement loans. About $7 billion (one-fifth of the cumulative total) covered mortgages on homes and multifamily rental housing built under the World War II and postwar emergency housing provisions of Title VI. Titles VIII and IX have each accounted for less than 2 percent of the total insurance volume.

Of the $36 billion in insurance written through the end of 1954, over $14 billion or nearly two-fifths had been terminated as of the year end. Terminations have resulted primarily from the maturity of property improvement loans and from prepayment prior to maturity of home mortgages (Table 20). Amortization through regular payments by the borrowers had reduced the $21.9 billion original face amount of loans and mortgages in force at the end of 1954 to an outstanding balance estimated at $18 billion or only about one-half of the total amount of FHA insurance written. The proportion of insurance terminated varies from program to program, reflecting differentials in the average term of mortgages and loans insured and in the dates of enactment of the individual sections of the act. For example, under the Title I property improvement program, with loans averaging only 3 years in duration, the terminated proportion is considerably greater than that reported for the Section 608 rental housing program where the typical mortgage term is 32 years. In turn, terminations under the latter section are relatively higher than for the more recently enacted programs of Titles VIII and IX.

FHA Influence in Residential Financing During 1954

Of the estimated $23.0 billion of nonfarm mortgages in amounts of $20,000 or less recorded during 1954, only $1.9 billion or 8 percent represented home mortgages insured by the FHA. This is the lowest

TABLE 20

Status of FHA insurance written as of Dec. 31, 1954

[Dollar amounts in thousands]

		Insurance written	Insurance terminated	Insurance in force		
				Total	Amortized (estimated)	Net outstanding
Title I:						
Sec. 2 property improvement loans [1]	Number of loans	18,117,994	13,821,124	4,296,870		4,296,870
	Net proceeds	$8,425,982	$5,665,323	$2,700,660	$1,368,231	$1,392,429
Sec. 8 home mortgages	Number of mortgages	32,479	567	31,912	567	
	Amount	$171,242	$2,614	$168,620	$6,481	$162,148
Title II:						
Sec. 203 home mortgages	Number of mortgages	2,866,157	1,255,087	1,611,070	1,255,087	
	Amount	$18,292,355	$6,260,655	$12,031,700	$1,574,494	$10,457,206
Sec. 207–210 project mortgages	Number of units	75,452	40,616	34,836		
	Amount	$408,161	$155,045	$253,117	$7,756	$245,361
Sec. 213 cooperative housing	Number of units	42,502	9,009	33,583		
	Amount	$400,586	$86,260	$314,326	$4,711	$309,615
Sec. 222 servicemen's housing	Number of mortgages	10		10		
	Amount	$142		$142	$1	$141
Title VI (war and veterans' emergency programs):						
Sec. 603 home mortgages [2]	Number of mortgages	628,016	326,518	301,498	326,518	
	Amount	$3,661,321	$1,659,495	$2,001,826	$417,575	$1,584,251
Sec. 608 project mortgages [3]	Number of units	469,508	43,452	426,146		
	Amount	$3,448,131	$260,434	$3,187,697	$229,676	$2,958,021
Sec. 609 manufactured housing loans [4]	Number of loans	745	700	45		45
	Amount	$5,280	$5,040	$240		$240
Sec. 611 site-fabricated housing	Number of units	2,059	1,892	167		
	Amount	$12,546	$11,741	$806	$37	$769
Title VIII (military project mortgages):						
Sec. 803	Number of units	81,076	55	81,021		
	Amount	$651,939	$408	$651,531	$15,734	$635,797
Title IX (defense housing programs):						
Sec. 903 home mortgages	Number of mortgages	53,594	1,049	52,544		
	Amount	$480,912	$8,074	$471,938	$11,604	$460,334
Sec. 908 project mortgages	Number of units	8,379	253	8,126		
	Amount	$62,503	$1,881	$60,623	$754	$59,869
Total	Amount	$36,021,100	$14,117,867	$21,903,233	$3,637,053	$18,266,181

[1] Includes home mortgages insured under Sec. 2.

[2] Includes 3,363 mortgages for $16,108,500 insured under Sec. 610 provision, of which 541 mortgages in the amount of $2,152,300 had been terminated, leaving 2,822 mortgages for $13,956,200 in force.

[3] Includes 3,915 units (23 mortgages) for $8,359,500 insured under Section 610 provision, of which 980 units (6 mortgages) in the amount of $1,777,700 had been terminated, leaving 2,935 units (17 mortgages) for $6,581,800 in force.

[4] Includes 734 discounted purchasers' loans for $2,083,688, of which 690 loans in the amount of $1,943,845 had been terminated, leaving 44 loans for $139,843 in force.

FHA proportion reported since 1947. Compared with the total home mortgage debt outstanding at the end of 1954 (estimated at $75.9 billion), the FHA-insured portion was somewhat larger—$12.8 billion or about 17 percent, reflecting the relatively larger volumes of home mortgages insured by FHA in earlier years, the influence of construction loans and other short-term mortgages in the volume of mortgage recordings, and the fact that FHA-insured home mortgages typically have longer terms than do conventionally financed permanent mortgages. The 1950 Census Survey of Residential Financing indicated that the typical conventional first mortgage had a term of 11 years—about half of the 20-year term reported for FHA-insured mortgages. Of the 1954 increase in outstanding home mortgage debt ($9.6 billion) some $0.8 billion or about 8 percent was accounted for by FHA-insured home mortgages—about the same as the FHA proportion of mortgage recordings during the year. Comparison of FHA multifamily project activity with the overall United States total is not possible because data on the overall total of multifamily project mortgage recordings during the year and debt outstanding at the year end are not available. However, with respect to the total amount of home repair and modernization installment loans outstanding at the year end ($1.6 billion as estimated by the Federal Reserve Board) FHA-insured loans predominated with an estimated comparable volume of $1.1 billion or about 70 percent of the total.[5]

It is important to note that comparisons of FHA insurance written with mortgage recordings and of FHA insurance outstanding with total outstanding mortgage debt are not necessarily an adequate gauge of FHA influence. With respect to mortgage recordings, FHA has never accounted for more than 25 percent of the total (in 1942 when wartime building and credit restrictions tended to channel a larger proportion of business into FHA) and in the postwar period has averaged only about 12 percent. This is attributable to the operating practices of many home builders and home mortgage lenders, under which a substantial portion of properties appraised by FHA and built under the FHA system of compliance inspections, with construction loan financing underwritten by FHA insurance commitments, are finally financed either with GI mortgages guaranteed by the Veterans' Administration or with conventional mortgages.

Table 21 indicates that some 23 percent of the total privately financed nonfarm dwelling units started in 1954 were constructed under the FHA inspection system. Although this proportion includes both home and multifamily project starts, the FHA portion of one-to four-family home starts was about the same. From 1947 through 1952, the FHA proportion exceeded 25 percent and, at the height of

[5] Estimates of Federal Reserve Board and FHA cover consumer credit only.

TABLE 21

Nonfarm dwelling units started under FHA programs compared with total for United States 1935–54

Year	Home mortgage programs					Project mortgage programs							Total FHA units	Total United States nonfarm units [2]	FHA as percent of United States total
	Secs. 2 and 8 [1]	Sec. 203	Sec. 222	Sec. 603	Sec. 903	Sec. 207	Sec. 213 Sales type	Sec. 213 Management type	Sec. 608	Sec. 611	Sec. 803	Sec. 908			
1935	....	13,226	....	....	....	738	....	....	....	....	....	....	13,964	215,700	6.5
1936	....	48,752	....	....	....	624	....	....	....	....	....	....	49,376	304,200	10.2
1937	....	56,980	....	....	....	3,023	....	....	....	....	....	....	60,003	332,400	18.1
1938	5,845	100,966	....	....	....	11,930	....	....	....	....	....	....	118,741	399,300	29.7
1939	10,783	133,874	....	....	....	13,462	....	....	....	....	....	....	158,119	458,400	34.5
1940	10,194	166,451	....	....	....	3,446	....	....	....	....	....	....	180,091	529,600	34.0
1941	9,145	180,156	....	27,700	....	3,296	....	....	....	....	....	....	220,387	619,500	35.6
1942	4,010	41,578	....	114,616	....	1,163	....	....	4,295	....	....	....	165,662	301,200	55.0
1943	307	338	....	125,474	....	41	....	....	19,994	....	....	....	146,154	183,700	79.6
1944	....	208	....	83,396	....	....	....	....	9,655	....	....	....	93,259	138,700	67.2
1945	....	17,049	....	21,848	....	200	....	....	2,062	....	....	....	41,159	208,100	19.8
1946	....	44,244	....	22,878	....	41	....	....	1,870	....	....	....	69,033	662,500	10.4
1947	217	20,884	....	157,168	....	....	....	....	50,766	....	....	....	229,035	845,600	27.1
1948	3,006	82,970	....	130,464	....	....	....	....	77,610	....	....	....	294,050	913,500	32.2
1949	3,261	241,559	....	7,806	....	813	....	....	109,995	100	268	....	363,802	988,800	36.8
1950	3,191	324,937	....	117	....	2,277	141	....	143,331	372	12,315	....	486,681	1,352,200	36.0
1951	9,357	177,435	....	....	132	4,651	1,780	5,888	39,826	1,328	23,126	....	263,523	1,020,100	25.8
1952	5,533	190,973	....	....	32,579	7,342	3,791	6,338	5,895	37	24,039	3,374	279,901	1,068,500	26.2
1953	4,572	181,436	....	....	30,501	7,451	2,619	5,464	199	105	15,575	4,057	251,969	1,068,300	23.6
1954	22,043	220,189	5	....	8,073	11,856	3,569	2,659	28	....	6,313	972	276,307	1,201,700	23.0
Total	92,064	2,244,214	5	691,557	71,285	72,354	11,800	20,349	465,526	2,032	81,636	8,403	3,761,225	12,812,000	29.4

[1] Sec. 2 activity, 1938–50; Sec. 8, 1950–54.
[2] Total number of privately financed nonfarm dwelling units started, as reported by the Bureau of Labor Statistics.

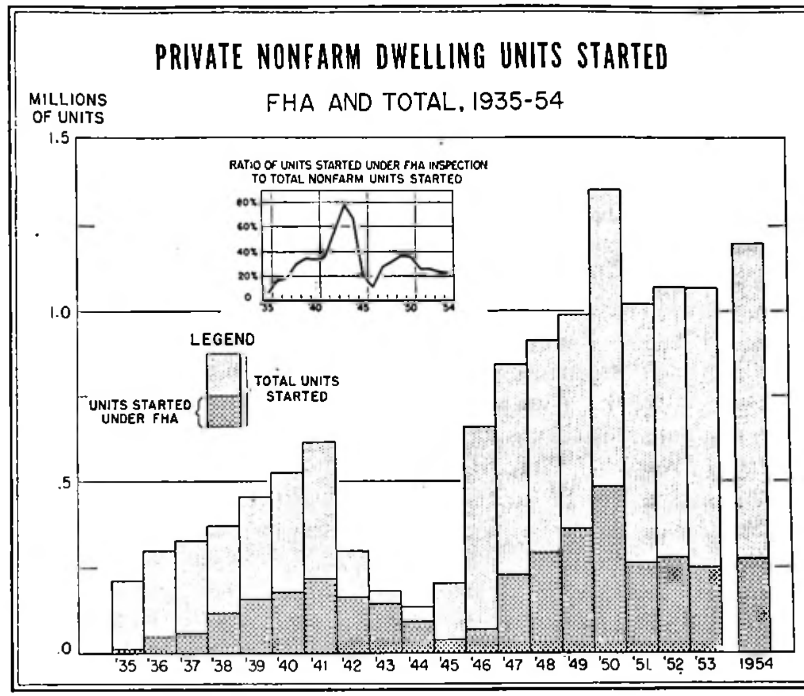

CHART 20

the multifamily rental project program from 1948–50, reached as high as 37 percent of the total. With the decline in FHA multifamily project activity since 1951, the FHA share of the total starts has been at a lower level (Chart 20). The May 1950 increase in the FHA application fee on proposed home construction to $45.00 per case may also have been influential. Furthermore, in many areas of the country the homes most in demand were in price ranges where the financing under FHA regulations in effect before August 2, 1954, was no more favorable for new homes than for existing, so that new homes could be produced advantageously without FHA compliance inspections and ubmitted later for mortgage insurance as existing properties.

FHA Workload

Although the volume of mortgages reported as insured in 1954 was lower than in the preceding year, FHA workload was at a relatively high level during much of the year. Reacting to the more liberal supply of mortgage money and the impetus of the August legislation, home mortgage applications reached an all-time high of 578,000 units in 1954, pushing total receipts up to 623,000 units—23 percent more than in 1953 and the third highest total volume on record. For the year as a whole, applications for the insurance of project mortgages were off 39 percent, although in the first half of the year they were slightly above the same period of 1953.

FHA field offices processed cases involving approximately 528,000 units. Commitments were issued for mortgage insurance involving 496,000 of these units. The remainder of the cases processed involved transactions in which either the property or the mortgagor failed to meet FHA eligibility requirements. In addition to this processing workload, FHA had an inspection workload for the year of 385,000 units under construction. At the close of the year, because of the high volume of applications received after the enactment of the new legislation, FHA offices reported a backlog of 49,400 home mortgage cases involving about 50,500 units and 248 multifamily project applications involving about 34,700 units—a total of over 85,100 units as compared with 45,000 at the end of 1953. This increased backlog developed in spite of intensive efforts by Washington headquarters and insuring office personnel in instituting and applying numerous procedures designed to increase the processing efficiency of the insuring offices. With the provision by the Congress in early 1955 of additional budgetary authorization for the operation of the field offices, an intensive recruitment program was initiated by the Commissioner with a view to providing the personnel necessary to reduce this backlog to the lowest possible level consistent with quality processing and efficient operation.

Volume of Insurance Written

Home Mortgage Volume

The following pages are devoted to a detailed analysis of the volume of home and project mortgages and property improvement loans insured by FHA during 1954 under specific provisions of the National Housing Act and to a comparison of this volume with that reported for earlier years.

FHA home mortgage insurance was available during 1954 under eleven different sections of the National Housing Act: Section 8 of Title I; Sections 203, 213, 220, 221, 222, and 225 of Title II; Sections 603, 603–610, and 611 of Title VI; and Section 903 of Title IX. Several of these programs were in effect during only part of the year. The authority to issue new commitments under Section 8 of Title I and the three Title VI programs was terminated by the Housing Act of 1954, effective August 2. The same Act authorized the institution of insurance activity under Sections 220, 221, 222, and 225. It also provided a new Section 223, which authorizes insurance under Section 203 of mortgages formerly insurable under Section 603–610, mortgages given to refinance existing mortgages insured under Section 903, and any mortgages financing sales of properties acquired by FHA.

As indicated earlier in this report, no insurance was written during 1954 under Section 603 or 611 or under the home mortgage provisions of the recently enacted Sections 220, 221, and 225. Insurance written pursuant to Section 223 is included in the Section 203 existing-construction data.

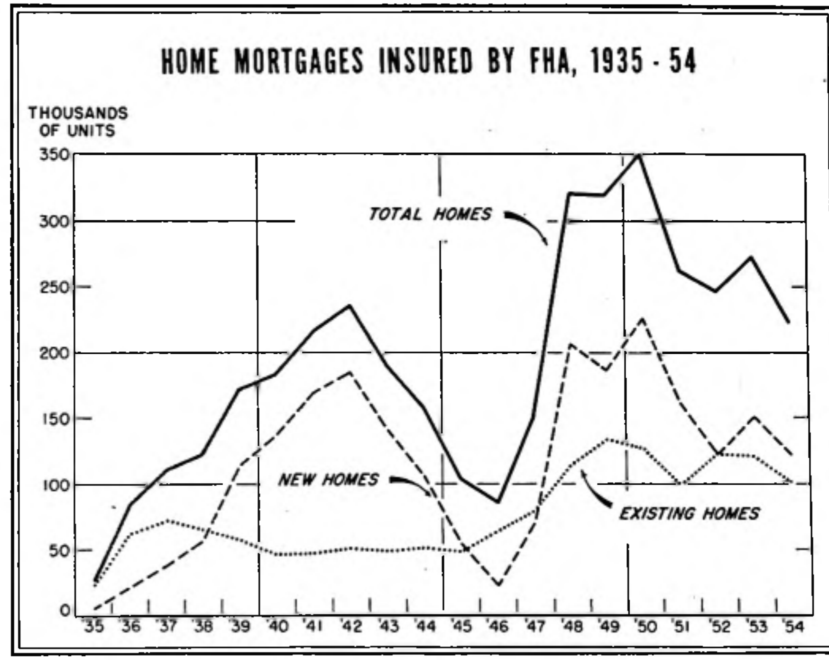

CHART 21

Reflecting the relatively low ebb of applications in the latter part of 1953 and the early months of 1954, the volume of home mortgages insured during 1954 declined by 18 percent in number of units to 223,000 (the lowest since 1947) and by 15 percent in total amount to $1.9 billion, which figure (reflecting the highest average amount in FHA history of $8,700 per unit) was still the sixth highest on record. New-construction [6] insurance decreased by 20 percent in number of units to 122,000 (the lowest since 1947), and by 18 percent in amount to $1.0 billion (the lowest since 1952). Existing construction dropped 16 percent in number of units to 100,800 (the fourth lowest figure in the postwar period), while the amount declined 12 percent to about $0.9 billion (the third highest on record). The average mortgage amounts per unit for both new and existing homes ($8,500 and $9,000, respectively) were the highest on record. (Chart 21 and Table 22.)

[6] Throughout this report, the terms "new construction" and "new homes" refer to properties approved for mortgage insurance before the beginning of construction and inspected by the FHA during construction.

TABLE 22

Home mortgages insured by FHA, 1935–54

[Dollar amounts in thousands]

Year	Grand total [1]		Total new construction		Total existing construction		New construction							
							Secs. 2 and 8 [2]		Sec. 203		Sec. 603		Sec. 903	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
1935–39	513, 615	$2, 007, 777	235, 391	$1, 012, 590	278, 224	$995, 187	16, 028	$37, 914	218, 763	$974, 676	------	------	------	------
1940–44	981, 388	4, 116, 585	738, 051	3, 117, 345	243, 337	999, 240	22, 373	61, 888	399, 467	1, 792, 224	316, 211	$1, 263, 233	------	------
1945–49	979, 451	6, 116, 754	540, 396	3, 603, 452	439, 055	2, 513, 302	5, 591	20, 452	187, 002	1, 324, 183	347, 803	2, 258, 816	------	------
1950	351, 528	2, 492, 367	225, 269	1, 630, 678	126, 259	855, 690	1, 759	7, 428	221, 381	1, 613, 725	2, 129	15, 525	------	------
1951	261, 231	1, 928, 433	161, 673	1, 215, 535	99, 558	712, 898	6, 106	28, 514	155, 416	1, 187, 402	23	184	------	------
1952	246, 109	1, 942, 307	122, 764	968, 613	123, 345	973, 694	5, 615	29, 112	102, 695	831, 748	------	------	14, 449	$107, 716
1953	272, 299	2, 288, 626	151, 777	1, 258, 558	120, 522	1, 030, 068	4, 276	21, 393	121, 981	1, 038, 234	------	------	25, 520	198, 933
1954	222, 665	1, 942, 266	121, 847	1, 035, 366	100, 818	906, 890	15, 826	89, 007	85, 184	777, 067	------	------	20, 836	169, 340
Total	3, 828, 286	22, 835, 114	2, 297, 168	13, 848, 130	1, 531, 118	8, 986, 978	78, 174	295, 708	1, 491, 889	9, 539, 258	666, 300	3, 357, 181	60, 805	475, 989

Year	Existing or refinanced construction															
	Sec. 8		Sec. 203		Sec. 213		Sec. 222		Sec. 603		Sec. 603–610		Sec. 611		Sec. 903	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
1935–39	------	------	278, 224	$995, 187	------	------	------	------	------	------	------	------	------	------	------	------
1940–44	------	------	236, 737	973, 301	------	------	------	------	6, 600	$25, 930	------	------	------	------	------	------
1945–49	------	------	419, 194	2, 423, 058	------	------	------	------	16, 874	81, 155	2, 087	$9, 089	------	------	------	------
1950	------	------	125, 186	852, 330	------	------	------	------	136	481	937	2, 880	------	------	------	------
1951	46	$215	97, 991	706, 196	313	$2, 464	------	------	17	74	1, 185	3, 900	6	$40	------	------
1952	200	996	119, 673	940, 724	3, 235	30, 355	------	------	16	109	40	182	69	516	113	$819
1953	103	553	117, 269	998, 977	2, 689	27, 062	------	------	65	279	7	44	------	------	389	3, 154
1954	71	382	96, 125	863, 325	4, 502	42, 095	10	$142	------	------	1	6	------	------	109	950
Total	420	2, 145	1, 490, 399	8, 753, 097	10, 739	101, 976	10	142	23, 707	108, 031	5, 157	16, 110	75	556	611	4, 922

[1] For total number and amount of mortgages insured under each section in 1953, 1954, and cumulatively through the end of 1954, see Table 19.
[2] Sec. 2 activity, 1938–50; Sec. 8 activity, 1950–54.

As shown by the following summary table, most of the 1954 home mortgage insuring activity occurred under Section 203. This has been the principal FHA home mortgage insurance program since 1935, except for the period from 1943 through 1948 when the bulk of home mortgage applications were processed under the war and veterans' housing provisions of Section 603.

Section	Total		New		Existing	
	Units	Amount	Units	Amount	Units	Amount
	Percentage distribution					
203	81	84	70	75	95	95
903	9	9	17	16	(1)	(1)
8	7	5	13	9	(1)	(1)
213	2	2	------	------	4	5
Others	(1)	(1)	------	------	(1)	(1)
Total	100	100	100	100	100	100

[1] Less than 0.5 percent.

As compared with 1953, however, the proportion of business attributable to Section 203 was down—in new construction from 80 percent of the units and 82 percent of the amount to 70 and 75 percent, respectively. Most of this difference was accounted for by the Section 8 program, which increased to 13 percent of the units compared with 3 percent in 1953. The Section 903 defense housing share remained about the same. The increased popularity of the Section 8 program reflected primarily the increased availability of mortgage funds for such transactions, thus making effective the opportunity for production and sale of these lower priced homes. The monthly service charge first authorized for this program in early 1953 contributed to the availability of funds for this program. In existing construction, Section 203 registered less of a decline, from 98 to 95 percent with most of the difference taken up by Section 213 which increased by nearly two-thirds over 1953.

The Section 203 new construction decrease (30 percent in terms of units) is largely attributable to the decreased volume of applications in the latter part of 1953 and early 1954, reflecting in turn the relatively high discount rates on FHA mortgages which were prevalent at that time. Moreover, as shown in Table 23, the proportion of Section 203 new construction commitments which the lending institutions permitted to expire increased markedly during the year.[7] For the first time since 1947 the proportion of Section 203 new construction mortgages insured was lower than the proportion expired—reflecting

[7] Of the 186,000 new-construction properties covered by Section 203 commitments which were completed and available for sale in 1954, only 40 percent were closed out with FHA mortgage insurance compared with 67 percent in 1953 and 78 percent in 1950.

the increase in the relative volume of properties built with FHA inspections and with construction loans secured by FHA commitments that are being sold without FHA-insured financing. Since cases closed also include rejections of applications, the lower insurance rate was also induced by the increased proportion of rejections—new and existing—notably in the months immediately following the enactment of new legislation in August. Through the end of July only 10 percent of the new home closed cases represented rejects. This proportion increased to 29 percent during August, then declined slightly to 27 percent in September and 25 percent in October.

TABLE 23

Disposition of home-mortgage applications. Section 203, selected years

Year	Number of cases closed	Percent of cases closed by— Rejection of application [1]	Expiration of commitment [1]	Insurance of mortgage
	Total construction			
1940	244, 442	18. 8	12. 3	68. 9
1949	398, 669	13. 4	22. 0	64. 6
1950	539, 640	10. 4	26. 9	62. 7
1951	436, 755	7. 1	36. 7	56. 2
1952	367, 064	9. 6	32. 5	57. 9
1953	305, 640	6. 6	34. 9	58. 5
1954	357, 920	14. 6	36. 3	49. 1
	New construction			
1940	176, 394	15. 3	13. 4	71. 3
1949	204, 547	12. 5	23. 1	64. 4
1950	345, 478	9. 5	27. 2	63. 8
1951	297, 204	5. 5	43. 3	51. 2
1952	194, 029	8. 1	41. 5	50. 4
1953	207, 151	5. 2	37. 5	57. 3
1954	196, 201	13. 5	44. 0	42. 5
	Existing construction			
1940	68, 048	27. 9	9. 5	62. 6
1949	194, 122	14. 2	20. 9	64. 9
1950	194, 162	12. 1	26. 4	61. 5
1951	139, 551	10. 6	22. 5	66. 9
1952	173, 035	11. 3	22. 3	66. 4
1953	188, 480	8. 2	32. 0	59. 8
1954	161, 629	16. 0	26. 8	57. 2

[1] Excludes cases reopened after rejection or expiration.

The slight decline in the proportion of Section 203 existing cases that were insured during 1954, as shown in Table 23, reflects to some extent the fall-off in the total volume of existing construction insurance, but the decline seems primarily attributable, along with the greater decrease in the proportion of expirations, to the marked increase in rejections accompanying the high volume of applications

from August to December, as indicated by the fact that the reject proportion was almost double the 1953 ratio. As was noted for new construction, this was particularly evident in the period from August through October, following the enactment of the new legislation.

As shown in Table 22, the 1954 Section 203 volume of existing construction insurance exceeded the comparable new construction volume for the second time since 1950. The differential of 13 percent based on number of units, is particularly noteworthy because the number of units in new construction cases closed by expiration or insurance during the year exceeded the existing-construction volume by 22 percent. This provides additional evidence of the common use of FHA new-construction commitments as security for construction loans on homes that are subsequently sold with GI or conventional financing. Among factors that may have contributed to the relatively high level of existing construction business during the year are the following:

(1) Before the enactment of the 1954 legislation, which had only very limited effect on the volume or characteristics of the mortgages reaching insured case status in 1954, FHA financing terms for existing-construction properties in the price ranges above $11,000 were just as favorable with respect to maximum loans and ratios of loan to value as for new-construction properties, i. e., those requiring FHA approval of plans and specifications before the start of construction and subject to FHA compliance inspections during construction. In recent years, therefore, there has been an increasing tendency for builders of homes in the medium and higher price ranges to apply for FHA mortgage insurance *after* completion of construction. The proportion of recently built homes included in the category of existing construction insured by FHA rose from 24 percent in 1951 to about 30 percent in 1953 and 1954.

(2) Transfers of home properties continued at a very high level in 1954, as indicated by the all-time high of 3,458,000 nonfarm mortgage recordings of $20,000 or less. Undoubtedly included in these transfers were many of the more than two million homes that have been constructed with FHA mortgage insurance assistance in previous years. These properties, having been approved by FHA before start of construction and constructed with FHA inspections, were eligible for FHA-insured mortgages providing more favorable terms than were available for other existing homes.

Although the lower down payments provided in the August legislation generated substantial volumes of both new- and existing-home mortgage insurance applications in the last third of the year, the normal lag from date of application to date of insurance prevented any large number of these applications from resulting in insured mortgages by the end of 1954.

Project Mortage Volume

Programs in operation in 1954 providing for the insurance of rental and cooperative project mortgages included: Under Title II, Section 207 covering (1) new and rehabilitated rental housing, (2) sale of public housing by certain Federal or State agencies,[8] (3) refinanced Section 608 and Section 908 mortgages,[8] and (4) commissioner-held mortgages assigned and properties acquired under provisions of Title II, Title VI, Title VII, Title VIII, or Title IX, upon sale;[8] Section 213 cooperative housing; Section 220[8] redevelopment housing; and Section 221[8] relocation housing; under Title VIII, Section 803, military housing; and under Title IX, Section 908, defense housing.

Other programs in operation during a portion of 1954 were those Title VI programs which were repealed by the Housing Act of 1954 They included Section 608 refinanced war and veterans' housing, and Section 608–610 sales of certain public housing. The insurance provisions for both of these sections were incorporated into Section 207 by the legislation, while the provisions of insurance under Section 611 for site-fabricated housing developments was discontinued.

Title VII, authorizing the insurance of a minimum annual amortization of 2 percent of the established investment and an annual return of 2¾ percent on outstanding investments in debt-free rental housing projects for families of moderate income, has been inactive since its inception in 1948. It may also be noted that no insurance was written during 1954 under any of the provisions of Title VI, or under the newly created Sections 220 and 221 of Title II.

An explanation of the purposes of these various programs appears at the beginning of the FHA report.

Project mortgages totaling $234 million and covering 28,300 units were insured by FHA during 1954. Decreasing by 10 percent from 1953, mortgage insurance under these programs continued the decline of recent years, the 1954 volume being only one-fifth of that reported in the peak year 1950 (Table 24 and Chart 22) and accounting for only 8 percent of the total amount of loans and mortgages insured under all FHA programs during the year. All mortgages insured in 1954 were secured by newly constructed projects.

The highest volume of insurance reported in 1954 under any of the multifamily programs was under Section 207. Mortgages totaling $93 million and covering 11,400 dwelling units constituted the highest volume for any year for this program. Through 1954, insurance written under Section 207 has aggregated nearly $392 million secured by 70,841 units in new projects and $17 million covering 4,611 units

[8] Provided by the Housing Act of 1954.

TABLE 24

Project mortgages insured by FHA, 1935–54

[Dollar amounts in thousands]

Year	Grand total[1]		Total new construction		Total existing or refinanced construction		New Construction: Sec. 207		New Construction: Sec. 213 Sales type		New Construction: Sec. 213 Management type	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
1935–39	29,777	$114,429	29,777	$114,429			20,777	$114,429				
1940–44	45,751	188,446	41,890	174,187	3,861	$14,259	7,946	28,752				
1945–49	265,213	2,022,878	260,592	2,008,452	4,621	14,426	1,054	8,519				
1950	154,597	1,156,681	153,477	1,154,680	1,120	2,002	2,514	18,065	285	$2,691		
1951	74,207	583,774	73,333	577,545	874	6,229	4,890	33,201	1,928	17,726	6,067	$55,194
1952	39,839	321,911	39,839	321,911			6,043	41,843	3,081	35,788	6,093	55,913
1953	30,701	259,194	30,701	259,194			7,175	53,830	1,915	20,026	5,664	53,954
1954	28,257	234,022	28,257	234,022			11,442	92,928	3,665	32,145	2,555	24,273
Total	668,342	4,881,334	657,866	4,844,418	10,476	36,916	70,841	391,576	11,474	109,275	20,370	189,334

Year	New construction (continued): Sec. 608		Sec. 611		Sec. 803		Sec. 908		Existing or refinanced construction: Sec. 207		Sec. 608		Sec. 608–610	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
1935–39														
1940–44	33,944	$145,436							3,267	$11,444	594	$2,815		
1945–49	257,723	1,986,212	275	$1,650	1,540	$12,071			1,344	5,142	470	2,828	2,801	$6,456
1950	135,076	1,007,996	473	2,877	15,129	123,052					16	133	1,104	1,868
1951	33,799	259,937	960	5,832	25,683	205,653					864	6,194	10	35
1952	3,457	29,634	125	706	17,233	135,842	3,207	$22,180						
1953			145	926	12,181	100,558	3,890	30,497						
1954					9,310	74,764	1,282	9,820						
Total	463,733	3,427,800	1,984	11,991	81,076	651,939	8,370	62,503	4,611	16,586	1,950	11,971	3,915	8,360

[1] For total number and amount of mortgages insured under each section in 1953, 1954 and cumulatively through 1954 see Table 19.

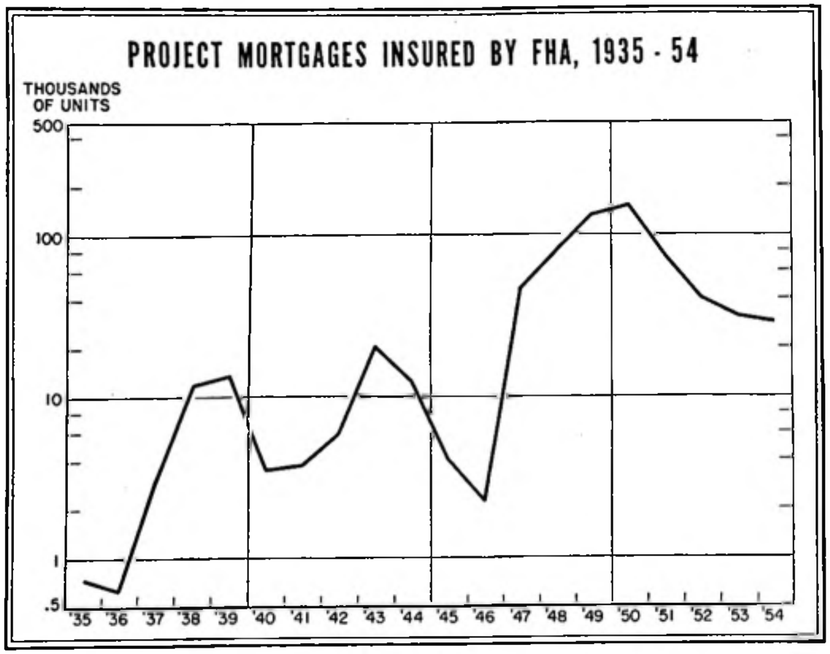

CHART 22

involved in refinancing transactions—the total representing 8 percent of the aggregate insurance written under all project programs.

The second ranking project mortgage insurance program in 1954 was the Section 803 military housing program, under which mortgages amounting to $75 million on 9,300 units were insured. Section 803 insurance has declined for the last 3 years, although the 1952 and 1953 volumes exceeded those of any other project program in those years. Through 1954 there has been some $652 million of insurance written under this program covering 81,100 dwelling units.

Insurance written during the year under the Section 213 cooperative housing program accounted for over $56 million and 6,200 dwelling units—$24 million covering 2,600 units in management-type projects and $32 million involving 3,700 units in sales-type projects. For the first time—except in 1950 when no management-type projects were insured—the volume for sales-type cooperatives exceeded that of the management-type, increasing by 54 percent over 1953 while the volume of management-type projects declined 55 percent. With respect to total insurance written through 1954 of $299 million covering 31,900 units, the volume of mortgages on management-type cooperatives surpassed that of sales-type cooperatives—$189 million and 20,400 units as compared to $109 million and 11,500 units. Mortgages under the sales-type program—all single-family dwellings—provide for the release of the individual homes to the cooperative members, who may use the insurance provisions of either Section 213 or Section 203. The Section 213 home mortgage program is discussed in the section dealing with home mortgage insurance operations elsewhere in this report.

In addition, project mortgages amounting to $9.8 million covering 1,300 dwelling units were insured under the Section 908 defense housing program in 1954, bringing the total insurance under this section to $62.5 million on 8,400 units.

Construction activity for all project programs combined declined during the year with 25,400 dwelling units reported started—a decrease of 28 percent from 1953: 33,500 units reported completed (down one-third); and 52,100 dwelling units under construction during the year—one-third below the 1953 level. At variance with this general decline, Section 207 rental housing operations moved ahead with 11,900 units reported started and 8,200 completed as compared to nearly 7,500 units and 5,500 units, respectively, in 1953. More than one-third of the project units under construction in 1954 were in Section 207 projects.

Applications received under the project programs during 1954 totaled 44,200 units—down nearly two-fifths from the preceding year. There were 24,400 dwelling units covered by commitments issued—little more than half the number for 1953. Project applications involving 34,700 units were under examination in FHA field offices at the year end. Again, activity under Section 207 increased, with 32,200 units in applications received during the year compared to 27,700 in 1953; commitments issued involving 15,100 units declined slightly, leaving 22,300 units under examination at December 31—nearly two-thirds of all the project units in this stage of processing.

Property Improvement Loan Volume

In 1954, FHA was authorized to insure qualified lenders under two sections of Title I of the National Housing Act. Section 2, enacted in 1934, provides for one of the major activities of the FHA, the insurance of property improvement loans. Section 8 was enacted in 1950, providing for the insurance of mortgages on new single-family homes for low- and moderate-income families. As previously noted, the authority to issue new commitments for the insurance of mortgages under this section was terminated by the Housing Act of 1954, with provision being made for the insurance of mortgages of this type under the new Section 203(i). Statistics on these mortgage programs are presented in the home mortgage sections of this report. The volume of property improvement loan insurance under Section 2 is analyzed in the following paragraphs.

It should be noted, initially, that property improvement loans are primarily small, short-term, unsecured loans financing the repair, alteration, and modernization of existing residential properties and the construction of new structures for other than residential purposes. Prior to October 1, 1954, the FHA insured approved lending institutions against loss up to 10 percent of the aggregate net proceeds advanced by each lender. As of that date, the co-insurance amendment of the Housing Act of 1954 became effective, limiting the amount of each claim paid by FHA to 90 percent of the calculated principal loss sustained by the lender on the transaction plus allowances permitted by regulations, thereby making the lender share in the risk. However, the total claim payments made to any institution still may not exceed the 10 percent limitation established by earlier legislation.

Information on changes in regulations, premiums, and on the scope of operations will be found in Section 1 of this report.

Table 25 shows the trend of insurance written and claims paid for the property improvement program. It should be noted that there are two totals shown for each of the years 1952 and 1953. The tabulated totals normally used are not representative of the actual business generated during these years. Therefore, for analytical purposes it was necessary to estimate volume based on the loan reports received by FHA.

TABLE 25

Property improvement loans insured and claims paid by FHA, 1934–54

Year	Loans insured			Claims paid			Cumulative claims paid as percent of cumulative loans insured
	Number	Net proceeds (000)	Average	Number	Amount (000)	Average	
1934–39	2,320,048	$821,332	$353	103,390	$23,888	$231	2.01
1940–44	2,458,920	770,782	313	85,705	25,442	297	3.10
1945–49	5,151,998	2,233,205	433	122,062	41,627	339	2.38
1950	1,447,101	693,701	479	56,446	18,148	322	2.41
1951	1,437,764	707,070	492	35,579	12,086	340	2.32
1952	1,495,741	848,327	567	33,265	11,524	346	2.18
1952 (estimated)[1]	1,816,881	1,047,358					
1953	2,244,227	1,334,287	595	37,470	14,905	400	1.99
1953 (estimated)[1]	1,832,180	1,092,277					
1954	1,506,480	890,606	591	47,488	21,047	443	2.03
Total	18,071,879	8,290,372	459	522,305	168,758	323	

[1] Estimated number and dollar amount of loans originated during the year based on a count of loan reports received.

In 1952, the Title I insurance authorization was exhausted and it was only possible for FHA to insure property improvement loans at a rate equal to the amount of the insured notes amortized each month, or approximately $70 million a month, but loan reports were received at the rate of about $100 million a month, causing a large backlog of

loans awaiting insurance to develop. As a result, the tabulated totals for 1952 understated the actual volume of loan applications received. In 1953, Congress increased the insurance authorization to $1¾ billion, thus making it possible to insure and tabulate the accumulated backlog of loans from 1952 as well as the current business. However, this return of insuring operations to a current basis distorted the tabulated totals for 1953. (See FHA 1953 Annual Report, Section 2, for a more detailed explanation.)

In 1954, over 1½ million property improvement loans with net proceeds aggregating more than $890 million were insured by FHA. Not only was the dollar volume down 18 percent from that estimated for 1953, but it was the first downtrend in this activity since 1949. The decline may be attributed to the influence of the more stringent regulations placed in effect after the initiation of agency and congressional investigations in the Spring of 1954, and to the institution of co-insurance.[9]

Nevertheless, insurance activity in 1954 continued at a high level, registering the third highest volume reported for any year since the inception of the program in 1934. As in earlier years, property improvement loans continued to be an important portion of FHA business, accounting for 29 percent of the total dollar volume insured in 1954. At the end of 1954, the total amount of insurance written under this program was $8.3 billion—nearly one-fourth of the $36 billion in loans and mortgages insured by FHA since 1934.

State Distribution of FHA Insurance

All Programs

Chart 23 depicts the dollar volume of insurance written on properties in each State under home, project, and property improvement programs for the year 1954.

Table 26 shows the number and amount of loans insured under the home mortgage, project mortgage, and property improvement programs of FHA during 1954, together with the combined dollar amount under all programs in each State and Territory of the United States. Comparable data on insurance written cumulatively to the end of 1954 are shown in Table 27. For each of the individual programs the State distribution is discussed in more detail in subsequent paragraphs of this report.

[9] Insurance written during 1954 includes 214,531 loans amounting to $125,994,700 subject to the co-insurance provisions which became effective on October 1, 1954. No claims were paid during the year on loans insured under these new provisions.

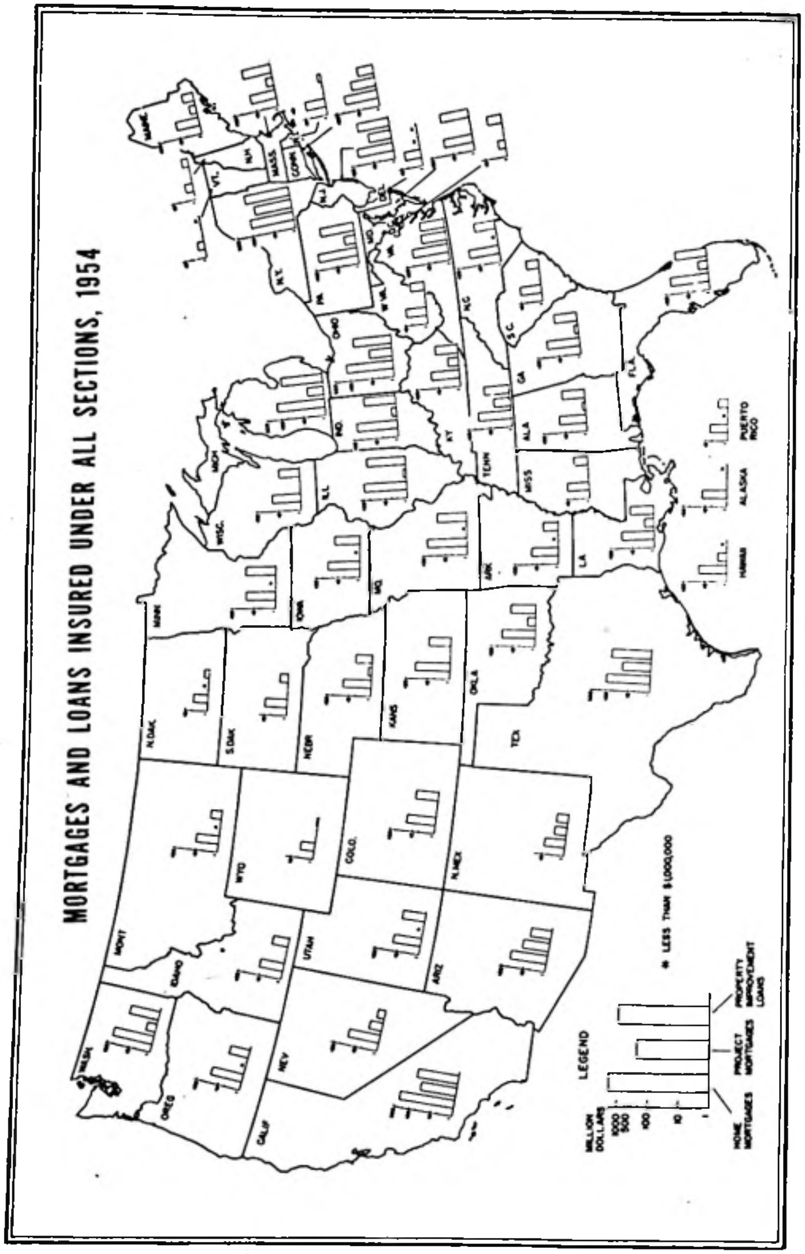

CHART 23

MORTGAGES AND LOANS INSURED UNDER ALL SECTIONS, 1954

TABLE 26

Volume of FHA-insured mortgages and loans, by State location of property, 1954

[Dollar amounts in thousands]

State	Total amount	Home mortgages		Project mortgages		Property improvement loans	
		Number	Amount	Units	Amount	Number	Net proceeds
Alabama	$31,018	2,071	$17,854	172	$1,344	21,542	$11,820
Arizona	71,354	5,724	40,540	2,112	15,951	15,283	8,803
Arkansas	21,345	1,887	15,850	78	499	7,893	4,996
California	420,571	32,384	300,879	5,415	43,436	150,617	76,256
Colorado	30,043	2,338	19,709	-------	-------	17,557	10,244
Connecticut	53,561	3,339	34,173	1,597	13,948	8,200	5,439
Delaware	6,116	603	5,916	-------	-------	327	200
District of Columbia	6,650	154	2,087	-------	-------	7,715	4,563
Florida	80,390	6,656	50,910	392	2,617	40,865	26,869
Georgia	42,829	3,751	31,362	192	1,362	18,612	10,105
Idaho	17,504	1,413	12,393	-------	-------	7,323	5,111
Illinois	147,414	9,302	89,923	142	1,254	88,402	50,237
Indiana	93,870	7,058	65,519	234	1,009	48,542	26,742
Iowa	40,769	3,228	28,065	43	447	20,897	12,256
Kansas	46,556	4,057	36,574	-------	-------	18,242	9,983
Kentucky	31,834	1,973	18,664	335	3,075	19,685	10,095
Louisiana	43,679	3,272	29,487	489	2,507	18,925	11,684
Maine	15,733	1,289	10,541	232	1,919	6,439	3,274
Maryland	42,883	2,038	21,901	-------	-------	42,694	20,982
Massachusetts	36,114	1,637	14,137	232	1,979	35,329	19,998
Michigan	219,495	15,292	141,163	645	5,217	131,993	73,114
Minnesota	43,473	2,123	21,518	12	103	37,426	21,852
Mississippi	13,406	1,205	9,244	-------	-------	7,109	4,221
Missouri	84,155	6,300	62,031	78	543	40,135	21,581
Montana	14,618	1,191	11,243	28	228	3,908	3,147
Nebraska	26,193	2,330	19,491	131	1,319	9,180	5,383
Nevada	33,078	2,503	26,865	315	3,842	2,891	2,371
New Hampshire	4,099	303	2,329	-------	-------	3,581	1,770
New Jersey	90,056	5,515	48,431	1,292	11,945	39,787	29,680
New Mexico	15,140	993	8,430	400	3,389	4,771	3,320
New York	264,529	10,024	90,924	5,910	52,219	167,272	121,386
North Carolina	33,940	2,876	24,689	76	475	14,280	8,776
North Dakota	6,092	432	4,377	16	121	2,577	1,594
Ohio	198,514	13,370	135,100	1,450	11,124	93,544	52,290
Oklahoma	47,915	4,029	31,816	248	2,276	23,128	13,823
Oregon	33,500	3,021	26,220	16	124	10,598	7,156
Pennsylvania	100,861	6,770	62,099	370	3,330	63,309	35,431
Rhode Island	9,360	850	7,933	-------	-------	2,702	1,427
South Carolina	13,326	1,124	9,547	-------	-------	6,734	3,779
South Dakota	11,605	1,126	9,243	-------	-------	3,557	2,363
Tennessee	52,855	3,778	32,803	648	5,477	27,546	14,574
Texas	180,578	12,869	100,037	2,925	20,059	109,514	60,483
Utah	28,137	1,720	17,674	12	65	17,818	10,399
Vermont	2,754	253	2,055	-------	-------	1,280	699
Virginia	74,236	4,927	45,770	1,424	14,247	26,980	14,213
Washington	90,839	7,040	66,046	285	2,561	33,904	22,232
West Virginia	12,627	933	8,490	-------	-------	7,538	4,137
Wisconsin	28,182	1,772	19,436	-------	-------	13,492	8,746
Wyoming	5,148	447	4,076	-------	-------	1,492	1,072
Alaska	13,511	716	12,882	-------	-------	406	628
Guam	521	39	486	-------	-------	27	35
Hawaii	23,041	1,939	19,908	224	2,505	718	629
Puerto Rico	9,502	811	6,255	74	631	2,165	2,616
Virgin Islands	9	1	9	-------	-------	-------	-------
United States total [1]	[2] 3,066,187	214,212	1,941,203	28,257	234,022	1,506,480	890,606

[1] Based on cases tabulated in 1954, including adjustments not distributed by States.
[2] Includes $355,826 in loans insured under Sec. 609 not distributed by States.

TABLE 27

Volume of FHA-insured mortgages and loans, by State location of property, 1934-54

[Dollar amounts in thousands]

State	Total amount	Home mortgages		Project mortgages		Property improvement loans	
		Number	Amount	Units	Amount	Number	Net proceeds
Alabama	$428, 813	41, 721	$251, 256	11, 992	$72, 757	269, 451	$104, 800
Arizona	407, 508	48, 607	310, 422	4, 628	32, 611	128, 287	64, 476
Arkansas	272, 276	36, 520	209, 481	1, 712	11, 757	119, 498	51, 038
California	4, 986, 511	602, 060	3, 771, 276	48, 447	356, 095	2, 118, 063	859, 140
Colorado	351, 344	41, 172	260, 447	3, 141	22, 417	153, 834	68, 480
Connecticut	414, 331	39, 310	279, 068	6, 766	52, 002	178, 963	83, 261
Delaware	83, 844	7, 391	46, 913	4, 155	20, 974	15, 173	6, 957
District of Columbia	241, 032	6, 984	52, 504	21, 102	142, 787	94, 448	46, 640
Florida	984, 225	110, 100	695, 124	15, 229	105, 759	349, 849	183, 342
Georgia	623, 854	50, 909	364, 567	23, 273	159, 947	234, 775	99, 340
Idaho	182, 082	20, 199	127, 238	626	4, 970	98, 586	49, 873
Illinois	1, 779, 577	160, 651	1, 068, 110	22, 362	175, 813	1, 105, 209	535, 655
Indiana	1, 034, 181	119, 309	711, 961	9, 050	66, 906	619, 536	255, 314
Iowa	334, 108	33, 939	210, 425	1, 806	14, 137	248, 869	109, 546
Kansas	526, 615	66, 808	427, 736	4, 634	29, 926	171, 052	68, 954
Kentucky	356, 535	35, 242	225, 583	6, 668	49, 021	197, 989	81, 932
Louisiana	544, 847	59, 940	401, 787	9, 140	66, 528	172, 216	76, 532
Maine	116, 678	11, 654	64, 284	2, 420	19, 383	75, 928	33, 012
Maryland	799, 585	55, 042	340, 260	43, 691	297, 520	378, 963	161, 706
Massachusetts	382, 007	21, 137	132, 869	5, 326	41, 538	462, 315	207, 601
Michigan	2, 292, 545	245, 010	1, 560, 801	10, 720	77, 314	1, 516, 369	654, 430
Minnesota	447, 232	34, 664	223, 738	6, 310	46, 337	406, 448	177, 158
Mississippi	206, 454	26, 199	140, 782	2, 722	16, 962	115, 199	48, 710
Missouri	871, 963	93, 089	607, 958	11, 293	81, 472	464, 262	182, 554
Montana	110, 624	12, 685	79, 061	837	6, 304	46, 325	25, 259
Nebraska	275, 338	34, 337	209, 388	2, 599	10, 687	103, 439	46, 203
Nevada	119, 251	12, 039	94, 870	956	8, 808	25, 186	15, 573
New Hampshire	47, 936	4, 867	25, 713	244	1, 672	46, 693	20, 551
New Jersey	1, 609, 217	136, 706	824, 165	58, 507	420, 071	631, 969	355, 081
New Mexico	187, 148	21, 619	143, 656	2, 472	21, 138	38, 747	22, 354
New York	3, 354, 217	177, 327	1, 169, 303	123, 858	1, 012, 683	1, 972, 163	1, 172, 231
North Carolina	453, 217	44, 424	276, 858	17, 433	106, 884	157, 299	69, 474
North Dakota	44, 038	3, 850	27, 061	154	1, 143	33, 344	15, 834
Ohio	1, 821, 114	176, 959	1, 202, 008	21, 582	159, 858	1, 084, 592	459, 158
Oklahoma	654, 949	85, 878	512, 574	4, 662	34, 353	254, 211	108, 022
Oregon	472, 779	52, 139	334, 967	5, 387	39, 388	217, 974	98, 423
Pennsylvania	1, 688, 308	182, 460	1, 069, 128	24, 769	187, 101	983, 971	432, 079
Rhode Island	86, 505	7, 925	50, 020	952	7, 973	64, 975	28, 512
South Carolina	263, 288	32, 889	181, 831	7, 220	44, 964	85, 653	36, 493
South Dakota	94, 103	12, 047	71, 832	729	5, 573	32, 944	16, 787
Tennessee	507, 993	67, 107	400, 216	10, 194	61, 604	350, 323	136, 173
Texas	2, 022, 902	230, 872	1, 356, 540	32, 990	226, 046	990, 587	440, 309
Utah	316, 285	34, 608	221, 336	1, 015	12, 752	178, 546	82, 198
Vermont	32, 477	4, 260	21, 425	193	1, 512	20, 532	9, 540
Virginia	926, 015	82, 579	518, 947	45, 191	293, 359	243, 727	113, 709
Washington	1, 158, 630	143, 800	887, 745	10, 267	79, 781	425, 913	191, 104
West Virginia	181, 925	23, 467	137, 062	797	3, 601	85, 445	41, 262
Wisconsin	356, 754	31, 211	210, 658	4, 104	32, 589	247, 941	113, 507
Wyoming	79, 195	11, 668	64, 148	571	4, 451	17, 054	10, 596
Alaska	83, 874	2, 673	36, 595	3, 853	45, 309	1, 720	1, 881
Guam	1, 203	72	883	-------	---------	265	320
Hawaii	128, 744	11, 485	102, 382	3, 151	24, 062	3, 163	2, 300
Puerto Rico	159, 974	15, 548	99, 563	5, 833	35, 646	29, 062	24, 764
Virgin Islands	92	10	87	-------	---------	3	5
United States total[1]	[2] 30, 000, 237	3, 634, 139	22, 814, 251	668, 342	4, 881, 334	18, 071, 879	8, 299, 372

[1] Based on cases tabulated through 1954, including adjustments not distributed by States.
[2] Includes $5,280,170 in loans insured under Sections 609 not distributed by States.

State Distribution of Home Mortgages in 1954

Home mortgages insured by the FHA in 1954 cover new- and existing-home properties in every State, the District of Columbia, Alaska, Guam, Puerto Rico, and the Virgin Islands, as indicated by Table 28.

TABLE 28

Volume of FHA-insured home mortgages, by State location, 1954

[Dollar amounts in thousands]

State	Total			New construction			Existing construction		
	Number	Amount	Units	Number	Amount	Units	Number	Amount	Units
Alabama	2, 071	$17, 854	2, 094	1, 177	$9, 541	1, 192	894	$8, 313	902
Arizona	5, 724	46, 540	5, 944	3, 588	29, 695	3, 749	2, 136	16, 845	2, 195
Arkansas	1, 887	15, 850	1, 917	832	6, 984	842	1, 055	8, 866	1, 075
California	32, 384	300, 879	34, 789	20, 014	182, 658	21, 806	12, 370	118, 221	12, 983
Colorado	2, 338	19, 799	2, 387	1, 763	14, 083	1, 799	575	5, 716	588
Connecticut	3, 339	34, 173	3, 625	858	9, 242	870	2, 481	24, 932	2, 755
Delaware	603	5, 916	604	287	2, 527	287	316	3, 389	317
District of Columbia	154	2, 087	261	85	1, 304	179	69	784	82
Florida	6, 656	50, 910	6, 673	5, 589	41, 459	5, 594	1, 067	9, 451	1, 079
Georgia	3, 751	31, 362	3, 769	1, 986	14, 345	1, 991	1, 765	17, 018	1, 778
Idaho	1, 413	12, 393	1, 439	373	3, 682	378	1, 040	8, 711	1, 061
Illinois	9, 392	89, 923	9, 486	5, 436	48, 799	5, 436	3, 956	41, 124	4, 050
Indiana	7, 658	65, 519	7, 928	4, 346	35, 976	4, 536	3, 312	29, 543	3, 392
Iowa	3, 228	28, 065	3, 247	1, 947	16, 189	1, 953	1, 281	11, 877	1, 294
Kansas	4, 057	36, 574	4, 219	2, 078	18, 625	2, 200	1, 979	17, 949	2, 019
Kentucky	1, 973	18, 664	2, 000	641	5, 463	647	1, 332	13, 201	1, 353
Louisiana	3, 272	29, 487	3, 339	1, 607	14, 169	1, 637	1, 665	15, 319	1, 702
Maine	1, 289	10, 541	1, 367	506	4, 498	493	783	6, 043	874
Maryland	2, 638	21, 901	2, 729	1, 793	13, 747	1, 866	845	8, 154	863
Massachusetts	1, 637	14, 137	1, 886	654	5, 497	657	983	8, 640	1, 229
Michigan	15, 292	141, 163	15, 615	9, 432	85, 699	9, 585	5, 860	55, 464	6, 030
Minnesota	2, 123	21, 518	2, 152	774	7, 729	778	1, 349	13, 789	1, 374
Mississippi	1, 205	9, 244	1, 209	872	6, 490	873	333	2, 754	336
Missouri	6, 360	62, 031	6, 673	2, 548	24, 381	2, 683	3, 812	37, 650	3, 990
Montana	1, 191	11, 243	1, 290	353	3, 555	356	838	7, 688	934
Nebraska	2, 336	19, 491	2, 359	1, 077	8, 539	1, 094	1, 259	10, 952	1, 265
Nevada	2, 563	26, 865	2, 973	1, 852	18, 848	2, 246	711	8, 018	727
New Hampshire	303	2, 329	320	150	1, 142	150	153	1, 188	170
New Jersey	5, 515	48, 431	5, 702	2, 825	23, 467	2, 841	2, 690	24, 964	2, 861
New Mexico	993	8, 430	1, 007	765	6, 367	775	228	2, 064	232
New York	10, 024	90, 924	10, 821	4, 413	39, 944	4, 494	5, 611	50, 980	6, 327
North Carolina	2, 876	24, 689	3, 112	1, 988	16, 493	2, 217	888	8, 197	895
North Dakota	432	4, 377	469	165	1, 805	199	267	2, 572	270
Ohio	13, 370	135, 100	14, 336	6, 683	67, 030	7, 352	6, 687	68, 070	6, 984
Oklahoma	4, 029	31, 816	4, 046	2, 193	16, 499	2, 194	1, 836	15, 317	1, 852
Oregon	3, 021	26, 220	3, 073	1, 124	9, 637	1, 146	1, 897	16, 583	1, 927
Pennsylvania	6, 770	62, 099	6, 851	4, 018	37, 049	4, 041	2, 752	25, 050	2, 810
Rhode Island	850	7, 933	960	245	2, 204	251	605	5, 729	709
South Carolina	1, 124	9, 547	1, 136	511	4, 114	512	613	5, 432	624
South Dakota	1, 126	9, 243	1, 163	590	5, 018	603	536	4, 225	560
Tennessee	3, 778	32, 803	3, 822	2, 237	19, 169	2, 245	1, 541	13, 634	1, 577
Texas	12, 869	100, 037	12, 959	7, 959	60, 520	8, 001	4, 910	39, 517	4, 958
Utah	1, 720	17, 674	1, 763	742	7, 542	759	978	10, 132	1, 004
Vermont	253	2, 055	286	68	580	74	185	1, 475	212
Virginia	4, 927	45, 776	5, 050	2, 555	22, 523	2, 633	2, 372	23, 253	2, 417
Washington	7, 040	66, 046	7, 250	1, 179	11, 201	1, 228	5, 861	54, 845	6, 022
West Virginia	933	8, 490	962	263	2, 278	264	670	6, 212	698
Wisconsin	1, 772	19, 436	2, 053	974	11, 292	1, 242	798	8, 144	811
Wyoming	447	4, 076	513	172	1, 558	178	275	2, 519	335
Alaska	716	12, 882	825	519	9, 665	581	197	3, 217	244
Guam	39	486	55	20	259	21	19	226	34
Hawaii	1, 939	19, 908	1, 992	1, 527	15, 397	1, 577	412	4, 511	415
Puerto Rico	811	6, 255	823	380	3, 251	384	431	3, 005	439
Virgin Islands	1	9	1	1	9	1	------	--------	------
Total[1]	214, 212	1, 941, 203	223, 324	116, 734	1, 020, 733	121, 690	97, 478	911, 470	101, 634

[1] Cases tabulated in 1954.

The related distribution of the dwelling units involved is shown for new and existing homes and by sections of the Act, in Table 29.

TABLE 29

Dwelling units securing FHA-insured home mortgages, by State location, 1954

State	New construction				Existing construction					
	Total	Section—			Total	Section—				
		8	203	903		8	203	213	222	903
	Units	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*
Alabama	1,192	462	703	27	902	6	896	-------	-------	-------
Arizona	3,749	188	2,041	1,520	2,195	1	807	1,386	-------	1
Arkansas	842	116	643	83	1,075	2	823	248	-------	2
California	21,806	60	16,454	5,292	12,983	2	11,523	1,433	-------	25
Colorado	1,799	799	812	188	588	2	585	-------	1	-------
Connecticut	870	-------	655	215	2,755	1	2,754	-------	-------	-------
Delaware	287	-------	100	187	317	-------	317	-------	-------	-------
District of Columbia	179	-------	179	-------	82	-------	82	-------	-------	-------
Florida	5,594	1,556	3,764	272	1,079	9	1,069	-------	-------	1
Georgia	1,901	749	1,041	201	1,778	3	1,774	-------	-------	1
Idaho	378	-------	295	83	1,061	-------	1,060	-------	-------	1
Illinois	5,436	1,010	2,716	1,710	4,050	4	4,046	-------	-------	-------
Indiana	4,536	1,144	2,508	884	3,392	4	3,387	-------	-------	1
Iowa	1,953	413	958	582	1,294	-------	1,250	43	1	-------
Kansas	2,200	103	1,636	461	2,019	2	2,017	-------	-------	-------
Kentucky	647	142	366	139	1,353	1	1,282	70	-------	-------
Louisiana	1,637	327	1,310	-------	1,702	-------	1,423	279	-------	-------
Maine	493	23	210	260	874	-------	867	-------	-------	7
Maryland	1,866	366	1,324	176	863	-------	861	-------	1	1
Massachusetts	657	137	374	146	1,229	-------	1,228	-------	1	-------
Michigan	9,585	2,117	7,146	322	6,030	11	5,877	140	-------	2
Minnesota	778	6	567	205	1,374	-------	1,374	-------	-------	-------
Mississippi	873	370	503	-------	336	3	333	-------	-------	-------
Missouri	2,683	26	1,742	915	3,990	-------	3,990	-------	-------	-------
Montana	356	3	250	103	934	-------	934	-------	-------	-------
Nebraska	1,094	363	721	10	1,265	5	1,128	129	3	-------
Nevada	2,246	-------	1,677	569	727	-------	434	293	-------	-------
New Hampshire	150	30	90	30	170	25	144	-------	-------	1
New Jersey	2,841	117	2,116	608	2,861	3	2,820	-------	-------	38
New Mexico	775	6	648	121	232	-------	231	-------	-------	1
New York	4,494	881	3,223	390	6,327	6	6,321	-------	-------	-------
North Carolina	2,217	93	1,806	318	895	-------	895	-------	-------	-------
North Dakota	199	-------	137	62	270	-------	269	-------	-------	1
Ohio	7,352	527	5,271	1,554	6,984	2	6,970	12	-------	-------
Oklahoma	2,194	908	1,208	78	1,852	8	1,596	248	-------	-------
Oregon	1,146	-------	966	180	1,927	-------	1,911	16	-------	-------
Pennsylvania	4,041	119	3,549	373	2,810	1	2,807	-------	2	-------
Rhode Island	251	9	242	-------	709	-------	709	-------	-------	-------
South Carolina	512	92	418	2	624	-------	591	-------	-------	33
South Dakota	603	87	515	1	560	3	557	-------	-------	-------
Tennessee	2,245	135	1,670	440	1,577	1	1,453	122	-------	1
Texas	8,001	2,045	5,703	253	4,958	16	4,838	103	-------	1
Utah	759	2	755	2	1,004	-------	1,004	-------	-------	-------
Vermont	74	4	70	-------	212	-------	212	-------	-------	-------
Virginia	2,633	77	1,660	896	2,417	1	2,415	-------	-------	1
Washington	1,228	86	1,134	8	6,022	1	6,018	-------	1	2
West Virginia	264	85	179	-------	698	-------	698	-------	-------	-------
Wisconsin	1,242	44	368	830	811	3	804	-------	-------	4
Wyoming	178	4	174	-------	335	-------	335	-------	-------	-------
Alaska	581	-------	581	-------	244	-------	244	-------	-------	-------
Guam	21	-------	21	-------	34	-------	34	-------	-------	-------
Hawaii	1,577	2	1,432	143	415	-------	415	-------	-------	-------
Puerto Rico	384	-------	379	5	439	-------	439	-------	-------	-------
Virgin Islands	1	-------	1	-------	-------	-------	-------	-------	-------	-------
Total [1]	121,690	15,836	85,011	20,844	101,634	126	96,851	4,522	10	125

[1] Cases tabulated in 1954.

Leading in FHA home mortgage volume in 1954 were 5 States—California, Michigan, New York, Ohio, and Texas—each with 10,000 or more mortgages and together accounting for nearly two-fifths of the national total. In most States, the 1954 volume ranged between 1,000 and 4,999 mortgages—15 States and Hawaii reporting from 1,000 to 2,499 and 12 from 2,500 to 4,999. Only 8 States, the District of Columbia and 4 Territories reported less than 1,000 mortgages insured.

New homes outnumbered existing homes in half of the States and most of the Territories—the largest new home proportions occurring in Colorado, Florida, New Mexico, and Hawaii.

In 22 States and Puerto Rico, existing homes predominated, while in two States—New Hampshire and Ohio—there was about an even distribution. As in other recent years, the greatest existing-home preponderance was reported in Washington State.

Table 29 shows that Section 203 was used in every State and Territory in 1954 and predominated in both new- and existing-home transactions with one exception—Arizona—where a larger proportion of existing-home mortgages was insured under Section 213. Section 8 insurance, in this peak year of the program, assisted the financing of new home purchases in 42 States and Hawaii, although about one-half of the properties involved were concentrated in five States—Florida, Illinois, Indiana, Michigan, and Texas. Section 903 defense housing activity was similarly widespread in 1954 with a comparable concentration (nearly half of the units) in Arizona, California, Illinois, and Ohio. Section 213 home mortgage operations were confined to 14 States, with Arizona and California accounting for five-eighths of these transactions.

Cumulative State Distribution of Home Mortgages

Table 30 shows the cumulative number and amount of home mortgages insured by FHA from 1935–54 in each State and Territory for all home mortgage programs combined, as well as the two principal home mortgage programs—Sections 203 and 603. Although the number ranged from 10 in the Virgin Islands to over 600,000 in California, the cumulative volume in the greater number of the States was between 10,000 and 60,000 mortgages. Top-ranking California, Michigan (245,000 mortgages), and Texas (231,000) together have accounted for nearly 30 percent of the total. Including with these the eight other States with more than 100,000 insured home mortgages (Florida, Illinois, Indiana, New Jersey, New York, Ohio, Pennsylvania, and Washington), the combined volume represented over half of the national total.

TABLE 30

Volume of FHA-insured home mortgages by State location, 1935–54

[Dollar amounts in thousands]

State	Total		Sec. 203		Sec. 603		Other sections [1]	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Alabama	41,721	$251,256	30,335	$190,234	9,649	$50,612	1,737	$10,410
Arizona	48,607	310,422	35,076	226,947	7,132	43,215	6,399	40,260
Arkansas	36,526	209,481	29,806	173,205	4,869	24,493	1,851	11,783
California	602,060	3,771,276	445,505	2,832,059	126,012	742,836	30,543	196,381
Colorado	41,172	260,447	34,158	222,002	5,069	29,429	1,945	9,016
Connecticut	39,310	279,068	31,272	238,217	7,527	37,340	511	3,511
Delaware	7,391	46,913	4,533	30,490	2,631	14,622	227	1,801
District of Columbia	6,984	52,504	4,203	31,811	2,780	20,691	1	3
Florida	110,100	695,124	77,791	500,500	26,895	165,132	5,414	29,493
Georgia	59,909	364,567	42,083	261,583	13,307	70,525	4,519	32,460
Idaho	20,199	127,238	19,198	120,845	527	3,104	474	3,290
Illinois	160,651	1,068,110	133,679	907,926	21,975	128,698	4,997	31,485
Indiana	119,309	711,961	99,543	587,342	15,801	93,631	3,965	30,987
Iowa	33,939	210,425	29,911	186,270	2,551	13,568	1,477	10,587
Kansas	66,898	427,736	50,894	326,183	10,329	57,646	5,675	43,907
Kentucky	35,242	225,583	29,563	191,362	4,737	27,874	942	6,348
Louisiana	59,940	401,787	45,586	314,778	12,381	75,633	1,973	11,376
Maine	11,654	64,284	9,938	53,933	1,240	6,470	476	3,881
Maryland	55,042	340,269	37,994	238,255	14,409	88,416	2,639	13,598
Massachusetts	21,137	132,869	17,175	109,728	3,076	17,275	886	5,865
Michigan	245,010	1,560,801	195,886	1,273,556	41,334	248,254	7,790	38,991
Minnesota	34,664	223,738	29,213	188,377	4,810	31,968	641	3,393
Mississippi	26,199	140,782	20,624	109,413	4,168	22,926	1,407	8,444
Missouri	93,089	607,958	84,699	559,514	7,080	38,418	1,310	10,026
Montana	12,685	79,061	12,152	74,523	334	2,849	199	1,690
Nebraska	34,337	209,388	27,545	171,875	5,868	31,520	924	5,993
Nevada	12,039	94,870	9,001	73,470	1,925	10,177	1,113	11,224
New Hampshire	4,867	25,713	4,325	22,429	337	2,173	205	1,111
New Jersey	136,706	824,165	116,320	701,485	16,615	106,257	3,771	16,423
New Mexico	21,619	143,656	17,993	119,624	2,624	16,587	1,002	7,444
New York	177,327	1,169,303	144,859	975,353	23,069	151,850	9,399	42,101
North Carolina	44,424	276,858	33,442	208,613	8,829	53,933	2,153	14,312
North Dakota	3,850	27,061	3,562	24,600	162	1,135	126	1,326
Ohio	176,959	1,202,098	148,111	1,022,277	24,771	146,767	4,077	33,054
Oklahoma	85,878	512,574	65,191	388,389	17,706	101,697	2,981	22,488
Oregon	52,139	334,967	44,229	290,067	6,845	40,369	1,065	4,531
Pennsylvania	182,460	1,069,128	149,211	866,233	31,443	193,118	1,806	9,777
Rhode Island	7,925	50,020	6,613	43,141	1,263	6,730	49	149
South Carolina	32,889	181,831	23,542	126,254	6,378	34,137	2,969	21,440
South Dakota	12,047	71,832	11,148	64,777	520	3,439	379	3,616
Tennessee	67,107	400,216	48,430	286,591	15,977	96,140	2,700	17,485
Texas	230,872	1,356,546	166,159	1,007,168	52,028	281,987	12,685	67,392
Utah	34,608	221,336	26,477	177,482	7,920	42,924	211	929
Vermont	4,260	21,425	3,960	20,006	283	1,372	17	47
Virginia	82,579	518,947	58,068	388,880	18,806	102,931	5,705	27,136
Washington	143,806	887,745	121,297	769,106	19,076	103,235	3,433	15,403
West Virginia	23,467	137,062	22,019	130,239	1,325	6,224	123	599
Wisconsin	31,211	210,658	25,597	173,427	4,425	25,510	1,189	11,721
Wyoming	11,668	64,148	10,440	57,284	1,125	6,582	103	282
Alaska	2,673	36,595	2,651	36,525	1	7	21	63
Guam	72	883	72	883				
Hawaii	11,485	102,382	10,663	95,988	544	3,677	278	2,718
Puerto Rico	15,548	99,563	11,381	80,382	4,162	19,146	5	35
Virgin Islands	10	87	8	74	2	13		
Total [2]	3,634,130	22,814,251	2,863,131	18,271,673	624,652	3,645,260	146,356	897,317

[1] Includes Secs. 2, 8, 213, 222, 603–610, 611, and 903.
[2] Cases tabulated through Dec. 31, 1954, including adjustments not distributed by States.

State Distribution of Project Mortgages

Two-fifths of the dwelling units securing mortgages insured under the project programs during 1954 were located in the States of New York (21 percent) and California (19 percent). With the addition of 6 States—Texas, Arizona, Connecticut, Ohio, Virginia, and New Jersey (ranked by volume)—about four-fifths of the units insured during the year are accounted for. Each of these 8 States had a volume in excess of 1,000 units. No project insurance was written in 14 States, the District of Columbia, Alaska, or Guam (Table 31).

As shown in Table 32, the highest volumes of insurance written for the year were under Sections 207 and 803, with the bulk of insurance for the two high volume States under these sections—New York accounting for one-third of Section 207 units and California accounting for more than two-fifths of Section 803 activity. The States of New York, Texas, and Virginia accounted for nearly three-fifths of the volume under Section 207 and the same proportion under Section 803 was attributable to California and Texas.

Although the volume of insurance under the Section 213 cooperative housing program was down nearly one-fifth this year, there was much greater dispersion of project activity, with 17 States participating as compared to only 6 States during 1953. Most of this wider geographical distribution reflected the insurance of sales-type cooperatives. However, projects located in the high-volume State, New York—accounting for one-third of the program—were exclusively management type. Management type projects were insured also in Pennsylvania, California, and Ohio. Arizona, the second ranking State (all sales-type), accounted for one-fourth of the Section 213 insuring activity.

Table 31 shows the geographical distribution of projects insured under the combined FHA programs from 1935 through 1954 and Table 32 shows the proportion of activity for the various sections. To date, New York is by far the leading State, with nearly one-fifth of all insured project units. The second ranking State—New Jersey—has accounted for only 9 percent of the units. Other States having volumes in excess of 20,000 units, ranked by volume, are California, Virginia, Maryland, Texas, Pennsylvania, Georgia, Illinois, Ohio, and the District of Columbia. Combined, these leading States have accounted for seven of every ten units insured. As will be noted from the table, there has been some project activity in every State,

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the District of Columbia, Alaska, Hawaii, and Puerto Rico, with the bulk—70 percent—under the Section 608 program. Section 207—the leading program for 1954—now accounts for a little more than one-tenth of all the units insured through 1954.

TABLE 31

Volume of FHA-insured multifamily housing mortgages, by State location, 1954 and 1935–54

[Dollar amounts in thousands]

State	1954			1935–54		
	Number	Amount	Units	Number	Amount	Units
Alabama	2	$1,344	172	232	$72,757	11,992
Arizona	49	15,951	2,112	104	32,611	4,628
Arkansas	1	499	78	54	11,757	1,712
California	49	43,436	5,415	1,062	356,095	48,447
Colorado	------	------	------	71	22,417	3,141
Connecticut	7	13,948	1,597	74	52,002	6,760
Delaware	------	------	------	19	29,974	4,155
District of Columbia	------	------	------	180	142,787	21,102
Florida	1	2,617	392	337	105,759	15,229
Georgia	2	1,362	192	182	159,947	23,273
Idaho	------	------	------	9	4,970	626
Illinois	3	1,254	142	297	175,813	22,362
Indiana	2	1,609	234	141	66,906	9,050
Iowa	1	447	43	31	14,137	1,806
Kansas	------	------	------	86	29,926	4,634
Kentucky	3	3,075	335	103	49,021	6,668
Louisiana	13	2,507	489	106	66,528	9,140
Maine	1	1,919	232	19	19,383	2,420
Maryland	------	------	------	327	297,520	43,691
Massachusetts	2	1,979	232	50	41,538	5,326
Michigan	9	5,217	645	265	77,314	10,720
Minnesota	1	103	12	157	46,337	6,310
Mississippi	------	------	------	44	16,062	2,722
Missouri	2	543	78	163	81,472	11,293
Montana	1	228	28	8	6,304	837
Nebraska	1	1,319	131	64	10,687	2,599
Nevada	16	3,842	315	30	8,808	956
New Hampshire	------	------	------	7	1,672	244
New Jersey	11	11,945	1,292	576	429,071	58,507
New Mexico	1	3,389	400	17	21,138	2,472
New York	41	52,219	5,910	936	1,012,683	123,858
North Carolina	1	475	76	127	106,884	17,433
North Dakota	1	121	16	9	1,143	154
Ohio	14	11,124	1,450	322	159,858	21,582
Oklahoma	6	2,276	248	147	34,353	4,662
Oregon	1	124	16	143	39,388	5,387
Pennsylvania	5	3,330	379	403	187,101	24,769
Rhode Island	------	------	------	12	7,973	952
South Carolina	------	------	------	92	44,964	7,229
South Dakota	------	------	------	12	5,573	729
Tennessee	5	5,477	648	143	61,604	10,194
Texas	17	20,059	2,925	453	226,046	32,990
Utah	1	65	12	25	12,752	1,615
Vermont	------	------	------	7	1,512	193
Virginia	9	14,247	1,424	379	293,359	45,191
Washington	2	2,561	285	127	79,781	10,267
West Virginia	------	------	------	15	3,001	797
Wisconsin	------	------	------	166	32,589	4,104
Wyoming	------	------	------	6	4,451	571
Alaska	------	------	------	34	45,309	3,853
Hawaii	2	2,505	224	59	24,062	3,151
Puerto Rico	1	631	74	28	35,646	5,833
Total	283	234,022	28,257	8,450	4,881,334	668,342

TABLE 32

Dwelling units securing FHA-insured multifamily housing mortgages, by State location, 1954 and 1935–54

State	1954					1935–54					
	All Secs.	Sec. 207	Sec. 213	Sec. 803	Sec. 908	All Secs.[1]	Sec. 207	Sec. 213	Sec. 608	Sec. 803	Sec. 908
	Units	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*	*Units*
Alabama	172	32	------	140	------	11,092	674	------	10,275	1,005	38
Arizona	2,112	547	1,565	------	------	4,628	837	1,565	947	1,119	------
Arkansas	78	------	78	------	------	1,712	211	569	932	------	------
California	5,415	174	684	4,048	509	48,447	4,783	7,142	21,575	12,922	994
Colorado	------	------	------	------	------	3,141	251	------	1,896	680	264
Connecticut	1,597	816	------	450	331	6,700	1,160	60	3,013	450	2,083
Delaware	------	------	------	------	------	4,155	364	------	3,771	------	------
District of Columbia	------	------	------	------	------	21,102	2,065	------	19,037	------	------
Florida	392	------	------	392	------	15,229	324	68	10,660	4,168	------
Georgia	192	92	------	100	------	23,273	1,592	104	18,882	2,150	200
Idaho	------	------	------	------	------	626	------	------	571	------	55
Illinois	142	142	------	------	------	22,362	2,247	35	17,012	3,052	16
Indiana	234	176	------	------	58	9,050	1,514	------	6,065	510	961
Iowa	43	------	43	------	------	1,806	172	43	1,591	------	------
Kansas	------	------	------	------	------	4,634	206	------	3,243	823	12
Kentucky	335	------	70	265	------	6,668	682	70	2,247	3,465	204
Louisiana	489	208	281	------	------	9,140	921	281	7,071	692	------
Maine	232	------	------	232	------	2,420	------	------	688	1,732	------
Maryland	------	------	------	------	------	43,691	3,900	182	34,221	4,794	108
Massachusetts	232	82	------	150	------	5,326	594	------	3,186	1,502	44
Michigan	645	506	139	------	------	10,720	1,882	463	7,214	661	------
Minnesota	12	12	------	------	------	6,310	1,273	------	5,037	------	------
Mississippi	------	------	------	------	------	2,722	12	------	1,852	858	------
Missouri	78	78	------	------	------	11,293	1,734	------	9,439	120	------
Montana	28	------	------	------	28	837	------	------	135	592	110
Nebraska	131	------	131	------	------	2,599	------	202	1,786	611	------
Nevada	315	------	315	------	------	956	------	315	240	401	------
New Hampshire	------	------	------	------	------	244	------	------	244	------	------
New Jersey	1,292	892	------	400	------	58,507	4,559	52	51,451	1,983	462
New Mexico	400	------	------	400	------	2,472	------	------	277	2,195	------
New York	5,910	3,679	2,231	------	------	123,858	16,444	18,843	85,807	1,642	------
North Carolina	76	76	------	------	------	17,433	2,494	------	9,107	5,571	176
North Dakota	16	16	------	------	------	154	16	------	43	------	95
Ohio	1,450	722	40	528	160	21,582	1,933	88	16,207	2,528	816
Oklahoma	248	------	248	------	------	4,662	132	667	2,974	500	389
Oregon	16	------	16	------	------	5,387	134	16	5,155	------	82
Pennsylvania	379	59	126	------	196	24,769	3,381	595	19,474	400	469
Rhode Island	------	------	------	------	------	952	36	------	210	706	------
South Carolina	------	------	------	------	------	7,220	290	------	6,329	585	------
South Dakota	------	------	------	------	------	729	70	------	258	401	------
Tennessee	648	24	124	500	------	10,194	965	324	6,915	1,740	------
Texas	2,925	1,435	103	1,387	------	32,990	4,683	103	19,432	8,772	------
Utah	12	12	------	------	------	1,615	24	------	737	854	------
Vermont	------	------	------	------	------	193	56	------	137	------	------
Virginia	1,424	1,353	25	46	------	45,191	10,196	25	29,700	4,329	501
Washington	285	85	------	200	------	10,267	498	------	6,369	3,100	300
West Virginia	------	------	------	------	------	707	188	------	209	------	------
Wisconsin	------	------	------	------	------	4,104	235	41	3,828	------	------
Wyoming	------	------	------	------	------	571	------	------	71	500	------
Alaska	------	------	------	------	------	3,853	1,496	------	2,357	------	------
Hawaii	224	224	------	------	------	3,151	224	------	850	2,077	------
Puerto Rico	74	------	------	74	------	5,833	------	------	4,947	886	------
Total	28,257	11,442	6,220	9,310	1,282	668,342	75,452	31,853	465,683	81,076	8,379

[1] Includes 3,915 units and 1,984 units insured under Secs. 608–610 and 611 respectively. State distribution of these un'ts same as reported in 1953 report.

State Distribution of Property Improvement Loans

As shown in Table 33, the FHA insured during 1954 more than 167,000 property improvement loans for $121 million which were made to repair or maintain properties located in the State of New York. This heavy concentration of business made up 14 percent of the year's volume, far exceeding the amount insured on properties in any other State. California ranked second with $76 million in proceeds to borrower, followed by Michigan ($73 million) and Texas ($60 million). In each of these 4 States, more than 100,000 properties were improved, with the four States accounting for $331 million—37 percent of the $890 million total. These data pertain to the location of the property improved and do not necessarily reflect the location of the lending institution.

TABLE 33

Volume of FHA-insured property improvement loans by State location of property, 1954

State	Loans insured		
	Number	Net proceeds (000)	Average
Alabama	21,542	$11,820	$549
Arizona	15,283	8,863	580
Arkansas	7,893	4,996	633
California	150,617	76,250	506
Colorado	17,557	10,244	583
Connecticut	8,200	5,439	663
Delaware	327	200	611
District of Columbia	7,715	4,563	591
Florida	40,865	26,869	657
Georgia	18,612	10,105	543
Idaho	7,323	5,111	698
Illinois	88,402	56,237	636
Indiana	48,542	26,742	551
Iowa	20,897	12,256	587
Kansas	18,242	9,983	547
Kentucky	19,685	10,095	513
Louisiana	18,925	11,684	617
Maine	6,439	3,274	508
Maryland	42,694	20,982	491
Massachusetts	35,329	19,998	566
Michigan	131,993	73,114	554
Minnesota	37,426	21,852	584
Mississippi	7,109	4,221	594
Missouri	40,135	21,681	538
Montana	3,908	3,147	805
Nebraska	9,180	5,383	586
Nevada	2,891	2,371	820
New Hampshire	3,581	1,770	494
New Jersey	39,787	$29,680	$746
New Mexico	4,771	3,320	696
New York	167,272	121,386	726
North Carolina	14,280	8,776	615
North Dakota	2,577	1,594	618
Ohio	93,544	52,290	559
Oklahoma	23,128	13,823	598
Oregon	10,598	7,156	675
Pennsylvania	63,309	35,431	560
Rhode Island	2,702	1,427	528
South Carolina	6,734	3,779	561
South Dakota	3,557	2,363	664
Tennessee	27,546	14,574	529
Texas	109,514	60,483	552
Utah	17,818	10,309	584
Vermont	1,280	699	546
Virginia	26,980	14,213	527
Washington	33,004	22,232	656
West Virginia	7,538	4,137	549
Wisconsin	13,492	8,746	648
Wyoming	1,492	1,072	719
Alaska	466	628	1,349
Hawaii	718	629	876
Puerto Rico	2,165	2,616	1,208
Guam	27	35	1,310
Total [1]	1,506,480	890,606	591

[1] Includes adjustments.

With respect to the State distribution of the cumulative total of $8.3 billion in property improvement loans insured through the year end, Table 34 shows that this distribution is quite similar to that

TABLE 34

Volume of FHA-insured property improvement loans and claims paid, by State location, 1934–54

State	Loans insured			Claims paid			Percent of claims paid to loans insured
	Number	Net proceeds (000)	Average	Number	Amount (000)	Average	
Alabama	269,451	$104,800	$389	9,065	$2,267	$250	2.16
Arizona	128,287	64,470	503	3,119	1,265	406	1.96
Arkansas	119,498	51,038	427	5,688	1,631	287	3.19
California	2,118,063	859,140	406	50,203	19,864	336	2.31
Colorado	153,834	68,480	445	3,267	1,156	354	1.69
Connecticut	178,963	83,261	465	5,653	2,009	355	2.41
Delaware	15,173	6,057	459	621	222	358	3.20
District of Columbia	94,448	46,640	494	3,454	1,069	309	2.29
Florida	349,849	183,312	524	12,250	4,355	356	2.38
Georgia	234,775	99,340	423	8,583	2,457	286	2.47
Idaho	98,586	49,873	506	3,162	1,255	397	2.52
Illinois	1,105,209	535,655	485	24,554	8,115	330	1.51
Indiana	619,536	255,314	412	19,376	5,356	270	2.10
Iowa	248,869	109,546	440	6,690	2,215	331	2.02
Kansas	171,052	68,951	403	4,835	1,316	272	1.91
Kentucky	197,989	81,932	414	5,508	1,694	308	2.07
Louisiana	172,216	76,532	444	5,746	1,363	237	1.78
Maine	75,928	33,012	435	3,081	1,017	330	3.08
Maryland	378,963	161,796	427	9,711	2,844	293	1.76
Massachusetts	462,315	207,601	449	14,709	4,902	333	2.36
Michigan	1,516,369	654,430	432	41,962	12,659	302	1.93
Minnesota	406,448	177,158	436	8,319	2,804	337	1.58
Mississippi	115,199	48,710	423	7,146	1,816	254	3.73
Missouri	464,262	182,554	393	13,091	3,637	278	1.99
Montana	46,825	25,259	539	1,333	523	393	2.07
Nebraska	103,439	46,263	447	2,658	860	327	1.88
Nevada	25,186	15,573	618	518	263	508	1.69
New Hampshire	46,693	20,551	440	2,228	722	324	3.51
New Jersey	631,960	355,981	563	24,444	8,051	329	2.26
New Mexico	38,747	22,354	577	1,304	494	379	2.21
New York	1,072,163	1,172,231	594	55,556	23,183	417	1.98
North Carolina	157,290	69,474	442	5,672	1,594	281	2.30
North Dakota	33,344	15,834	475	1,294	452	349	2.86
Ohio	1,084,592	459,158	423	25,309	8,199	324	1.79
Oklahoma	254,211	108,022	425	6,831	1,865	273	1.73
Oregon	217,074	98,423	452	6,472	2,236	345	2.27
Pennsylvania	983,971	432,079	439	29,952	9,051	302	2.09
Rhode Island	64,975	28,512	439	1,696	537	317	1.88
South Carolina	85,653	36,493	426	3,568	951	267	2.61
South Dakota	32,944	16,787	510	973	376	386	2.24
Tennessee	350,323	136,173	389	9,176	2,653	289	1.95
Texas	990,587	440,309	444	27,002	7,209	258	1.64
Utah	178,546	82,198	460	3,972	1,552	391	1.89
Vermont	20,532	9,540	465	1,548	571	369	5.98
Virginia	243,727	113,709	467	6,168	2,020	327	1.78
Washington	425,913	191,104	449	10,921	3,371	309	1.76
West Virginia	85,445	41,262	483	2,799	1,084	387	2.63
Wisconsin	247,041	113,507	458	6,327	2,193	347	1.93
Wyoming	17,654	10,596	600	483	241	498	2.27
Alaska	1,729	1,881	1,088	56	31	559	1.67
Hawaii	3,163	2,300	727	10	5	512	0.22
Puerto Rico	29,962	24,764	827	4,137	1,209	292	4.88
Virgin Islands	3	5	1,807	------	------	------	------
Guam	265	320	1,207	1	1	811	0.25
Total [1]	18,071,879	8,200,372	450	522,395	168,759	323	2.03

[1] Includes adjustments.

reported for 1954 alone. More than a million home owners in each of the five leading States have benefited by this FHA program. The leaders, based on dollar volume, are New York ($1.2 billion), California ($859 million), Michigan ($654 million), Illinois ($536 million), and Ohio ($459 million). With a combined total of almost $3.7 billion, these States have accounted for some 44 percent of insurance written since 1934.

The largest volume of claims submitted under this program has involved properties located in New York ($23 million), California ($20 million), and Michigan ($13 million) with defaulted loans on properties in each of these States resulting in approximately 50,000 claims since 1935. These three States have accounted for one-third of the total amount of all claim payments. If the next 4 ranking States are included—Pennsylvania ($9 million), and Ohio, Illinois, and New Jersey (each with $8 million in claims), the total is brought to $89 million or slightly more than one-half of the $169 million in claims paid to all Title I lenders.

The cumulative claim ratio increased from 1.99 percent as of December 31, 1953, to 2.03 percent at the end of 1954. It may be noted, however, that—with the exception of 1953—the 1954 ratio is lower than that reported for any other year since 1936. The table shows that the majority of the States reporting relatively large volumes of property improvement loans insured had claim ratios below the national average. The main exception to this was California, which has reported claims aggregating 2.31 percent of the total amount of insurance written.

Not only are the property improvement loans relatively concentrated in a small number of States, but the program tends to center around the larger urban areas. Table 35 indicates that 10,000 or more loans were insured on properties in each of 29 Standard Metropolitan Areas in 1954. More than half ($452 million) of the aggregate proceeds of all insured loans was used for modernization work in these areas during 1954.

The New York-Northeastern New Jersey area exceeded all other metropolitan areas, reporting $94 million in loans. This was double the $47 million reported for Detroit, the next ranking area. Five additional areas—Chicago, Los Angeles, Baltimore, Minneapolis-St. Paul, and Houston—reported more than 25,000 loans each in 1954. When these areas are combined with New York-Northeastern New Jersey and Detroit, the seven areas accounted for $3 of every $10 in net proceeds insured in 1954.

On a cumulative basis, the same general pattern of operations is evident. New York-Northeastern New Jersey, reporting $1 billion in loans since 1934, leads all other areas in the country. When it is combined with Los Angeles ($434 million), Chicago ($433 million), and Detroit ($418 million), the 4 areas account for one-fourth of the national total. In addition, it may be noted that the $2.3 billion attributable to these four centers exceeds the $2.0 billion in insurance reported on properties outside the 172 Standard Metropolitan Areas in the entire United States.

TABLE 35

Property improvement loans insured in selected metropolitan areas 1954 and 1934–54

Standard metropolitan area [1]	1954		1934–54	
	Number of loans	Net proceeds	Number of loans	Net proceeds
Baltimore, Md	31, 533	$14, 842, 887	284, 754	$117, 176, 471
Boston, Mass	19, 140	10, 938. 811	239, 163	107, 835, 682
Buffalo, N. Y	17, 543	10, 627, 859	157, 269	78, 373, 034
Chicago, Ill	68, 940	44, 958, 286	863, 400	433, 242, 178
Cincinnati, Ohio	10, 110	5, 124, 720	112, 110	45, 359, 914
Cleveland, Ohio	14, 614	10, 219, 825	184, 965	94. 543, 826
Columbus, Ohio	12, 306	6, 095, 325	121, 072	46, 689, 427
Dallas, Tex	17, 160	8, 289, 079	167, 044	64, 501, 507
Denver, Colo	13, 103	7, 016, 295	106, 496	44, 977, 098
Detroit, Mich	84, 849	46, 546, 060	931, 506	418, 221, 789
Flint, Mich	10, 206	5, 364. 203	112, 724	42, 977, 952
Fort Worth, Tex	11, 423	5, 897, 650	91, 553	40, 436, 488
Houston, Tex	25, 230	12, 072, 269	235, 979	96, 917, 314
Indianapolis, Ind	13, 217	7, 160, 516	165. 177	66, 017, 021
Kansas City, Mo	18, 192	9, 520, 638	186, 430	71, 351, 529
Los Angeles, Calif	79, 570	40, 022, 175	1, 086, 218	434, 137, 764
Louisville, Ky	12, 909	6, 644, 089	129, 285	53, 301, 267
Miami, Fla	13, 188	8, 633. 367	195, 444	51, 934, 297
Minneapolis-St. Paul, Minn	25, 652	14, 577, 217	263, 181	113, 788, 194
New York-Northeastern New Jersey	118, 599	94, 159, 689	1, 578, 391	1, 006, 796, 230
Philadelphia, Pa	20, 533	11, 393, 447	306, 899	172, 358, 982
Phoenix, Ariz	10, 566	6, 632, 307	78, 110	36, 216, 823
Pittsburgh, Pa	18, 809	11, 351, 877	285, 152	125, 649, 125
St. Louis, Mo	24, 210	12, 996, 209	203, 378	115, 372, 980
San Antonio, Tex	10, 605	5. 044, 024	85, 729	35, 562, 912
San Diego, Calif	10, 002	5, 112, 551	105, 034	47, 351, 202
San Francisco-Oakland, Calif	21, 937	10, 719, 622	364, 984	147. 151, 385
Seattle, Wash	11, 578	8, 079, 655	152, 650	70, 937, 134
Washington, D. C	20, 440	11, 876, 222	198, 582	97. 114, 476
Total, 29 standard metropolitan areas	766, 164	451, 725, 874	9, 072, 679	4, 276, 294, 001
Total remaining continental standard metropolitan areas	386, 282	215, 486, 007	4, 713, 773	2, 023, 015, 980
Total continental standard metropolitan areas	1, 152, 446	667, 211, 881	13, 786, 452	6, 299, 309, 981
Outside standard metropolitan areas	354, 034	223, 394, 491	4, 285, 427	2, 000, 061, 844
Grand total	1, 506, 480	890, 606, 372	18, 071, 879	8, 299, 371, 825

[1] Includes those standard metropolitan areas in which 10,000 or more loans were insured in 1954.

Lending Institution Activity

Only FHA-approved financial institutions may originate or hold FHA-insured loans and mortgages. This approval is automatically extended to certain Federal, State, and municipal government agencies. Members of the Federal Reserve System and institutions participating in the Federal Savings and Loan Insurance and Federal Deposit Insurance systems are approved upon application. Other applicant institutions may obtain approval if they meet certain prescribed qualifications and comply with regulations established for such approval.

Table 36 shows the participation of the different types of lending institutions in the financing of mortgages and loans insured during 1954 and the distribution by type of lender of mortgages and loans held in portfolio at the year end.

Leading in the combined dollar volume of financing in 1954 were the commercial banks—national and State chartered—accounting for half of all insurance written. These institutions also led in financing project mortgages and property improvement loans and were the second largest lenders on home mortgages. Ranking next were mortgage companies, the leaders in financing home mortgages. These in turn were followed by savings and loan associations active in financing home mortgage and property improvement loans, and insurance companies operating principally in the home mortgage field.

As Table 36 shows, insurance companies held the largest volume of FHA-insured mortgages and loans in force at the year end, $7.3 billion or 34 percent of the total, principally in home and project mortgages. Commercial banks with portfolios totaling $6.8 billion accounted for over 31 percent of the aggregate amount of FHA insurance in force. About three-fifths of this represented home mortgages, and one-third property improvement loans. Next in rank were savings banks with 18 percent or nearly $4.0 billion, of which 58 percent covered home mortgages and 41 percent project mortgages.

The remaining $3.5 billion or 17 percent of the insured mortgages and loans in force were nearly all held by savings and loan associations, mortgage companies, and Federal agencies.

Home Mortgage Financing in 1954

Over 4,300 financial institutions were active in the original financing of FHA-insured home mortgages in 1954. As shown in Table 37, mortgage companies continued to lead, with 35 percent ($682 million) of the total, followed by national banks with 22 percent ($426 million). Ranking next, but with significantly lower portions, were State banks, insurance companies, and savings and loan associations, each with about one-eighth of the total. For all types of institutions combined,

TABLE 36

Financing and holding of FHA-insured mortgages and loans, 1954

[Dollar amounts in thousands]

Type of institution	Financed during 1954				Held as of Dec. 31, 1954			
	Total [1]	Home mortgages	Project mortgages	Property improvement loans [2]	Total	Home mortgages	Project mortgages	Property improvement loans [2]
	Number of mortgages or loans							
National bank	841,636	46,697	47	794,892	2,673,201	358,941	310	2,314,040
State bank	481,642	25,604	57	455,981	1,491,162	213,044	466	1,277,652
Mortgage company	77,988	77,885	103	[3]	41,691	28,650	352	12,689
Insurance company	23,120	23,026	27	67	786,223	782,494	3,550	179
Savings and loan association	159,977	24,574	3	135,460	445,654	167,413	65	278,176
Savings bank	51,108	12,205	29	38,874	380,024	304,011	2,126	72,987
Federal agency	------	------	------	[3]	88,556	88,259	111	186
All other [4]	84,079	3,756	17	81,206	375,143	33,837	345	340,961
Total	1,720,450	213,747	283	1,506,480	6,281,744	1,977,540	7,325	4,296,870
	Face amount of mortgages and net proceeds of loans							
National bank	$943,099	$426,039	$55,897	$461,163	$4,134,184	$2,001,267	$88,964	$1,443,953
State bank	592,798	242,637	78,822	271,339	2,685,301	1,503,016	362,902	819,473
Mortgage company	730,530	681,611	48,919	[3]	501,436	215,890	275,239	10,307
Insurance company	238,976	228,412	10,524	40	7,264,145	5,728,724	1,535,289	132
Savings and loan association	291,230	209,055	1,135	81,039	1,405,117	1,199,808	20,615	184,694
Savings bank	167,874	113,593	33,980	20,301	3,957,785	2,299,847	1,613,844	44,094
Federal agency	------	------	------	[3]	826,999	702,531	124,308	160
All other [4]	98,569	37,100	4,745	56,724	849,443	239,985	351,614	257,845
Total	3,063,076	1,938,448	234,022	890,606	21,624,502	14,491,067	4,372,775	2,760,660
	Percentage distribution of amount							
National bank	30.8	22.0	23.9	51.7	19.1	17.9	2.0	52.3
State bank	19.4	12.5	33.7	30.5	12.4	10.4	8.3	29.7
Mortgage company	23.8	35.2	20.9	[3]	2.3	1.5	6.3	.4
Insurance company	7.8	11.8	4.5	[5]	33.6	39.5	35.1	[5]
Savings and loan association	9.5	10.8	.5	9.1	6.5	8.3	.5	6.7
Savings bank	5.5	5.8	14.5	2.3	18.3	15.9	36.9	1.6
Federal agency	------	------	------	[3]	3.8	4.8	2.9	[5]
All other [4]	3.2	1.9	2.0	6.4	4.0	1.7	8.0	9.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] On this and following tables data include only cases tabulated through year end.
[2] Estimated.
[3] These institutions sold more notes than they originated in 1954.
[4] On this and following lending institution tables includes industrial banks, finance companies, endowed institutions, private and State benefit funds, etc.
[5] Less than 0.05 percent.

the amount of FHA mortgages financed during 1954 was 14 percent lower than in the previous year. Only savings banks registered an increase (7 percent), while the largest decline—nearly one-fourth—was reported for State banks. In terms of relative shares of financing, the only significant changes were, therefore, in State banks (declining from 14 to 12½ percent) and savings banks (increasing from 5 to 6 percent).

Lenders' relative participation varied from program to program. Mortgage companies were proportionately more active under Sections

TABLE 37

Financing FHA-insured home mortgages by type of institution, 1954

[Dollar amounts in thousands]

Type of institution	Number of institutions	Number of mortgages	Face amount	Percent of amount	Number of institutions	Number of mortgages	Face amount	Percent of amount
	All Secs. [1]				Sec. 8			
National bank	(2)	46,697	$426,039	22.0	59	1,339	$7,556	8.4
State bank	(2)	25,604	242,637	12.5	59	723	3,976	4.4
Mortgage company	(2)	77,885	681,611	35.2	120	9,312	52,482	58.7
Insurance company	(2)	23,026	228,412	11.8	18	365	2,057	2.3
Savings and loan association	(2)	24,574	209,055	10.8	180	3,641	20,288	22.7
Savings bank	(2)	12,205	113,593	5.8	25	363	2,022	2.3
Federal agency	(2)	---	---	---	---	---	---	---
All other	(2)	3,756	37,100	1.9	7	201	1,084	1.2
Total	(2)	213,747	1,938,448	100.0	468	15,944	89,465	100.0
	Sec. 203 [3]				Sec. 903			
National bank	1,103	42,806	392,047	24.0	14	2,219	23,252	13.6
State bank	1,212	23,577	226,309	13.8	22	1,246	12,007	7.1
Mortgage company	648	52,872	487,746	29.8	90	13,226	121,383	71.2
Insurance company	314	22,180	221,334	13.5	4	118	1,083	.6
Savings and loan association	816	19,926	178,857	10.9	27	1,007	9,910	5.8
Savings bank	227	11,825	111,329	6.8	1	15	216	.1
Federal agency	---	---	---	---	---	---	---	---
All other	35	1,933	18,658	1.2	7	325	2,759	1.6
Total	4,355	175,119	1,636,281	100.0	165	18,156	170,610	100.0

[1] Includes Secs. 213–H and 222 and excludes Sec. 611–H mortgages.
[2] Not available.
[3] Excludes Secs. 203(h), (i), and 223 public housing cases.

8, 213, and 903 than under Section 203. National and State banks, on the other hand, were relatively more active under Section 203 than under the other sections. Savings and loan associations were second in origination of Section 8 insured home loans.

As indicated by the following summary, commercial banks and insurance companies financed larger proportions of FHA home mortgages in 1954 than VA-guaranteed or conventionally financed mortgages. (See footnotes for data sources and methods of calculation.) Mortgage companies' share of FHA financing was somewhat smaller than their share of VA-guaranteed loans but significantly higher than their share of conventional mortgages. Savings and loan associations, originating over half of the conventional mortgages closed in 1954 and one-fifth of the VA mortgages, accounted for only one-tenth of the FHA home mortgages insured in 1954.

Type of institution [1]	FHA-insured [2]	VA-guaranteed [3]	Conventional [4]	Total recordings [5]
	Percentage distribution			
Commercial bank	34.5	12.1	22.0	21.1
Mortgage company and miscellaneous	37.1	47.6	11.1	21.3
Insurance company	11.8	6.1	9.2	8.8
Savings and loan association	10.8	20.9	51.8	41.3
Savings bank	5.8	13.3	5.9	7.5
Total	100.0	100.0	100.0	100.0

[1] Excludes individuals.
[2] Based on FHA tabulations of 1- to 4-family home mortgages insured.
[3] Based on Veterans' Administration tabulation of amount of home loans closed.
[4] Calculated on basis of amount of nonfarm mortgages of $20,000 or less recorded (estimated by Home Loan Bank Board) less amounts of FHA-insured and VA-guaranteed home mortgages. Distribution is only approximate because of differentials in coverage and time period of other three series.
[5] Based on Home Loan Bank Board estimates of total nonfarm mortgages of $20,000 or less recorded.

TABLE 38

Type of financing institution by States, single-family home mortgages, Sec. 203, 1954

State of property	National banks	State banks	Savings and loan associations	Mortgage companies	Insurance companies	Savings banks	All others	All types
	Type of originating institution							
	Percentage distribution of number of mortgages							
Alabama	9.0	4.1	4.7	40.0	42.2	---	---	100.0
Arizona	46.5	9.0	13.6	30.0	.8	0.1	---	100.0
Arkansas	3.6	6.6	38.7	35.3	7.3	---	8.5	100.0
California	73.1	16.3	2.2	4.6	3.4	.2	.2	100.0
Colorado	6.5	22.3	.2	36.4	31.7	---	2.9	100.0
Connecticut	13.9	8.9	5.7	7.1	3.3	60.8	.3	100.0
Delaware	---	4.4	---	85.4	10.2	---	---	100.0
District of Columbia	6.5	9.7	---	41.9	29.0	---	12.9	100.0
Florida	1.2	3.0	8.0	70.4	13.5	---	3.9	100.0
Georgia	2.7	4.4	10.4	45.9	32.8	---	3.8	100.0
Idaho	66.3	12.7	2.3	5.5	13.2	---	---	100.0
Illinois	33.4	7.3	11.1	29.7	18.0	---	.5	100.0
Indiana	22.8	16.2	20.0	22.0	16.0	1.1	1.9	100.0
Iowa	8.3	24.8	26.0	16.7	23.3	.9	---	100.0
Kansas	7.6	9.4	52.9	21.7	8.4	---	---	100.0
Kentucky	5.0	4.1	4.3	51.0	35.6	---	---	100.0
Louisiana	6.2	23.8	4.3	47.8	16.2	---	1.7	100.0
Maine	17.9	11.0	12.0	---	13.3	45.8	---	100.0
Maryland	4.2	1.4	21.0	57.8	9.1	5.1	1.4	100.0
Massachusetts	2.6	.5	21.9	5.8	1.3	67.9	---	100.0
Michigan	17.5	22.9	13.1	26.7	19.6	.1	.1	100.0
Minnesota	35.8	14.0	13.4	16.1	16.5	3.6	.6	100.0
Mississippi	1.7	8.7	33.6	36.2	19.8	---	---	100.0
Missouri	9.7	24.2	21.3	35.6	8.5	---	.7	100.0
Montana	26.5	34.0	26.5	1.9	11.1	---	---	100.0
Nebraska	10.4	2.2	28.5	22.2	35.5	.3	.9	100.0
Nevada	52.2	38.0	---	1.3	7.6	---	---	100.0
New Hampshire	12.7	4.2	11.3	---	---	71.8	---	100.0
New Jersey	20.9	15.3	4.8	45.4	4.3	9.3	---	100.0
New Mexico	14.0	2.8	31.2	34.1	7.0	---	10.9	100.0
New York	13.9	13.3	4.2	13.3	2.3	52.9	.1	100.0
North Carolina	1.4	10.4	20.3	19.8	43.9	---	4.2	100.0
North Dakota	55.9	24.5	14.7	---	4.9	---	---	100.0
Ohio	15.5	18.6	19.7	28.5	11.6	6.0	.1	100.0
Oklahoma	6.3	.7	14.3	73.4	5.2	---	.1	100.0
Oregon	11.8	2.4	19.2	47.8	18.1	.7	---	100.0
Pennsylvania	16.1	12.5	2.2	55.4	3.3	10.5	---	100.0
Rhode Island	21.7	10.6	37.3	---	3.8	26.6	---	100.0
South Carolina	5.0	6.7	24.2	27.8	30.5	---	5.8	100.0
South Dakota	30.8	48.1	6.8	.9	4.1	---	.3	100.0
Tennessee	1.4	13.9	9.3	42.4	29.2	---	3.8	100.0
Texas	4.0	.8	7.6	74.0	10.4	---	3.2	100.0
Utah	19.8	34.5	23.8	8.8	12.8	---	.3	100.0
Vermont	28.2	20.5	15.4	---	---	35.9	---	100.0
Virginia	7.4	10.0	6.3	51.4	23.7	---	1.2	100.0
Washington	23.3	1.8	12.4	32.0	13.5	17.0	(1)	100.0
West Virginia	33.4	22.3	---	2.0	29.2	---	13.1	100.0
Wisconsin	19.3	10.8	15.2	18.1	26.9	.7	---	100.0
Wyoming	41.3	9.9	17.4	3.3	28.1	---	---	100.0
Alaska	17.1	8.4	2.6	45.6	---	---	26.3	100.0
Hawaii	19.9	27.3	2.5	34.1	16.2	---	---	100.0
Puerto Rico	6.9	28.3	---	64.8	---	---	---	100.0
Guam	91.7	---	8.3	---	---	---	---	100.0
Total	24.8	13.4	11.5	30.3	12.5	6.4	1.1	100.0

[1] Less than 0.05 percent.

Mortgagee Home Financing Activity by State Location of Property

Table 38 shows the distribution of Section 203 home mortgages insured in 1954 by type of lender and by State location of property. Analysis of these data indicates that mortgage companies were the most active originators of FHA-insured home mortgages in 24 States and Territories, national banks in 10 States and Guam, savings banks in 6 States (principally New England), insurance companies in 5, while savings and loan associations led in 4 States and State banks in 3.

Home Mortgages Held in Portfolio

At the end of 1954, over 9,400 financial institutions held in portfolio nearly 2 million FHA-insured home mortgages (5 percent more than 1953) totaling over 14 billion in original face amount (8 percent more than 1953).[10] Chart 24 shows that insurance companies were by far the heaviest investors in these insured mortgages, with \$5.7 billion or nearly 40 percent of the total. These institutions have held the largest proportion of the insured mortgages outstanding at the end of each year since 1942. Next in rank were national banks with \$2.6 billion (18 percent of the total) and savings banks with \$2.3 billion (16 percent) followed by State banks with \$1.5 billion (10 percent).

[10] These comparisons exclude Section 213 holdings.

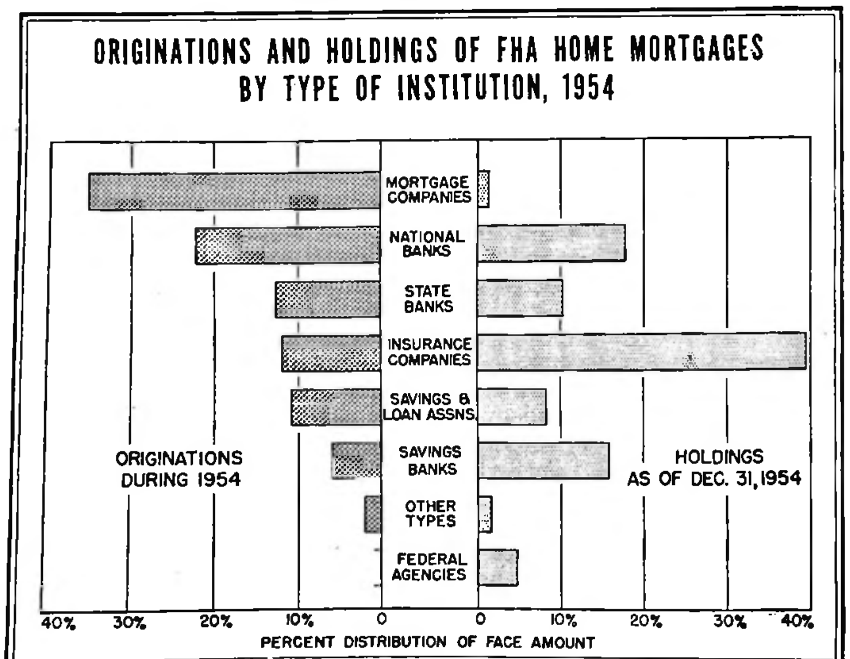

CHART 24

As indicated by Table 39, the ranking of the different types of financial institutions by amount of FHA home mortgage holdings varied significantly in the different programs. The investment pattern for Sections 203 and 603 was virtually the same as for all sections combined. In the Section 8 program the heaviest investors were savings and loan associations and Federal agencies (Federal National Mortgage Association). Under Section 213, most of the home mortgages were held by miscellaneous types of institutions (almost exclusively investment companies), with insurance companies second and Federal agencies third. Federal agencies also held nearly seven-eighths of the Section 903 defense home mortgages outstanding.

TABLE 39

Holdings of FHA-insured home mortgages as of Dec. 31, 1954

[Dollar amounts in thousands]

Type of institution	Number of institutions	Number of mortgages	Face amount	Percent of amount	Number of institutions	Number of mortgages	Face amount	Percent of amount
	Total [1]				Sec. 8			
National bank	(2)	358,941	\$2,601,267	17.9	114	2,021	\$9,879	6.5
State bank	(2)	213,044	1,503,016	10.4	170	2,024	10,199	6.7
Mortgage company	(2)	28,650	215,890	1.5	123	3,306	18,557	12.2
Insurance company	(2)	782,494	5,728,724	39.5	79	2,780	14,069	9.2
Savings and loan association	(2)	167,413	1,199,808	8.3	236	6,939	36,219	23.7
Savings bank	(2)	304,911	2,299,847	15.9	68	4,808	24,934	16.3
Federal agency	(2)	88,259	702,531	4.8	2	6,606	36,182	23.7
All other	(2)	33,837	239,985	1.7	16	520	2,578	1.7
Total [3]	(2)	1,977,549	14,491,067	100.0	808	29,094	152,018	100.0
	Sec. 203				Sec. 213 (homes)			
National bank	2,040	311,748	\$2,292,002	19.5	5	126	\$1,369	1.4
State bank	3,381	183,823	1,324,531	11.2	1	11	78	.1
Mortgage company	604	18,023	142,373	1.2	13	566	4,976	5.1
Insurance company	576	631,958	4,715,868	40.0	5	2,849	28,677	29.5
Savings and loan association	1,644	140,779	1,037,330	8.8				
Savings bank	334	253,144	1,935,452	16.4	6	581	4,740	4.9
Federal agency	5	20,833	159,523	1.4	1	2,823	23,121	23.8
All other	167	25,080	172,153	1.5	3	3,277	34,198	35.2
Total [3]	9,411	1,585,388	11,779,233	100.0	34	10,233	97,157	100.0
	Secs. 603 and 603-610				Sec. 903			
National bank	835	44,041	\$288,352	14.4	30	1,003	\$9,636	2.1
State bank	1,088	26,866	165,458	8.3	31	319	2,733	.6
Mortgage company	144	4,919	33,033	1.6	68	1,831	16,881	3.7
Insurance company	249	143,993	962,248	48.1	16	914	7,862	1.7
Savings and loan association	630	19,036	120,841	6.0	29	659	5,419	1.2
Savings bank	171	44,223	315,540	15.8	33	2,063	19,146	4.1
Federal agency	2	13,497	85,595	4.3	1	44,500	398,109	86.5
All other	46	4,923	30,750	1.5	6	37	306	.1
Total [3]	3,165	301,498	2,001,826	100.0	214	51,326	460,092	100.0

[1] Includes Sec. 222 (servicemen) mortgages and excludes Sec. 611 home mortgages for which holding institution distribution is not available.
[2] Not available.
[3] Differs from number and face amount of mortgages in force due to lag in tabulation.

Holdings of all types of financial institutions except mortgage companies increased during 1954, the largest relative increases being registered by Federal agencies (39 percent—principally Section 903), savings banks (13 percent—principally Section 203), and savings and loan associations (13 percent—principally Section 203).

Because of terminations during the year, Section 603 portfolios of all types of institutions at the close of 1954 were lower than at the previous year end. For all home mortgage programs combined, the proportions of holdings for the different types of institutions did not change significantly from the end of 1953.

Certain types of lenders in the home mortgage field tend to be more active in the origination of home mortgages than do others who are primarily investors. Chart 24 points up this situation with respect to FHA mortgages, comparing the proportion of mortgages originated by each type of institution during 1954 with the proportion held at the year end. Mortgage companies, with a relatively much larger proportion of originations, are in effect retail outlets of mortgage funds, obtaining these funds by sales of originated mortgages to other types of lenders. Insurance companies and savings banks, with markedly higher proportions of holdings, obtain their portfolios to a large extent through purchases. Financing and holdings of the national and State banks and savings and loan associations tend to be more nearly in balance, although the proportions of originations by these institutions outweigh their holdings somewhat. A large share of the holdings of the national and State banks is attributable to purchases by a number of larger institutions in financial centers, tending to offset sales by smaller banks in other communities. Savings and loan associations generally retain for their own portfolios most of the mortgages they originally finance.

Purchases and Sales of Home Mortgages

In 1954, nearly 156,000 FHA home mortgages with aggregate face amounts of over $1.3 billion were bought and sold in the secondary market. This was about 7 percent less in number and 4 percent in amount than the volume of such transactions reported for 1953.[11] Nearly three-fourths of the transferred mortgages were Section 203 insured and over one-sixth were Section 903 cases. The amount of the Section 8 mortgages transferred was over twice that reported in 1953, while Section 903 transfers were one-fifth higher. In contrast, Section 203 secondary market activity decreased by one-tenth and Section 603 was down less than one percent.

[11] These comparisons exclude Section 213 home mortgage transfers.

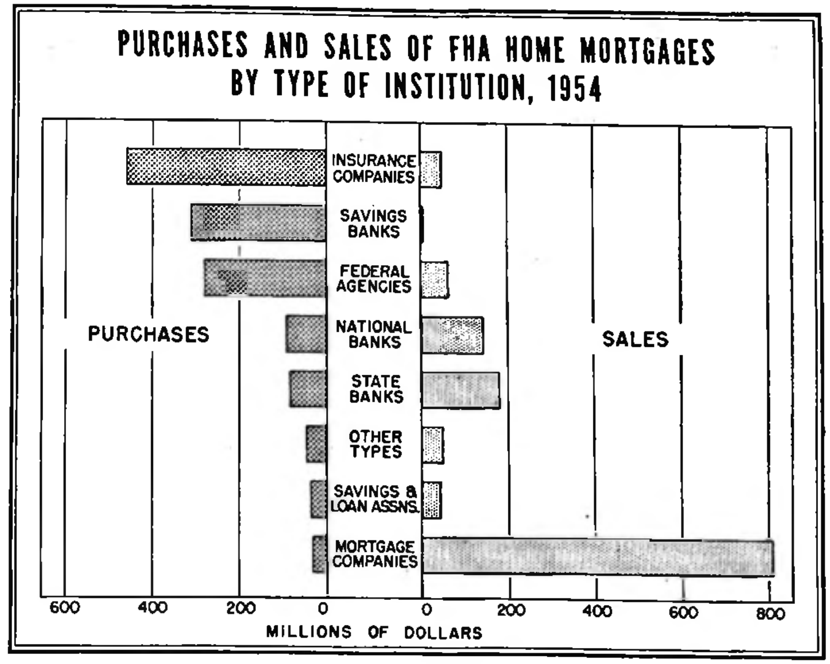

CHART 25

Chart 25 indicates that the most active buyers in the secondary market were insurance companies, which accounted for $461 million or 34 percent of all purchases, savings banks with $311 million or about 23 percent, and Federal agencies buying $279 million or 21 percent. Continuing their historic role as the leading originators and sellers, mortgage companies led in sales with $811 million—about three-fifths of the total. Ranking next, but with substantially lower volumes, were State banks ($181 million or 14 percent) and national banks which sold mortgages totaling $143 million or 11 percent of the total.

For purchasers, the ranking of types of institutions was the same in 1954 as in 1953. However, the proportions of purchases attributable to the different types of institutions changed significantly, with insurance companies down from 41 percent to 34 percent, national banks up from 5 percent to 7 percent, and State banks up from 4 percent to 6 percent of the totals.

The ranking of types of institutions by amount of FHA home mortgage sales in 1954 was virtually the same as in the previous year, with one notable exception: Federal agencies moved from seventh to fourth place, having increased their proportion of sales from 1½ percent to 5 percent. With the exception of national banks, all remaining types of institutions registered declines in proportion of

TABLE 40

Purchase and sale of FHA-insured home mortgages by type of institution, 1954

[Dollar amounts in thousands]

Type of institution	Number of institutions		Mortgages purchased			Mortgages sold		
	Purchasing	Selling	Number	Face amount	Percent of amount	Number	Face amount	Percent of amount
All Sections [1]								
National bank	(2)	(2)	11,340	$91,914	6.9	16,187	$143,392	10.7
State bank	(2)	(2)	10,623	83,980	6.3	20,925	181,328	13.5
Mortgage company	(2)	(2)	3,897	30,229	2.3	93,779	810,510	60.5
Insurance company	(2)	(2)	50,913	461,242	34.4	5,487	47,604	3.6
Savings and loan association	(2)	(2)	1,971	36,609	2.7	5,052	43,209	3.2
Savings bank	(2)	(2)	37,193	311,018	23.2	516	3,851	.3
Federal agency	(2)	(2)	31,177	279,319	20.8	8,018	61,920	4.6
All other	(2)	(2)	5,651	45,514	3.4	5,801	48,011	3.6
Total	(2)	(2)	155,765	1,339,825	100.0	155,765	1,339,825	100.0
Sec. 8								
National bank	18	18	467	$2,231	6.0	580	$3,322	8.9
State bank	49	17	389	2,104	5.7	235	1,228	3.3
Mortgage company	7	97	97	507	1.4	5,131	28,408	76.6
Insurance company	31	9	828	4,609	12.4	161	881	2.4
Savings and loan association	30	13	930	5,182	14.0	153	811	2.2
Savings bank	32	2	2,201	11,983	32.3	22	123	.3
Federal agency	2	1	1,770	9,984	26.9	380	1,778	4.8
All other	6	4	96	495	1.3	116	544	1.5
Total	175	161	6,778	37,096	100.0	6,778	37,096	100.0
Sec. 203								
National bank	378	339	9,623	$79,897	7.9	12,258	$107,784	10.6
State bank	476	423	9,813	79,139	7.8	18,039	157,332	15.5
Mortgage company	112	632	3,120	24,016	2.4	69,168	610,784	60.2
Insurance company	229	219	48,764	446,042	43.9	4,995	44,932	4.4
Savings and loan association	240	126	3,466	27,422	2.7	3,398	28,256	2.8
Savings bank	176	43	32,832	280,632	27.6	359	2,720	.3
Federal agency	3	3	4,362	44,305	4.4	4,231	32,043	3.2
All other	50	28	4,343	33,198	3.3	3,875	30,801	3.0
Total	1,664	1,813	116,323	1,014,651	100.0	116,323	1,014,651	100.0
Sec. 603 [3]								
National bank	37	37	711	$5,180	26.0	182	$1,134	5.7
State bank	34	41	335	2,058	10.3	812	5,461	27.4
Mortgage company	15	18	122	821	4.1	100	684	3.4
Insurance company	23	18	633	4,703	23.6	321	1,716	8.6
Savings and loan association	27	12	361	2,281	11.4	276	2,158	10.8
Savings bank	19	14	558	3,821	19.2	132	981	4.9
Federal agency	1	3	27	118	.6	940	6,976	35.0
All other	7	5	223	947	4.8	207	830	4.2
Total	163	148	2,970	19,938	100.0	2,970	19,938	100.0
Sec. 903								
National bank	9	16	539	$4,597	1.9	3,012	$29,859	12.3
State bank	7	28	81	641	.3	1,763	16,836	6.9
Mortgage company	6	110	514	4,566	1.9	17,756	158,314	65.1
Insurance company	8	4	661	5,663	2.3	10	76	(4)
Savings and loan association	3	16	214	1,724	.7	1,225	11,984	4.9
Savings bank	21	1	1,265	11,891	4.0	3	27	(4)
Federal agency	1	1	23,576	214,097	88.0	2,467	21,124	8.7
All other	------	6	------	------	------	614	4,961	2.1
Total	55	182	26,850	243,180	100.0	26,850	243,180	100.0

[1] Includes Section 213 home mortgages (2,844 for $24,960,300), with purchases by State banks (0.1%), mortgage co's. (1.3%), insurance co's. (0.9%), savings banks (10.8%), Federal agencies (43.2%), and other types (43.6%), and sales by national banks (5.2%), State banks (1.9%), mortgage co's. (49.3%), and other types (43.6%). Excludes Sections 222 and 611 home mortgages.
[2] Not available. [3] Includes Section 603-610 mortgages. [4] Less than 0.05 percent.

sales, the largest occurring in insurance companies (5 percent to 4 percent), miscellaneous types, mortgage companies, and savings and loan associations.

Table 40 shows that the distributions of purchases and sales by type of institution varied markedly among the individual programs. By sections, the predominant purchasers, ranked by amount of purchases, were:

Section 8—Savings banks and Federal agencies.
Section 203—Insurance companies and savings banks.
Section 213—Miscellaneous types (principally investment companies) and Federal agencies.
Section 603—National banks, insurance companies.
Section 903—Federal agencies.

Mortgage companies were the principal sellers of FHA home mortgages insured under Sections 8, 203, and 903. These institutions also ranked first in sales of Section 213 home mortgages, but were followed closely by miscellaneous types of institutions (chiefly investment companies). In sales of Section 603 mortgages, Federal agencies and State banks accounted for the major portion.

Project Mortgages Financed and Held

One third of the amount of mortgages insured in 1954 were originally financed by State banks. As in 1953, these institutions were the

TABLE 41

Financing of FHA-insured multifamily housing mortgages by type of institution, 1954

[Dollar amounts in thousands]

Type of institution	Number of institutions	Number of mortgages	Face amount	Percent of amount	Number of institutions	Number of mortgages	Face amount	Percent of amount
	All Secs. [1]				**Sec. 207**			
National bank	(2)	47	$55,897	23.9	10	16	$10,741	11.5
State bank	(2)	57	78,822	33.7	12	38	50,942	54.8
Mortgage company	(2)	103	48,919	20.9	14	24	11,491	12.4
Insurance company	(2)	27	10,524	4.5	2	2	1,104	1.2
Savings and loan association	(2)	3	1,135	.5	3	3	1,135	1.2
Savings bank	(2)	29	33,980	14.5	9	16	16,994	18.3
Federal agency	(2)	------	------	------	------	------	------	------
All other	(2)	17	4,745	2.0	1	1	521	.6
Total	(2)	283	234,022	100.0	51	100	92,928	100.0
	Sec. 213				**Sec. 803**			
National bank	5	8	$4,715	8.4	3	10	$33,889	45.3
State bank	3	8	7,258	12.9	8	9	17,506	23.4
Mortgage company	14	70	20,381	36.1	7	9	17,047	22.8
Insurance company	1	24	4,850	8.6	1	1	4,175	5.6
Savings and loan association	------	------	------	------	------	------	------	------
Savings bank	4	12	15,371	27.2	1	1	1,765	2.4
Federal agency	------	------	------	------	------	------	------	------
All other	1	16	3,842	6.8	------	------	382	.5
Total	28	138	56,417	100.0	20	30	74,764	100.0

[1] Also includes 16 Sec. 908 mortgages ($9.8 million) originated and miscellaneous small adjustments under Sec. 608 due to amendments not heretofore included.
[2] Not available.

leading originators of FHA-insured project mortgages, though with proportionally less activity in 1954. Table 41 shows the percentage participation of the various institutions originating project mortgages. Compared to 1953, national banks and mortgage companies accounted for greater proportions of the originations to compensate for the drop in State bank activity.

The largest originators of Section 207 mortgages were State banks (55 percent); of Section 213 mortgages, mortgage companies (36 percent); and of Section 803 mortgages, national banks (45 percent).

The volume of project mortgages held by each type of institution is shown in Table 42, and the comparison of originations to holdings

TABLE 42

Holdings of FHA-insured multifamily housing mortgages by type of institution, 1954

[Dollar amounts in thousands]

Type of institution	Number of institutions	Number of mortgages	Face amount	Percent of amount	Number of institutions	Number of mortgages	Face amount	Percent of amount
	All secs. [1] [2]				Sec. 207			
National bank	(3)	310	$88,964	2.0	13	24	$14,335	5.7
State bank	(3)	467	363,816	8.3	16	53	64,527	25.5
Mortgage company	(3)	352	275,239	6.3	10	14	5,701	2.2
Insurance company	(3)	3,550	1,535,289	35.1	24	68	34,316	13.5
Savings and loan association	(3)	65	20,615	.5	8	8	3,477	1.4
Savings bank	(3)	2,125	1,612,930	36.9	31	147	97,896	38.7
Federal agency	(3)	111	124,308	2.9	1	24	25,563	10.1
All other	(3)	345	351,614	8.0	8	16	7,301	2.9
Total	(3)	7,325	4,372,774	100.0	111	354	253,117	100.0
	Sec. 213				Sec. 608 [2]			
National bank	4	5	$3,421	1.6	40	264	$42,503	1.3
State bank	4	18	32,452	15.3	44	343	170,278	5.3
Mortgage company	12	36	12,442	5.8	20	287	231,694	7.3
Insurance company	3	22	5,968	2.8	110	3,368	1,269,727	39.8
Savings and loan association	----	----	----	----	24	53	12,058	.4
Savings bank	14	73	130,964	61.6	81	1,815	1,213,770	38.1
Federal agency	1	8	6,276	3.0	1	12	17,485	.6
All other	4	23	21,119	9.9	17	274	230,136	7.2
Total	42	185	212,642	100.0	337	6,416	3,187,652	100.0
	Sec. 803				Sec. 908			
National bank	6	10	$25,358	3.9	4	7	$3,348	5.5
State bank	11	32	78,759	12.1	6	16	15,883	26.2
Mortgage company	4	13	24,809	3.8	2	2	502	.8
Insurance company	6	73	215,221	33.0	5	10	7,498	12.4
Savings and loan association	1	1	4,304	.7	2	3	775	1.3
Savings bank	10	74	157,048	24.1	7	13	11,129	18.4
Federal agency	1	25	53,232	8.2	1	41	21,489	35.4
All other	6	31	92,710	14.2	----	----	----	----
Total	54	250	651,531	100.0	27	92	60,623	100.0

[1] Also includes 17 Sec. 608-610 mortgages ($6,582,000) and 2 Sec. 611 mortgages ($628,000) held.
[2] More than face amount in force due to lag in tabulation of terminated cases.
[3] Not available.

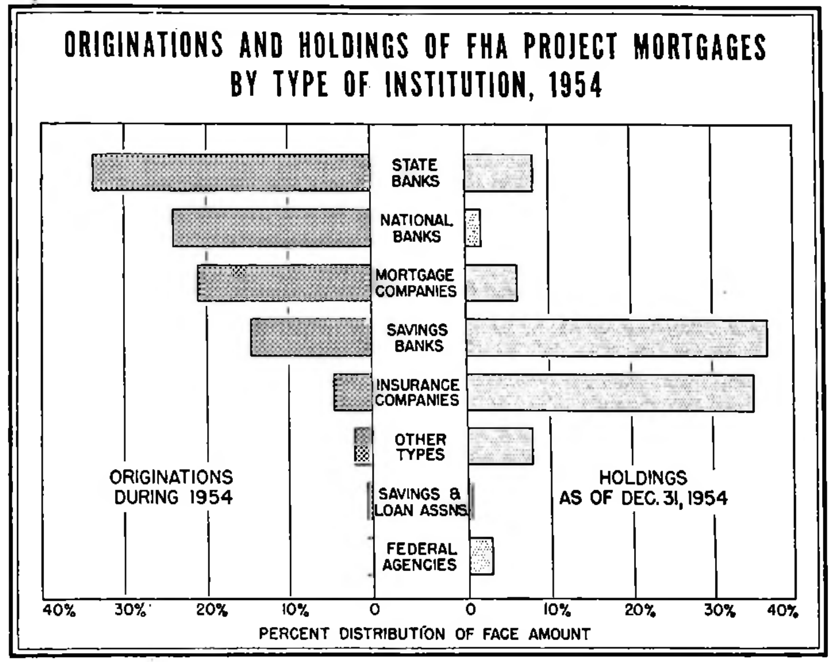

CHART 26

is shown in Chart 26. Savings banks and insurance companies held nearly the same proportion of project mortgages, 37 percent and 35 percent respectively. State banks and miscellaneous companies (retirement and pension fund systems, Comptroller of the State of New York, Investors Diversified Services, etc.) ranked third and fourth respectively, yet each held only 8 percent of the total. The share of mortgages in force held by Federal agencies (the Federal National Mortgage Association) rose slightly from 2.4 to 2.9 percent, with the largest increase under the Section 908 program.

Purchases and Sales of Project Mortgages

Transfers of project mortgages in the secondary market involved $338.5 million in 1954—one-fifth less than in 1953. However, all project programs which were operative during the year showed increased activity—Sections 207 and 803 one-fifth more and Section 213 (all management-type project mortgages) a 5-percent increase. Section 908 more than doubled its volume. The decline in the volume of secondary market activity was due solely to the sharp drop in the volume of transactions involving mortgages insured under Section 608 which accounted for only one-tenth ($35 million) of the 1954 total compared to $180 million in 1953. The largest proportion

TABLE 43

Purchase and sale of FHA-insured multifamily housing mortgages by type of institution, 1954

[Dollar amounts in thousands]

Type of institution	Number of institutions: Purchasing	Number of institutions: Selling	Mortgages purchased: Number	Mortgages purchased: Face amount	Mortgages purchased: Percentage distribution	Mortgages sold: Number	Mortgages sold: Face amount	Mortgages sold: Percentage distribution
				All Secs.				
National bank	(1)	(1)	6	$7,767	2.3	67	$84,366	24.9
State bank	(1)	(1)	9	11,809	3.5	82	109,792	32.4
Mortgage company	(1)	(1)	24	40,399	11.9	44	43,774	12.9
Insurance company	(1)	(1)	44	57,154	16.9	9	9,400	2.8
Savings and loan association	(1)	(1)	1	78	(2)	3	3,908	1.2
Savings bank	(1)	(1)	86	99,547	29.4	10	7,459	2.2
Federal agency	(1)	(1)	74	96,471	28.5	38	79,726	23.6
All other	(1)	(1)	9	25,297	7.5			
Total	(1)	(1)	253	338,524	100.0	253	338,524	100.0
				Sec. 207				
National bank		10				22	$22,046	38.5
State bank	3	8	4	$3,999	7.0	25	18,414	32.1
Mortgage company	2	13	2	1,802	3.1	21	12,369	21.6
Insurance company	9	1	17	15,524	27.1	1	1,500	2.6
Savings bank	17		35	25,098	43.8			
Federal agency	1	1	12	10,906	19.0	1	3,000	5.2
Total	32	33	70	57,329	100.0	70	57,329	100.0
				Sec. 213				
State bank		3				11	$19,234	84.7
Mortgage company		2				2	2,350	10.3
Insurance company	1		1	$1,650	7.3			
Savings bank	6		10	12,806	56.3			
Federal agency	1	1	1	700	3.1	2	1,138	5.0
All other	3		3	7,566	33.3			
Total	11	6	15	22,722	100.0	15	22,722	100.0
				Sec. 608				
National bank	1	2	2	$335	1.0	9	$2,676	7.6
State bank	2	6	4	3,011	8.6	10	16,122	46.0
Mortgage company	1	1	7	9,073	25.9	4	915	2.6
Insurance company	5	1	13	5,036	14.4	8	7,909	22.6
Savings and loan association	1	1	1	78	.2	1	78	.2
Savings bank	8	4	15	13,212	37.7	9	6,009	17.2
Federal agency		1				2	1,317	3.8
All other	1		1	4,280	12.2			
Total	19	16	43	35,025	100.0	43	35,025	100.0
				Sec. 803				
National bank	3	12	4	$7,432	4.0	18	$51,146	27.5
State bank	1	12	1	4,800	2.6	19	42,989	23.1
Mortgage company	6	9	12	27,224	14.6	11	24,053	13.0
Insurance company	2		8	28,877	15.5			
Savings and loan association		2				2	3,920	2.1
Savings bank	9		16	39,137	21.1			
Federal agency	1	2	27	64,958	35.0	23	63,773	34.3
All other	4		5	13,451	7.2			
Total	26	37	73	185,880	100.0	73	185,880	100.0
				Sec. 908				
National bank		5				18	$8,498	22.6
State bank		5				17	13,034	34.7
Mortgage company	1	3	3	$2,301	6.1	6	4,088	10.9
Insurance company	3		5	6,067	16.2			
Savings bank	6	1	10	9,295	24.7	1	1,450	3.9
Federal agency	1	1	34	19,906	53.0	10	10,499	27.9
Total	11	15	52	37,568	100.0	52	37,568	100.0

1 Not available.
2 Less than 0.05 percent.

of the secondary market activity during 1954 was attributable to the Section 803 program (55 percent), while Section 207 ranked second with 17 percent of the total. Section 908 accounted for 11 percent and Section 213, the least active, for 7 percent.

Savings banks were the leading purchasers during 1954 with Federal agencies (FNMA) accounting for nearly the same volume—31 percent and 29 percent respectively. While ranking the same as in 1953, FNMA increased its proportion from 22 percent and savings banks decreased theirs from 32 percent. Two-fifths of the purchases by savings banks and two-thirds of those for FNMA were Section 803 mortgages. Table 43 and Chart 27 show the volume of purchases and sales for the various types of institutions for project programs.

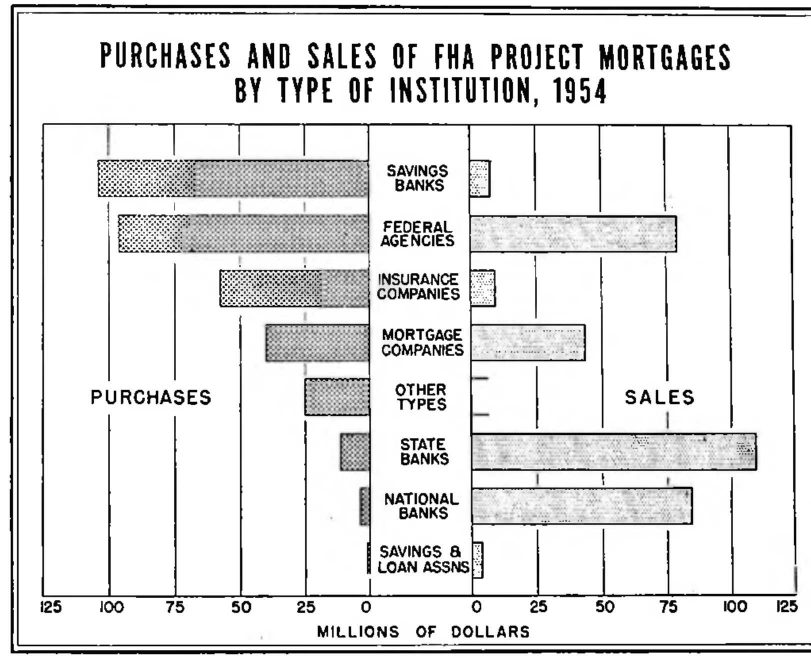

CHART 27

More than one-half of the project mortgages sold in 1954 were sold by State banks (32 percent) and National banks (25 percent), yet combined, they accounted for only 5 percent of the mortgages purchased. Federal agencies, with 24 percent of the dollar volume, ranked third in sales—mostly Section 803 mortgages. Mortgage companies (13 percent) were the fourth ranking sellers while the remaining types of institutions including savings banks, the leading purchasers, sold only 6 percent.

Property Improvement Loan Financing in 1954

At the end of 1954, there were 7,300 approved Title I lending institutions. More than 5,000 of these lenders have been active in the period since 1950 (under the 1950 Reserve) with an average of approximately 3,600 institutions a month reporting some activity in 1954.

Home modernization activity by type of financing institution under the 1950 Reserve and for the year 1954 is summarized in Table 44. The distributions indicate that commercial banks have financed the bulk of the loans—84 percent in 1954 and the same proportion in the cumulative operations under the 1950 Reserve. Finance companies and savings and loan associations have originated the major portion of the remainder.

The total experience under the 1950 Reserve is shown in Chart 28. State chartered banks, the second ranking type of lenders, have the best record, as reflected in their claim ratio of 0.92 percent which is significantly less than the national ratio of 1.12 percent. Savings and loan associations also report a lower than average ratio of 1.03 percent.

TABLE 44

Origination of FHA-insured property improvement loans by type of institution, 1954 and 1950 reserves

Type of institution	Loans insured			
	Number	Net proceeds (000)	Percent of net proceeds	Average net proceeds
	1954			
National bank	794, 892	$461, 163	51. 7	$580
State chartered bank [1]	485, 797	287, 128	32. 2	591
Finance company	92, 814	62, 824	7. 0	677
Savings and loan association	135, 460	81, 039	9. 1	598
Other				
Total	1, 506, 480	890, 606	100. 0	591
	1950 Reserve—March 1950–December 1954			
National bank	4, 183, 340	$2, 249, 722	52. 3	$538
State chartered bank [1]	2, 464, 306	1, 358, 808	31. 6	551
Finance company	591, 781	386, 676	9. 0	653
Savings and loan association	502, 880	287, 758	6. 7	572
Other	25, 599	18, 224	. 4	712
Total	7, 767, 015	4, 301, 189	100. 0	554

[1] Includes State banks, industrial banks, and savings banks.

Totals may not agree with components, because of rounding.

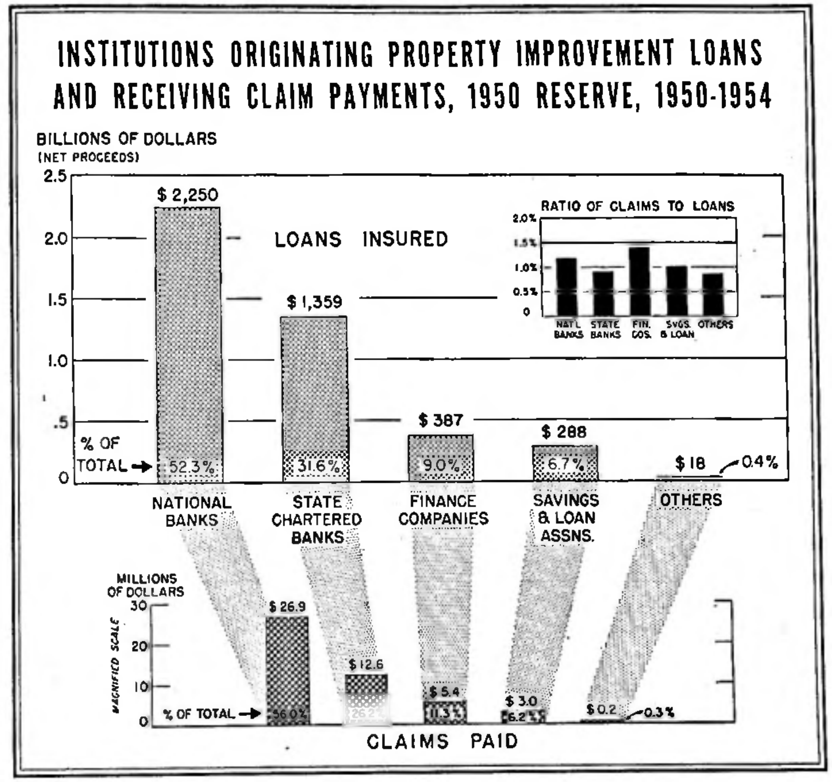

CHART 28

During 1954, national and State chartered banks financed well over a million loans with net proceeds totaling $748 million. These same institutions also received $8 out of every $10 in claim payments made by FHA during the year under the Title I program (Table 45) a proportion which is in keeping with their originations of such loans. Nevertheless, it appears significant that national banks have had a larger than usual share of loans go into default. These defaults result in claim payments and are reflected in the increase in the cumulative claim ratio for national banks under the 1950 Reserve from 0.83 percent in 1953 to 1.19 percent in 1954. (It should be noted that claims paid in any year are not necessarily related to insurance written during that year but are related rather to the volume of insurance outstanding.)

A comparison of the 1954 percentage distribution of net proceeds of Title I loans originated by type of lending institution with the distributions for selected other years is shown in Table 46.

TABLE 45

Claims paid on FHA-insured property improvement loans by type of institution 1954 and 1950 reserve

Type of institution	Claims paid			
	Number	Amount (000)	Percent of amount	Average claim
	1954			
National bank	28,563	$12,291	58.4	$430
State chartered bank [1]	11,733	5,337	25.4	455
Finance company	4,300	1,959	9.3	456
Savings and loan association	2,825	1,433	6.8	507
Other	67	28	.1	422
Total	47,488	21,047	100.0	443
	1950 Reserve—March 1950–December 1954			
National bank	63,430	$26,882	56.0	$424
State chartered bank [1]	29,092	12,556	26.2	432
Finance company	10,955	5,398	11.3	493
Savings and loan association	6,055	2,964	6.2	490
Other	279	160	.3	572
Total	109,811	47,959	100.0	437

[1] Includes State banks, industrial banks, and savings banks.

Totals may not agree with components because of rounding.

National banks and State chartered institutions combined have raised their share of the total volume from 57 percent in the earlier years of the program to 66 percent in the postwar period and finally to an average of more than 80 percent in recent years. To some extent, this relative change has been the result of the almost complete withdrawal of finance companies from the Title I program. Savings and loan associations, now accounting for almost one-tenth of the annual volume of net proceeds, continue to show increasing interest in this field of consumer credit.

TABLE 46

Origination of FHA-insured property improvement loans by type of institution, selected years

Type	1954	1953	1952	1951	1946	1940
	Net proceeds—Percentage distribution					
National bank	51.7	52.2	52.1	52.7	41.3	25.3
State chartered bank	32.2	32.0	30.6	31.8	24.9	31.6
Finance company	7.0	8.6	10.4	9.6	33.1	40.5
Savings and loan association	9.1	6.7	6.4	5.5	.7	1.4
Other	----------	.6	.6	.4	----------	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0

Terminations, Defaults, and Claims Paid

This section of the report provides data on the termination and default status of FHA-insured home and project mortgages and on claims paid on defaulted Title I property improvement loans.

As shown in Table 20, total terminations of FHA-insured mortgages and loans amounted to over $14.1 billion through the end of 1954—approximately 39 percent of the total amount insured.

About $1.5 billion of FHA mortgages and loans were terminated during 1954. Of this amount about 57 percent represented home mortgages, 6 percent project mortgages, and 36 percent property improvement loans.

Terminations and Defaults of Home Mortgages

As of the end of 1954, nearly 1.6 million FHA-insured home mortgages aggregating almost $8 billion in original principal amounts had been terminated. This left in force some two million mortgages with combined face amounts of over $14¾ billion—the equivalent of all home mortgage insurance written in the seven years from 1948 through 1954.

Termination of an FHA mortgage insurance contract occurs when:

1. The loan is paid in full at maturity.

2. The loan is prepaid prior to maturity. If prepaid without refinancing or with the proceeds of a non-FHA mortgage involving the same or a new mortgagor, it is classified as a prepayment in full. If the prepayment involves refinancing with a new FHA-insured mortgage, it is classified as a prepayment by supersession.

3. The mortgage is foreclosed and title to the property is acquired by the mortgagee. The mortgagee may either transfer title to FHA in exchange for debentures and a certificate of claim for those foreclosure expenses not covered by the debentures, or retain the property, in which case the mortgagee "withdraws" from the FHA contract and foregoes its insurance privileges.

As shown in Table 47, nearly all of the FHA-insured home mortgage terminations through the end of 1954 were the result of prepayments—16 percent of the total refinanced with new FHA-insured mortgages and 81 percent prepaid with funds from other sources. Only 1.4 percent of the terminations resulted from foreclosure. Although over one-half of the foreclosures occurred under Section 603, these represented only 3.8 percent of the total terminations under that program. The highest ratio of foreclosures to total terminations was 66 percent under the Section 903 Defense Housing program. Of the 22,500 properties involved in foreclosed cases under all home mortgage programs, 17,000 were transferred to FHA in exchange for debentures with the remaining 5,400 being retained and disposed of by the mort-

TABLE 47

Disposition of FHA-insured home mortgages, 1935–54

[Dollar amounts in thousands]

	Total [1]		Sec. 8		Sec. 203		Sec. 213	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mortgages insured	3, 591, 070	$22, 708, 503	32, 470	$171, 242	2, 866, 157	$18, 292, 355	10, 739	$101, 976
Mortgages terminated:								
Prepaid in full	1, 289, 808	6, 429, 176	358	1, 660	1, 047, 011	5, 197, 768	25	234
Prepaid by supersession	257, 220	1, 328, 754	115	530	185, 275	970, 954	5	35
Matured loans	13, 061	38, 155	------	--------	13, 050	38, 148	------	--------
Properties acquired by mortgagee:								
Transferred to FHA	17, 048	101, 435	82	367	5, 712	31, 008	3	24
Retained by mortgagee	5, 430	31, 691	11	52	3, 541	20, 525	------	--------
Other terminations	631	2, 840	1	5	489	2, 251	------	--------
Total terminations	1, 583, 258	7, 932, 051	567	2, 614	1, 255, 087	6, 260, 655	33	202
Mortgages in force	2, 007, 812	14, 776, 452	31, 912	168, 629	1, 611, 070	12, 031, 700	10, 706	101, 684

	Sec. 222		Sec. 603		Secs. 603–610		Sec. 611		Sec. 903	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mortgages insured	10	$142	624, 653	$3, 645, 212	3, 363	$16, 109	75	$556	53, 594	$480, 912
Mortgages terminated:										
Prepaid in full	------	--------	241, 830	1, 225, 982	415	1, 650	3	22	226	1, 851
Prepaid by supersession	------	--------	71, 582	355, 444	113	451	------	--------	130	1, 340
Matured loans	------	--------	2	7	------	--------	------	--------	------	--------
Properties acquired by mortgagee:										
Transferred to FHA	------	--------	10, 545	64, 214	12	39	------	--------	694	5, 783
Retained by mortgagee	------	--------	1, 877	11, 112	1	3	------	--------	------	--------
Other terminations	------	--------	141	584	------	--------	------	--------	------	--------
Total terminations	------	--------	325, 977	1, 657, 342	541	2, 152	3	22	1, 050	8, 974
Mortgages in force	10	142	208, 676	1, 987, 870	2, 822	13, 956	72	534	52, 544	471, 938

[1] Excludes Sec. 2 home mortgages.

gagees. Section 603 accounted for 62 percent of the properties transferred to FHA, while 65 percent of the properties retained by mortgagees after foreclosure originally secured Section 203 insured transactions. The financial experience of FHA with respect to acquired home properties is presented in Section 5 of this report.

YEARLY TREND.—Included in the terminations shown in Table 47 were nearly 132,000 occurring in 1954, all but 3 percent of which were prepayments. Table 48 shows the total number of terminations, terminations resulting from foreclosure (including properties held by mortgagees pending final disposition), and terminations resulting in FHA acquisition of the properties involved, for each year from 1950 through 1954 and for 5-year periods from 1935 through 1949. The 132,000 terminations reported for 1954 were over 8,000 higher than in 1953, principally because of a 6-percent increase in the annual

TABLE 48

Termination of FHA-insured home mortgages, 1935–54

Year	Total terminations			Foreclosures [1]			FHA acquisitions		
	Number for the period	Cumulative through end of year		Number for the period	Cumulative through end of year		Number for the period	Cumulative through end of year	
		Number	Percent of total insured		Number	Percent of total insured		Number	Percent of total insured
					Total				
1935–39	28, 258	28, 258	6. 07	2, 095	2, 095	0. 45	1, 188	1, 188	0. 2
1940–44	281, 675	309, 933	22. 66	6, 912	9, 007	. 66	5, 911	7, 099	. 52
1945–49	675, 029	984, 962	43. 06	4, 684	13, 691	. 60	3, 748	10, 847	. 47
1950	131, 833	1, 116, 795	42. 50	2, 610	16, 301	. 62	1, 860	12, 707	. 48
1951	100, 795	1, 226, 590	42. 58	1, 523	17, 824	. 62	1, 142	13, 849	. 48
1952	101, 134	1, 327, 724	42. 62	1, 478	19, 302	. 62	893	14, 742	. 47
1953	123, 624	1, 451, 348	42. 98	1, 132	20, 434	. 61	733	15, 475	. 46
1954	131, 910	[2] 1, 583, 258	44. 09	3, 415	23, 849	. 66	1, 573	17, 048	. 47
					Sec. 8				
1951	2	2	0. 03	--------	--------	--------	--------	--------	--------
1952	80	91	. 75	5	5	0. 04	2	2	0. 02
1953	193	284	1. 71	64	69	. 42	55	57	. 34
1954	283	[2] 567	1. 75	45	114	. 35	25	82	. 25
					Sec. 203				
1935–39	28, 258	28, 258	6. 07	2, 095	2, 095	0. 45	1, 188	1, 188	0. 26
1940–44	269, 406	297, 664	27. 52	3, 308	5, 403	. 50	2, 871	4, 059	. 38
1945–49	486, 037	783, 701	47. 13	244	5, 647	. 34	49	4, 108	. 25
1950	97, 144	880, 845	44. 02	677	6, 324	. 32	225	4, 333	. 22
1951	85, 506	966, 351	43. 02	760	7, 084	. 32	407	4, 740	. 21
1952	81, 301	1, 047, 652	42. 60	684	7, 768	. 32	282	5, 022	. 20
1953	101, 832	1, 149, 484	42. 72	741	8, 509	. 32	263	5, 285	. 20
1954	105, 603	[2] 1, 255, 087	43. 79	1, 131	9, 640	. 34	427	5, 712	. 20
					Sec. 213				
1952	1	1	0. 03	--------	--------	--------	--------	--------	--------
1953	10	11	. 18	--------	--------	--------	--------	--------	--------
1954	22	33	. 31	4	4	0. 04	3	3	0. 03
					Sec. 603 [3]				
1940–44	12, 269	12, 269	4. 28	3, 604	3, 604	1. 26	3, 040	3, 040	1. 06
1945–49	188, 992	201, 261	32. 23	4, 440	8, 044	1. 29	3, 699	6, 739	1. 08
1950	34, 689	235, 950	37. 62	1, 933	9, 977	1. 59	1, 635	8, 374	1. 34
1951	24, 287	260, 237	41. 45	763	10, 740	1. 71	735	9, 109	1. 45
1952	19, 743	279, 980	44. 59	789	11, 529	1. 84	609	9, 718	1. 55
1953	21, 425	301, 405	47. 90	305	11, 834	1. 88	412	10, 130	1. 01
1954	25, 113	[2] 326, 518	51. 99	1, 114	12, 948	2. 06	427	10, 557	1. 68
					Sec. 611				
1953	3	3	4. 00	--------	--------	--------	--------	--------	--------
1954	0	3	4. 00	--------	--------	--------	--------	--------	--------
					Sec. 903				
1953	161	161	0. 45	22	22	0. 06	3	3	0. 01
1954	889	[2] 1, 050	1. 96	1, 121	1, 143	2. 13	691	694	1. 29

[1] Include terminations with titles transferred to FHA or retained by mortgagee; also foreclosed properties held by mortgagees pending redemption period or final disposition—21 under Sec. 8, 387 under Section 203, 1 under Sec. 213, 513 under Section 603, and 449 under Section 903.

[2] Of the cumulative number of terminated mortgages FHA reinsured 115 Sec. 8 cases, 185,275 Sec. 203 cases, 5 Sec. 213 cases, 71,695 Sec. 603 cases and 130 Sec. 903 cases. A reinsured mortgage involves the same property as covered by the original FHA insurance contract.

[3] Includes Sec. 603–610 cases.

volume of prepayments. Practically all the terminations involved mortgages insured under either Section 203 (80 percent) or Section 603 (19 percent).

Foreclosures, including foreclosed properties held by mortgagees pending final disposition, tripled over 1953 to more than 3,400, about evenly distributed among Sections 203, 603, and 903, each of which showed an increase, with the largest increase reported under Section 903.

FHA property acquisitions more than doubled—from 733 to 1573—the largest number since 1950. Most of the increase was under Section 903.

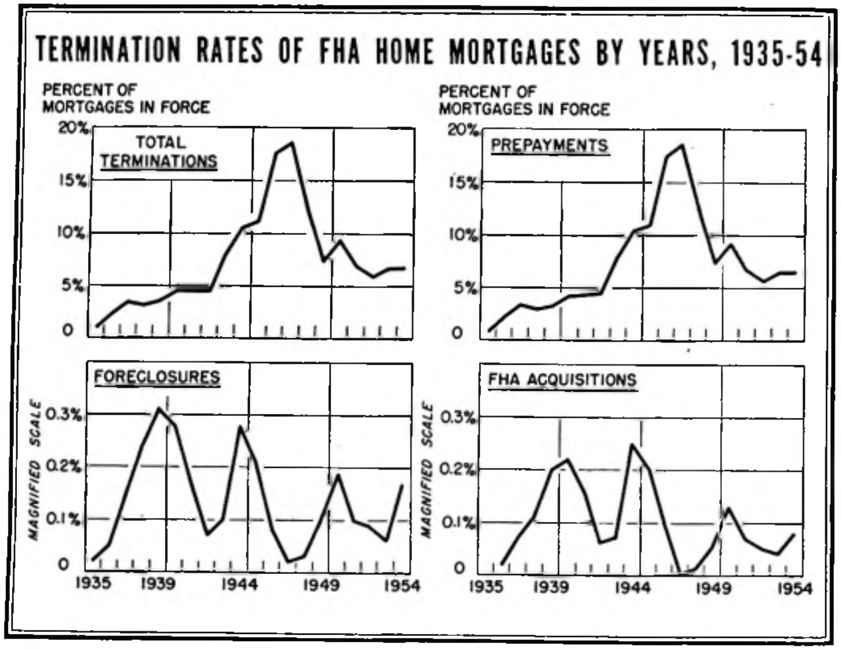

CHART 29

Chart 29 shows the trends in yearly rates of FHA home mortgage terminations for total types, for prepayments (in full and by supersession), for total foreclosures, and for those foreclosures that result in transfer of properties to FHA. The rates represent the percentage relationship between yearly volume of terminations and average number of mortgages in force during the year.

The curves in the chart illustrate graphically that the trend of FHA home mortgage termination rates has been determined almost exclusively by prepayments; that the peak of prepayments (and hence of terminations) occurred in the early postwar years when mortgage obligations were retired on homes retained by owners or on those sold to new owners; that foreclosures even in the peak years represented only a small part of total terminations; that FHA property acquisitions, as expected, tend to parallel foreclosures with a rate consistently somewhat lower than that of foreclosures; and that foreclosure rates react not only to economic conditions (as evidenced by the peak following the 1937–38 recession and the 1948–49 inventory adjustment) but may also rise after a period of heavy new loan activity, as in 1944 when foreclosures of Section 603 War Housing increased following the peak years of activity under that program. In 1954, as the chart shows, the termination rate inched upward, reflecting a very slight increase in the prepayment ratio, while the foreclosure rate tripled (to only 0.17 of 1 percent) and the FHA acquisition rate doubled (to only 0.08 of 1 percent).

Default Status of Home Mortgages.—FHA home mortgage defaults at the end of 1954 included 16,200 cases—50 percent over 1953 and the highest level in three years. This is indicated by the data in Table 49, which shows the total number of FHA home mortgages in default at the close of the years 1939 and 1944 and at each year end from 1949 through 1954. The table also shows the number of these defaulted cases where foreclosure was in process and the number in the mortgagee inventory, i. e. where foreclosure had been completed but the properties were retained by the mortgagees pending the expiration of the redemption periods provided by the laws of individual States or for other reasons.

Over one-half of the December 31, 1954, defaults involved Section 203 mortgages, one-fourth involved Section 903 mortgages, and about one-sixth involved Section 603 cases. The greatest relative increase during the year occurred under Section 903, bringing the number reported under this program to more than two and a half times the number reported at the end of 1953.

Despite the increases noted above, only eight of every 1,000 FHA-insured mortgages in force were in default at the end of 1954—somewhat more than at the close of 1952 or 1953, but significantly less than for the other years shown in the table. In the individual programs, Section 903 had by far the highest default ratio—involving nearly 80 out of each 1,000 cases as compared with 9 per 1,000 for Section 603 and about 5 per 1,000 Section 203 cases. Of the mortgages in default as of December 31, 1954 only 7 percent (representing 5/100ths of 1 percent of all mortgages in force) were in process of foreclosure and only 8 percent (7/100ths of 1 percent of those in force) were foreclosed and in the mortgagee inventory.

The uptrend in defaults during 1954 is probably a reflection of the economic adjustments in many communities throughout the nation during the year. Another factor was the cutback in the demand for Section 903 defense housing in many areas of the country.

TABLE 49

Default status of FHA-insured home mortgages, 1939–54

As of year end	Mortgages in force	Defaults and potential FHA acquisitions: Total defaults		Foreclosures in process		Mortgagee inventory [2]	
		Number	Percent of in force	Number	Percent of in force	Number	Percent of in force
Total							
1939	437,472	8,617	1.97	808	0.18	598	0.14
1944	1,058,072	10,725	1.01	820	.08	948	.09
1949	1,302,203	12,461	.96	1,281	.10	807	.06
1950	1,511,402	17,058	1.13	1,167	.08	950	.06
1951	1,654,276	18,007	1.09	899	.05	607	.04
1952	1,787,568	10,562	.59	646	.04	513	.03
1953	1,925,485	10,778	.56	822	.04	299	.02
1954 [1]	2,007,812	16,231	.81	1,091	.05	1,371	.07
Sec. 8							
1950	209	------	------	------	------	------	------
1951	6,386	7	0.11	1	0.02	------	------
1952	12,112	87	.72	5	.04	3	0.02
1953	16,298	90	.55	12	.07	8	.05
1954	31,912	207	.65	19	.06	21	.07
Sec. 203							
1939	437,472	8,617	1.97	808	0.18	598	0.14
1944	783,878	5,433	.69	99	.01	40	.01
1949	878,986	5,212	.59	302	.03	82	.01
1950	1,119,967	9,480	.85	502	.04	306	.03
1951	1,279,915	11,087	.87	515	.04	225	.02
1952	1,411,362	7,141	.51	438	.03	176	.01
1953	1,540,975	6,737	.44	511	.03	210	.01
1954	1,611,070	8,966	.56	681	.04	387	.02
Sec. 213							
1951	313	------	------	------	------	------	------
1952	3,547	------	------	------	------	------	------
1953	6,226	40	0.64	3	0.05	------	------
1954	10,706	84	.78	16	.15	1	0.01
Sec. 603 [2]							
1944	274,194	5,292	1.93	721	0.26	908	0.33
1949	423,217	7,240	1.71	979	.23	725	.17
1950	391,226	7,578	1.94	665	.17	644	.16
1951	367,656	6,913	1.88	383	.10	382	.10
1952	347,062	3,317	.95	203	.06	334	.10
1953	326,609	2,309	.71	178	.05	62	.02
1954	301,498	2,810	.93	190	.06	513	.17
Sec. 611							
1951	6	------	------	------	------	------	------
1952	75	------	------	------	------	------	------
1953	72	------	------	------	------	------	------
1954	72	------	------	------	------	------	------
Sec. 903							
1952	12,510	17	0.14	------	------	------	------
1953	35,305	1,602	4.54	118	0.33	19	0.05
1954	52,544	4,164	7.92	185	.35	449	.85

[1] Includes Sec. 222.
[2] Titles to foreclosed properties subject to redemption or held by mortgagees pending final disposition. Includes Sec. 603–610 cases.

Chart 30 shows the monthly trend of FHA home mortgages in default during the 5-year period from 1950 through 1954, the top line depicting the number in default and the lower line indicating the default ratio.

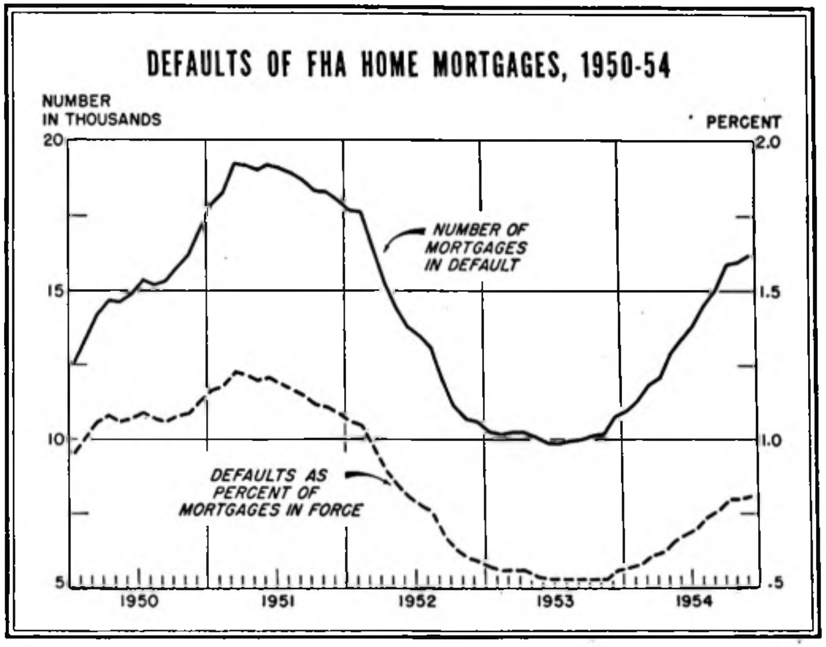

CHART 30

State Distribution of Home Mortgage Termination and Default Status.—Table 50 provides an indication of FHA home mortgage experience in each State and Territory through the end of 1954. The first four columns show total number of mortgages insured, the percent of these terminated, the percent terminated by foreclosure, and the percent foreclosed with property transferred to FHA. The fifth column shows the number of insured mortgages in force at the year end.

The last four columns of the table show the default status of FHA home mortgages in force at the year end—the percent delinquent, the percent of the delinquent in process of foreclosure, and the percent of the delinquent on which foreclosure had been completed and the properties were in the hands of the mortgagees awaiting decision as to disposition or termination of the redemption period.

The proportion of terminations ranged from none in Guam (where mortgages are of recent origin) to 63 percent in Vermont. The largest number of States had termination rates between 40 and 50 percent,

TABLE 50

Terminations and default status of FHA-insured home mortgages, by States, as of Dec. 31, 1954

State	Total mortgages insured 1935–54	Terminations 1935–54: Total	Terminations 1935–54: Foreclosures[1]	Terminations 1935–54: FHA acquisitions	Insured mortgages in force Dec. 31, 1954	Defaults as of Dec. 31, 1954: Total	Defaults as of Dec. 31, 1954: Foreclosures in process	Defaults as of Dec. 31, 1954: Mortgage inventory[2]	Insured mortgages in good standing Dec. 31, 1954
		As percent of insured				As percent of in force			
Alabama	41,460	41.48	1.99	1.80	24,262	0.63	0.01	0.01	24,108
Arizona	47,196	22.45	1.21	1.06	36,601	2.65	.07	.05	35,631
Arkansas	36,455	34.77	1.14	.77	23,778	1.97	.25	.12	23,309
California	587,135	48.16	.19	.10	304,381	.58	.08	.01	302,615
Colorado	40,373	42.43	.15	.08	23,241	.90	.01	.01	23,032
Connecticut	39,206	44.11	4.23	4.07	21,914	.43	.04	--------	21,820
Delaware	7,351	53.46	.60	.34	3,421	.64	--------	--------	3,399
District of Columbia	6,983	54.36	.13	--------	3,187	.69	--------	--------	3,165
Florida	109,377	28.41	.61	.45	78,308	.35	.02	(2)	78,032
Georgia	59,665	39.47	1.53	1.34	36,113	.78	.01	.04	35,830
Idaho	20,105	40.31	.22	.11	12,001	.92	.07	.06	11,890
Illinois	159,034	58.93	.17	.08	65,308	.35	.03	.02	65,081
Indiana	119,077	45.21	.26	.13	65,241	.91	.10	--------	64,650
Iowa	33,859	48.13	.55	.47	17,561	.45	.03	--------	17,482
Kansas	66,770	39.13	.84	.61	40,640	1.82	.05	.05	39,901
Kentucky	35,122	41.14	.30	.19	20,673	.60	.02	.01	20,548
Louisiana	59,482	36.83	1.63	1.20	37,574	.96	.04	.37	37,213
Maine	11,638	46.40	1.33	.78	6,238	1.92	.18	.06	6,118
Maryland	53,824	51.30	2.18	1.87	26,212	1.17	.10	.23	25,906
Massachusetts	20,812	54.77	2.03	1.57	9,414	2.39	.27	.02	9,189
Michigan	243,212	44.08	.69	.38	136,000	.34	.03	.02	135,544
Minnesota	34,330	53.33	.37	.20	16,022	1.92	.01	.02	15,715
Mississippi	25,985	35.24	.50	.37	16,828	.51	.04	.01	16,743
Missouri	92,884	45.69	.46	.30	50,442	.28	(2)	--------	50,300
Montana	12,660	46.61	.12	.04	6,759	.15	--------	.03	6,749
Nebraska	34,333	48.00	.57	.33	17,857	.52	.08	--------	17,765
Nevada	11,972	27.21	.02	--------	8,715	2.82	.80	--------	8,469
New Hampshire	4,821	59.49	3.26	1.95	1,953	5.17	--------	--------	1,852
New Jersey	134,669	51.60	.78	.50	65,176	1.03	.07	.01	64,504
New Mexico	21,574	23.16	.07	.01	16,577	.74	.05	.01	16,454
New York	171,934	39.65	.88	.54	103,755	.81	.05	.01	102,912
North Carolina	43,905	35.07	.67	.56	28,509	.55	.04	--------	28,352
North Dakota	3,842	40.58	.21	.13	2,283	1.49	--------	--------	2,249
Ohio	176,089	50.75	.19	.12	86,720	.58	.05	(2)	86,213
Oklahoma	85,601	38.68	.72	.62	52,544	.42	.06	.01	52,325
Oregon	51,506	37.04	.41	.13	32,430	1.42	.10	.34	31,969
Pennsylvania	181,700	52.02	.20	.08	87,190	.40	.01	(2)	86,842
Rhode Island	7,900	50.65	1.65	.19	3,899	3.57	--------	2.46	3,760
South Carolina	32,362	33.78	2.58	2.03	21,430	3.35	.04	.64	20,713
South Dakota	12,040	44.91	.20	.12	6,633	.71	--------	--------	6,586
Tennessee	67,029	37.35	.63	.51	41,905	.34	(2)	--------	41,852
Texas	226,367	33.78	.83	.48	149,896	.97	.04	.30	148,443
Utah	34,533	47.88	1.29	1.17	18,000	.54	.01	--------	17,903
Vermont	4,249	63.64	1.53	1.01	1,545	3.56	--------	.06	1,490
Virginia	79,457	39.27	1.56	1.43	48,257	.41	.02	(2)	48,060
Washington	142,316	48.72	.39	.21	72,978	.64	.05	.06	72,514
West Virginia	23,446	49.85	1.37	1.26	11,758	.38	.02	--------	11,713
Wisconsin	30,944	56.36	.83	.40	13,503	1.61	.32	.70	13,286
Wyoming	11,574	53.13	.15	.11	5,425	.37	.02	--------	5,405
Alaska	2,652	20.51	.11	.08	2,108	19.97	.09	--------	1,687
Guam	72	--------	--------	--------	72	--------	--------	--------	72
Hawaii	11,485	26.87	.03	.02	8,399	.80	--------	--------	8,332
Puerto Rico	15,548	16.19	.23	.16	13,031	1.51	.03	--------	12,834
Virgin Islands	10	10.00	--------	--------	9	--------	--------	--------	9
Total[3]	3,588,024	44.13	.60	.48	2,004,766	.81	.05	.07	1,988,535

[1] Includes terminations with titles transferred to FHA or retained by mortgagees; also foreclosed properties held by mortgagees that are subject to redemption or held by mortgagees pending final disposition.
[2] Less than 0.005 percent.
[3] Cases tabulated in Washington through Dec. 31, 1954, excluding Title I, Section 2 homes.

while 13 had rates of 30 to 40 percent and a like number had rates of from 50 to 60 percent. Four States (Arizona, Florida, Nevada, and New Mexico) and two Territories (Alaska and Hawaii)—had termination ratios of 20 to 30 percent. In all States prepayments accounted for the bulk of the terminations. The foreclosure rate ranged from none in Guam and the Virgin Islands to 4.23 percent in Connecticut, with an overall average for all States and Territories of 0.66 percent. Less than one-half of 1 percent of the insured mortgages had been terminated by foreclosure in 18 States, the District of Columbia and the Territories; one-half to 0.99 of 1 percent in 14 States, 1 to 1.99 percent in 11 States, and 2 percent or more in only 5 States. In most of the States with foreclosure rates in excess of 1 percent the greater number of the foreclosed cases had been insured under Section 603. Section 203 foreclosures predominated in Arkansas, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

Properties transferred to FHA in exchange for debentures through the end of 1954 averaged less than one-half of 1 percent for the nation as a whole. In 27 States, the District of Columbia, and all the Territories, the FHA acquisition ratio was less than one-half of 1 percent; between one-half and 1 percent in another 8 States; and 1 percent or more in 13 States. In only 2 States did the acquisition ratio exceed 2 percent.

Home mortgages in default at the end of 1954 ranged from none in Guam and the Virgin Islands to nearly 1 of every 5 in Alaska. The overall average was only 8 of every 1,000 mortgages. In 13 States and 2 Territories the default rate was less than one-half of 1 percent; in 19 States, the District of Columbia, and Hawaii, between one-half and 1 percent; in 9 States and 1 Territory between 1 and 2 percent; and in 7 States and 1 Territory more than 2 percent. Most of the defaulted mortgages in the States where the rates exceeded 1 percent had been insured under Section 203 or Section 903.

Foreclosures in process averaged only five one-hundredths of 1 percent of the cases with insurance in force at the year end. In only 4 States did the proportion of foreclosures in process reach one-fourth of 1 percent of mortgages in force. Defaulted cases on which foreclosure had been completed averaged seven one-hundredths of 1 percent of the cases with insurance in force at the end of 1954. In only 8 States did the proportion of these defaulted cases on which foreclosure had been completed exceed one-tenth of 1 percent.

Terminations and Defaults of Project Mortgages

Through the end of 1954 terminations of FHA-insured project mortgages had involved 1,129 mortgages with original face amounts totaling $515.5 million, accounting for 10.6 percent of the $4.9 billion insured by the FHA, 1935–54. Insurance in force at the year end covered the remaining 7,321 mortgages with original face amounts aggregating $4.4 billion.

The largest volume of terminations—$318.4 million, representing three-fifths of the total amount—resulted from prepayments of mortgages in full prior to maturity. More than one-third of the mortgage amount terminated—$180.2 million—resulted from default on the part of mortgagors (Table 51). Termination through default occurs when the mortgagee, in exchange for FHA debentures, either assigns the mortgage to FHA without foreclosing or forecloses and transfers title to FHA; or when the mortgagee withdraws from the mortgage insurance contract and retains title to the property. Of the 377 mortgages terminated through default, only 9 with an original face amount of $1.6 million had been retained by the holding mortgagees, 224 for $94.1 million had titles transferred to FHA, and 144 for $84.4

TABLE 51

Disposition of FHA-insured multifamily housing mortgages, 1935–54

[Dollar amounts in thousands]

Disposition	All sections		Sec. 207		Sec. 213		Sec. 608	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mortgages insured	8,450	$4,881,334	718	$408,161	283	$298,610	7,045	$3,439,771
Mortgages terminated:								
Prepayments in full	711	318,413	313	126,770	95	83,775	274	94,373
Prepayments by supersession	29	15,816	13	8,032			16	7,784
Matured loans								
Mortgages assigned to FHA	144	84,419	2	3,601	3	2,192	135	76,745
Titles acquired by mortgagees:								
Projects transferred to FHA	224	94,131	21	14,657			202	79,067
Projects retained by mortgagees	9	1,639	7	1,407			2	232
Other terminations	12	1,033	8	578			4	455
Total terminations	1,129	515,453	364	155,045	98	85,967	633	258,656
Mortgages in force, Dec. 31, 1954	7,321	4,365,881	354	253,117	185	212,642	6,412	3,181,115

Disposition	Sec. 608–610		Sec. 611		Sec. 803		Sec. 908	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mortgages insured	23	$8,360	25	$11,901	260	$651,939	96	$62,503
Mortgages terminated:								
Prepayments in full	6	1,778	23	11,719				
Prepayments by supersession								
Matured loans								
Mortgages assigned to FHA							4	1,881
Titles acquired by mortgagees:								
Projects transferred to FHA					1	408		
Projects retained by mortgagees								
Other terminations								
Total terminations	6	1,778	23	11,719	1	408	4	1,881
Mortgages in force, Dec. 31, 1954	17	6,582	2	272	259	651,531	92	60,623

million had been assigned to FHA without foreclosure. Prepayments by supersession (prepayments prior to maturity from proceeds of another insured mortgage) had involved 29 mortgages for $15.8 million. The distribution of terminations for the various project programs is shown in Table 51.

During 1954 there were 111 mortgages prepaid in full and 76 terminated as a result of default. Of the 111 prepaid in full, 56 were under the Section 213 cooperative housing program (sales-type) wherein the properties are transferred to the individual owners, 39 were Section 608 mortgages, 11 Section 207, 4 Section 611 (site-fabricated housing), and 1 Section 608–610 (publicly owned housing). A total of 70 of the default terminations involved Section 608 mortgages. In addition, 4 mortgages insured under Section 908, 1 under Section 207 and 1 under Section 803 were terminated as a result of default.

The disposition of the projects and mortgage notes acquired by the FHA is shown in Table 52. Two-fifths of the properties acquired by the FHA had been sold by the end of 1954, either outright or with mortgage reinsurance, or with the mortgage held by FHA. This represented a substantial increase over the one-fourth of the projects which had been acquired by the FHA as of the end of 1953 and sold

TABLE 52

Disposition of FHA-acquired projects and multifamily housing mortgages, Dec. 31, 1954

Disposition	Number	Number of units	Number	Number of units	Number	Number of units
	All sections		Sec. 207		Sec. 213	
Projects acquired by FHA [1]	224	15,096	21	3,378		
On hand	135	8,464	4	345		
Sold with reinsurance	8	2,085	7	1,491		
Sold without reinsurance	10	1,108	4	704		
Sold with mortgage held by FHA	71	3,439	6	838		
Mortgage notes assigned to FHA	144	11,935	2	1,150	3	211
On hand	141	10,647	1	48	2	67
Sold with reinsurance	1	1,102	1	1,102		
Sold or settled without reinsurance	2	186			1	144
	Sec. 608		Sec. 803		Sec. 908	
Projects acquired by FHA [1]	202	11,663	1	55		
On hand	130	8,064	1	55		
Sold with reinsurance	1	504				
Sold without reinsurance	6	404				
Sold with mortgage held by FHA	65	2,601				
Mortgage notes assigned to FHA	135	10,321			4	253
On hand	134	10,279			4	253
Sold with reinsurance						
Sold or settled without reinsurance	1	42				

[1] Includes projects acquired by FHA after assignment of mortgage notes to FHA

by that date. With 43 additional properties acquired during 1954, the number on hand at the year end was 135 compared to 136 a year earlier. Mortgage notes assigned to FHA as of the end of 1954 totaled 144—141 on hand and 3 sold.

YEARLY TREND.—The trend of all terminations combined and default terminations is presented in Table 53—by 5-year periods through 1949 and by years 1950 through 1954. To date, mortgages covering 14 percent of the dwelling units insured under all project programs have been terminated—4 percent as a result of default terminations.

The rise in the cumulative termination ratio for multifamily projects since 1950 reflects primarily the marked decline in the volume of insurance written since then. Through the end of 1949 the bulk of project mortgage terminations represented prepayments in full prior to maturity, principally of mortgages insured under the prewar provisions of Section 207 and the war housing provisions of Section 608. In each subsequent year, although prepayments have continued to predominate, terminations resulting from mortgagor defaults have generally been increasing, with the greater number involving mortgages insured under the postwar veterans' emergency housing provisions of Section 608. Since 1952, the rate of terminations under Section 213 has also been significant, with virtually all of these caused by prepayments of mortgages on sales-type projects. In this type of project the mortgages are in effect construction loans which are paid off following completion of the homes and their sale in fee simple to the members of the cooperative.

STATE DISTRIBUTION OF PROJECT MORTGAGE TERMINATION AND DEFAULT STATUS.—Table 54 shows the distribution, by States, of units in all terminated projects combined, in mortgage notes assigned to FHA, and in properties covered by titles transferred to FHA, all expressed as a percent of units covered by insurance written. Also shown are the number of units covered by mortgages remaining in force, those in default as a percent of those in force, and those covered by mortgages in good standing. The States of Montana, Nevada, New Mexico, North Dakota and Utah and the Territory of Hawaii had reported no mortgages terminated through December 31, 1954. Terminations in other States ranged from less than 4 percent in Nebraska to nearly 70 percent in Idaho, with 16 States and Alaska reporting terminated mortgages involving less than one-tenth of the units in insured projects. In 14 States and Puerto Rico, terminated mortgages involved one-fifth or more of total units covered by insurance, and in 3 States—Arkansas, Idaho, and New Hampshire—they exceeded one-half of all insured units.

Five States and Puerto Rico have reported terminations resulting from default on the part of mortgagors in excess of 20 percent of total

TABLE 53

Termination of FHA-insured multifamily housing mortgages, 1935–54

Year	Total terminations					Default terminations [1]				
	Number for the period		Cumulative through end of year			Number for the period		Cumulative through end of year		
				Dwelling units					Dwelling units	
	Number of mortgages	Number of units	Number of mortgages	Number	Percent of total insured	Number of mortgages	Number of units	Number of mortgages	Number	Percent of total insured
	All sections									
1935–39	13	1,436	13	1,436	4.82					
1940–44	125	12,611	138	14,047	18.60	27	5,119	27	5,119	6.78
1945–49	278	27,224	410	41,271	12.11	19	1,240	46	6,359	1.87
1950	137	10,961	553	52,232	10.54	66	2,646	112	9,005	1.82
1951	151	10,436	704	62,668	11.00	82	4,306	194	13,311	2.34
1952	99	8,321	803	70,989	11.65	39	3,162	233	16,473	2.70
1953	139	12,239	942	83,228	13.00	68	5,395	301	21,868	3.42
1954	187	12,013	1,129	[2] 95,241	14.25	76	5,548	377	27,416	4.10
	Sec. 207									
1935–39	13	1,436	13	1,436	4.82					
1940–44	122	11,948	135	13,384	32.65	25	4,483	25	4,483	10.94
1945–49	174	20,985	309	34,369	79.21			25	4,483	10.33
1950	18	2,883	327	37,252	81.16			25	4,483	9.77
1951	6	527	333	37,779	74.38			25	4,483	8.83
1952	10	733	343	38,512	67.76	1	20	26	4,503	7.92
1953	9	968	352	39,480	01.68	3	159	29	4,662	7.28
1954	12	1,136	364	[2] 40,616	53.83	1	214	30	4,876	6.46
	Sec. 213									
1951	9	268	9	268	3.24					
1952	10	1,794	19	2,062	11.42	1	144	1	144	0.80
1953	23	4,028	42	6,090	23.76	2	67	3	211	.82
1954	56	2,886	98	8,976	28.18			3	211	.66
	Sec. 608									
1942–44	3	663	3	663	1.92	2	636	2	636	1.84
1945–49	104	6,239	107	6,902	2.36	19	1,240	21	1,876	.64
1950	114	7,018	221	13,920	3.25	66	2,646	87	4,522	1.06
1951	131	9,168	352	23,088	4.99	82	4,306	169	8,828	1.91
1952	67	5,112	419	28,200	6.05	37	2,998	206	11,826	2.54
1953	105	6,925	524	35,125	7.54	63	5,169	269	16,995	3.65
1954	109	7,347	633	[2] 42,472	9.12	70	5,026	339	22,021	4.73
	Sec. 608–610									
1950	4	960	4	960	24.58					
1951			4	960	24.52					
1952	1	10	5	970	24.78					
1953			5	970	24.78					
1954	1	10	6	980	25.03					
	Sec. 611									
1950	1	100	1	100	13.37					
1951	5	473	6	573	33.43					
1952	11	672	17	1,245	67.70					
1953	2	318	19	1,563	78.78					
1954	4	326	23	1,889	95.21					
	Sec. 803									
1954	1	55	1	55	0.07	1	55	1	55	0.07
	Sec. 908									
1954	4	253	4	253	3.02	4	253	4	253	3.02

[1] Includes mortgage notes and property titles transferred to FHA and projects retained by mortgagees with termination of FHA mortgage insurance contracts, numbering 7 for 348 units under Section 207, and 2 for 37 units under Section 608.

[2] Includes terminated contracts superseded by new FHA insurance contracts covering the same properties, numbering 13 for 2,035 units under Section 207, and 16 for 1,320 units under Section 608.

TABLE 54

Terminations and default status of FHA-insured multifamily housing mortgages, by State location, as of Dec. 31, 1954

State	Total units covered by insurance 1935–54	Units in terminated mortgages 1935–54: Total	Default terminations: Total [1]	Default terminations: Mortgage notes assigned and held by FHA [2]	Default terminations: Property titles transferred to FHA	Units covered by mortgages in force as of Dec. 31, 1954	Units in default as of Dec. 31, 1954: Total	Units in default as of Dec. 31, 1954: Potential acquisitions [3]	Units covered by insured mortgages in good standing Dec. 31, 1954
		As percent of insured units					As percent of units in force		
Alabama	11,992	8.40	3.16	0.87	2.18	10,985	3.77	1.82	10,571
Arizona	4,628	23.96	3.69	1.55	2.14	3,519			3,519
Arkansas	1,712	51.17	23.07	6.19	16.88	836	34.69	1.91	546
California	48,447	24.82	4.12	1.42	.43	36,424	.75	.14	36,151
Colorado	3,141	17.19				2,601			2,601
Connecticut	6,766	6.53				6,324			6,324
Delaware	4,155	3.75				3,999	1.00		3,959
District of Columbia	21,102	26.33	5.05	2.24	2.81	15,545	1.93	.21	15,245
Florida	15,229	19.06	16.52	7.72	8.80	12,326	.34	.34	12,284
Georgia	23,273	7.29	2.54	1.32	1.22	21,576	.98	.06	21,304
Idaho	626	68.69	68.69	52.08	16.61	196	8.67		179
Illinois	22,362	12.64	.21	.21		19,536			19,536
Indiana	9,050	7.43				8,378	2.39	2.39	8,178
Iowa	1,806	7.53				1,670			1,670
Kansas	4,634	20.00	8.85	3.71	4.92	3,707			3,707
Kentucky	6,668	9.87	5.89	1.92	3.97	6,010	2.35		5,869
Louisiana	9,140	41.60	30.67	13.74	16.93	5,338	5.15	3.78	5,063
Maine	2,420	7.40	7.40		7.40	2,241			2,241
Maryland	43,691	12.19	1.31	1.29	.02	38,365	.50		38,175
Massachusetts	5,326	10.27	8.24		8.24	4,779	1.19	1.10	4,722
Michigan	10,720	16.38	1.34			8,964	3.61		8,640
Minnesota	6,310	20.05	9.08	.17	8.75	5,045	3.69		4,859
Mississippi	2,722	14.51	14.07		14.07	2,327			2,327
Missouri	11,293	21.23	8.57		8.48	8,895			8,895
Montana	837					837	47.79		437
Nebraska	2,599	3.66				2,504			2,504
Nevada	956					956			956
New Hampshire	244	67.21	67.21		67.21	80			80
New Jersey	58,507	11.57	3.58	2.06	1.46	51,737	1.23	.10	51,102
New Mexico	2,472					2,472			2,472
New York	123,858	9.19	1.62	.37	.90	112,481	.49	.37	111,930
North Carolina	17,433	10.97	3.82	.50	3.32	15,520	.13	.13	15,500
North Dakota	154					154			154
Ohio	21,582	14.18	.11		.11	18,521			18,521
Oklahoma	4,662	36.53	19.61	9.70	9.91	2,959	5.88	5.07	2,785
Oregon	5,387	8.78	.89	.89		4,914	2.50	1.20	4,791
Pennsylvania	24,769	13.84	.94	.94		21,341	.43	.43	21,249
Rhode Island	952	3.78				916			916
South Carolina	7,229	18.66	15.23	7.21	8.02	5,880	.27		5,864
South Dakota	720	6.31				683			683
Tennessee	10,194	10.04	1.09		1.09	9,171	.74		9,103
Texas	32,990	9.05	3.29	.56	2.69	30,004	3.87	1.87	28,842
Utah	1,615					1,615	2.35		1,577
Vermont	193	29.02	22.80		22.80	137	11.68	11.68	121
Virginia	45,191	21.89	4.64	.46	4.18	35,299			35,299
Washington	10,267	10.28	6.45	1.05	5.30	9,212	3.39		8,900
West Virginia	797	21.83				623			623
Wisconsin	4,104	7.53	1.00	1.00		3,795			3,795
Wyoming	571	5.78				538			538
Alaska	3,853	2.21	2.21	2.21		3,768	10.14	2.76	3,386
Hawaii	3,151					3,151	.29		3,142
Puerto Rico	5,833	27.19	27.19	27.19		4,247			4,247
Total	668,342	14.25	4.10	1.59	2.26	573,101	1.21	.40	566,142

[1] Includes mortgage notes and property titles transferred to FHA and 9 projects involving 385 units retained by mortgagees with termination of FHA mortgage insurance contracts.
[2] Excludes mortgage notes foreclosed with title transferred to FHA and mortgage notes sold by FHA.
[3] Includes mortgage notes in process of assignment to FHA and property titles in process of acquisition by mortgagees

insured units—2 of these, Idaho and New Hampshire, accounting for two-thirds of the units covered by insurance for each State. Only 4 States have had default terminations ranging from 10 percent to 20 percent of insured units while 24 States, the District of Columbia, and Alaska have reported default terminations involving less than 10 percent of their respective volume of units covered by insurance. In 15 States and Hawaii there have been no default terminations, and for the entire Nation terminations of this type have accounted for only 4 percent of all units covered by insurance.

Default Status of Project Mortgages.—The 90 mortgages in default as of December 31, 1954, for all project programs combined was the highest since the end of 1950 (Table 55). From the standpoint of dwelling units covered by mortgages in default, 1954 with nearly 7,000 units exceeds all other years. The increase over 1953 applied to all the project programs, with Sections 213 and 803 showing their first defaults as of a year end. The Section 608 program,

TABLE 55

Status of FHA-insured multifamily housing mortgages in force, Dec. 31, 1954

Status	Number	Number of units	Number	Number of units	Number	Number of units
	All Secs.		Sec. 207		Sec. 213	
Insured mortgages in force	7,321	573,101	354	34,836	185	22,877
Insured mortgages in good standing	7,231	566,142	347	33,950	184	22,603
Insured mortgages in default, total	90	6,959	7	886	1	274
In default less than 90 days	30	1,423	2	245		
In default 90 days or more	27	3,260	2	387	1	274
Projects being acquired by mortgagee	21	1,314	2	150		
Mortgage notes being assigned to FHA	12	962	1	104		
Trend of insured mortgages in default as of Dec. 31:						
1954	90	6,959	7	886	1	274
1953	52	5,154	1	214		
1952 [1]	70	5,585	2	42		
1951	76	6,471				
1950	113	6,405	1	800		
	Sec. 608		Sec. 803		Sec. 908	
Insured mortgages in force	6,412	423,211	259	81,021	92	8,126
Insured mortgages in good standing	6,346	419,186	255	80,313	80	7,060
Insured mortgages in default, total	66	4,025	4	708	12	1,066
In default less than than 90 days	25	829	1	65	2	284
In default 90 days or more	18	1,616	2	443	4	540
Projects being acquired by mortgagee	14	814	1	200	4	150
Mortgage notes being assigned to FHA	9	766			2	92
Trend of insured mortgages in default as of Dec. 31:						
1954	66	4,025	4	708	12	1,066
1953	43	4,191			8	749
1952	67	5,524				
1951	76	6,471				
1950	112	5,695				

[1] Total includes 1 default under Sec. 611 involving a project with 19 units.

involving three-fourths of all units covered by insurance in force, showed the largest increase with 66 projects in default as compared to 43 on December 31, 1953, though less than at the end of 1950, 1951, or 1952. The ratio of units covered by project mortgages in default to units covered by mortgages in force—all project programs—increased to 1.2 percent from 0.9 percent in 1953, but was less than the high of 1.5 percent reported for 1950. Units covered by mortgages in default combined with cumulative FHA acquisitions (mortgage notes and property titles transferred to FHA) for all project programs represented 5.1 percent of the units covered by insurance written.

Table 54 shows the distribution of project mortgages in default by States. In 6 States and Alaska, mortgages covering 5 percent or more of the units in projects with mortgage insurance in force were in default as of December 31, 1954. Of these, Idaho, Louisiana, Oklahoma, and Alaska reported defaults ranging from 5 to 10 percent; Vermont, 12 percent; and Arkansas and Montana 35 and 48 percent, respectively. In only 2 States—Oklahoma and Vermont—did defaulted mortgages in the status of potential acquisition account for 5 percent or more of the dwelling units covered by mortgage insurance in force. Of the 18 States and Territories having defaulted mortgages in this category, 8 showed less than 1 percent and 5 States ranged from 1 to 2.0 percent. The United States total for mortgages that were considered potential FHA acquisitions involved less than one-half of 1 percent of the units with insurance in force.

Title I Claims Paid

In contrast to the decline in the volume of insurance written in 1954 on property improvement loans, there was a sharp increase of 40 percent in the amount of claim payments (Table 56), with more than 47,000 payments amounting to $21 million made on defaulted notes submitted by insured lenders. This was the largest dollar volume of claim payments recorded in the history of FHA. A larger number of claims were paid in 1949 and 1950 but, because of the smaller average amount of insured notes in force at that time, the total amount was only $17 million and $18 million respectively.

The annual amount of claims paid in relation to the average balance of loans outstanding is shown in Chart 31 and Table 56. The trend of outstanding balances, as portrayed in the chart, manifests a persistent upward movement with only slight interruptions in 1937–38 (reflecting a lapse in FHA authority to insure) and again during 1942–45 (under wartime restrictions). The claims picture is quite similar, with a 1-year lag, through 1950. Subsequently, claims fell sharply, reflecting the high level of prosperity prevailing during the Korean crisis. With the exception of 1946, the 1952 ratio of claims paid to average net proceeds outstanding, of 1.02 percent, was the lowest for

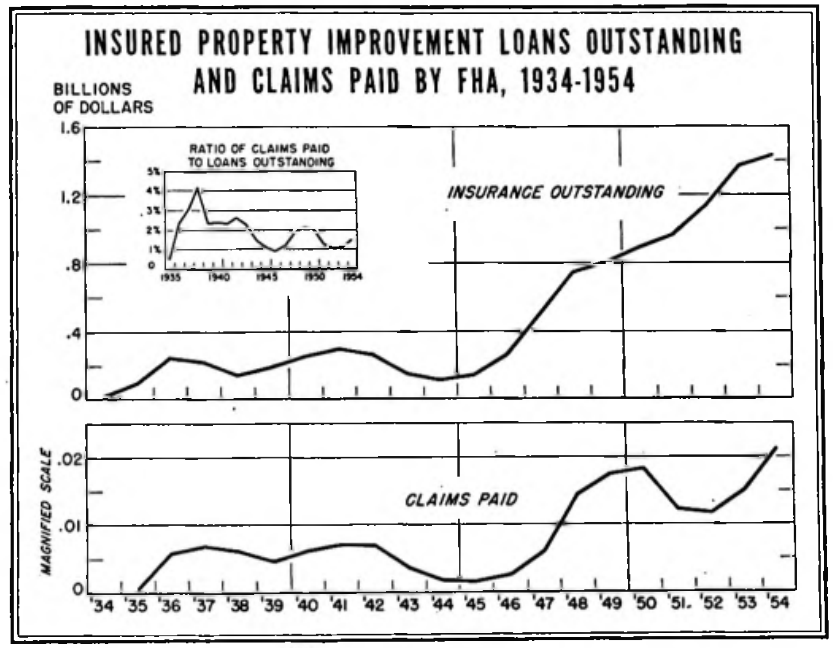

CHART 31

any year since World War II. During 1953 claim payments edged upward, continuing this trend in 1954. The 1954 ratio of claims paid to average net proceeds outstanding was 1.47 percent—larger than in the 3 preceding years, but lower than the ratios reported for the 3 years from 1948 through 1950, or for any year from 1936 through 1943. This 1953–54 increase in claim payments is presumably a reflection of the decline in business activity during those years and of the resultant reduction in incomes of individual borrowers.

TABLE 56

Property improvement loans outstanding and claims paid by FHA, 1934–54

[Dollar amounts in thousands]

Year	Average net proceeds of loans outstanding	Annual amount of claims paid	Claims paid as percent of loans outstanding	Year	Average net proceeds of loans outstanding	Annual amount of claims paid	Claims paid as percent of loans outstanding
1934	$12,008			1945	$140,247	$1,524	1.09
1935	93,582	$447	0.48	1946	262,376	2,434	.93
1936	253,218	5,885	2.32	1947	501,171	5,830	1.16
1937	224,861	6,891	3.06	1948	748,438	14,346	1.92
1938	144,449	6,016	4.17	1949	803,293	17,404	2.18
1939	199,347	4,649	2.33	1950	889,433	18,148	2.04
1940	253,676	6,115	2.41	1951	950,394	12,086	1.26
1941	303,149	7,071	2.33	1952	1,130,827	11,524	1.02
1942	265,583	6,998	2.64	1953	1,377,679	14,995	1.09
1943	155,667	3,588	2.30	1954	1,436,558	21,047	1.47
1944	115,153	1,070	1.45				

Of the 18 million property improvement loans insured through 1954, some one-half million—about 2.9 percent—had gone into default. This resulted in claim payments of $169 million, or slightly more than 2 percent of the $8.3 billion insured. The ratio is reduced to 1.2 percent when allowance is made for actual recoveries on the defaulted notes taken over by FHA after payment of claims to the lenders. Anticipated recoveries on notes in process of collection further reduce the net claim ratio to 1 percent.

Net cash collections by FHA amounted to $7.7 million during 1954. This figure is a decrease of more than 8 percent from the all time high of $8.4 million collected in 1953. Through 1954, the cumulative total of cash collections and proceeds from disposable real properties amounted to almost $68 million. In other words, 40 percent of the total amount of claim payments made to lending institutions since 1934 has been recovered by FHA.

It is expected that another $18 million will be recovered from notes in process of collection, bringing the total to $86 million. With this deducted from the claim payments through 1954, the net loss to the Title I insurance fund is only 1 percent—a fraction higher than the 0.98 percent reported as of 1953, but slightly less than the comparable ratios for 1951 and 1952.

Amounts of claims paid and the claims paid ratio by State location of property are presented on Table 34 and discussed under the topic of State Distribution of Property Improvement Loans.

All claims and operating expenses under the property improvement program have been met by the FHA out of income, with no cost to the Government with respect to insurance written since July 1, 1939 when insurance premiums were first authorized under this program. Since that time, an insurance reserve of $34 million has been built up. In addition, $8½ million originally advanced for operating capital has been repaid to the United States Treasury.

Payments Received Prior to Default of Title I Loans.—A cross tabulation of the number of payments made by borrowers prior to default by the number of payments called for in the note is shown in Table 57. Almost 8 out of every 10 claims paid during 1954 involved notes originally insured for 36 month terms. Of these 3-year notes on which claims were paid, default occurred on more than one-fourth in less than 6 months, and over one-half in less than a year.

Chart 32 shows that almost 6 percent of the 1954 claims, representing nearly one-tenth of the dollar volume, involved notes upon which the borrower had made no payments. More than 1 out of every 5 claims, accounting for nearly one-third of the total amount, was paid on notes which went into default after one payment was received but before the time the sixth monthly payment was due. The largest concentration of claims—involving roughly one-fourth of the total number and some 28 percent of the amount—represented notes going into default between the sixth and eleventh payments. When these three groups are combined, it becomes apparent that over one-half of the claims, accounting for over two-thirds of the total amount, were paid on notes going into default within a year after their origination.

TABLE 57

Number of payments received prior to default by term of property improvement loans, 1954

Number of payments received prior to default	Term of defaulted loan: 6–11 months	12–23 months	24–35 months	36 months	37 or more months	Total number	Total amount	Average claim paid
	Percentage distribution							
0	44.2	14.8	3.2	5.3	4.6	5.7	9.6	$737
1–5	53.9	36.3	13.2	21.0	17.3	20.9	30.7	652
6–11	1.9	34.4	17.0	24.6	22.5	23.9	28.2	523
12–17	-------	14.3	18.1	20.3	15.6	19.5	18.0	411
18–23	-------	.2	20.3	14.6	8.1	14.5	8.9	272
24–29	-------	-------	27.9	8.1	6.5	10.6	3.5	145
30–35	-------	-------	.3	6.0	3.9	4.7	.8	72
36 or more	-------	-------	-------	.1	21.5	.2	.3	596
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	443
Percent of total	0.5	5.9	15.3	77.7	0.6	100.0	-------	-------
Median	1.4	5.8	17.5	11.8	14.2	11.9	-------	-------

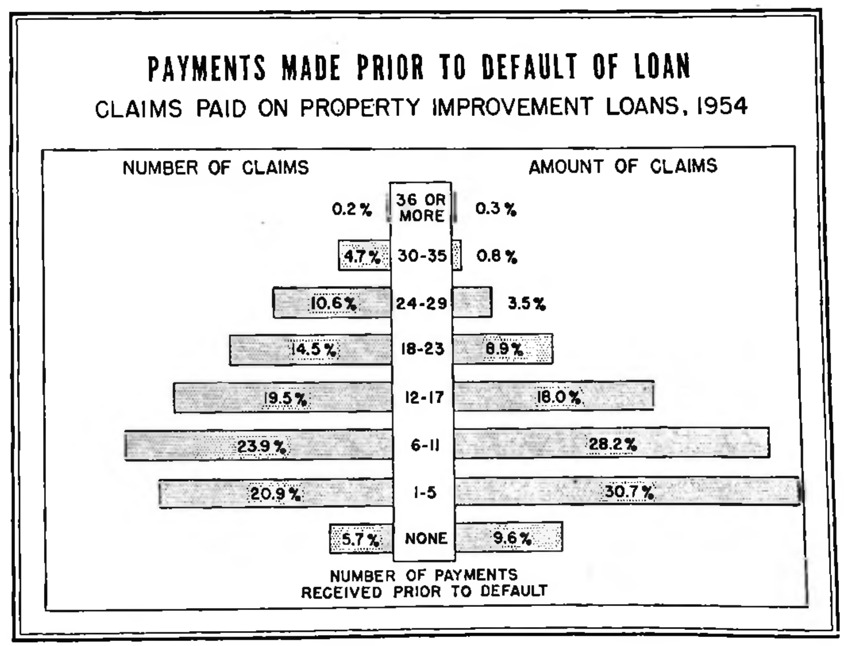

CHART 32

SECTION 3

CHARACTERISTICS OF MORTGAGE AND LOAN TRANSACTIONS INSURED BY FHA IN 1954

This portion of the report is devoted to a discussion of selected characteristics of the home and project mortgage and the property improvement loan transactions endorsed for FHA insurance in 1954.

During 1954, about 1.2 million new privately financed dwelling units were started in the nonfarm areas of the nation. Construction and sale of most of these units were facilitated by short-term construction money and long-term permanent mortgage funds advanced by privately owned financial institutions. Over 276,000 units, or 23 percent of the total, were started after FHA approval of the plans and specifications and were subject to FHA compliance inspections in the course of construction.

Of the units started under FHA inspection, 251,000 were approved under the home mortgage programs and the remaining 25,000 under the multifamily project programs. Nearly 221,000 units in FHA-inspected 1- to 4-family homes were reported as completed and ready for occupancy in 1954. Mortgages secured by 122,000 of these new units and by an additional 101,000 existing units were insured by FHA during the year.

The characteristics of these insured home mortgages, the properties securing them, and the mortgagors buying homes for their own occupancy are analyzed in this part of the report. The analysis of characteristics of home-mortgage transactions is based largely on cases insured under Section 203, the principal FHA home mortgage program. For the first time in the postwar period, data on the characteristics of FHA home mortgage transactions have been compiled by States and Territories and are presented in this report. These data not only provide a picture of the various facets of FHA home mortgage activity in specific areas of the country, but also aid in obtaining a better understanding of the characteristics data when summarized on a United States total basis. In 1954, 71 percent of the new home and 95 percent of the existing-home mortgages insured

by FHA were endorsed under the provisions of Section 203. Characteristics of transactions insured under Section 8, terminated by the Housing Act of 1954, are also presented in this section of the report.[12]

Characteristics of Section 203 Home Mortgage Transactions

As in previous years, almost all Section 203 insured transactions covered single-family homes—98 percent of the new and 96 percent of the existing transactions being in this category. Table 58 shows practically no change from 1953 to 1954 in the proportion of either new or existing dwellings which contained only 1 living unit. Two-family structures accounted for slightly less than 2 percent of the new homes and for about 3 percent of the existing homes.

TABLE 58

Structures and dwelling units in 1- to 4-family homes, Sec. 203, selected years

Units per structure	New homes					Existing homes				
	1954	1953	1950	1946	1940	1954	1953	1950	1946	1940
	Structures—Percentage distributions									
1	98.1	97.8	99.0	98.7	99.0	96.2	96.4	95.5	93.6	92.7
2	1.6	1.8	.9	1.0	.7	3.2	3.2	4.1	5.8	6.1
3	.1	(1)	(1)	.1	.1	.3	.2	.2	.3	.7
4	.2	.4	.1	.2	.2	.3	.2	.2	.3	.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Dwelling units—Percentage distributions									
1	95.9	95.1	97.7	96.9	97.7	91.9	92.4	90.1	87.4	85.0
2	3.1	3.4	1.8	2.1	1.5	6.1	6.0	7.8	10.9	11.3
3	.3	.1	.1	.2	.2	1.0	.7	.7	.7	1.8
4	.7	1.4	.4	.8	.6	1.0	.9	1.4	1.0	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	1.02	1.03	1.01	1.02	1.01	1.05	1.04	1.06	1.07	1.09

[1] Less than 0.05 percent.

Owner occupants were the mortgagors of some 94 percent of the new 1-family homes and of virtually all the existing homes securing these insured transactions. The proportion of landlord owners of new 1-family homes increased significantly from 1 percent in 1953 to nearly 4 percent in 1954 while the proportion of builders who were the designated mortgagors at time of closing remained the same at 2½ percent.

Over 90 percent of 3- and 4-family properties involved in Section 203 transactions insured in 1954 were built or purchased for rental income purposes. Of the 2-family houses, nearly three-fifths of the new but

[12] Data used in this analysis are based on the following samples:
1. Section 203—29,200 new home and 30,900 existing home cases selected from mortgages insured during the first 11 months of 1954.
2. Section 8—15,800 new home cases insured during 1954.

less than 2 percent of the existing were primarily rental income properties. In August 1954, FHA limited the use of Section 203 for rental income purposes by stipulating a maximum of 11 units in any such project and forbidding the use of the provisions of this section for rental purposes when the property was part of or contiguous to a project involving 12 or more dwelling units in which the mortgagor had a financial interest.

Typical Section 203 Home Mortgage Transaction

Table 59 presents data on selected characteristics of typical new- and existing-home mortgage transactions insured in 1954 and permits

TABLE 59

Characteristics of mortgages, homes, and mortgagors for single-family home transactions, Sec. 203, selected years

Year	New homes	Existing homes	New homes	Existing homes	New homes	Existing homes	New homes	Existing homes
	Amount of mortgage [1]		Duration in years [2]		Loan as a percent of FHA value [1]		1-family as a percent of 1- to 4-family	
1954	$8,862	$9,030	22.0	20.1	85.3	78.5	98.1	96.2
1953	8,555	8,623	22.2	19.9	80.5	78.3	97.8	96.4
1952	8,273	8,047	21.7	10.7	83.7	77.9	96.1	96.3
1951	7,586	7,448	23.4	21.1	86.5	76.6	98.5	95.6
1950	7,101	6,801	24.1	20.2	88.0	77.8	99.0	95.5
1949	7,143	6,778	22.8	19.8	87.3	78.0	98.9	96.1
1946	5,504	4,697	21.0	18.9	87.0	78.4	98.7	93.6
1940	[3] 4,358	[3] 3,687	[4] 23.0	[4] 17.5	[3] 87.0	[3] 70.8	99.0	92.7
	Property value [1]		Market price of site [2]		Number of rooms [1] [5]		Percent with garages	
1954	$10,678	$11,540	$1,456	$1,591	5.4	6.0	66.0	79.6
1953	10,140	11,061	1,291	1,461	5.3	6.6	59.7	74.1
1952	10,022	10,289	1,227	1,296	5.3	6.5	53.4	70.7
1951	9,007	9,843	1,092	1,222	5.2	6.0	49.6	69.5
1950	8,286	8,865	1,035	1,150	4.9	5.6	48.7	70.6
1949	8,502	8,700	1,018	1,098	4.9	5.6	49.6	70.4
1946	6,558	5,931	761	833	5.5	5.9	58.1	83.4
1940	5,028	4,600	662	948	5.6	6.3	75.6	87.2
	Mortgagor's effective annual income [1] [6]		Total monthly payment [1]		Payment as a percent of income [6] [7]		Ratio of property value to annual income [6] [7]	
1954	$5,139	$5,696	$68.62	$74.34	15.1	14.8	1.96	1.91
1953	4,880	5,396	65.95	70.84	15.2	14.7	1.96	1.92
1952	4,811	4,938	64.16	65.08	15.1	14.5	1.99	1.95
1951	4,225	4,726	58.84	61.57	15.1	14.4	2.00	1.96
1950	3,861	4,274	54.31	50.65	15.8	14.6	2.04	1.92
1949	3,880	4,219	55.59	56.12	16.0	14.8	2.05	1.92
1946	3,313	3,101	46.18	40.83	15.3	14.3	1.81	1.71
1940	2,416	2,490	[4] 35.15	[4] 34.56	17.2	15.1	1.97	1.70

[1] Data shown are medians.
[2] Data shown are averages (arithmetic means).
[3] Based on 1- to 4-family home mortgages.
[4] Estimated.
[5] Throughout this report medians are computed on the assumption that all characteristics distributions are represented by continuous data within groups.
[6] Throughout this report distributions of housing expense, and mortgagor's income, as well as characteristics relating to income, are based on owner-occupant cases only.
[7] Based on arithmetic means.

comparison of these figures with comparable ones for selected previous years.[13]

The typical new-home transaction in 1954 involved a mortgage of $8,862, scheduled to be repaid over a term of nearly 23 years at a monthly rate of $68.62 including debt service, real estate taxes, and hazard and FHA mortgage insurance premiums. This typical property was valued by FHA at $10,678, including land with a market price of $1,456. The single-family dwelling securing this mortgage contained 961 square feet and provided 5.4 rooms including 3 bedrooms. Garage facilities were provided. The mortgage loan represented 85 percent of the FHA estimated property value.

The typical new-home owner occupant mortgagor had an income of $5,100 of which about 15 percent was required for mortgage payments. The property value averaged just under twice the mortgagor's income. Compared with the typical new-home transaction of 1953—the mortgage amount was 4 percent higher, the duration 3 percent longer, and the monthly payment 4 percent more; property value increased by 5 percent and land price by 13 percent, but the ratio of loan to value declined 1.2 percentage points. The typical mortgagor's income was up 5 percent, with its relationship to mortgage payment and property value virtually unchanged.

The typical FHA existing-home transaction in 1954, compared with its new-home counterpart, involved a larger, more expensive house and a site with a higher market price. The mortgage provided for a larger amount and a shorter duration and consequently required a higher monthly payment. The typical existing-home mortgagor

[13] Throughout this report the use of technical terms is in keeping with the following definitions established by the FHA Underwriting Division in their procedures for the appraisal of properties and the evaluation of mortgage risk:

Estimate of Property Value is the price that typical buyers would be warranted in paying for the property (including the house, all other physical improvements, and land) for long-term use or investment, assuming the buyers to be well-informed and acting intelligently, voluntarily, and without necessity.

Market Price of Site is an estimate by FHA for an equivalent site including street improvements or utilities, rough grading, terracing, and retaining walls, if any.

Number of Rooms excludes bathrooms, toilet compartments, closets, halls, storage, and similar spaces.

Mortgagor's Effective Income is the estimated amount of the mortgagor's earning capacity (before deductions for taxes) that is likely to prevail during approximately the first third of the mortgage term.

Total Monthly Mortgage Payment includes monthly payment for first year to principal, interest, FHA insurance premium, hazard insurance, taxes and special assessments, and miscellaneous items including ground rent, if any.

Replacement Cost includes estimated cost of building and other physical improvements, land, and miscellaneous allowable costs for the typical owner.

Total Requirements include the total amount, including mortgage funds, necessary to close the transaction less any prepayable expenses such as unaccrued taxes, insurance premiums, and similar items.

Sale Price is the price stated in the sale agreement.

Taxes and Assessments include real estate taxes and any continuing non-prepayable special assessments.

Prospective Monthly Housing Expense includes total monthly mortgage payment for first year, estimated monthly cost of maintenance, and regular operating expense items (water, gas, electricity, fuel).

Rental Value is estimated on the basis of typical year-round tenant occupancy, excluding any premium obtainable because of local housing shortages or newness of the individual property.

Calculated Area is the area of spaces in the main building above basement or foundations, measured at the outside surfaces of exterior walls. Garage space and finished spaces in attic are excluded.

was in a somewhat higher income level and made a larger down payment, but the mortgage payment represented a smaller proportion of his income and the property value-income ratio was slightly lower. The typical existing-home property was valued by FHA at $11,500 and consisted of a lot with an estimated market price of $1,600. The 5½ room house, including 3 bedrooms, had a calculated area of 1,035 square feet. The mortgage amounted to $9,030 (over 78 percent of the property value) and had a duration of 20 years. It was to be repaid at a monthly rate of $74.34 (including payments on principal, interest, real estate taxes, hazard and FHA insurance premiums). The typical existing-home mortgagor had an income of almost $5,700, nearly 15 percent of which was required for monthly payments. The property value represented about 1.9 times the mortgagor's income. As compared with the typical existing-home transaction of 1953, both the mortgage amount and the monthly payment were about 5 percent higher, and the duration was slightly longer. The property value increased by about 4 percent and the land market price by 10 percent, while the size of the structure, although increasing some 3 percent in calculated area, remained about the same with respect to number of rooms. The annual income of the typical existing-home mortgagor increased nearly 6 percent from 1953 to 1954 but the proportion required for mortgage payment remained practically unchanged and there was only a slight decline in the value-income relationship.

Trends of Characteristics of Section 203 Home Mortgage Transactions

Chart 33 depicts for typical new- and existing-home mortgage transactions insured under Section 203 the trends in property value, mortgage amount, mortgagor's income, land prices, and the ratios of loan to value, income to value, and payment to income.

The increase in FHA new-home values from 1953 to 1954 averaged about the same as the rise in the average construction cost of all privately financed 1-family houses started. According to the Bureau of Labor Statistics, the average construction cost of 1-family homes started in 1954, excluding land, was $10,625 or 7 percent more than in 1953, paralleling the 7 percent rise in the average FHA values for FHA new homes. Mortgage amounts for FHA new-home transactions registered an average increase (6½ percent) comparable to that for total mortgages of $20,000 or less recorded during 1954. However, in the case of existing-home mortgages insured by FHA during 1954, the mortgage amount increase, 5 percent, was slightly lower than that for total mortgages recorded during the year. Similarly, values of existing properties insured by FHA in 1954 did not increase as much as the new, reflecting stabilization tendencies in existing-property values.

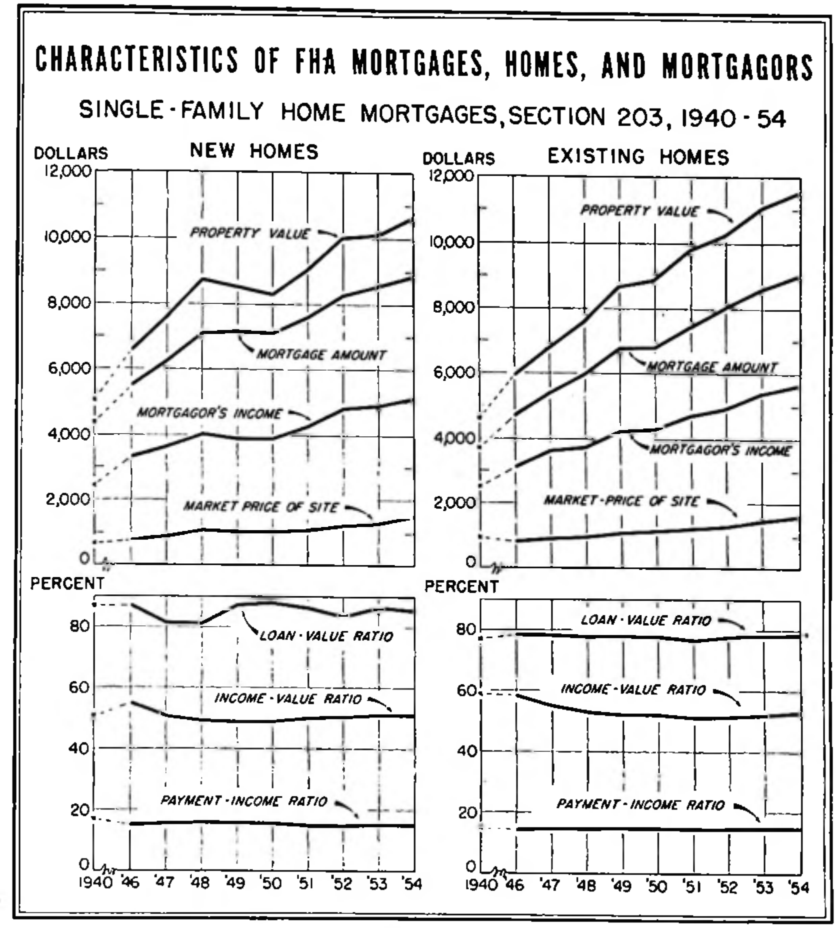

CHART 33

A major cause of the sustained upward trend in FHA property values and mortgagors' incomes has been the general inflation which has characterized the postwar period. However, other major factors have also contributed to this upward trend. One of these has been the increase in land prices and development costs reflected by the 41-percent increase reported in land market price for new homes since 1950. As a result of the postwar building boom, land sites in developed areas of many of the more heavily populated sections of the country have been almost completely used up, thus creating price raising competition among builders for suitable sites. High development costs have stemmed in part from the necessity for greater extension of utility lines.

The increase in the size of the homes has also contributed to the rise in property values. In 1954 the typical new FHA home was

347453—56——8

4 percent larger in terms of calculated area, while the typical existing property was nearly 3 percent larger. These larger homes have found a ready market, particularly in view of the increase in the typical size of families in the postwar period. In addition, because of competition and buyers' demands there has been an increasing tendency in many sections of the country for builders to provide "extras"—fully equipped kitchens, more efficient closet and storage facilities, automatic heating and ventilating equipment, landscaping and plantings, and garage facilities. These have all been reflected in higher property value.

Another factor influencing property values in 1954 was the increasing availability of mortgage funds resulting from the cutback in the inventory and capital investment expenditures of industry and commerce, the reduction in reserve requirements for Federal Reserve Banks, and stabilization in the bond financing requirements of the Federal Government. With more money available for investment, lenders tended to be willing to lend on the average larger amounts of money for home mortgage purposes. This, in turn, enabled home buyers to purchase higher-priced properties.

Incomes of mortgagors involved in both new- and existing-home mortgage transactions insured by FHA in 1954 were about 5 percent higher than the incomes of the 1953 mortgagors. This rise was not typical of the change in nonfarm family income from 1953 to 1954. Incomes of families covered by the Federal Reserve Board Survey of Consumer Finances averaged somewhat lower in 1954 than in 1953. The higher income level of buyers of FHA homes in 1954 may be indicative of the fact that these persons were buying more expensive homes requiring larger downpayments and larger monthly payments and thus larger incomes to meet these expenses.

In the last 5 years mortgagors' incomes have increased relatively more than mortgage amounts or property values in FHA new-home transactions. In existing-home transactions during the same period, mortgagors' incomes and mortgage amounts gained at about the same rate and slightly more than property value. The biggest gain in typical mortgage amount for new homes was during the years from 1946 through 1949 and reflects the liberalization of the maximum amount of mortgage and ratio of loan to value provisions of Section 203 in 1948 to bring FHA mortgage amounts into line with increased construction costs during the postwar period.

The lower portion of Chart 33, showing trends in the loan-value, income-value, and income-mortgage payment ratios, points up the minimum change that has occurred with respect to the income-value and mortgage payment-income relationships. The loan-value ratio curve for new homes reflects the effect of changes in legislation and

credit control regulations. The comparable curve for existing-home transactions shows little change, remaining constant during most of the period covered by the chart.

Mortgage Characteristics

MORTGAGE AMOUNT DISTRIBUTION.—Single-family home mortgages insured under Section 203 in 1954 averaged about $9,100 on new properties and $9,300 on existing properties. The median for new-home mortgages was nearly $8,900 compared with $9,000 for existing homes.

As in the previous year, over two-thirds of the new-home FHA mortgages insured in 1954 were for amounts of $7,000–$9,999, with about 23 percent each in the $7,000, $8,000, and $9,000 groups (Table 60 and Chart 34). There were significant changes, however, in the proportions above and below this range—mortgages of less than $7,000 declining from 16 percent of the 1953 total to 6 percent in 1954, while the $10,000 to $12,999 range increased from 12 percent to 21 percent and the proportion of mortgages amounting to $13,000 and over more than doubled.

TABLE 60

Amount of mortgage for single-family homes, Sec. 203, selected years

Amount of mortgage	Percentage distributions									
	New homes					Existing homes				
	1954	1953	1950	1946	1940 [1]	1954	1953	1950	1946	1940 [1]
Less than $2,000	(2)	------	(2)	0.1	0.5	------	------	0.2	1.0	7.3
$2,000 to $2,999	(2)	(2)	(2)	1.1	10.4	(2)	(2)	1.2	7.6	24.5
$3,000 to $3,999	0.1	0.1	0.4	7.1	28.6	0.4	0.2	3.0	19.2	20.6
$4,000 to $4,999	.1	.2	1.1	22.6	20.1	1.1	1.2	8.3	29.0	19.1
$5,000 to $5,999	.7	1.1	9.0	31.4	20.7	3.6	4.6	16.3	21.3	9.7
$6,000 to $6,999	5.2	14.4	33.0	25.0	6.1	9.5	11.2	22.0	11.0	5.6
$7,000 to $7,999	23.3	20.6	28.5	9.5	2.4	15.8	18.0	18.6	4.7	2.5
$8,000 to $8,999	22.8	24.4	16.0	2.4	1.1	18.5	20.4	13.0	2.7	1.8
$9,000 to $9,999	22.8	25.0	8.3	.4	.4	16.0	16.7	7.2	1.2	.9
$10,000 to $10,999	10.6	7.5	1.9	.2	.4	12.7	11.8	4.5	1.1	1.1
$11,000 to $11,999	6.1	3.2	.8	.2		7.4	9.1	1.9	.2	
$12,000 to $12,999	3.0	1.7	.5	(2)	.3	6.0	4.6	1.7	.4	.9
$13,000 to $13,999	1.8	.7	.2	------		3.2	2.2	.7	.1	
$14,000 to $14,999	1.1	.8	.1	------		2.6	1.8	.7	.2	
$15,000 or more	1.5	.3	.2	------		3.2	1.2	.7	.3	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	$9,143	$8,585	$7,307	$5,548	$4,424	$9,283	$8,847	$7,102	$4,929	$3,977
Median	$8,862	$8,555	$7,101	$5,504	$4,358	$9,030	$8,623	$6,801	$4,697	$3,687

[1] 1- to 4-family distribution.
[2] Less than 0.05 percent.

Existing-home mortgages, as in 1953, were more widely distributed than new-home transactions, with relatively more cases in the lower and higher amount ranges. About half of the 1954 mortgages were for amounts of $7,000 to $9,999, with one-fifth in the $10,000 to $11,999 range, about 15 percent with amounts of $12,000 or more,

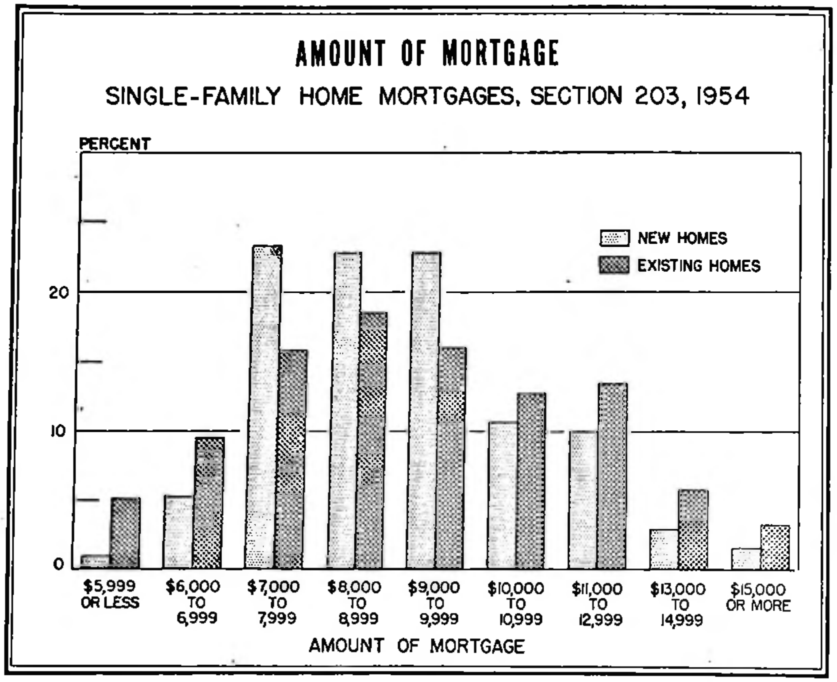

CHART 34

and 13 percent in the $5,000 to $6,999 range. As with new homes, there was a general upward shift in existing home mortgages as compared with 1953—the less than $7,000 and the $7,000 to $9,999 groups declining 3 and 5 percentage points, respectively, while the proportion of mortgages with amounts of $10,000 to $11,999 rose 2 points and those of $12,000 or more were up 5 points.

Ratio of Loan to Value.—New home mortgages insured under Section 203 in 1954 represented slightly smaller proportions of property value than in the previous year. As shown in Table 61, the loan-value ratio averaged 82 percent (83 percent in 1953) while the median ratio was down to 85 percent from 86½ percent in 1953.

Nearly one-half of the 1954 new-home mortgages had ratios of 86 to 95 percent, with two-fifths reporting ratios of 76 to 85 percent. Those with loan-value ratios of 75 percent or less constituted only 11 percent, about the same proportion as in 1953. The biggest shift occurred in the 76 to 80 percent group (up to 29 percent of the cases from 22 percent in 1953) and the 86 to 90 percent mortgages (down to about one-fourth from nearly 31 percent).

Existing-home mortgage amounts averaged nearly 78 percent of property value in 1954, about the same as 1953, with a median ratio of 78.5 percent—only slightly above the year before. Over half of the

TABLE 61

Ratio of loan to value of single-family homes, Sec. 203, selected years

Ratio of loan to value (percent)	Percentage distributions									
	New homes					Existing homes				
	1954	1953	1950	1946	1940	1954	1953	1950	1946	1940
50 or less	0.8	0.7	0.6	0.6	0.4	1.1	1.3	2.1	1.3	2.3
51 to 55	.4	.4	.4	.8	.2	.8	.8	1.4	.9	1.7
56 to 60	.7	.8	.5	.8	.5	1.6	1.5	2.2	1.2	3.2
61 to 65	1.4	1.3	.9	1.3	.8	2.8	2.6	3.7	2.8	4.7
66 to 70	2.6	2.7	1.6	3.3	2.7	7.7	7.2	8.8	5.8	8.6
71 to 75	5.1	5.2	3.2	4.8	3.6	9.8	9.8	13.5	8.8	16.2
76 to 80	28.8	21.7	8.8	11.8	11.8	52.2	58.8	51.5	60.7	63.3
81 to 85	11.8	13.8	10.9	14.1	13.2	7.3	4.0	4.4	3.6	------
86 to 90	25.6	30.7	57.1	62.5	66.8	10.8	8.8	9.8	14.9	------
91 to 95	22.8	22.7	16.0	------	------	5.9	5.2	2.6	------	------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	82.2	82.9	85.0	84.1	84.8	77.8	77.5	76.4	78.6	75.3
Median	85.3	86.5	88.0	87.0	87.0	78.5	78.3	77.8	78.4	76.8

transactions were in the 76 to 80 percent loan-value bracket, with about 18 percent in both the 66 to 75 and the 81 to 90 percent brackets. Mortgages averaging less than two-thirds of the estimated value represented slightly over 6 percent of the total, and just under this proportion had loan-value ratios of 91 to 95 percent. As compared with 1953, the most significant difference in the distribution was a decline in the proportion having ratios of 76 to 80 percent and the offsetting increase in the proportion of those with ratios of 81 to 90 percent. Most of the existing-home cases with ratios in excess of 80 percent (the maximum [14] for transactions not approved for insurance prior to the beginning of construction) represented transactions involving properties approved by FHA prior to construction and constructed under FHA inspection in connection with previous transactions.

Most of the mortgages insured under Section 203 in 1954 were at or near the maximum amounts permitted under the legislation effective at the time the mortgages were approved for insurance. This is indicated by the data in Table 62, which shows the distribution of the new- and existing-home transactions in various property value groups by ratio of loan to value. The median loan-value ratios (second column of the table) indicate that for homes valued below $12,000 the new-home mortgages represented markedly higher proportions of value than did the existing, while in the higher value categories the differences were negligible.

Under the provisions of Section 203 in effect until August 2, 1954, the maximum ratio of loan to value for new 1-family homes with FHA values up to $11,000 was 95 percent of the first $7,000 of value

[14] Increased to 90 percent by the legislation approved August 2, 1954. It is probable that only a small number of cases were insured during 1954 in which this increase was a factor.

plus 70 percent of the additional value up to a maximum mortgage of $9,450; for higher valued new homes and for practically all existing homes (including those under construction or recently completed) the maximum ratio was 80 percent of value up to a maximum amount of $16,000. Under the 1954 amendments to the National Housing Act, the maximum ratio for new 1-family homes was increased to 95 percent of the first $9,000 of FHA appraised value plus 75 percent of the value in excess of $9,000 up to a maximum mortgage of $20,000; for existing homes the new maximum ratio was 90 percent of the first $9,000 of appraised value plus 75 percent of additional value up to a maximum mortgage of $20,000. Transactions involving properties in Alaska, Guam, and Hawaii are permitted higher maximum mortgage amounts; in recognition of the higher cost of construction and property prices, the maximum mortgage amounts may be as much as one-half higher. In the value ranges from $12,000 upward, most of the new- and existing-home transactions with loan-value ratios in

TABLE 62

Ratio of loan to value by property value of single-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Median loan-value ratio	Ratio of loan to value—Percentage distributions: 50 percent or less	51 to 60 percent	61 to 70 percent	71 to 75 percent	76 to 80 percent	81 to 85 percent	86 to 90 percent	91 to 95 percent	Total
	New homes										
Less than $7,000	0.6	92.9	1.2	0.6			2.5	8.8	5.0	81.9	100.0
$7,000 to $7,999	6.0	93.1	(1)	.2	0.1	0.6	4.3	3.1	6.9	84.8	100.0
$8,000 to $8,999	18.8	92.2	.2	(1)	.4	.5	2.3	2.6	28.2	65.8	100.0
$9,000 to $9,999	15.7	89.1	.3	.5	.8	2.2	4.8	4.7	59.9	26.8	100.0
$10,000 to $10,999	12.4	87.3	.4	.6	1.9	4.3	6.8	19.2	62.4	4.4	100.0
$11,000 to $11,999	12.8	82.9	.6	1.0	3.0	6.9	16.0	56.9	13.7	1.0	100.0
$12,000 to $12,999	10.1	78.1	1.1	1.4	6.2	8.6	76.9	1.9	3.8	.1	100.0
$13,000 to $13,999	7.8	78.0	1.2	2.3	8.1	9.9	72.8	2.1	3.5	.1	100.0
$14,000 to $14,999	5.5	77.7	1.8	2.6	12.6	10.2	67.7	2.1	3.0		100.0
$15,000 to $15,999	3.8	77.8	2.5	2.8	10.4	8.9	71.2	1.7	2.3	.2	100.0
$16,000 to $17,999	3.8	77.5	2.7	3.5	13.3	11.6	63.6	3.6	1.7		100.0
$18,000 to $19,999	1.4	77.6	2.6	4.8	9.8	10.3	68.9	3.4	.2		100.0
$20,000 or more	1.3	77.6	3.1	3.4	10.7	9.4	72.6	.8			100.0
Total	100.0	85.3	.8	1.1	4.0	5.1	28.8	11.8	25.6	22.8	100.0
	Existing homes										
Less than $7,000	2.6	80.1	1.2	1.6	8.4	5.8	40.5	1.9	10.7	20.9	100.0
$7,000 to $7,999	5.5	86.2	.5	1.4	5.8	4.7	34.5	2.6	12.1	38.4	100.0
$8,000 to $8,999	10.1	81.9	.8	1.0	6.1	5.7	35.6	4.3	23.2	23.3	100.0
$9,000 to $9,999	11.1	80.0	.6	1.4	8.0	6.6	41.3	7.7	31.3	3.1	100.0
$10,000 to $10,999	12.6	79.0	.9	2.3	8.9	7.7	49.9	9.0	19.5	1.8	100.0
$11,000 to $11,999	12.1	78.5	.7	2.4	9.7	8.9	55.5	14.2	8.2	.4	100.0
$12,000 to $12,999	11.8	77.8	1.1	2.6	11.4	12.4	64.0	4.9	3.6	(1)	100.0
$13,000 to $13,999	9.1	77.6	1.2	2.6	12.5	13.1	63.0	6.6	.9	.1	100.0
$14,000 to $14,999	6.6	77.4	1.7	2.8	14.5	14.3	58.6	7.1	.9	.1	100.0
$15,000 to $15,999	5.8	77.6	1.5	3.4	14.9	11.0	61.7	6.7	.8		100.0
$16,000 to $17,999	7.0	77.4	2.0	3.3	13.4	14.2	59.3	7.4	.4		100.0
$18,000 to $19,999	3.1	77.7	1.6	2.0	13.5	11.5	62.3	9.1			100.0
$20,000 or more	2.6	76.4	4.2	5.9	18.6	17.0	49.1	5.2			100.0
Total	100.0	78.5	1.1	2.4	10.5	9.8	52.2	7.3	10.8	5.9	100.0

[1] Less than 0.05 percent.

excess of 80 percent probably involve properties located in Alaska, Guam, or Hawaii where the maximum loans and ratios of loan to value are higher. Those existing-home cases with loan-value ratios of more than 80 percent and property values of less than $12,000 are for the most part properties approved by FHA prior to the beginning of construction and constructed under FHA inspection and hence eligible for the higher maximum mortgage amounts.

Property Value Characteristics

Under the FHA underwriting system, one of the basic processes is the determination of the value of the property, including the house, other physical improvements, and land. Involved in this determination is a consideration of such items as the estimated replacement cost of the property, its rental value, selling prices of comparable houses, the type and location of the neighborhood, the character and market price of the site, materials and quality of construction, the size of the house, and garage facilities. The following portion of the report is devoted to an analysis of certain characteristics of the properties involved in the Section 203 transactions insured during 1954.

PROPERTY VALUE DISTRIBUTION.—In the Section 203 transactions insured by FHA during 1954, most of the properties had FHA estimated

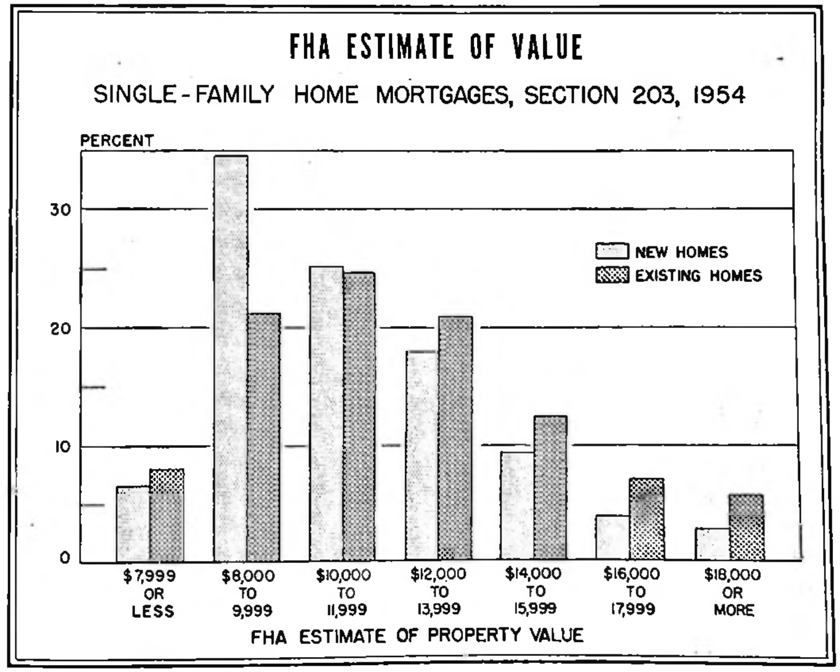

CHART 35

TABLE 63

Property value of single-family homes, Sec. 203, selected years

FHA estimate of property value	Percentage distributions									
	New homes					Existing homes				
	1954	1953	1950	1946	1940	1954	1953	1950	1946	1940
Less than $3,000	-------	-------	(1)	-------	3.2	(1)	-------	0.4	1.7	10.9
$3,000 to $3,999	-------	-------	(1)	2.3	18.6	(1)	-------	.8	7.3	21.8
$4,000 to $4,999	-------	-------	0.4	10.0	26.8	0.2	-------	1.4	16.8	22.5
$5,000 to $5,999	(1)	-------	1.6	20.3	23.6	.4	-------	4.2	24.6	17.3
$6,000 to $6,999	0.6	2.2	18.3	27.8	16.5	2.0	2.8	10.7	20.3	10.8
$7,000 to $7,999	6.0	14.9	20.8	22.4	5.7	5.5	6.8	15.8	12.1	6.1
$8,000 to $8,999	18.8	14.4	22.5	11.1	2.6	10.1	11.2	17.1	7.0	3.6
$9,000 to $9,999	15.7	14.8	15.9	3.4	1.2	11.1	12.5	14.5	3.4	1.9
$10,000 to $10,999	12.4	15.7	10.0	1.5	.7	12.6	14.0	11.3	2.5	1.5
$11,000 to $11,999	12.8	14.5	4.7	.5	.3	12.1	12.9	7.6	1.1	.9
$12,000 to $12,999	10.1	10.1	2.3	.3	.3	11.8	12.1	5.7	1.2	.8
$13,000 to $13,999	7.8	5.2	1.4	.2	.1	9.1	8.7	3.3	.5	.4
$14,000 to $14,999	5.5	3.2	.7	.1	.2	6.6	6.0	2.0	.3	.7
$15,000 to $15,999	3.8	2.0	.5	.1		5.8	4.6	1.7	.4	
$16,000 to $17,999	3.8	1.9	.5	(1)	.1	7.0	5.2	1.0	.3	.6
$18,000 to $19,999	1.4	.7	.2	-------		3.1	1.9	.9	.2	
$20,000 or more	1.3	.4	.2	-------	.1	2.6	1.3	.7	.3	.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average value	$11,120	$10,357	$8,594	$6,597	$5,199	$11,934	$11,419	$9,298	$6,269	$5,179
Median value	$10,678	$10,140	$8,286	$6,558	$5,028	$11,549	$11,061	$8,865	$5,934	$4,600

[1] Less than 0.05 percent.

values of $8,000 to $11,999. As Chart 35 and Table 63 indicate, nearly ¾ of the new homes and roughly one-half of the existing homes were in this range. The proportions of existing homes exceeded the new in the higher value brackets. About ⅓ were in the $12,000 to $15,999 range compared with 27 percent of the new, and ⅙ were valued at $16,000 or more—nearly twice the proportion reported for new homes. Properties with values of less than $8,000 comprised less than 7 percent of the new homes and only about 8 percent of the existing homes.

Compared with 1953, both new- and existing-home values exhibited a general upward shift. As shown in Table 63, the changes in the new home distribution followed a pattern of alternating decreases and increases in the value groups below $12,000—those valued at less than $8,000 declining from 17 to 7 percent, those in the $8,000 to $9,999 range increasing from 29 to 35 percent, offset by a decline in the $10,000 to $11,999 range from 30 to 25 percent. While the proportion with values of $12,000 to $12,999 remained unchanged, properties in the higher value ranges ($13,000 or more) increased from 13 to 24 percent. Changes in the existing home distribution were more regular—all value groups below $13,000 occurring in smaller proportions than in 1953, while those valued at $13,000 or more showed increases.

Property Value by States.—Tables 64 and 65 show, for each State and certain Territories, median property values and the distribution of the property values for new- and existing-home transactions insured under Section 203 during 1954. Median new-home property values ranged from about $8,800 in North Carolina to $22,500 in Alaska. In most (25) States and 1 Territory the median was in the $9,000 to $10,999 range, and in 19 States it was between $11,000 and $12,999, with only Montana, Alaska, and Hawaii exceeding $13,000. Only 3 Southern States had median values below $9,000.

TABLE 64

Property value by States, new 1-family homes, Sec. 203, 1954

State	Median property value	Property value—Percentage distribution								
		Less than $8,000	$8,000 to $9,999	$10,000 to $11,999	$12,000 to $13,999	$14,000 to $15,999	$16,000 to $17,999	$18,000 to $19,999	$20,000 or more	Total
Alabama	$11,359	5.4	26.2	25.8	19.4	10.7	7.2	3.9	1.4	100.0
Arizona	9,221	12.8	52.4	15.8	10.4	4.9	2.4	.3	1.0	100.0
Arkansas	9,988	19.4	30.8	26.0	8.4	9.2	2.6	1.8	1.8	100.0
California	9,641	4.1	52.9	20.5	11.1	7.9	2.2	1.0	.3	100.0
Colorado	12,848	-------	3.4	30.2	27.8	19.0	6.8	1.1	2.7	100.0
Connecticut	12,710	-------	15.5	24.5	24.5	12.3	8.6	10.0	4.6	100.0
Delaware	10,318	12.8	28.2	51.3	2.6	5.1	-------	-------	-------	100.0
District of Columbia	(1)	-------	-------	-------	-------	-------	-------	-------	-------	(1)
Florida	8,962	14.0	54.1	23.2	5.9	2.2	.4	.2	-------	100.0
Georgia	9,776	11.9	44.4	22.3	13.0	5.1	1.7	.8	.8	100.0
Idaho	12,036	4.0	19.2	26.3	23.3	11.1	8.1	4.0	4.0	100.0
Illinois	12,034	.5	12.0	37.0	23.1	16.7	6.7	2.9	1.1	100.0
Indiana	10,257	4.0	41.0	34.4	12.4	5.4	1.9	.6	.3	100.0
Iowa	10,231	11.0	35.2	26.9	17.4	7.1	1.5	.9	-------	100.0
Kansas	10,254	8.2	38.7	21.4	15.8	10.7	4.0	1.0	.2	100.0
Kentucky	10,825	-------	36.8	28.8	14.4	11.2	4.0	3.2	1.6	100.0
Louisiana	10,877	16.9	22.0	23.1	12.7	14.0	6.6	2.0	1.8	100.0
Maine	9,472	19.2	43.8	28.8	5.5	-------	2.7	-------	-------	100.0
Maryland	10,840	16.4	22.6	34.6	20.6	3.4	1.2	1.0	.2	100.0
Massachusetts	10,837	.8	20.6	58.7	12.7	4.0	2.4	-------	.8	100.0
Michigan	12,727	.8	7.4	31.6	33.1	21.0	4.6	1.1	.4	100.0
Minnesota	12,800	-------	6.3	24.5	43.8	13.9	7.7	2.4	1.4	100.0
Mississippi	10,044	8.1	41.1	29.7	11.9	6.5	2.7	-------	-------	100.0
Missouri	12,431	.8	4.3	34.1	32.2	18.2	8.7	1.4	.3	100.0
Montana	13,117	3.1	3.1	20.6	50.5	16.5	4.1	2.1	-------	100.0
Nebraska	10,478	6.2	31.5	38.8	15.4	5.0	1.9	1.2	-------	100.0
Nevada	10,646	-------	38.7	46.2	8.1	1.9	3.2	.2	1.7	100.0
New Hampshire	9,188	30.8	35.9	23.1	5.1	5.1	-------	-------	-------	100.0
New Jersey	9,850	8.8	45.0	23.2	12.5	5.9	3.0	1.2	.4	100.0
New Mexico	9,512	6.1	62.6	20.6	4.7	-------	-------	-------	-------	100.0
New York	12,438	4.0	16.1	25.4	19.7	16.0	11.6	4.7	1.9	100.0
North Carolina	8,756	25.2	49.8	15.7	5.5	2.2	1.1	.3	.2	100.0
North Dakota	11,167	-------	-------	61.9	26.2	7.1	4.8	-------	-------	100.0
Ohio	11,949	.9	25.4	24.4	26.4	13.5	7.6	1.3	.5	100.0
Oklahoma	9,635	12.3	45.2	20.4	14.6	3.9	1.9	.5	1.2	100.0
Oregon	9,524	5.3	53.1	23.0	11.2	4.8	1.7	.6	.3	100.0
Pennsylvania	11,412	.4	23.1	37.9	25.1	7.5	4.7	.8	.5	100.0
Rhode Island	11,667	1.3	7.9	46.1	35.5	7.9	1.3	-------	-------	100.0
South Carolina	9,989	4.5	45.8	33.6	11.0	2.6	.6	1.3	.6	100.0
South Dakota	10,429	3.6	42.8	25.3	18.1	7.8	1.8	.6	-------	100.0
Tennessee	10,150	4.1	43.6	29.2	14.2	6.2	1.5	.7	.5	100.0
Texas	8,870	18.0	54.9	16.6	6.6	2.1	1.3	.4	.1	100.0
Utah	12,641	-------	10.8	29.2	31.2	18.8	6.4	.4	3.2	100.0
Vermont	10,000	-------	50.0	50.0	-------	-------	-------	-------	-------	100.0
Virginia	12,128	12.9	19.8	13.4	32.7	15.8	3.1	.7	1.6	100.0
Washington	11,864	9.6	15.1	27.2	25.2	12.8	5.4	2.2	2.5	100.0
West Virginia	12,143	1.5	21.2	25.8	24.2	9.1	7.6	3.0	7.6	100.0
Wisconsin	12,667	2.8	3.4	23.3	45.9	17.1	3.4	2.8	1.3	100.0
Wyoming	11,318	2.0	21.5	41.2	29.4	3.9	-------	2.0	-------	100.0
Alaska	22,473	-------	-------	-------	-------	-------	4.7	15.8	79.5	100.0
Hawaii	13,540	5.3	1.6	3.1	61.2	8.4	5.8	5.8	8.8	100.0
Puerto Rico	9,667	17.8	38.8	13.2	7.9	5.9	4.6	3.9	7.9	100.0
Total	10,678	6.6	34.5	25.2	17.9	9.3	3.8	1.4	1.3	100.0

[1] Inadequate sample.

With the existing-home median value of $11,500 for the nation exceeding the new-home median ($10,700), a parallel relationship obtained in two-thirds of the States and Hawaii. Typical existing-home values ranged from $6,600 in Puerto Rico to $19,500 in Alaska. In 28 States median property values ranged between $11,000 and $12,999, in 15 States between $9,000 and $10,999, with 5 States and the District of Columbia in the $13,000 range, Hawaii in the $15,000 range, and Alaska in the $19,000 range.

TABLE 65

Property value by States, existing 1-family homes, Sec. 203, 1954

State	Median property value	Property value—Percentage distribution								
		Less than $8,000	$8,000 to $9,999	$10,000 to $11,999	$12,000 to $13,999	$14,000 to $15,999	$16,000 to $17,999	$18,000 to $19,999	$20,000 or more	Total
Alabama	$11,173	16.0	23.6	17.6	17.9	12.6	6.6	1.7	4.0	100.0
Arizona	9,808	20.7	31.4	21.1	13.6	3.7	4.1	1.3	4.1	100.0
Arkansas	9,786	23.8	29.0	16.7	15.6	7.1	3.7	1.5	2.6	100.0
California	11,562	4.8	23.8	27.7	22.1	12.1	5.8	2.5	1.2	100.0
Colorado	12,135	—	16.2	31.9	24.3	16.7	7.6	1.1	2.2	100.0
Connecticut	13,155	3.9	9.4	21.2	26.2	18.6	10.2	6.3	4.2	100.0
Delaware	12,333	—	16.3	31.6	7.2	25.5	10.2	7.2	2.0	100.0
District of Columbia	13,833	—	—	17.4	34.8	8.7	8.7	26.1	4.3	100.0
Florida	10,287	13.2	31.8	27.0	14.1	6.8	3.7	2.0	1.4	100.0
Georgia	11,725	7.5	23.1	22.5	22.1	13.2	5.9	3.0	2.7	100.0
Idaho	10,081	19.4	29.7	23.8	13.8	5.3	5.3	1.8	.9	100.0
Illinois	13,474	1.3	7.5	21.4	26.7	19.8	12.3	5.9	5.1	100.0
Indiana	11,011	5.4	30.3	26.2	18.5	10.9	5.3	2.1	1.3	100.0
Iowa	11,726	5.3	20.5	28.1	24.9	11.5	6.0	2.3	1.4	100.0
Kansas	10,908	12.7	24.7	23.9	14.8	11.4	8.9	2.4	1.2	100.0
Kentucky	11,888	6.7	18.3	26.6	19.7	12.7	9.1	5.0	1.9	100.0
Louisiana	12,283	7.3	21.4	18.1	22.7	14.3	7.0	4.8	4.4	100.0
Maine	9,038	24.3	41.7	18.3	6.8	4.7	3.0	.8	.4	100.0
Maryland	12,143	10.6	16.4	21.6	19.9	13.7	6.2	8.9	2.7	100.0
Massachusetts	11,077	9.0	19.3	35.8	19.7	7.5	5.1	1.2	2.4	100.0
Michigan	12,406	2.6	14.3	27.8	24.4	15.5	10.4	3.2	1.8	100.0
Minnesota	13,287	.4	4.1	19.4	37.6	21.0	9.7	5.4	2.4	100.0
Mississippi	10,147	11.5	36.3	31.9	15.0	4.4	.9	—	—	100.0
Missouri	12,491	3.2	14.1	26.4	23.2	15.4	9.4	4.0	4.3	100.0
Montana	12,234	13.4	11.8	20.6	27.5	12.6	9.2	1.5	3.4	100.0
Nebraska	10,515	11.2	29.9	30.6	16.1	5.5	4.4	1.0	1.3	100.0
Nevada	13,038	.7	5.8	30.9	21.6	12.2	10.1	3.6	15.1	100.0
New Hampshire	11,000	18.8	21.9	21.9	21.9	6.2	3.1	—	6.2	100.0
New Jersey	12,148	7.0	16.1	25.3	22.7	12.7	10.3	3.3	2.6	100.0
New Mexico	11,591	2.8	26.8	26.8	40.8	1.4	—	1.4	—	100.0
New York	11,381	4.3	28.6	23.9	22.3	11.6	5.4	1.4	2.5	100.0
North Carolina	11,429	10.1	21.6	23.5	20.2	10.8	5.9	4.6	3.3	100.0
North Dakota	12,735	2.0	12.8	22.8	29.7	18.8	11.9	1.0	1.0	100.0
Ohio	12,952	1.2	11.7	23.8	26.5	19.3	9.7	4.4	3.4	100.0
Oklahoma	9,301	20.9	42.2	19.5	8.6	4.6	1.8	1.2	1.2	100.0
Oregon	10,970	7.2	27.4	31.8	20.2	8.3	2.5	1.6	1.0	100.0
Pennsylvania	11,405	8.0	19.2	30.6	21.2	9.3	6.7	2.7	2.3	100.0
Rhode Island	12,250	2.7	9.1	35.8	23.5	17.1	6.4	4.3	1.1	100.0
South Carolina	10,313	23.9	22.4	22.9	10.7	8.8	6.4	3.9	1.0	100.0
South Dakota	10,141	17.0	30.4	29.2	17.5	3.5	1.8	.6	—	100.0
Tennessee	10,205	13.9	33.5	22.3	17.3	7.5	3.0	2.0	.5	100.0
Texas	9,106	24.3	40.5	21.6	8.6	2.9	1.4	.5	.2	100.0
Utah	12,549	2.3	14.2	25.6	24.1	13.9	8.2	4.0	7.7	100.0
Vermont	9,500	8.9	53.6	16.1	19.6	1.8	—	—	—	100.0
Virginia	12,032	12.6	18.8	18.3	15.3	12.8	11.6	7.6	3.0	100.0
Washington	11,676	8.4	20.9	25.2	21.7	12.2	5.9	2.7	3.0	100.0
West Virginia	11,350	12.6	19.7	23.1	18.9	11.8	9.3	4.2	3.4	100.0
Wisconsin	13,200	1.5	6.2	22.6	31.4	21.2	10.9	2.9	3.3	100.0
Wyoming	11,500	11.6	21.7	21.7	18.9	18.9	2.9	2.9	1.4	100.0
Alaska	19,500	1.8	—	1.8	8.8	10.5	15.8	14.0	47.3	100.0
Hawaii	15,133	1.4	3.5	13.4	17.6	23.2	12.0	7.1	21.8	100.0
Puerto Rico	6,625	81.9	3.2	2.6	2.6	2.6	1.9	.7	4.5	100.0
Total	11,549	8.1	21.2	24.7	20.9	12.4	7.0	3.1	2.6	100.0

CHARACTERISTICS BY PROPERTY VALUE.—Selected characteristics of the Section 203 single-family home cases insured in 1954 are presented in Tables 66 through 71. The upper portions of these tables summarize averages of the characteristics by property value groups on a national basis, while the lower portions show the averages for all value groups combined in the States and Territories. Tables 66 and 67 deal with *transaction* characteristics—property value, total requirements, sale price, mortgage amount, and mortgagor's annual income; Tables 68 and 69 with *property* characteristics—property value, replacement cost, land price, calculated area, number of rooms, number of bedrooms, and garage facilities; and Tables 70 and 71 with *financial* characteristics—property value, term of loan, monthly payment, real estate taxes, prospective housing expense, and mortgagor's monthly income. Interrelationships of selected characteristics are also indicated in these tables.

The usefulness of the data in these 6 tables may be illustrated by delineating the characteristics of the new home transactions in the $9,000 value range. The average property value for these cases was estimated by FHA to be $9,346, of which 88 percent or $8,249 was covered by the FHA-insured mortgage. In the great majority of these cases, represented by purchase-type transactions, the average sale price was $9,387, which, together with incidental closing costs of $199 (excluding prepayable expenses), brought the average total requirements to $9,586. About 87 percent of this amount was provided by mortgage funds, the remaining 13 percent representing the buyer's investment. The annual income of the mortgagors in this value group averaged $5,178, or somewhat over one-half of both the property value and total requirements. The average estimated replacement cost was $9,765 (4 percent above the valuation), including $1,248 for the lot (actually the FHA estimate of the market price of an equivalent site). The structures in these properties had an average calculated area of 959 square feet and about 5 rooms, usually including 3 bedrooms. Garage accommodations were available in 64 percent of these properties.

The prospective monthly housing expense for the new-home properties in the $9,000 value range was $83.31, of which $63.21 was attributable to the monthly mortgage payment while the remainder represented the amount estimated to be required for household operation (i. e., heating and cooking fuel, lighting, refrigeration, and water) together with the anticipated monthly cost of maintenance and repairs. Included in the monthly mortgage payment was interest, amortized principal, real-property taxes and special assessments averaging $8.96 monthly, and the premiums for hazard and FHA mortgage insurance. Slightly over 19 percent of the incomes of the mortgagors owning properties in this value class was, on the average, required for housing expense, including 15 percent for the total mortgage payment portion.

Comparable profiles may be drawn for new- and existing-home transactions in the other value groups on a national summary basis, while average characteristics of the transactions in each State may be ascertained for all value groups combined.

Some of the more significant aspects of the Section 203 single-family home transactions of 1954 are summarized in the following paragraphs.

Transaction Characteristics.—It should be noted that the sale price and total requirements data shown in Tables 66 and 67 are based on purchase-type transactions only and hence are not strictly comparable with the property value and mortgage amount data covering all types of single-family home transactions. These include, in addition to purchases, new-home transactions where the house is custom-built for or by the owner on his own lot; existing-home transactions where the existing indebtedness is being refinanced with no change in ownership; and existing-home transactions where a substantial portion of the mortgage funds is being used to finance improvements to the property. Although, on a national basis, purchase-type transactions predominate for both new and existing homes, variation in the proportions of the different types of transactions in the individual value classes and States result in relationships between the averages of FHA valuation and sale price or total requirements which may diverge somewhat from the normal pattern.

In several States, the average FHA-appraised property value for new homes reflects comparatively larger proportions of builder-mortgagor cases involving properties built for rent, or sales properties for which the builder was temporarily required to be the mortgagor for the permanent financing because of sluggish market conditions.

Although, as indicated previously, nearly all existing-home transactions were of the purchase type, the data for several States were influenced by relatively larger proportions of transactions involving refinancing or major improvements to the property.

Data on new- and existing-home transactions in Maryland and Hawaii reflect the influence of significant proportions of leasehold estates—the FHA valuations including land, but the sale price and total requirements figures excluding the cost of land.[15] These limitations must be kept in mind in comparing property value with sale price and total requirements in these tables.

[15] In leasehold cases, the maximum amount of insurable loan is determined by deducting the value of the leased fee (i.e. the land) from the maximum amount of insurable loan on the property as if held in fee simple.

TABLE 66

Transaction characteristics by property value and by States, new 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average: Property value	Average: Total requirements [1]	Average: Sale price [1]	Average: Amount of mortgage	Average: Mortgagor's annual income	Ratio of: Loan to total value (percent)	Ratio of: Loan to total requirements (percent) [1]	Ratio of: Property value to income
Less than $7,000	0.6	$6,524	$7,304	$7,125	$6,063	$4,156	92.9	88.9	1.57
$7,000 to $7,999	6.0	7,447	7,646	7,456	6,860	4,451	92.2	90.6	1.67
$8,000 to $8,999	18.8	8,259	8,422	8,314	7,568	4,843	91.6	90.2	1.71
$9,000 to $9,999	15.7	9,346	9,586	9,387	8,249	5,178	88.3	86.7	1.80
$10,000 to $10,999	12.4	10,429	10,862	10,654	8,806	5,302	84.4	81.7	1.94
$11,000 to $11,999	12.8	11,326	11,756	11,571	9,203	5,646	81.3	78.8	2.01
$12,000 to $12,999	10.1	12,421	12,869	12,674	9,623	5,942	77.5	74.9	2.09
$13,000 to $13,999	7.8	13,407	13,826	13,616	10,216	6,283	76.2	74.7	2.13
$14,000 to $14,999	5.5	14,386	14,881	14,664	10,950	6,655	76.1	73.8	2.16
$15,000 to $15,999	3.8	15,320	15,944	15,694	11,641	7,265	75.9	73.5	2.11
$16,000 to $17,999	3.8	16,705	17,309	17,154	12,551	7,969	75.1	73.0	2.10
$18,000 to $19,999	1.4	18,695	19,391	19,209	13,966	8,981	74.7	72.8	2.08
$20,000 or more	1.3	22,273	21,445	21,120	16,401	10,457	73.6	70.1	2.13
Total	100.0	11,120	11,185	10,985	9,143	5,672	82.2	80.8	1.96
Averages by States									
Alabama	1.0	$11,830	$11,882	$11,523	$9,676	$6,098	81.7	80.3	1.94
Arizona	2.4	9,980	10,193	10,066	8,480	6,028	85.0	83.4	1.66
Arkansas	.8	10,457	10,339	10,125	8,773	5,468	83.9	82.9	1.91
California	20.3	10,298	10,466	10,349	8,763	5,619	85.1	83.2	1.83
Colorado	.9	12,873	13,063	12,745	10,246	6,713	79.6	77.9	1.92
Connecticut	.8	13,365	13,768	13,650	10,657	6,683	79.7	77.5	2.00
Delaware	.1	10,118	(2)	(2)	8,021	(2)	79.3	(2)	(2)
District of Columbia	(3)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Florida	4.7	9,378	9,685	9,447	8,221	5,187	87.7	84.3	1.81
Georgia	1.2	10,315	10,234	9,915	8,646	5,467	83.8	83.9	1.89
Idaho	.3	12,463	12,297	12,191	[illegible]	6,120	79.7	77.4	2.03
Illinois	3.3	12,556	12,847	12,667	9,972	5,771	79.4	77.7	2.18
Indiana	3.0	10,575	10,797	10,584	8,887	5,423	84.0	81.8	1.95
Iowa	1.1	10,505	10,469	10,331	8,740	5,104	83.2	83.1	2.06
Kansas	1.6	10,832	11,194	10,884	9,092	5,812	83.9	82.3	1.86
Kentucky	.4	11,411	11,806	11,568	9,540	6,344	83.6	80.6	1.80
Louisiana	1.5	11,435	11,105	10,858	9,440	5,705	82.6	83.0	2.00
Maine	.2	9,616	9,402	9,254	8,177	4,866	85.0	84.6	1.98
Maryland	1.4	10,554	10,358	10,134	7,837	5,433	74.3	78.8	1.94
Massachusetts	.4	11,060	10,784	10,643	9,013	5,726	81.4	82.6	1.93
Michigan	8.1	12,659	13,050	12,916	10,022	5,796	79.2	77.0	2.18
Minnesota	.7	13,016	13,417	13,209	10,089	5,605	77.5	74.3	2.32
Mississippi	.6	10,284	10,372	10,257	8,757	5,327	85.2	84.4	1.93
Missouri	2.2	12,765	13,221	12,872	9,779	5,978	76.6	74.1	2.14
Montana	.3	12,874	13,404	13,082	10,043	6,381	78.0	75.9	2.02
Nebraska	.9	10,790	10,799	10,553	8,943	5,329	82.9	82.8	2.02
Nevada	1.6	10,775	10,859	10,734	8,905	7,434	82.6	82.3	1.45
New Hampshire	.1	9,310	8,907	8,758	8,004	4,915	86.0	85.5	1.89
New Jersey	2.6	10,462	10,749	10,488	8,515	5,877	81.7	79.2	1.78
New Mexico	.7	9,406	9,839	9,676	8,497	5,818	90.3	86.1	1.62
New York	4.0	12,685	13,206	13,004	9,846	6,268	77.6	74.3	2.02
North Carolina	1.9	9,139	9,209	9,031	8,068	5,075	88.3	86.4	1.80
North Dakota	.1	11,761	11,876	11,688	9,429	6,263	80.2	77.9	1.88
Ohio	5.4	11,966	12,013	11,813	9,708	5,495	81.1	80.9	2.18
Oklahoma	1.5	10,220	10,736	10,444	8,812	5,370	86.2	81.8	1.90
Oregon	1.2	10,009	10,035	9,906	8,501	5,354	84.9	84.1	1.87
Pennsylvania	4.1	11,636	12,245	12,040	9,332	5,688	80.2	75.3	2.05
Rhode Island	.3	11,669	11,912	11,628	9,253	5,485	79.3	78.2	2.13
South Carolina	.5	10,254	9,824	9,595	8,594	5,280	83.8	84.6	1.94
South Dakota	.6	10,700	10,319	10,209	8,825	5,900	82.5	83.8	1.81
Tennessee	2.0	10,441	10,656	10,305	8,930	5,382	85.5	82.9	1.94
Texas	6.9	9,314	9,448	9,208	8,228	5,303	88.3	86.9	1.76
Utah	.9	12,767	12,970	12,630	10,200	5,613	79.9	79.1	2.27
Vermont	.1	10,105	10,466	10,307	8,691	4,350	86.0	79.9	2.32
Virginia	2.0	11,531	10,530	10,331	9,445	5,172	81.9	83.0	2.23
Washington	1.4	12,032	11,248	11,085	9,490	5,801	78.9	81.2	2.07
West Virginia	.2	12,612	13,276	13,003	10,040	5,761	79.6	74.9	2.19
Wisconsin	.5	12,729	12,858	12,718	9,934	4,907	78.0	77.9	2.59
Wyoming	.2	11,445	11,884	11,628	9,386	5,929	82.0	78.2	1.93
Alaska	.6	22,582	(2)	(2)	18,042	(2)	79.9	(2)	(2)
Hawaii	1.0	14,451	11,872	11,666	9,902	6,550	68.5	83.1	2.21
Puerto Rico	.5	11,075	9,509	9,270	8,612	5,821	77.8	78.6	1.90

[1] Purchase cases only. [2] Inadequate sample. [3] Less than 0.05 percent.

TABLE 67

Transaction characteristics by property value and by States, existing 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average					Ratio of		
		Property value	Total requirements [1]	Sale price [1]	Amount of mortgage	Mortgagor's annual income	Loan to total value (percent)	Loan to total requirements (percent) [1]	Property value to income
Less than $7,000	2.6	$6,117	$6,460	$6,296	$5,097	$4,455	83.3	81.1	1.37
$7,000 to $7,999	5.5	7,408	7,752	7,575	0,271	4,792	84.7	82.3	1.55
$8,000 to $8,999	10.1	8,403	8,777	8,593	6,994	5,097	83.2	81.0	1.65
$9,000 to $9,999	11.1	9,345	9,900	9,650	7,563	5,312	80.9	77.6	1.76
$10,000 to $10,999	12.6	10,332	10,899	10,716	8,182	5,521	79.2	76.1	1.87
$11,000 to $11,999	12.1	11,326	11,925	11,091	8,839	5,824	78.0	75.1	1.94
$12,000 to $12,999	11.8	12,332	13,040	12,708	9,468	6,185	76.8	73.5	1.99
$13,000 to $13,999	9.1	13,343	14,087	13,851	10,164	6,652	76.2	73.1	2.01
$14,000 to $14,999	6.6	14,300	15,054	14,840	10,849	7,009	75.9	73.0	2.04
$15,000 to $15,999	5.8	15,259	16,151	15,908	11,549	7,741	75.7	72.5	1.97
$16,000 to $17,999	7.0	16,726	17,779	17,536	12,645	8,460	75.6	72.0	1.98
$18,000 to $19,999	3.1	18,620	20,007	19,599	14,174	9,467	76.1	71.7	1.97
$20,000 or more	2.6	21,526	23,042	22,273	15,576	11,360	72.4	68.6	1.89
Total	100.0	11,934	12,578	12,344	9,283	6,308	77.8	74.7	1.89
Averages by States									
Alabama	1.0	$11,509	$12,021	$11,630	$9,146	$6,404	79.5	76.7	1.80
Arizona	.8	10,694	11,180	10,868	8,072	7,020	75.5	71.9	1.52
Arkansas	.9	10,342	10,679	10,306	8,313	6,054	80.4	77.9	1.71
California	12.2	11,739	12,959	12,759	9,163	6,575	78.1	72.1	1.79
Colorado	.6	12,543	13,553	13,369	9,806	7,194	78.2	74.4	1.74
Connecticut	2.6	13,308	14,007	13,897	10,339	6,655	77.7	75.1	2.00
Delaware	.3	12,987	13,772	13,373	10,493	6,194	80.8	76.6	2.10
District of Columbia	.1	14,761	16,245	15,869	11,028	6,687	74.7	74.2	2.21
Florida	1.1	10,522	11,306	11,149	8,772	6,272	83.4	77.0	1.68
Georgia	2.0	11,976	12,318	11,962	9,635	6,627	79.6	77.8	1.81
Idaho	1.1	10,341	10,715	10,685	7,992	6,032	77.3	76.9	1.71
Illinois	4.3	13,683	14,879	14,040	10,325	6,746	75.5	70.6	2.03
Indiana	3.6	11,418	12,432	12,235	8,935	6,069	78.3	73.7	1.88
Iowa	1.4	11,741	12,337	12,226	9,108	5,884	77.6	74.5	2.00
Kansas	2.1	11,485	12,466	12,188	9,072	6,441	79.0	73.9	1.78
Kentucky	1.2	12,192	12,849	12,589	9,576	6,109	78.5	75.1	2.00
Louisiana	1.5	12,423	12,340	12,118	9,715	6,882	78.2	78.9	1.81
Maine	.8	9,485	9,804	9,596	7,614	5,204	80.3	78.0	1.79
Maryland	.9	12,375	12,133	11,874	9,660	6,361	78.1	77.7	1.95
Massachusetts	.8	11,317	11,337	11,153	8,748	5,907	77.3	78.4	1.92
Michigan	6.2	12,718	13,309	13,201	9,492	6,247	74.6	72.2	2.04
Minnesota	1.5	13,535	14,268	13,073	10,167	6,117	75.1	72.9	2.21
Mississippi	.4	10,265	10,784	10,618	8,174	5,424	79.6	78.5	1.89
Missouri	4.1	12,770	13,369	13,085	9,735	6,472	76.2	73.5	1.97
Montana	.8	12,015	13,141	12,777	8,909	6,825	74.9	70.3	1.76
Nebraska	1.2	10,775	11,960	11,639	8,641	5,939	80.2	73.5	1.81
Nevada	.4	14,209	15,324	15,068	10,592	10,432	74.5	70.5	1.36
New Hampshire	.1	10,043	10,498	10,359	8,625	6,357	78.8	82.0	1.72
New Jersey	2.7	12,359	13,138	12,930	9,337	6,743	75.5	71.7	1.83
New Mexico	.2	11,010	12,310	12,146	9,120	6,887	82.8	76.0	1.60
New York	5.7	11,682	12,104	11,810	9,067	6,205	77.6	74.9	1.88
North Carolina	1.0	11,837	12,206	12,023	9,276	6,463	78.4	77.3	1.83
North Dakota	.3	12,730	13,491	13,254	9,577	7,004	75.2	72.3	1.82
Ohio	7.2	13,126	13,805	13,484	10,136	6,015	77.2	73.6	2.18
Oklahoma	1.6	9,939	10,257	9,905	8,279	5,708	83.3	80.6	1.74
Oregon	2.0	11,167	11,277	11,153	8,591	6,312	76.9	77.1	1.77
Pennsylvania	3.0	11,727	12,407	12,141	9,023	6,042	76.9	73.1	1.94
Rhode Island	.6	12,476	12,619	12,438	9,467	5,854	75.9	75.8	2.13
South Carolina	.7	10,793	11,083	10,821	8,656	5,752	80.2	78.9	1.88
South Dakota	.6	10,060	10,810	10,705	7,677	6,000	76.3	71.9	1.65
Tennessee	1.4	10,609	11,232	10,954	8,706	5,692	82.1	78.8	1.86
Texas	5.4	9,460	9,831	9,628	8,063	5,844	85.2	82.1	1.62
Utah	1.1	13,176	13,833	13,710	10,178	6,110	77.2	75.7	2.16
Vermont	.2	9,496	9,820	9,712	7,538	4,386	79.4	79.5	2.17
Virginia	2.8	12,433	12,815	12,547	9,781	6,244	78.7	76.4	1.99
Washington	6.4	12,011	12,308	12,089	9,240	6,403	76.9	77.3	1.88
West Virginia	.8	12,037	12,973	12,669	9,100	5,885	75.6	72.3	2.05
Wisconsin	.9	13,353	13,956	13,757	10,151	5,890	76.0	73.8	2.27
Wyoming	.2	12,151	13,350	13,176	9,074	6,802	74.7	70.1	1.79
Alaska	.2	20,459	18,918	18,185	15,395	12,171	75.2	76.6	1.68
Hawaii	.5	16,215	14,787	14,500	10,924	7,024	67.4	73.7	2.31
Puerto Rico	.5	8,000	7,360	7,106	6,737	4,945	84.2	86.0	1.62

[1] Purchase cases only

In purchase-type transactions only, FHA-estimated property values for new homes averaged about 98½ percent of sale price compared with about 96½ percent for existing properties. On a nationwide basis this probably indicates that the supply and demand components of the housing market were nearly in balance and price levels fairly well stabilized. The comparatively lower ratio of value to price for existing properties reflects the FHA estimate of depreciation likely to occur in the value of older properties because of obsolescence and shorter economic life.

As evidenced by the ratio of loan to total requirements, initial investments of FHA home buyers in 1954 were somewhat higher than indicated by the average ratios of loan to value, because the combination of sale prices and incidental closing costs (i. e., total requirements) was usually higher than FHA-estimated property values. On the average, new-home buyers provided about one-fifth and existing-home buyers about one-fourth of the total financing requirements. The ratio of initial investment to total requirements for new homes ranged from 11 percent in the lowest value class to 30 percent in the highest, and for existing homes from 18 percent to 31 percent. Only in those transactions where property values were below $12,000 were the buyers' initial investments less than one-fourth of total financing requirements.

In the various States and Territories, initial cash investments for new homes ranged from 13 percent of total requirements in Texas to nearly 26 percent in Missouri; and for existing homes from 14 percent in Puerto Rico and 18 percent in Texas to 30 percent in Wyoming. In about half of the States and Territories, the new-home initial investment ratio averaged from 15 to 19.9 percent for new homes, while existing home ratios of 20 to 24.9 percent occurred in nearly half of the States and ratios of 25 to 29.9 percent in nearly all the rest.

An approximation of the amount of incidental costs required in closing the Section 203 transactions insured in 1954 is obtainable by differencing the average total requirements and sale price figures. On this basis, closing costs in 1954 averaged about $185 for new and $234 for existing properties. The data by value classes show that in most corresponding value classes, the existing-home closing costs exceeded the new (possibly because costs of the minor repairs required in many existing-home transactions are frequently included in the overall cost figure) and that closing costs generally were more for the higher value properties. Exceptions to these observations probably stem from the considerable variations in the amounts of closing costs in the various sections of the country, ranging from low averages in Vermont of $99 for new homes and $108 for existing homes to highs of $351 for new homes in Tennessee and $399 for existing homes in Delaware and $733 for existing homes in Alaska. Contributing to these differences were such factors as variations in the size of typical transactions, the use of the Torrens system of land transfer (under which costs of title search are lower), and differences in financing charges and costs of repairs. Another possible factor was the tendency on the part of builders in some communities to absorb part or all of the closing costs in the sale price in order to promote the sale of their properties.

Although the average mortgage amount for all existing homes exceeded that reported for all new dwellings, within most corresponding value groups the new-home averages were greater, reflecting higher ratios of loan to value. The spread between the average mortgage amounts and ratios of loan to value for new and existing homes narrowed as values increased, and for properties valued at $12,000 or more the differences were slight. This, of course, was a reflection of the schedule of maximum loan-to-value ratios which was effective for most of the cases insured in 1954. In slightly over half the States and Territories, new-home mortgage amounts averaged more than those reported for existing-home transactions, although new-home property values were higher in only one-third of the States and Territories. New-home ratios of loan to value exceeded the existing-home ratios in nearly every State and Territory. Average mortgage amounts for new homes ranged from $7,837 in Maryland to $10,657 in Connecticut and $18,042 in Alaska, with existing homes registering low averages of $6,737 in Puerto Rico and $7,538 in Vermont and highs of $15,395 in Alaska, $11,028 in the District of Columbia, and $10,592 in Nevada. In slightly less than one-half of the States and Territories, new-home mortgages averaged between $8,000 and $8,999 and in over one-third between $9,000 and $9,999; existing-home mortgages in about three-fifths of the States and Territories averaged from $9,000 to $10,999. Average loan-value ratios in most areas ranged from 79 to 84.9 percent for new-home transactions and from 75 to 79.9 percent for existing homes.

Sale prices and amount of total requirements for new homes in about half of the States and Territories averaged from $10,000 to $11,999, while existing-homes average sale prices and amounts of total requirements for existing homes occurred most frequently in the $11,500 to $13,000 range. Average sale prices ranged from $8,758 in New Hampshire to $13,650 in Connecticut for new homes and from $7,106 in Puerto Rico and $9,596 in Maine to $15,869 in the District of Columbia, $15,068 in Nevada, and $18,185 in Alaska for existing homes.

Property Characteristics.—As is evident in Tables 68 and 69, the FHA-estimated replacement cost of properties averaged higher than FHA valuations in all the value classes, both for the country as a whole and in each State and Territory. This is in accord with a

TABLE 68

Property characteristics by property value and by States, new 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average: Property value	Average: Property replacement cost	Average: Market price of site [1]	Price of site as percent of value [1]	Average: Calculated area (square feet)	Average: Number of rooms	Average: Number of bedrooms	Percentage of structures with garage
Less than $7,000	0.6	$6,524	$7,042	$851	13.0	749	4.3	2.1	47.1
$7,000 to $7,999	6.0	7,447	7,832	912	12.2	771	4.2	2.1	56.0
$8,000 to $8,999	18.8	8,259	8,602	1,068	12.9	904	4.8	2.7	70.5
$9,000 to $9,999	15.7	9,346	9,765	1,248	13.4	959	5.1	2.9	64.0
$10,000 to $10,999	12.4	10,429	10,737	1,296	12.4	961	4.8	2.6	60.5
$11,000 to $11,999	12.7	11,326	11,733	1,496	13.2	996	4.9	2.6	61.8
$12,000 to $12,999	10.1	12,421	12,772	1,616	13.0	1,033	5.0	2.7	60.4
$13,000 to $13,999	7.8	13,407	13,724	1,734	12.9	1,046	5.1	2.8	70.3
$14,000 to $14,999	5.5	14,386	14,714	1,951	13.6	1,116	5.2	2.8	69.1
$15,000 to $15,999	3.8	15,329	15,628	2,204	14.4	1,162	5.2	2.8	77.2
$16,000 to $17,999	3.8	16,705	17,023	2,330	13.9	1,238	5.4	2.9	83.9
$18,000 to $19,999	1.4	18,695	19,068	2,527	13.5	1,332	5.5	2.9	85.5
$20,000 or more	1.4	22,273	22,970	3,123	14.0	1,291	5.5	2.5	93.6
Total	100.0	11,120	11,482	1,456	13.1	990	4.9	2.7	66.6
Averages by States									
Alabama	1.0	$11,839	$12,364	$1,705	14.4	1,129	5.5	2.8	57.7
Arizona	2.4	9,080	10,189	1,333	13.4	1,133	5.0	2.8	94.6
Arkansas	.8	10,457	11,009	1,365	13.1	1,026	4.8	2.5	85.0
California	20.3	10,208	10,714	1,560	15.1	1,071	5.1	1.3	99.7
Colorado	.9	12,873	13,324	1,774	13.8	1,044	4.9	2.7	70.5
Connecticut	.8	13,365	14,025	1,385	10.4	957	4.9	2.7	45.1
Delaware	.1	10,118	10,363	1,431	14.1	925	4.6	2.6	37.5
District of Columbia	(2)	(3)	(3)	(3)	(3)	(3)	(3)	(3)	(3)
Florida	4.7	9,378	9,637	1,036	11.0	948	4.9	2.6	71.9
Georgia	1.2	10,315	10,500	1,227	11.9	988	5.0	2.6	56.9
Idaho	.3	12,463	13,033	1,204	9.7	1,006	4.5	2.3	66.7
Illinois	3.3	12,556	12,920	1,735	13.8	922	4.6	2.6	15.1
Indiana	3.0	10,575	10,811	1,353	12.8	880	4.8	2.6	15.8
Iowa	1.1	10,505	11,502	1,156	11.0	875	4.5	1.3	31.8
Kansas	1.6	10,832	11,388	1,357	12.5	945	5.0	2.9	62.5
Kentucky	.4	11,411	11,805	1,630	14.3	950	4.6	2.4	23.5
Louisiana	1.5	11,435	11,720	1,685	14.7	1,006	4.7	2.6	76.1
Maine	.2	9,616	9,959	811	8.4	956	4.4	2.3	25.9
Maryland	1.4	10,554	10,782	1,449	13.7	958	5.2	2.5	3.3
Massachusetts	.4	11,066	11,303	1,171	10.6	899	4.8	2.7	36.3
Michigan	8.1	12,659	13,115	1,700	13.4	955	4.8	2.6	15.1
Minnesota	.7	13,016	13,662	1,229	9.4	946	4.7	2.5	41.3
Mississippi	.6	10,284	10,622	1,141	11.1	1,103	5.1	2.8	81.4
Missouri	2.2	12,765	13,294	1,870	14.7	919	5.0	2.5	74.1
Montana	.3	12,874	13,220	1,265	9.8	992	4.6	2.4	60.8
Nebraska	.9	10,790	11,136	[1] 1,158	10.7	860	4.3	2.3	36.0
Nevada	1.6	10,775	10,923	1,532	14.2	968	4.6	2.6	81.6
New Hampshire	.1	9,310	9,737	694	7.5	831	4.4	2.2	28.0
New Jersey	2.6	10,462	10,821	1,343	12.8	925	4.8	2.6	26.1
New Mexico	.7	9,406	9,964	1,104	11.7	1,090	5.5	3.2	94.2
New York	4.0	12,685	13,136	1,387	10.9	1,014	5.2	2.7	60.6
North Carolina	1.9	9,139	9,435	1,141	12.5	948	4.9	2.7	26.6
North Dakota	.1	11,761	12,043	1,245	10.6	870	4.5	2.3	59.0
Ohio	5.4	11,966	12,180	1,589	13.3	911	4.9	2.7	22.3
Oklahoma	1.5	10,220	10,510	1,355	13.3	981	4.9	2.6	92.0
Oregon	1.2	10,009	10,265	960	9.6	936	4.9	2.8	65.7
Pennsylvania	4.1	11,636	12,042	1,600	13.8	1,054	5.2	2.7	71.6
Rhode Island	.3	11,660	12,413	1,108	9.5	964	5.1	2.0	50.0
South Carolina	.5	10,254	10,745	1,185	11.6	1,050	5.2	2.9	27.0
South Dakota	.6	10,700	11,245	1,099	10.3	896	4.6	2.5	39.0
Tennessee	2.0	10,441	10,733	1,254	12.0	1,028	5.1	2.8	62.5
Texas	6.9	9,314	9,528	1,227	13.2	982	5.0	2.8	89.5
Utah	.9	12,767	13,262	1,436	11.2	1,042	4.8	2.6	64.1
Vermont	.1	10,105	10,263	1,127	11.2	850	4.5	1.5	40.0
Virginia	2.0	11,531	11,625	1,351	11.7	976	4.9	2.7	9.3
Washington	1.4	12,032	12,522	1,234	10.3	1,020	4.9	2.5	78.1
West Virginia	.2	12,612	13,485	1,806	14.3	1,020	4.9	2.7	61.1
Wisconsin	.5	12,720	13,181	1,471	11.6	885	4.6	2.6	18.3
Wyoming	.2	11,445	11,596	1,497	13.1	940	4.4	2.3	63.6
Alaska	.0	22,582	22,743	2,972	13.2	853	5.0	1.6	96.9
Hawaii	1.0	14,451	14,710	4,670	32.3	944	4.7	2.7	96.0
Puerto Rico	.5	11,075	12,001	2,532	22.0	983	5.5	3.0	73.7

[1] Excludes Hawaii. [2] Less than 0.05 percent. [3] Inadequate sample.

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TABLE 69

Property characteristics by property value and by States, existing 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average			Price of site as percent of value [1]	Average			Percentage of structures with garage
		Property value	Property replacement cost [1]	Market price of site [1]		Calculated area (square feet)	Number of rooms	Number of bedrooms	
Less than $7,000	2.6	$6,117	$8,526	$903	14.8	876	4.7	2.3	63.7
$7,000 to $7,999	5.5	7,408	9,208	975	13.2	873	4.6	2.2	67.4
$8,000 to $8,999	10.1	8,403	10,168	1,133	13.5	927	4.8	2.3	70.8
$9,000 to $9,999	11.1	9,345	11,134	1,237	13.2	979	4.9	2.4	77.4
$10,000 to $10,999	12.6	10,332	12,095	1,332	12.9	1,031	5.1	2.5	77.7
$11,000 to $11,099	12.1	11,326	12,902	1,472	13.0	1,053	5.1	2.6	79.9
$12,000 to $12,999	11.8	12,332	13,974	1,594	12.9	1,122	5.3	2.7	80.5
$13,000 to $13,999	9.1	13,343	14,782	1,751	13.1	1,143	5.4	2.7	82.2
$14,000 to $14,999	6.6	14,300	15,830	1,895	13.3	1,206	5.5	2.8	83.4
$15,000 to $15,909	5.8	15,259	16,811	2,062	13.5	1,271	5.6	2.9	85.9
$16,000 to $17,999	7.0	16,726	18,375	2,303	13.8	1,369	5.8	3.0	88.1
$18,000 to $19,999	3.1	18,620	20,369	2,750	14.8	1,492	6.0	3.1	89.6
$20,000 or more	2.6	21,526	24,231	3,079	14.3	1,712	6.3	3.3	92.2
Total	**100.0**	**11,934**	**13,646**	**1,591**	**13.3**	**1,104**	**5.2**	**2.6**	**79.6**
Averages by States									
Alabama	1.0	$11,509	$12,672	$1,755	15.2	1,208	5.6	2.6	76.4
Arizona	.8	10,694	11,883	1,374	12.8	1,247	5.1	2.7	78.8
Arkansas	.9	10,342	11,941	1,686	16.3	1,182	5.2	2.5	82.2
California	12.2	11,739	12,903	2,045	17.4	1,189	5.1	2.6	98.5
Colorado	.6	12,543	13,542	1,990	15.9	1,024	4.8	2.5	82.9
Connecticut	2.6	13,308	15,700	1,456	10.9	1,137	5.4	2.9	66.2
Delaware	.3	12,987	13,779	1,766	13.6	1,146	5.4	2.9	47.6
District of Columbia	.1	14,761	16,513	2,154	14.6	1,224	6.2	2.9	55.0
Florida	1.1	10,522	11,877	1,310	12.5	1,087	5.3	2.6	82.9
Georgia	2.0	11,976	12,647	1,607	13.4	1,181	5.5	2.6	60.2
Idaho	1.1	10,341	12,306	1,035	10.0	1,004	4.7	2.4	79.2
Illinois	4.3	13,683	15,873	1,742	12.7	1,093	5.1	2.5	65.0
Indiana	3.6	11,418	13,306	1,306	11.4	1,020	5.0	2.6	71.8
Iowa	1.4	11,741	14,258	1,550	13.2	1,067	4.9	3.1	74.5
Kansas	2.1	11,485	12,863	1,366	11.9	1,040	5.2	2.5	91.3
Kentucky	1.2	12,192	13,700	1,738	14.3	1,097	5.2	2.5	68.8
Louisiana	1.5	12,423	13,321	2,171	17.5	1,162	5.1	2.5	87.5
Maine	.8	9,485	11,600	949	10.0	1,170	5.5	2.9	69.1
Maryland	.9	12,375	13,500	1,680	13.6	1,010	5.2	2.7	23.4
Massachusetts	.8	11,317	13,301	1,222	10.8	1,222	5.6	2.9	67.8
Michigan	6.2	12,718	14,909	1,645	12.9	1,054	5.3	2.7	68.8
Minnesota	1.5	13,535	15,651	1,477	10.9	1,084	5.3	2.7	75.8
Mississippi	.4	10,265	11,129	1,354	13.2	1,177	5.4	2.7	80.5
Missouri	4.1	12,770	15,038	1,609	13.1	1,149	5.4	2.5	80.9
Montana	.8	12,015	13,877	1,408	11.7	1,078	5.0	2.6	79.6
Nebraska	1.2	10,775	13,174	1,330	12.3	1,033	5.0	2.5	85.0
Nevada	.4	14,209	15,408	1,825	12.8	1,181	5.0	2.6	82.6
New Hampshire	.1	10,043	13,031	1,109	10.1	1,145	5.9	3.1	73.9
New Jersey	2.7	12,359	14,209	1,801	14.6	1,108	5.6	2.8	69.9
New Mexico	.2	11,010	12,177	1,376	12.5	1,221	5.7	2.8	85.7
New York	5.7	11,682	14,032	1,348	11.5	1,124	5.4	2.7	67.8
North Carolina	1.0	11,837	12,911	1,688	14.3	1,243	5.5	2.7	57.4
North Dakota	.3	12,730	14,965	1,662	13.0	1,082	5.0	2.6	67.0
Ohio	7.2	13,126	15,097	1,506	11.5	1,054	5.2	2.6	70.5
Oklahoma	1.6	9,939	10,943	1,361	13.7	1,065	5.1	2.4	93.8
Oregon	2.0	11,167	12,869	1,234	11.1	1,071	5.1	2.6	93.6
Pennsylvania	3.0	11,727	13,176	1,477	12.6	1,195	5.7	2.9	78.1
Rhode Island	.6	12,476	14,006	1,341	10.7	1,206	5.5	3.3	77.8
South Carolina	.7	10,793	11,804	1,451	13.4	1,147	5.5	2.7	58.4
South Dakota	.6	10,060	13,402	1,149	11.4	1,068	5.2	2.7	75.0
Tennessee	1.4	10,609	11,459	1,514	14.3	1,088	5.3	2.5	73.5
Texas	5.4	9,460	10,416	1,440	15.2	1,016	5.0	2.3	95.9
Utah	1.1	13,176	14,573	1,747	13.3	1,021	4.8	2.4	81.9
Vermont	.2	9,496	12,374	1,038	10.9	1,161	5.6	3.2	76.0
Virginia	2.8	12,433	13,258	1,552	12.5	1,090	5.4	2.6	40.4
Washington	6.4	12,011	14,128	1,567	13.0	1,126	5.2	2.6	90.8
West Virginia	.8	12,037	14,484	1,794	14.9	1,284	5.6	2.7	68.6
Wisconsin	.9	13,353	15,503	1,800	13.5	1,045	4.9	2.5	92.8
Wyoming	.2	12,151	12,880	1,429	11.8	978	4.7	2.4	78.8
Alaska	.2	20,459	23,504	2,128	10.4	981	4.7	2.4	58.0
Hawaii	.5	16,215	16,853	5,382	33.2	1,064	5.0	2.7	97.8
Puerto Rico	.5	8,000	8,654	1,650	20.7	889	5.2	3.0	80.0

[1] Excludes Hawaii.

fundamental precept of the FHA valuation policy, that replacement costs establish an upper limit to value, inasmuch, as stated in the FHA Underwriting Manual, "a typical buyer acting intelligently would not be warranted in paying more for property than the cost of producing an equivalent property." Because of depreciation (primarily obsolescence), the difference between value and replacement cost is noticeably greater for existing properties than for new. For Section 203 new-home transactions closed in 1954, value averaged about 97 percent of replacement cost; for existing homes, the comparable figure was 87 percent. The lower values of existing properties reflect not only the shorter economic life of the structure but also the influence of obsolescence on such items as structural design, the amounts and types of equipment, and, occasionally, the location.

On both new and existing homes, the ratio of value to replacement cost increased with higher property values, ranging from 93 percent for new homes valued at less than $7,000 to about 98 percent for those in the higher value brackets and from 72 percent for existing homes of less than $7,000 value to slightly over 90 percent for the higher priced existing properties. This is indicative of the greater influence of going market prices on values of lower-priced properties. Reflecting the influence of market conditions in various localities, sale prices exerted more downward pull on property values in these lower brackets than in the higher value categories. The reason is probably a more plentiful supply of housing and keener competition in the lower value groups.

By States and Territories, average value-cost ratios for new homes were in a relatively narrow band of 91 to 99 percent, with most States bracketed between 96 and 98 percent. Existing-home ratios, reflecting variations in age, condition, and demand are more diffused, extending from 75 to 96 percent with heavier incidence of averages in the 84 to 86 percent and 89 to 94 percent ranges.

Market prices of land involved in the Section 203 transactions of 1954 averaged about $1,450 for new homes, or 13 percent of total property value, and nearly $1,600 for existing homes, slightly more than 13 percent of total value.[16] Land prices of both new and existing properties moved upward as property values increased. However, land prices of the higher-value properties ($14,000 or more) accounted for somewhat larger proportions of total value as compared with lower-price homes, possibly because of the larger size, better dimensions, and more desirable location of the sites. Frequently the higher priced new homes were contract-built on lots available in fully de-

[16] Land prices of Hawaiian properties are excluded from the United States summary portion of Tables 68 and 69 because the inordinately high land costs of that Territory create a bias in average land prices in those value groups where the proportion of Hawaiian cases was relatively high. With Hawaii included, the average land price for new homes in the $13,000 value group would have been $300 more, and in the $18,000 and $20,000 or more groups $200 to $300 more.

veloped neighborhoods and having higher market values. In the value groups below $9,000, existing homes had higher land prices than new homes, probably because of their being located in neighborhoods closer to the centers of cities and having better shopping, transportation, and community facilities. In these same groups the higher ratios of land price to total value for the existing homes are indicative of a minimum of depreciation in land value compared with the more substantial depreciation in the structure value.

Also affecting the averages of market price and land shown in the United States summary portion of the tables are variations in land prices throughout the country. For the Nation proper, land prices for new homes ranged from $694 in New Hampshire to $1,879 in Missouri and for existing homes from $949 in Maine to $2,171 in Louisiana. In most States, land prices averaged between $1,000 and $1,500 for new homes and $1,250 to $1,750 for existing properties, with new-home averages exceeding existing-home averages in all but a few States. The land proportion of property value for new homes ranged from 7½ percent in New Hampshire to 15 percent in California, averaging in the greater number of States from 10 to 14 percent. Similarly for existing homes, the average ratio of land price to total value in most States ranged from 10 to 14 percent, with a high of 17½ percent in Louisiana and a low of 10 percent in Idaho and Maine.

Special terrain problems in Hawaii and Puerto Rico account for the exceedingly high land prices representing substantially larger proportions of total property value. Although land prices are unusually high in Alaska, the ratio of land price to property value is not above average.

In most States, land for existing-home properties represented larger proportions of total property value than in new-home transactions, primarily because of the comparatively greater depreciation of existing structures as compared with land.

Other property characteristics information presented in Tables 68 and 69 are averages of calculated area, number of rooms and number of bedrooms, and percentage of structures provided with garage facilities. The data dealing with the size of the structure, i. e., area, room count and bedroom count, are discussed in more detail in a subsequent portion of this report dealing with the size of the FHA homes in 1954 and the relation of size to property values.

Garage facilities were provided in two-thirds of the new homes and in nearly four-fifths of the existing, the frequency increasing as property values rose. Within virtually all value groups, the proportion of existing homes with garages exceeded the new.

Generally, the highest proportions of new homes with auto shelters were found in the Southern and Western States, where they also may have included storage facilities, since most of these homes have no basements.[17] The lowest proportion with garages occurred in the Northeastern and North Central States. In 20 States, less than 50 percent of the new homes had garage facilities, contrasted with only 3 States—Delaware, Maryland, and Virginia—in which the number of existing homes with garages fell below the 50 percent mark.

Financial Characteristics.—As property values increased, mortgage payments, real property taxes, housing expenses, and mortgagors' incomes also advanced. Average mortgage payments (covering debt service, property taxes, and insurance) did not vary materially for new and existing homes in comparable value groups below $12,000. Although the average principal amount of existing-home mortgages in these groups was smaller, their typically shorter durations made for interest and principal payments which when coupled with the higher property taxes resulted in total payments not much different than for similarly valued new homes. In the value groups above $12,000, the higher monthly payment level of existing homes is largely the result of the larger debt service arising from the shorter amortization period of the mortgages.

Average monthly payments, by States and Territories, ranged from $59 in Florida to $129 in Alaska for new homes, and from $56 in Puerto Rico to $131 in Alaska for existing homes. In most States, mortgage payments on new homes averaged from $65 to $79, and on existing properties from $70 to $84. Reflecting the shorter average amortization periods of existing-home mortgages and higher average tax rates, existing-home payments were generally higher than for new homes within the same State.[18]

As shown in Tables 70 and 71, the average durations of FHA mortgages insured in 1954 ranged for new homes from 20 years in South Dakota to nearly 25 years in Alaska, with mortgages in most States having averages of 22 and 23 years. Existing-home mortgage terms—shorter than new in every State and Territory—ranged from 18 years in South Dakota to about 22½ years in Delaware, with averages of 19 and 20 years in most States and Territories. Existing-home average durations in excess of 20 years are indicative of the presence of structures originally constructed under the FHA inspection system and, to a very limited extent, transactions processed under provisions of the new legislation of August 2, 1954, permitting durations in excess of 20 years.

[17] According to a nationwide survey conducted by the Bureau of Labor Statistics of new nonfarm 1-family houses started in the first quarter of 1954, 73 percent in the South and 70 percent in the West had no basements, compared with 21 percent in the Northeast and 44 percent in the North Central States.

[18] Monthly payment data for Maryland and Hawaii reflect inclusion of ground rents in connection with leasehold estates in many of the transactions.

TABLE 70

Financial characteristics by property value and by States, new 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average		Monthly average				Percent ratio of	
		Property value	Term of loan (years)	Total payment	Estimated taxes	Prospective housing expense	Mortgagor's income	Mortgage payment to income	Housing expense to income
Less than $7,000	0.6	$6,524	NA	$48.26	$5.62	$61.68	$346.36	13.9	17.8
$7,000 to $7,999	6.0	7,447	NA	52.05	6.77	69.82	370.88	14.0	18.8
$8,000 to $8,999	18.8	8,259	NA	58.31	8.32	76.70	403.55	14.4	19.0
$9,000 to $9,999	15.7	9,346	NA	63.21	8.96	83.31	431.52	14.6	19.3
$10,000 to $10,999	12.4	10,429	NA	68.64	10.19	89.48	446.83	15.4	20.0
$11,000 to $11,999	12.8	11,326	NA	72.27	11.20	93.39	470.53	15.4	19.8
$12,000 to $12,999	10.1	12,421	NA	75.32	11.89	97.93	495.17	15.2	19.8
$13,000 to $13,999	7.8	13,407	NA	80.89	12.85	104.46	523.55	15.5	20.0
$14,000 to $14,999	5.5	14,386	NA	86.10	14.54	109.40	554.57	15.5	19.7
$15,000 to $15,999	3.8	15,329	NA	93.59	15.56	116.30	605.44	15.5	19.2
$16,000 to $17,999	3.8	16,705	NA	101.11	17.18	126.90	664.08	15.2	19.1
$18,000 to $19,999	1.4	18,695	NA	109.37	18.32	139.93	748.43	14.6	18.7
$20,000 or more	1.3	22,273	NA	126.99	17.92	167.16	871.45	14.6	19.2
Total	100.0	11,120	22.9	71.36	10.86	92.58	472.66	15.1	19.6
Averages by States									
Alabama	1.0	$11,839	22.2	$71.07	$6.05	$93.31	$508.14	14.0	18.4
Arizona	2.4	9,080	23.6	73.88	17.18	94.52	502.32	14.7	18.8
Arkansas	.8	10,457	22.9	65.04	4.61	85.35	455.68	14.3	18.7
California	20.3	10,298	22.0	70.44	12.34	88.90	468.27	15.0	19.0
Colorado	.9	12,873	23.3	88.28	15.94	107.95	559.38	15.8	19.3
Connecticut	.8	13,365	24.3	81.38	14.84	105.16	556.93	14.6	18.9
Delaware	.1	10,118	24.7	62.69	4.33	(2)	(2)	(2)	(2)
District of Columbia	(1)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Florida	4.7	9,378	23.6	59.39	3.86	78.03	432.20	13.7	18.1
Georgia	1.2	10,315	22.4	62.55	4.56	81.14	455.58	13.7	17.8
Idaho	.3	12,463	21.7	76.68	10.34	106.51	510.73	15.0	20.9
Illinois	3.3	12,556	22.7	76.73	11.58	98.88	480.92	16.0	20.6
Indiana	3.0	10,575	22.5	66.05	7.16	93.80	451.91	14.6	20.8
Iowa	1.1	10,505	22.1	66.84	8.58	89.39	425.30	15.7	21.0
Kansas	1.6	10,832	23.8	74.26	13.55	92.38	484.37	15.3	19.1
Kentucky	.4	11,411	22.1	73.30	9.09	91.38	528.70	13.9	17.3
Louisiana	1.5	11,435	23.2	67.60	5.25	82.29	475.45	14.2	17.3
Maine	.2	9,616	22.1	64.97	10.48	85.79	405.52	16.0	21.2
Maryland	1.4	10,554	23.6	64.64	11.55	93.18	452.73	14.3	20.6
Massachusetts	.4	11,066	24.2	74.75	17.69	97.61	477.15	15.7	20.5
Michigan	8.1	12,659	23.8	78.17	13.58	99.11	483.01	16.2	20.5
Minnesota	.7	13,016	23.7	78.19	12.79	98.43	467.07	16.7	21.1
Mississippi	.6	10,284	22.8	64.24	5.33	75.95	443.90	14.5	17.1
Missouri	2.2	12,765	23.7	76.09	9.43	96.29	498.17	15.3	19.3
Montana	.3	12,874	21.8	80.08	12.33	108.47	531.72	15.1	20.4
Nebraska	.9	10,790	23.3	71.75	13.76	92.80	444.07	16.2	20.9
Nevada	1.6	10,775	23.1	66.31	8.43	90.03	619.47	10.7	14.5
New Hampshire	.1	9,310	23.8	66.28	15.13	94.82	409.62	16.2	23.1
New Jersey	2.6	10,402	24.2	65.66	12.22	90.15	489.76	13.4	18.4
New Mexico	.7	9,406	22.9	63.00	6.99	89.16	484.82	13.0	18.4
New York	4.0	12,685	24.2	82.36	18.06	107.68	522.32	15.8	20.6
North Carolina	1.9	9,139	22.1	60.10	6.22	83.29	422.89	14.2	19.7
North Dakota	.1	11,761	20.5	77.69	12.90	102.08	521.95	14.9	19.6
Ohio	5.4	11,966	22.3	73.68	9.84	97.82	457.90	16.1	21.4
Oklahoma	1.5	10,220	22.8	67.18	6.69	82.30	448.29	15.0	18.4
Oregon	1.2	10,009	21.7	66.59	9.81	92.71	446.20	14.9	20.8
Pennsylvania	4.1	11,636	24.4	72.39	13.96	93.24	474.02	15.3	19.7
Rhode Island	.3	11,669	21.2	75.68	12.62	101.01	457.07	16.6	22.1
South Carolina	.5	10,254	22.1	64.08	4.08	84.81	440.01	14.6	19.3
South Dakota	.6	10,700	20.0	49.11	14.16	99.48	491.70	16.1	20.2
Tennessee	2.0	10,441	24.0	67.32	8.32	86.70	448.49	15.0	19.3
Texas	6.9	9,314	22.8	64.91	9.32	83.17	441.88	14.7	18.8
Utah	.9	12,767	22.8	75.72	10.15	100.32	467.74	16.2	21.4
Vermont	.1	10,105	22.3	60.36	12.36	98.45	362.48	19.1	27.2
Virginia	2.0	11,531	23.6	69.15	6.85	89.98	431.01	16.0	20.9
Washington	1.4	12,032	21.9	73.02	9.84	103.80	483.45	15.1	21.5
West Virginia	.2	12,612	20.1	73.30	3.35	90.12	480.09	15.3	18.8
Wisconsin	.5	12,729	23.4	84.42	17.34	117.11	408.04	20.6	28.6
Wyoming	.2	11,445	20.3	76.49	12.02	98.92	494.12	15.5	20.0
Alaska	.6	22,582	24.9	129.44	13.82	183.98	(2)	(2)	(2)
Hawaii	1.9	14,451	23.5	75.86	7.67	104.27	545.86	13.9	19.1
Puerto Rico	.5	11,075	20.3	78.47	13.22	88.01	485.09	16.2	18.1

[1] Less than 0.05 percent. [2] Inadequate sample. NA—not available.

TABLE 71

Financial characteristics by property value and by States, existing 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average		Monthly average				Percent ratio of	
		Property value	Term of loan (years)	Total payment	Estimated taxes	Prospective housing expense	Mortgagor's income	Mortgage payment to income	Housing expense to income
Less than $7,000	2.6	$6,117	NA	$44.46	$6.45	$63.19	$371.23	12.0	17.0
$7,000 to $7,999	5.5	7,408	NA	52.43	7.02	71.36	399.32	13.1	17.9
$8,000 to $8,999	10.1	8,403	NA	58.73	8.97	79.95	424.79	13.8	18.8
$9,000 to $9,999	11.1	9,345	NA	62.79	9.22	84.13	442.65	14.2	19.0
$10,000 to $10,999	12.6	10,332	NA	68.27	10.23	90.59	460.10	14.8	19.8
$11,000 to $11,999	12.1	11,326	NA	73.39	11.05	96.33	485.37	15.1	19.8
$12,000 to $12,999	11.8	12,332	NA	78.94	11.95	102.27	515.41	15.3	19.8
$13,000 to $13,999	9.1	13,343	NA	84.01	12.94	108.40	554.30	15.2	19.6
$14,000 to $14,999	6.6	14,300	NA	89.20	13.62	114.63	584.08	15.3	19.6
$15,000 to $15,999	5.8	15,259	NA	95.14	14.66	121.74	645.05	14.7	18.9
$16,000 to $17,999	7.0	16,726	NA	104.49	16.38	131.66	704.98	14.8	18.7
$18,000 to $19,999	3.1	18,620	NA	116.58	17.65	146.91	788.94	14.8	18.6
$20,000 or more	2.6	21,526	NA	129.42	20.57	163.20	946.60	13.7	17.2
Total	100.0	11,934	20.1	77.10	11.68	100.70	525.67	14.7	19.2
Averages by States									
Alabama	1.0	$11,509	20.7	$71.82	$5.90	$91.68	$533.64	13.5	17.2
Arizona	.8	10,604	20.1	82.40	18.41	106.89	585.00	14.1	18.3
Arkansas	.9	10,342	20.9	64.73	4.92	87.16	504.53	12.8	17.3
California	12.2	11,739	19.3	79.46	14.06	99.08	547.88	14.5	18.1
Colorado	.6	12,543	21.4	82.51	16.03	104.37	599.49	13.8	17.4
Connecticut	2.6	13,308	20.8	85.44	15.18	110.07	554.56	15.4	19.8
Delaware	.3	12,987	22.4	75.24	5.90	101.03	516.18	14.6	19.6
District of Columbia	.1	14,761	20.0	80.13	13.30	117.17	557.26	16.0	21.0
Florida	1.1	10,522	21.0	66.82	5.10	89.95	522.67	12.8	17.2
Georgia	2.0	11,976	20.9	72.42	5.96	92.82	552.25	13.1	16.8
Idaho	1.1	10,341	19.6	65.60	9.20	94.18	502.66	13.1	18.7
Illinois	4.3	13,683	19.7	85.90	13.74	109.96	562.13	15.3	19.6
Indiana	3.6	11,418	19.7	72.99	8.61	102.02	505.74	14.4	20.2
Iowa	1.4	11,741	20.2	75.48	11.10	101.52	490.34	15.4	20.7
Kansas	2.1	11,485	20.6	77.59	12.55	100.94	536.75	14.5	18.8
Kentucky	1.2	12,192	20.1	77.27	9.91	96.36	509.09	15.2	18.9
Louisiana	1.5	12,423	20.8	75.53	6.26	90.73	573.46	13.2	15.8
Maine	.8	9,485	19.9	64.89	10.91	85.91	441.17	14.7	19.5
Maryland	.9	12,376	20.6	81.50	13.51	106.51	530.07	15.4	20.1
Massachusetts	.8	11,317	20.8	78.87	18.17	103.16	492.22	16.0	21.0
Michigan	6.2	12,718	19.9	80.14	13.39	102.20	520.58	15.4	19.6
Minnesota	1.5	13,535	20.0	86.95	15.29	110.51	509.71	17.1	21.7
Mississippi	.4	10,265	21.0	63.55	6.29	76.11	451.98	14.1	16.8
Missouri	4.1	12,770	20.3	78.70	9.95	100.54	539.33	14.6	18.6
Montana	.8	12,015	19.5	76.37	12.15	100.16	568.72	13.4	17.6
Nebraska	1.2	10,775	19.8	77.23	16.02	96.66	494.94	15.6	19.5
Nevada	.4	14,209	19.5	88.58	12.55	112.60	869.33	10.2	13.0
New Hampshire	.1	10,943	21.4	76.97	18.69	108.91	529.72	14.5	20.6
New Jersey	2.7	12,359	20.3	81.85	16.38	109.88	561.94	14.6	19.6
New Mexico	.2	11,010	21.0	71.44	8.25	95.31	573.89	12.4	16.6
New York	5.7	11,682	20.7	79.62	17.05	100.51	517.11	15.4	21.2
North Carolina	1.0	11,837	20.2	73.33	81.10	101.16	537.79	13.6	18.8
North Dakota	.3	12,739	20.0	83.92	15.81	111.48	583.67	14.4	19.1
Ohio	7.2	13,126	19.5	82.63	10.59	106.61	501.26	16.5	21.3
Oklahoma	1.6	9,939	21.2	65.17	6.49	80.51	475.65	13.7	16.9
Oregon	2.0	11,167	19.5	72.41	11.61	101.10	526.01	13.8	19.2
Pennsylvania	3.0	11,727	20.8	74.91	13.53	97.47	503.51	14.9	19.4
Rhode Island	.6	12,476	19.7	79.74	13.25	107.80	487.86	16.3	22.1
South Carolina	.7	10,793	20.6	65.31	4.12	87.09	479.33	13.6	18.2
South Dakota	.6	10,060	18.1	71.74	14.08	95.91	507.47	14.1	18.9
Tennessee	1.4	10,609	21.6	68.43	8.39	88.92	474.33	14.4	18.7
Texas	5.4	9,460	20.9	66.52	9.72	83.66	486.96	13.7	17.2
Utah	1.1	13,176	21.3	80.51	10.63	102.04	509.19	15.8	20.0
Vermont	.2	9,496	20.4	63.43	11.62	92.55	365.48	17.4	25.3
Virginia	2.8	12,433	20.3	75.79	8.48	100.24	520.32	14.6	19.3
Washington	6.4	12,011	19.5	74.34	8.56	107.25	533.60	13.9	20.1
West Virginia	.8	12,037	19.0	68.70	3.36	88.53	490.45	14.0	18.1
Wisconsin	.9	13,353	20.4	87.33	18.46	115.42	490.82	17.8	23.5
Wyoming	.2	12,151	18.6	77.77	11.72	100.10	566.83	13.7	17.7
Alaska	.2	20,459	19.6	131.35	16.28	184.95	1,014.25	13.0	18.2
Hawaii	.5	16,215	20.1	85.33	7.97	107.76	585.36	14.6	18.4
Puerto Rico	.5	8,000	20.0	56.20	10.29	66.56	412.11	13.6	16.2

NA—Not available.

Next to debt service, property taxes (including special assessments, if any) were the most important item included in total monthly payment. As estimated by FHA, property taxes in the Section 203 transactions of 1954 averaged about $11 for new homes and $12 for existing homes. Despite wide divergence in tax rates, in amounts of special assessments, and in bases of assessments in the various localities, (evident from comparison of average taxes and property values shown for individual States in the lower portion of Tables 70 and 71), average taxes on a national summary basis were directly related to property values and moved upward as property values increased. Variations in local tax levels were probably primarily responsible for differences in the average taxes of new and existing properties in the same value classes, namely, those valued at less than $9,000 and those with values of $14,000 or more.

Average monthly real-estate taxes, by States and Territories, reflecting the variation in typical values of properties, assessment policies, rates of taxation, and amounts of special assessments ranged from $3.35 for new homes and $3.36 for existing homes in West Virginia to $18.06 on new homes in New York and $18.69 on existing properties in New Hampshire. The largest proportion of States had average new-home taxes of $9 to $13, and existing property taxes of $8 to $13. Lowest tax rates were indicated for a band of States starting with West Virginia and running south along the Atlantic Coast through Florida and thence west along the Gulf of Mexico to Louisiana and Arkansas. Taxes in these States reflect homestead exemptions and lower assessment rates as well as lower tax rates. The highest tax rates were evident in the Northeastern States, Wisconsin, South Dakota, Nebraska, Colorado, and Arizona.

Housing expense—principally mortgage payment, plus estimated operating costs and maintenance and repair expense—averaged more for existing homes in all value classes probably because of the greater expense estimated to be required for heating and maintaining the older existing properties. By States and Territories, average prospective monthly housing expenses ranged in new-home transactions from nearly $76 in Mississippi to $184 in Alaska and in existing homes from $66.50 in Puerto Rico to $185 in Alaska. Most States had new-home expenses of $85 to $99 and existing-home expenses of $95 to $109. With few exceptions, average expenses on existing homes exceeded averages for new homes in the same States, reflecting larger average size of existing houses, greater operating and maintenance costs, and generally higher mortgage payments.

The proportions of mortgagors' incomes allocable to monthly payments and housing expense do not vary appreciably in the different value groups—from 13.9 to 15.5 percent of income for monthly payment in new-home transactions, and from 17.8 to 20 percent for housing expense; in existing homes, from 12 to 15.3 percent for monthly payment and from 17 to 19.8 percent for housing expense. Despite larger monthly payments and housing expenses indicated for the existing-home transactions, in nearly all value classes new-home mortgagors devoted slightly larger shares of their incomes to monthly payments and housing expenses than did owners of existing homes in the same value groups, reflecting the consistently higher level of incomes of the latter.

New-home mortgagors in most States devoted on the average from 14 to 16.9 percent of their incomes to mortgage payments and from 18 to 20 percent for housing expense. Existing-home mortgagors in the greater number of the States were spending somewhat smaller shares of their incomes on the average—13 to 15.9 percent for mortgage payments and 17 to 19.9 percent for housing expense. Mortgagors in Nevada, with the largest average incomes, allotted the smallest portions of incomes for monthly payments (11 percent in new homes and slightly less in existing homes) and housing expense (14½ percent in new homes and 13 percent in existing). On the other hand, mortgagors in Wisconsin have the highest payment-income ratios in both new (21 percent) and existing home transactions (18 percent) and the highest housing expense-income ratios for new homes (29 percent), with Vermont registering the highest existing-home expense-income ratio of 25 percent.

Relation of Size of House to Property Value.—Among the major factors affecting the value of FHA properties is the size of the house, i. e., the calculated area of the structure, and the number and type of rooms available. Generally speaking, FHA estimated values rise with increases in the calculated area and the number of rooms in the structure.

The interrelationship between calculated area of the structure and property value for Section 203 single-family home transactions insured in 1954 is shown in Table 72. In most property value groups the area of both new and existing homes varies considerably, reflecting differences in construction costs and home prices caused by such factors as geographical location; types, materials, and quality of construction; neighborhood characteristics; number of bedrooms; and, for existing properties, condition and age of structure. As indicated by the median calculated areas for comparable value intervals, the areas of existing homes were typically larger than those of new homes. Only in the case of the $8,000 and $9,000 property values were new homes larger than existing homes, possibly because most of these new-home properties were located in areas where lower construction costs prevailed. Table 72 also shows median property values for each of the calculated area intervals. In the area groups of less than 1,200 square feet, the

TABLE 72

Calculated area by property value of single-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Median calculated area (square feet)	Calculated area (square feet)—Percentage distributions: Less than 700	700 to 799	800 to 899	900 to 999	1,000 to 1,099	1,100 to 1,199	1,200 to 1,399	1,400 to 1,599	1,600 to 1,999	2,000 or more	Total
New homes													
Less than $7,000	0.6	711	45.3	43.4	6.9	3.8	0.6						100.0
$7,000 to $7,999	6.0	760	19.5	40.0	26.0	6.5	2.0	(1)					100.0
$8,000 to $8,999	18.8	918	2.3	12.7	25.8	46.6	11.4	0.8	0.4				100.0
$9,000 to $9,999	15.7	932	1.6	14.1	27.8	19.9	13.1	18.2	5.3				100.0
$10,000 to $10,999	12.4	940	1.3	12.6	25.9	22.7	22.3	10.0	5.0	0.1	0.1		100.0
$11,000 to $11,999	12.8	990	.4	8.3	22.9	18.6	23.6	17.2	8.1	.8	.1		100.0
$12,000 to $12,999	10.1	1,026	.6	4.9	15.5	24.1	24.7	14.6	13.0	2.4	.2		100.0
$13,000 to $13,999	7.8	1,025	.1	6.8	12.4	22.8	23.8	15.5	15.3	3.0	.3	(1)	100.0
$14,000 to $14,999	5.5	1,087		1.6	7.8	12.3	33.4	14.6	24.3	5.2	.6	.2	100.0
$15,000 to $15,999	3.8	1,157		.8	6.6	8.2	25.3	16.9	33.5	6.7	1.8	.2	100.0
$16,000 to $17,999	3.8	1,210		.9	1.2	7.3	15.4	23.8	32.8	13.8	4.3	.5	100.0
$18,000 to $19,999	1.4	1,336	.2	1.4	5.1	2.2	6.3	11.3	30.4	29.5	12.6	1.0	100.0
$20,000 or more	1.3	1,249		6.6	18.9	7.6	5.5	6.8	13.1	15.2	21.8	4.5	100.0
Total	100.0	961	2.4	11.5	20.5	23.1	18.0	11.7	9.6	2.3	.8	.1	100.0
Median property value	$10,678		$7,806	$9,167	$9,874	$9,753	$11,625	$11,727	$13,760	$16,015	$18,569	$20,167	
Existing homes													
Less than $7,000	2.6	820	15.1	25.1	30.3	8.7	6.4	5.5	4.8	2.4	1.6	.1	100.0
$7,000 to $7,999	5.5	813	9.0	36.7	27.7	9.1	5.7	3.3	4.8	1.5	1.7	.5	100.0
$8,000 to $8,999	10.1	863	6.8	26.1	25.0	16.3	9.4	5.0	6.5	2.3	2.2	.4	100.0
$9,000 to $9,999	11.1	925	4.7	18.6	21.3	19.2	13.4	8.3	8.4	3.4	2.1	.6	100.0
$10,000 to $10,999	12.6	979	2.5	17.1	17.2	16.9	16.6	11.2	10.4	4.5	2.9	.7	100.0
$11,000 to $11,999	12.1	1,018	1.5	12.5	17.3	15.6	16.9	13.8	13.8	4.6	3.1	.9	100.0
$12,000 to $12,999	11.8	1,076	.4	8.5	15.5	14.5	14.5	13.5	18.8	7.9	4.9	1.5	100.0
$13,000 to $13,999	9.1	1,112	.4	5.0	13.0	15.9	13.9	15.1	22.9	7.3	5.1	1.4	100.0
$14,000 to $14,999	6.6	1,164	.1	3.5	8.8	14.7	15.0	12.3	24.5	11.7	6.9	2.5	100.0
$15,000 to $15,999	5.8	1,221	.3	1.5	7.1	10.6	14.9	13.5	23.3	15.9	10.2	2.7	100.0
$16,000 to $17,999	7.0	1,292	.1	.5	2.8	6.3	10.1	15.5	28.2	16.9	14.8	4.8	100.0
$18,000 to $19,999	3.1	1,408		.2	1.6	2.7	6.0	11.2	27.4	20.7	21.4	8.8	100.0
$20,000 or more	2.6	1,603		.5	1.1	1.2	3.7	3.8	19.1	20.4	31.0	19.2	100.0
Total	100.0	1,035	2.7	12.9	15.7	13.8	12.9	10.9	15.6	7.5	5.9	2.1	100.0
Median property value	$11,549		$8,679	$9,545	$10,303	$11,148	$11,701	$12,402	$13,298	$14,395	$15,249	$16,472	

[1] Less than 0.05 percent.

median values of new homes were lower than for existing homes of comparable size, but for the structures with 1,200 or more square feet the situation was reversed, with new-home values exceeding those for existing dwellings in the same area ranges. This reflects the significant proportions of existing properties with calculated areas of 1,200 or more square feet valued at less than $10,000, probably because of higher rates of depreciation.

The data in Table 72 indicate that the ranges of reported areas for new homes increased with increases in property value, and that in comparable value groups below $18,000 the existing home variation was somewhat greater than for new homes.

The room count for the 1-family properties securing Section 203 mortgages insured in 1954 is shown in the upper part of Tables 73 (new homes) and 74 (existing homes) by property value groups for the nation as a whole. For new homes, 5-room structures predominated in all value groups except those of less than $8,000 where 3- and 4-room houses were most numerous; and those valued at $18,000 or more, where 6-room structures were almost as numerous. Significant proportions of structures with 7 or more rooms were in the properties valued at $18,000 or more. The comparatively large portion of 3- and 4-room houses shown for properties valued at $20,000 or more were for the most part properties located in Alaska.

In existing-home transactions, structures of all sizes were reported in all value groups and the room-count distributions were consequently more dispersed than for new homes. Four-room structures predominated in the properties valued at less than $9,000, 5-room structures in the $9,000 to $14,999 range, and 6-room houses in the properties valued at $15,000 or more. Significant proportions of the existing-home properties with values at $12,000 or more had 7 or more rooms.

Property value is also affected by the number of bedrooms provided in a structure. The top portions of Tables 75 and 76 indicate that 2-bedroom structures predominated in new homes valued at less than $8,000 and existing properties under $11,000, and that most of the structures in the higher valued classes provided three bedrooms. Four-bedroom dwellings, appearing in virtually all value ranges of new and existing properties, constituted significant proportions of the new homes in the $9,000 class (principally in California) and those valued at $20,000 or more, and of the existing homes with values of $15,000 or more.

Size of House

Number of Rooms and Bedrooms.—Well over half of the new 1-family homes in Section 203 transactions insured during 1954 had 5 rooms compared with 39 percent of the existing properties. The proportion of 4-room structures was nearly identical in both new and existing transactions—24 percent—but houses with 6 or more rooms were relatively more numerous in the existing properties.

Typical room counts exhibited little change from 1953 to 1954—the new home median inching up from 5.3 to 5.4 rooms while the typical existing home remained at 5.6 rooms. On the other hand, there were pronounced upward shifts in the room count distributions—more so in the new than in the existing. The proportion of new homes with four rooms or less dropped from over a third to about one-fourth, while the proportion with 5 rooms rose from 48 percent to 57 percent, and the proportion with 6 or more rooms rose from 14 percent to 18 percent. Existing properties with 4 rooms or less declined from 28 percent to 25 percent, with virtually no change in the 5-room proportion; those with 6 rooms or more increased slightly to 36 percent.

More bedrooms were available in FHA homes of 1954 than in the previous year—the new-home median number increasing from 3.1 to 3.3 and the corresponding existing-home figure from 3.0 to 3.1 bedrooms. Nearly two-thirds of the new homes had 3 bedrooms, compared with just over one-half in 1953 and about 6 percent had 4 or more bedrooms—more than double the 1953 proportion. Offsetting these increases was the decline in the proportion of new 2-bedroom structures from 44 percent to 29 percent. In existing properties, the proportion of 3-bedroom houses increased slightly to 47 percent and that of four or more bedroom houses to about 8 percent, while 2-bedroom structures declined from 49 percent to 46 percent.

The room count distributions within the individual States and Territories for transactions insured under Section 203 in 1954 are shown in Tables 73 and 74 (lower portions). In the majority of the States and Territories most of the new homes were five-room structures. New houses with 4 rooms or less were predominant in only 9 States. The largest proportions of new six-room structures occurred in Alabama, Maryland, New Mexico, New York, and Pennsylvania. Existing homes were more evenly distributed by room count in most of the States. Although 5-room structures accounted for the largest share of the existing homes in most States and Territories, the proportions of structures with 6 rooms and 7 rooms or more were appreciably larger than for new homes.

Tables 75 and 76 indicate that 3-bedroom structures predominated in FHA new-home transactions insured in 1954 in 3 of every 4 States and constituted significant proportions of the total in those States in which 2-bedroom houses were most frequent. Higher than average proportions of four or more bedroom structures are evident in California, Kansas, New Mexico, South Carolina, and Puerto Rico.

Existing-home transactions in most States, as contrasted with new-home transactions involved materially more 2-bedroom and 4-or-more bedroom structures. Nevertheless, three-bedroom houses were the

TABLE 73

Number of rooms by property value and by States, new 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average number of rooms	Median number of rooms	Number of rooms—Percentage distribution				
				3–4	5	6	7–9	Total
Less than $7,000	0.6	4.3	4.6	80.6	11.9	7.5	-------	100.0
$7,000 to $7,999	6.0	4.2	4.6	80.8	18.9	.3	-------	100.0
$8,000 to $8,999	18.8	4.8	5.4	21.5	76.1	2.4	(1)	100.0
$9,000 to $9,999	15.7	5.1	5.5	24.8	45.9	26.8	2.5	100.0
$10,000 to $10,999	12.4	4.8	5.3	31.3	54.0	14.4	.3	100.0
$11,000 to $11,999	12.8	4.9	5.4	24.5	58.5	16.8	.2	100.0
$12,000 to $12,999	10.1	5.0	5.5	18.7	62.1	18.6	.6	100.0
$13,000 to $13,999	7.8	5.1	5.5	15.8	62.8	20.6	.8	100.0
$14,000 to $14,999	5.5	5.2	5.6	10.3	64.9	23.5	1.3	100.0
$15,000 to $15,999	3.8	5.2	5.7	8.2	62.8	27.1	1.9	100.0
$16,000 to $17,999	3.8	5.4	5.9	5.5	50.1	40.6	3.8	100.0
$18,000 to $19,999	1.4	5.5	5.9	5.7	45.5	40.4	8.4	100.0
$20,000 or more	1.3	5.5	5.9	11.1	30.1	38.4	11.4	100.0
Total	100.0	4.9	5.4	24.7	57.1	17.1	1.1	100.0
By States								
Alabama	1.0	5.5	6.2	7.5	32.6	55.2	4.7	100.0
Arizona	2.4	5.0	5.5	19.8	61.1	19.0	.1	100.0
Arkansas	.8	4.8	5.3	34.8	54.6	10.1	.5	100.0
California	20.3	5.1	5.6	9.6	70.9	17.6	1.9	100.0
Colorado	.9	4.9	5.4	29.3	57.4	12.2	1.1	100.0
Connecticut	.8	4.9	5.4	28.2	59.1	11.8	.9	100.0
Delaware	.1	4.6	5.1	43.6	51.3	5.1	-------	100.0
District of Columbia	(1)	(2)	(2)	-------	-------	-------	-------	(2)
Florida	4.7	4.9	5.4	31.9	51.4	14.9	1.8	100.0
Georgia	1.2	5.0	5.5	28.3	48.0	22.0	1.7	100.0
Idaho	.3	4.5	4.9	57.6	37.4	4.0	1.0	100.0
Illinois	3.3	4.6	5.2	40.4	54.9	4.7	-------	100.0
Indiana	3.0	4.8	5.4	23.3	71.4	4.7	.6	100.0
Iowa	1.1	4.5	4.9	56.6	33.9	9.2	.3	100.0
Kansas	1.6	5.0	5.5	26.3	44.5	28.8	.4	100.0
Kentucky	.4	4.6	4.9	55.2	31.2	12.0	1.6	100.0
Louisiana	1.5	4.7	5.3	34.7	56.9	8.2	.2	100.0
Maine	.2	4.4	4.7	67.1	21.9	9.6	1.4	100.0
Maryland	1.4	5.2	5.9	23.8	28.7	46.8	.7	100.0
Massachusetts	.4	4.8	5.4	26.2	67.5	6.3	-------	100.0
Michigan	8.1	4.8	5.3	26.9	68.8	4.0	.3	100.0
Minnesota	.7	4.7	5.3	36.0	55.8	7.2	1.0	100.0
Mississippi	.6	5.1	5.5	17.8	59.5	18.9	3.8	100.0
Missouri	2.2	5.0	5.5	17.8	66.8	15.2	.2	100.0
Montana	.3	4.6	5.1	47.4	47.4	5.2	-------	100.0
Nebraska	.9	4.3	4.7	68.1	28.4	3.1	.4	100.0
Nevada	1.6	4.6	5.2	39.4	58.1	2.1	.4	100.0
New Hampshire	.1	4.4	4.7	71.8	17.9	10.3	-------	100.0
New Jersey	2.6	4.8	5.2	39.1	45.1	14.5	1.3	100.0
New Mexico	.7	5.5	6.2	9.4	28.0	61.2	1.4	100.0
New York	4.0	5.2	5.8	23.5	32.4	42.1	2.0	100.0
North Carolina	1.9	4.9	5.4	22.1	63.3	13.3	1.3	100.0
North Dakota	.1	4.5	4.8	59.5	35.7	4.8	-------	100.0
Ohio	5.4	4.9	5.4	28.7	57.7	13.3	.3	100.0
Oklahoma	1.5	4.9	5.4	29.7	51.7	17.4	1.2	100.0
Oregon	1.2	4.9	5.4	26.1	58.4	14.9	.6	100.0
Pennsylvania	4.1	5.2	5.7	20.4	39.4	39.4	.8	100.0
Rhode Island	.3	5.1	5.5	27.6	43.4	25.0	4.0	100.0
South Carolina	.5	5.2	5.7	11.6	53.6	33.5	1.3	100.0
South Dakota	.6	4.6	5.1	42.8	50.6	6.0	.6	100.0
Tennessee	2.0	5.1	5.6	12.0	63.1	23.5	1.4	100.0
Texas	6.9	5.0	5.5	24.3	55.8	18.2	1.7	100.0
Utah	.9	4.8	5.2	40.8	44.0	14.4	.8	100.0
Vermont	.1	4.5	5.0	50.0	45.5	4.5	-------	100.0
Virginia	2.0	4.9	5.4	21.8	68.2	10.0	-------	100.0
Washington	1.4	4.9	5.4	35.8	39.8	22.7	1.7	100.0
West Virginia	.2	4.9	5.4	25.8	59.1	13.6	1.5	100.0
Wisconsin	.5	4.6	5.1	46.6	43.8	8.2	1.4	100.0
Wyoming	.2	4.4	4.8	66.7	31.4	1.9	-------	100.0
Alaska	.6	5.0	5.5	26.9	46.8	25.7	.6	100.0
Hawaii	1.9	4.7	5.3	31.4	65.1	3.5	-------	100.0
Puerto Rico	.5	5.5	5.7	.7	66.4	23.0	9.9	100.0

[1] Less than 0.05 percent. [2] Inadequate sample.

TABLE 74

Number of rooms by property value and by States, existing 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average number of rooms	Median number of rooms	Number of rooms—Percentage distribution: 3–4	5	6	7–9	Total
Less than $7,000	2.6	4.7	5.1	46.1	38.8	10.5	4.6	100.0
$7,000 to $7,999	5.5	4.6	4.9	54.5	30.6	11.3	3.6	100.0
$8,000 to $8,999	10.1	4.8	5.1	44.8	36.6	14.1	4.5	100.0
$9,000 to $9,999	11.1	4.9	5.4	35.8	39.1	20.2	4.9	100.0
$10,000 to $10,999	12.6	5.1	5.5	29.2	41.6	22.9	6.3	100.0
$11,000 to $11,999	12.1	5.1	5.6	25.6	43.6	24.0	6.8	100.0
$12,000 to $12,999	11.8	5.3	5.7	19.2	42.1	29.3	9.4	100.0
$13,000 to $13,999	9.1	5.4	5.8	15.1	44.1	32.6	8.2	100.0
$14,000 to $14,999	6.6	5.5	5.9	11.7	42.5	34.9	10.9	100.0
$15,000 to $15,999	5.8	5.6	6.1	7.3	39.4	41.2	12.1	100.0
$16,000 to $17,999	7.0	5.8	6.3	5.0	32.0	45.2	17.8	100.0
$18,000 to $19,999	3.1	6.0	6.5	3.8	23.6	47.6	25.0	100.0
$20,000 or more	2.6	6.3	6.7	4.1	17.1	40.7	38.1	100.0
Total	100.0	5.2	5.6	24.9	38.7	27.2	9.2	100.0
By States								
Alabama	1.0	5.6	6.2	10.0	32.2	44.8	13.0	100.0
Arizona	.8	5.1	5.6	25.2	42.2	26.4	6.2	100.0
Arkansas	.9	5.2	5.7	20.4	45.0	25.7	8.9	100.0
California	12.2	5.1	5.6	21.7	49.9	23.5	4.9	100.0
Colorado	.6	4.8	5.3	37.3	48.7	10.8	3.2	100.0
Connecticut	2.6	5.4	5.9	24.1	30.1	33.8	12.0	100.0
Delaware	.3	5.4	5.8	4.1	57.1	30.6	8.2	100.0
District of Columbia	.1	6.2	6.6	----------	21.8	47.8	30.4	100.0
Florida	1.1	5.3	5.9	19.7	34.9	37.8	7.6	100.0
Georgia	2.0	5.5	6.0	10.0	38.5	41.3	10.2	100.0
Idaho	1.1	4.7	5.0	50.0	35.0	12.4	2.6	100.0
Illinois	4.3	5.1	5.5	28.5	42.0	21.6	7.9	100.0
Indiana	3.6	5.0	5.4	33.4	41.9	19.2	5.5	100.0
Iowa	1.4	4.9	5.2	43.3	31.3	15.5	9.9	100.0
Kansas	2.1	5.2	5.6	22.1	43.0	26.3	8.6	100.0
Kentucky	1.2	5.2	5.6	24.9	42.7	21.9	10.5	100.0
Louisiana	1.5	5.1	5.6	23.5	45.5	25.3	5.7	100.0
Maine	.8	5.5	5.9	26.8	23.8	31.1	18.3	100.0
Maryland	.9	5.2	5.7	27.0	34.1	31.1	7.8	100.0
Massachusetts	.8	5.6	5.9	21.7	30.3	26.0	22.0	100.0
Michigan	6.2	5.3	5.7	23.9	37.5	28.0	10.6	100.0
Minnesota	1.5	5.3	5.6	19.2	49.0	21.6	10.2	100.0
Mississippi	.4	5.4	5.8	14.2	46.0	28.3	11.5	100.0
Missouri	4.1	5.4	5.8	15.2	45.0	27.4	12.4	100.0
Montana	.8	5.0	5.3	37.8	35.5	18.7	8.0	100.0
Nebraska	1.2	5.0	5.3	40.5	33.8	14.8	10.9	100.0
Nevada	.4	5.0	5.4	30.9	43.9	20.9	4.3	100.0
New Hampshire	.1	5.9	6.1	12.5	34.4	31.2	21.9	100.0
New Jersey	2.7	5.6	6.1	21.7	24.5	34.8	19.0	100.0
New Mexico	.2	5.7	6.3	9.9	25.3	52.1	12.7	100.0
New York	5.7	5.4	5.9	28.6	24.3	32.5	14.6	100.0
North Carolina	1.0	5.5	5.9	11.4	43.1	35.0	10.5	100.0
North Dakota	.3	5.0	5.4	32.7	41.6	14.8	10.9	100.0
Ohio	7.2	5.2	5.7	20.4	30.0	32.4	8.2	100.0
Oklahoma	1.6	5.1	5.5	27.5	45.3	20.8	6.4	100.0
Oregon	2.0	5.1	5.6	29.3	37.6	25.1	8.0	100.0
Pennsylvania	3.0	5.7	6.3	11.9	24.7	51.9	11.5	100.0
Rhode Island	.6	5.5	5.8	22.5	35.3	22.5	19.7	100.0
South Carolina	.7	5.5	6.1	10.7	33.7	46.3	9.3	100.0
South Dakota	.6	5.2	5.5	33.3	31.6	20.5	14.6	100.0
Tennessee	1.4	5.3	5.7	19.4	41.4	31.9	7.3	100.0
Texas	5.4	5.0	5.5	28.2	47.9	21.3	2.6	100.0
Utah	1.1	4.8	5.2	44.6	34.7	15.3	5.4	100.0
Vermont	.2	5.6	5.8	17.9	41.0	17.9	23.2	100.0
Virginia	2.8	5.4	5.8	12.8	46.1	31.8	9.3	100.0
Washington	6.4	5.2	5.6	29.6	33.4	25.1	11.9	100.0
West Virginia	.8	5.6	5.9	13.8	36.4	30.5	19.3	100.0
Wisconsin	.9	4.9	5.2	43.4	30.7	19.7	6.2	100.0
Wyoming	.2	4.7	4.9	55.7	25.7	14.3	4.3	100.0
Alaska	.2	4.7	4.9	54.4	31.6	5.2	8.8	100.0
Hawaii	.5	5.0	5.5	21.7	61.5	11.9	4.9	100.0
Puerto Rico	.5	5.2	5.6	.6	88.4	5.8	5.2	100.0

TABLE 75

Number of bedrooms by property value and by States, new 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average number of bedrooms	Median number of bedrooms	Number of bedrooms—Percentage distribution: 1–2	3	4 or more	Total
Less than $7,000	0.5	2.1	2.6	85.2	14.8	----------	100.0
$7,000 to $7,999	5.9	2.1	2.6	82.8	17.1	0.1	100.0
$8,000 to $8,999	18.8	2.7	3.4	21.7	77.9	0.4	100.0
$9,000 to $9,999	15.7	2.9	3.5	27.9	46.7	25.4	100.0
$10,000 to $10,999	12.3	2.6	3.2	36.0	61.0	3.0	100.0
$11,000 to $11,999	12.7	2.6	3.3	32.0	65.2	2.8	100.0
$12,000 to $12,999	10.2	2.7	3.3	25.7	72.7	1.6	100.0
$13,000 to $13,999	7.9	2.8	3.4	22.7	75.7	1.6	100.0
$14,000 to $14,999	5.6	2.8	3.4	18.5	80.1	1.4	100.0
$15,000 to $15,999	3.9	2.8	3.4	16.9	80.2	2.9	100.0
$16,000 to $17,999	3.9	2.9	3.4	12.4	84.3	3.3	100.0
$18,000 to $19,999	1.4	2.9	3.5	11.3	80.9	7.8	100.0
$20,000 or more	1.2	2.5	3.3	25.4	64.3	10.3	100.0
Total	100.0	2.7	3.3	29.4	65.0	5.6	100.0
By States							
Alabama	1.0	2.8	3.3	26.2	73.4	0.4	100.0
Arizona	2.4	2.8	3.4	21.3	72.9	5.8	100.0
Arkansas	.8	2.5	3.1	47.1	52.0	.9	100.0
California	20.3	3.0	3.5	11.9	75.3	12.8	100.0
Colorado	.9	2.7	3.2	36.1	62.7	1.2	100.0
Connecticut	.8	2.7	3.3	31.0	64.4	4.6	100.0
Delaware	.1	2.6	3.1	43.6	56.4	----------	100.0
District of Columbia	[1]	[2]	[2]	----------	----------	----------	[2]
Florida	4.7	2.8	3.3	27.2	65.9	6.9	100.0
Georgia	1.2	2.6	3.2	37.0	62.4	.6	100.0
Idaho	.3	2.3	2.4	73.7	25.3	1.0	100.0
Illinois	3.3	2.6	3.1	46.0	52.6	1.4	100.0
Indiana	3.0	2.8	2.4	20.7	77.1	2.2	100.0
Iowa	1.1	2.5	2.9	58.7	32.7	8.6	100.0
Kansas	1.6	2.9	3.4	31.3	51.5	17.2	100.0
Kentucky	.4	2.4	2.7	59.2	38.4	2.4	100.0
Louisiana	1.5	2.6	3.1	42.0	57.1	.9	100.0
Maine	.2	2.3	2.4	73.6	20.8	5.6	100.0
Maryland	1.4	2.6	3.2	41.0	58.5	.5	100.0
Massachusetts	.4	2.7	3.2	34.9	62.7	2.4	100.0
Michigan	8.1	2.6	3.3	31.1	68.2	.7	100.0
Minnesota	.7	2.5	3.1	45.2	53.8	1.0	100.0
Mississippi	.6	2.8	3.3	26.0	69.7	4.3	100.0
Missouri	2.2	2.5	3.1	47.1	52.8	.1	100.0
Montana	.3	2.4	2.7	59.4	40.6	----------	100.0
Nebraska	.9	2.3	2.4	70.8	28.1	1.1	100.0
Nevada	1.6	2.6	3.2	40.7	58.6	.7	100.0
New Hampshire	.1	2.2	2.3	70.5	17.9	2.6	100.0
New Jersey	2.6	2.6	3.2	40.8	58.8	.4	100.0
New Mexico	.7	3.2	3.7	11.7	53.3	35.0	100.0
New York	4.0	2.7	3.3	31.5	66.2	2.3	100.0
North Carolina	1.9	2.7	3.2	34.7	63.5	1.8	100.0
North Dakota	.1	2.3	2.5	66.7	33.3	----------	100.0
Ohio	5.4	2.7	3.3	34.4	60.9	4.7	100.0
Oklahoma	1.5	2.6	3.2	35.8	64.0	.2	100.0
Oregon	1.2	2.8	3.3	30.6	63.5	5.9	100.0
Pennsylvania	4.1	2.8	3.3	28.7	67.4	3.9	100.0
Rhode Island	.3	2.7	3.2	39.5	56.6	3.9	100.0
South Carolina	.5	2.9	3.4	20.7	69.0	10.3	100.0
South Dakota	.6	2.5	2.9	52.4	46.4	1.2	100.0
Tennessee	2.0	2.8	3.4	18.7	79.7	1.6	100.0
Texas	6.9	2.8	3.3	30.1	61.5	8.4	100.0
Utah	.9	2.6	3.0	50.8	41.6	7.6	100.0
Vermont	.1	1.5	3.5	9.1	81.8	9.1	100.0
Virginia	2.0	2.7	3.3	27.4	71.8	.8	100.0
Washington	1.4	2.6	3.1	47.0	51.0	2.0	100.0
West Virginia	.2	2.7	3.3	33.3	65.2	1.5	100.0
Wisconsin	.5	2.6	3.1	47.3	50.7	2.0	100.0
Wyoming	.2	2.3	2.5	68.0	32.0	----------	100.0
Alaska	.6	2.4	2.8	56.8	42.3	.9	100.0
Hawaii	1.9	2.7	3.3	32.9	66.0	1.1	100.0
Puerto Rico	.5	3.1	3.6	2.1	85.6	12.3	100.0

[1] Less than 0.05 percent. [2] Inadequate sample.

TABLE 76

Number of bedrooms by property value and by States existing 1-family homes, Sec. 203, 1954

FHA estimate of property value	Percentage distribution	Average number of bedrooms	Median number of bedrooms	Number of bedrooms—Percentage distribution: 1-2	3	4 or more	Total
Less than $7,000	2.6	2.3	2.7	65.8	30.5	3.7	100.0
$7,000 to $7,999	5.6	2.2	2.6	80.5	15.4	4.1	100.0
$8,000 to $8,999	9.9	2.3	2.7	70.9	25.0	4.1	100.0
$9,000 to $9,999	11.1	2.4	2.8	61.6	33.7	4.7	100.0
$10,000 to $10,999	12.5	2.5	2.9	52.6	41.5	5.9	100.0
$11,000 to $11,999	12.0	2.6	3.1	47.4	46.7	5.9	100.0
$12,000 to $12,999	11.8	2.7	3.2	38.8	53.7	7.5	100.0
$13,000 to $13,999	9.1	2.7	3.3	35.4	57.0	7.6	100.0
$14,000 to $14,999	6.7	2.8	3.3	30.3	60.9	8.8	100.0
$15,000 to $15,999	5.9	2.9	3.4	26.4	63.8	9.8	100.0
$16,000 to $17,999	7.1	3.0	3.4	19.5	68.5	12.0	100.0
$18,000 to $19,999	3.1	3.1	3.5	13.3	68.6	18.1	100.0
$20,000 or more	2.6	3.3	3.6	11.4	62.4	26.2	100.0
Total	100.0	2.6	3.1	45.8	46.7	7.5	100.0
By States							
Alabama	1.0	2.6	3.2	41.5	53.8	4.7	100.0
Arizona	.8	2.7	3.2	39.8	52.7	7.5	100.0
Arkansas	.9	2.5	2.8	55.8	39.4	4.8	100.0
California	12.4	2.6	3.1	42.6	53.9	3.5	100.0
Colorado	.6	2.5	2.9	53.5	44.3	2.2	100.0
Connecticut	2.6	2.9	3.3	34.9	46.2	18.9	100.0
Delaware	.3	2.9	3.4	21.7	68.0	10.3	100.0
District of Columbia	.1	2.9	3.4	21.7	69.6	8.7	100.0
Florida	1.1	2.6	3.2	38.3	59.8	1.9	100.0
Georgia	2.1	2.6	3.2	41.5	55.5	3.0	100.0
Idaho	1.1	2.4	2.5	67.1	27.3	5.6	100.0
Illinois	4.4	2.5	2.9	52.4	40.7	6.9	100.0
Indiana	3.3	2.6	3.1	44.8	49.8	5.4	100.0
Iowa	.6	3.1	3.6	4.1	75.9	20.0	100.0
Kansas	2.2	2.5	2.8	55.4	38.2	6.4	100.0
Kentucky	1.2	2.5	2.7	57.4	35.1	7.5	100.0
Louisiana	1.5	2.5	3.0	48.6	48.6	2.8	100.0
Maine	.8	2.9	3.3	36.8	44.0	19.2	100.0
Maryland	1.9	2.7	3.1	44.3	45.7	10.0	100.0
Massachusetts	.8	2.9	3.3	36.0	44.6	19.4	100.0
Michigan	6.2	2.7	3.2	37.8	54.1	8.1	100.0
Minnesota	1.5	2.7	3.2	37.2	55.0	7.8	100.0
Mississippi	.4	2.7	3.2	37.2	59.3	3.5	100.0
Missouri	4.1	2.5	2.8	55.9	35.6	8.5	100.0
Montana	.9	2.6	2.9	53.4	36.7	9.9	100.0
Nebraska	1.3	2.5	2.7	58.9	32.2	8.9	100.0
Nevada	.5	2.6	3.2	41.3	55.1	3.6	100.0
New Hampshire	.1	3.1	3.5	21.9	56.2	21.9	100.0
New Jersey	2.7	2.8	3.2	39.3	46.5	14.2	100.0
New Mexico	.2	2.8	3.4	24.0	73.2	2.8	100.0
New York	5.7	2.7	3.2	39.9	47.3	12.8	100.0
North Carolina	1.0	2.7	3.3	32.8	61.6	5.6	100.0
North Dakota	.3	2.6	3.0	48.5	42.6	8.9	100.0
Ohio	7.3	2.6	3.1	45.9	48.1	6.0	100.0
Oklahoma	1.6	2.4	2.7	60.5	37.3	2.2	100.0
Oregon	2.1	2.6	2.9	51.4	40.3	8.3	100.0
Pennsylvania	3.0	2.9	3.4	25.4	65.1	9.5	100.0
Rhode Island	.4	3.3	3.7	5.3	67.3	27.4	100.0
South Carolina	.7	2.7	3.2	35.8	61.3	2.9	100.0
South Dakota	.6	2.7	3.0	49.7	35.7	14.6	100.0
Tennessee	1.4	2.5	2.9	52.7	42.7	4.6	100.0
Texas	5.5	2.3	2.4	69.1	29.8	1.1	100.0
Utah	1.2	2.4	2.6	63.7	29.8	6.5	100.0
Vermont	.1	3.2	3.6	14.0	65.1	20.9	100.0
Virginia	2.8	2.6	3.1	44.2	49.3	6.5	100.0
Washington	6.5	2.6	2.9	50.5	37.5	12.0	100.0
West Virginia	.8	2.7	3.2	41.0	44.8	14.2	100.0
Wisconsin	.9	2.5	2.8	56.2	39.1	4.7	100.0
Wyoming	.2	2.4	2.5	68.1	24.6	7.3	100.0
Alaska	.2	2.4	2.4	71.9	19.3	8.8	100.0
Hawaii	.5	2.7	3.3	25.9	72.7	1.4	100.0
Puerto Rico	.5	3.0	3.5	2.0	93.5	4.5	100.0

most numerous in nearly three-fifths of the States. Existing homes with 4 or more bedrooms represented at least one-tenth of the total in 14 States.

Calculated Area Distribution.—FHA single-family homes in the Section 203 transactions insured during 1954 were typically larger than in any previous years since 1948 when the calculated area data first became available (Table 77). The median area for new homes was 961 square feet—7 percent less than the existing-home median of 1,035 square feet.

TABLE 77

Calculated area of single-family homes, Sec. 203, selected years

Calculated area (square feet)	Percentage distributions: New homes 1954	1953	1952	1950	1948	Existing homes 1954	1953	1952	1950	1948
Less than 600	(1)	0.1	0.1	0.5	0.9	0.2	0.2	0.3	0.5	0.9
600 to 699	2.4	2.7	2.9	7.6	4.6	2.5	3.0	3.3	3.3	4.7
700 to 799	11.5	19.5	18.7	30.6	20.6	12.9	13.7	14.6	14.4	16.3
800 to 899	20.5	22.1	23.7	25.4	22.0	15.7	17.5	18.0	16.5	18.5
900 to 999	23.1	20.6	16.4	13.0	16.2	13.8	13.9	14.8	14.1	13.3
1,000 to 1,099	18.0	15.4	15.5	9.9	11.2	12.9	13.5	13.2	11.7	10.9
1,100 to 1,199	11.8	10.2	10.8	5.3	8.7	10.0	10.8	10.3	9.3	8.0
1,200 to 1,299	6.9	4.5	4.9	3.2	6.4	8.8	8.4	7.7	7.6	6.8
1,300 to 1,399	2.6	2.3	3.5	2.0	3.4	6.8	5.9	5.6	5.8	5.1
1,400 to 1,499	1.6	1.4	1.7	.9	2.2	4.3	3.9	3.6	4.3	3.7
1,500 to 1,599	.7	.5	.9	.6	1.5	3.2	2.6	2.5	3.2	2.9
1,600 to 1,799	.6	.4	.6	.6	1.4	3.9	3.3	3.1	4.2	3.7
1,800 to 1,999	.2	.2	.2	.2	.4	2.0	1.6	1.5	2.2	2.2
2,000 or more	.1	.1	.1	.2	.5	2.1	1.7	1.5	2.9	3.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	990	953	968	894	972	1,104	1,075	1,060	1,100	1,075
Median	961	924	923	838	912	1,035	1,008	992	1,006	972

[1] Less than 0.05 percent.

As is evident in Chart 36 and Table 77, the calculated area distribution of existing homes was more widely dispersed than was that for new homes. Nearly two-thirds of the new houses were concentrated in a range of 800 to 1,099 square feet, compared with only 42 percent of the existing houses. However, another 42 percent of the existing homes had areas of 1,100 square feet or more, including 11 percent with 1,500 square feet or more. New homes in the 1,100 or more square foot range represented a somewhat smaller proportion—slightly less than one-fourth—most of which were in the 1,100 to 1,299 square-foot range. In the smaller area ranges of less than 800 square feet, the existing home proportion was comparatively greater—16 percent, against 14 percent of the new homes. Compared with 1953, the principal changes in the calculated area distributions were declines in the proportion of new houses of less than 900 square feet and of existing houses of less than 1,100 square feet, and increases in

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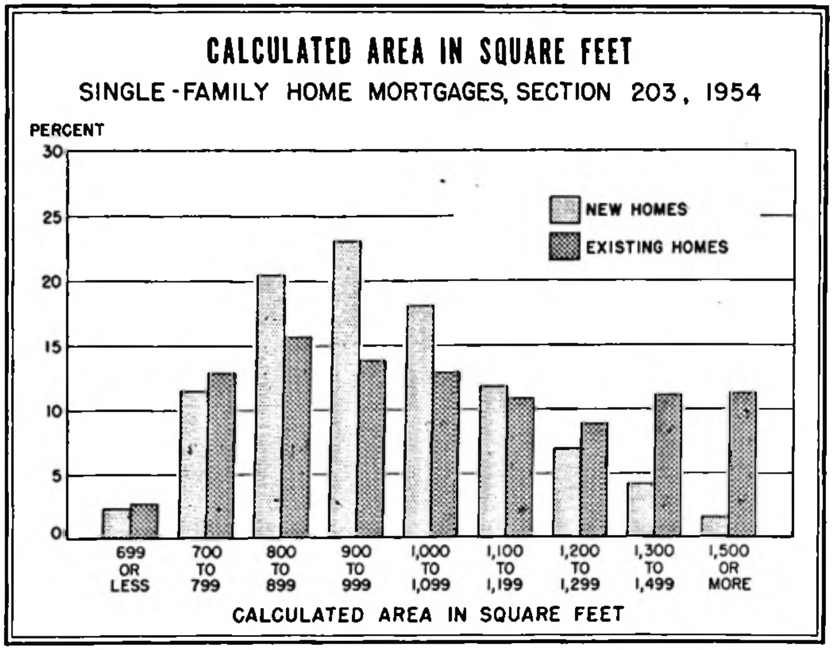

CHART 36

the relative number of new homes in the 900 to 1,799-square-foot-area groups and all ranges of existing homes above 1,100 square feet.

Some indication of the geographical variation in calculated area of FHA single-family homes involved in Section 203 transactions insured in 1954 is provided by the data in Tables 68 and 69 (6th column). Average areas of new structures ranged from 831 square feet in New Hampshire to 1,133 square feet in Arizona. In most States and Territories, new-home sizes averaged from 900 to 1,099 square feet; from 800 to 899 square feet in 9 States and Alaska, and from 1,100 to 1,199 square feet in 3 States.

Existing-home calculated areas averaged larger than those of new homes in all States and Territories but 4, and by more than 100 feet in most areas. The largest average area (1,284 square feet) was recorded in West Virginia, the smallest (889 square feet) in Puerto Rico. Existing homes in the greater number of the States averaged from 1,000 to 1,199 square feet; in 7 States and the District of Columbia from 1,200 to 1,299 square feet; and from 800 to 999 square feet in Wyoming, Alaska, and Puerto Rico.

The close relationship between calculated area and the number of rooms in a structure is demonstrated by the data in Table 78, showing room count distributions by calculated area for the FHA single-family homes covered by Section 203 transactions insured in 1954. Generally

speaking, 4-room dwellings were predominant in the area ranges below 800 square feet; 5-rooms in the new home ranges of 800 to 1,199 square feet and existing homes of 900 to 1,199 square feet; 6 rooms in new homes of 1,200 to 1,999 square feet and existing homes of 1,200 to 1,599 square feet; and 7 or more rooms in new homes of 2,000 or more square feet and existing homes of 1,600 or more square feet.

TABLE 78

Number of rooms by calculated area of single-family homes, Sec. 203, 1954

Calculated area (square feet)	Percentage distribution	Average number of rooms	Median number of rooms	Number of rooms—Percentage distributions					
				3	4	5	6	7-9	Total
				New homes					
Less than 700	2.4	4.1	4.5	1.8	93.0	3.6	1.6	-------	100.0
700 to 799	11.5	4.1	4.6	.3	86.6	12.5	.5	0.1	100.0
800 to 899	20.5	4.6	5.2	.2	38.3	60.3	1.1	.1	100.0
900 to 999	23.1	5.0	5.5	.1	11.8	81.0	7.0	.1	100.0
1,000 to 1,099	18.0	5.2	5.6	.1	4.9	73.6	21.2	.2	100.0
1,100 to 1,199	11.8	5.4	5.9	(1)	2.7	51.9	43.5	1.9	100.0
1,200 to 1,399	9.5	5.5	6.1	.1	3.1	43.7	49.2	3.9	100.0
1,400 to 1,599	2.3	5.6	6.2	.4	2.0	38.8	51.4	7.4	100.0
1,600 to 1,999	.8	6.0	6.5	1.3	3.0	21.0	46.4	28.3	100.0
2,000 or more	.1	6.5	7.5	-------	-------	18.7	21.9	59.4	100.0
Total	100.0	4.9	5.4	.2	24.3	57.2	17.1	1.2	100.0
				Existing homes					
Less than 700	2.7	4.2	4.6	4.8	76.9	14.6	3.6	0.1	100.0
700 to 799	12.9	4.3	4.7	.5	73.4	21.6	4.3	.2	100.0
800 to 899	15.7	4.6	5.1	.4	46.2	46.0	6.3	1.1	100.0
900 to 999	13.8	4.9	5.4	.2	24.1	62.0	12.4	1.3	100.0
1,000 to 1,099	12.0	5.2	5.6	.3	10.6	63.4	23.3	2.4	100.0
1,100 to 1,199	10.9	5.5	5.9	.2	4.5	47.5	43.8	4.0	100.0
1,200 to 1,399	15.6	5.8	6.3	.1	1.9	30.9	58.1	9.0	100.0
1,400 to 1,599	7.5	6.1	6.6	.2	1.2	15.2	58.7	24.7	100.0
1,600 to 1,999	5.9	6.6	7.2	.2	1.0	6.9	39.2	52.7	100.0
2,000 or more	2.1	7.3	8.2	2.0	1.4	2.3	12.8	81.5	100.0
Total	100.0	5.2	5.6	.4	24.4	38.8	27.2	9.2	100.0

[1] Less than 0.05 percent.

CHARACTERISTICS BY CALCULATED AREA.—Selected characteristics of FHA home transactions insured in 1954 are summarized by calculated floor area groups in Table 79. For example, new homes in the 1,100–1,199-square foot group had an average area of 1,146 square feet, providing about 5½ rooms, including 3 bedrooms, and in 85 percent of the cases these homes included garage facilities. The average FHA appraised value was $12,000, prospective monthly housing expense $99 (covering debt service, property taxes, insurance costs, and maintenance and operating expense), and the estimated monthly rental value nearly $97. For the overwhelming majority of the cases which were purchase transactions, as contrasted with those where homes were built for owners on a contract basis, the average total requirements (sale price plus

TABLE 79

Property characteristics by calculated area of single-family homes, Sec. 203, 1954

Calculated area (square feet)	Percentage distribution	Average: Calculated area (square feet)	Average: FHA value	Average: Total requirements[1]	Average: Housing expense	Average: Rental value	Average: Number of rooms	Average: Number of bedrooms	Average: Percentage of structures with garage
New homes									
Less than 700	2.4	668	$8,085	$8,443	$74.05	$65.17	4.1	1.9	31.1
700 to 799	11.5	751	9,429	9,355	81.44	75.42	4.1	1.9	42.3
800 to 899	20.5	853	10,214	10,228	86.89	81.60	4.6	2.5	48.9
900 to 999	23.1	945	10,263	10,336	87.34	83.15	5.0	2.8	68.5
1,000 to 1,099	18.0	1,046	11,761	11,931	95.26	94.73	5.2	2.9	69.6
1,100 to 1,199	11.8	1,146	12,105	12,320	99.14	96.96	5.4	3.1	84.7
1,200 to 1,399	9.5	1,269	13,669	14,214	108.72	107.25	5.5	3.0	87.9
1,400 to 1,599	2.3	1,473	16,156	16,998	125.13	124.98	5.6	3.0	91.4
1,600 to 1,999	.8	1,735	18,319	19,322	137.74	138.62	6.0	3.1	89.5
2,000 or more	.1	2,186	18,759	18,609	145.97	143.75	6.5	3.4	81.5
Total	100.0	990	11,120	11,185	92.58	88.99	4.9	2.7	66.6
Existing homes									
Less than 700	2.7	659	$8,663	$9,015	$76.43	$70.24	4.2	1.9	59.5
700 to 799	12.9	753	9,628	10,062	85.90	77.38	4.3	2.0	60.8
800 to 899	15.7	847	10,423	10,805	89.28	83.03	4.6	2.2	74.1
900 to 999	13.8	947	11,250	11,850	94.99	89.48	4.9	2.4	75.9
1,000 to 1,099	12.9	1,045	11,864	12,562	98.73	94.80	5.2	2.6	82.0
1,100 to 1,199	10.9	1,146	12,577	13,250	103.49	99.31	5.5	2.7	84.2
1,200 to 1,399	15.6	1,289	13,383	14,219	109.82	105.69	5.8	2.9	87.9
1,400 to 1,599	7.5	1,487	14,286	15,291	118.28	112.49	6.1	3.1	91.6
1,600 to 1,999	5.9	1,752	14,984	15,969	125.91	118.13	6.6	3.3	90.6
2,000 or more	2.1	2,376	16,516	17,990	140.46	130.77	7.3	4.0	91.9
Total	100.0	1,104	11,934	12,578	100.70	94.98	5.2	2.6	79.6

[1] Data reflect purchase transactions only.

costs incidental to closing) was $12,300. Comparable data are presented for new and existing properties in the other area classes.

As would be expected, increases in calculated area of both new and existing properties were accompanied by increases in property value, total requirements, housing expense, rental value, room and bedroom count, and the proportion with garages.

In the calculated area groups below 1,200 square feet property values, total requirements, housing expense, and rental values of new-home properties were lower than for existing homes. The comparatively higher property and rental values and consequently total requirements of the existing homes may have resulted from their location in more highly developed neighborhoods near the hearts of cities. In contrast, most of the new homes with less than 1,200 square feet were probably built in newly developed subdivisions located in outlying areas with fewer commercial and community facilities than are typical of existing home neighborhoods. Geographical location was probably another contributory factor—substantial numbers of existing homes being located in communities where construction costs and property values were typically higher. Improvements frequently made to the structures and land of existing properties also tended to raise their values and prices. The larger housing expenses of these existing homes were probably attributable to the generally higher heating and maintenance and repair costs usually experienced in older properties.

Where structural areas were 1,200 square feet or more, the situation was reversed—value, total requirements, and housing expense being usually higher in new homes than in existing properties of corresponding sizes. In view of the area limitations imposed on new-home construction during the war and the early postwar years, it is probable that most of the larger existing homes involved in Section 203 transactions insured in 1954 were built in the years preceding World War II. The greater age of structures and shorter remaining economic life, compared with newly constructed properties of the same size, would tend to offset any advantage the existing properties would have with respect to location. Furthermore, a considerable number of the larger new homes were probably built individually on vacant lots in developed neighborhoods, thus approaching the location advantage of existing properties.

With respect to the average number of rooms per structure, there was little or no difference between new and existing properties having calculated areas of less than 1,200 square feet. The average bedroom count of existing structures, however, was less than for new homes in the area classes under 1,400 square feet, reflecting the tendency in recent years to provide more bedrooms and eliminate separate dining rooms. The statutory mortgage amount advantages provided for new low-value homes of 3 and 4 bedrooms under the legislation in effect prior to August 2, 1954 was probably also an influence in the higher bedroom count of the new homes. Garages were more frequently provided for existing properties with areas of less than 1,100 square feet than for new homes in comparable area classes with no appreciable difference apparent in connection with most of the larger size properties.

Total Transaction Requirements

For most persons contemplating the purchase of a home, the amount of downpayment is a primary consideration. The assets required of FHA home buyers to meet the downpayments and costs incidental to closing are almost invariably more than is evident from a comparison of mortgage amounts and property values. This is because the total requirements of a home purchase transaction, i. e., the sale price plus costs incidental to making the purchase, most frequently exceed the FHA estimate of property value. Moreover, sale prices alone generally are higher than FHA appraised values.

AMOUNT OF MORTGAGE BY TOTAL REQUIREMENTS.—Table 80 indicates the relationship between mortgage amount and total requirements for FHA home purchase transactions insured under Section 203 in 1954. Within each total requirements group, most of the mortgages were for amounts at or near the maximum permitted under the applicable legislation for the valuations of the properties as determined by FHA. In transactions involving total requirements of $15,000 or more—both new and existing homes—the mortgage amounts appear to be somewhat more broadly distributed than in the lower requirement groups, probably reflecting greater differences between sale prices and FHA property valuations and the smaller amounts of mortgage financing required by higher income buyers of the more expensive homes, as well as the influence of the higher maximum mortgage amounts allowed on properties in Alaska, Hawaii, and Guam.

It is also apparent that for transactions with requirements of less than $13,000 existing-home mortgage amounts tend to cluster less than those for new homes in comparable requirements classes. Several factors may account for this, including the presence of existing structures originally built under FHA inspection and qualifying for larger mortgage amounts than other existing structures; existing-home mortgages approved under the liberalized provisions of Section 203 after the enactment of the Housing Act of 1954; and, due to varying ages of existing properties and amounts of depreciation, the greater disparity in property values.

Although the median mortgage amount for all existing-home purchase transactions ($9,100) exceeded that for new homes ($8,800), the new home median mortgages were larger than those for existing homes in most corresponding total requirement intervals, the differences being materially greater where total requirements were below $12,000. Higher maximum loan-value ratios for new homes valued at less than $12,000 and the generally higher ratio of value to price for new homes at all price levels appear to have been the chief reasons for the larger new home medians.

CHARACTERISTICS BY TOTAL REQUIREMENTS.—Averages of selected characteristics of the purchase transactions insured by FHA under Section 203 in 1954, arranged by total requirements, are presented in Table 81. Included are averages of total requirements, sale prices, mortgage amounts, FHA-estimated property values, sizes of houses in square feet, annual effective income of buyers, and amounts of their current investments, i. e., cash required over and above the mortgage amount. The current investment data, however, exclude prepayable expense items, such as unaccrued taxes and insurance premiums.

TABLE 80

Amount of mortgage by total requirements for single-family home purchase transactions, Sec. 203, 1954

Total requirements	Percentage distribution	Median amount of mortgage	Amount of mortgage—Percentage distributions												
			Less than $5,000	$5,000 to $5,999	$6,000 to $6,999	$7,000 to $7,999	$8,000 to $8,999	$9,000 to $9,999	$10,000 to $10,999	$11,000 to $11,999	$12,000 to $12,999	$13,000 to $13,999	$14,000 to $15,999	$16,000 or more	Total
New homes															
Less than $7,000	0.5	$6,201	0.9	30.6	68.5										100.0
$7,000 to $7,999	5.7	6,909	.1	.5	59.9	39.5									100.0
$8,000 to $8,999	20.3	7,722	.2	.1	1.4	94.0	4.3								100.0
$9,000 to $9,999	15.5	8,462	.1	.3	1.1	16.1	81.8	0.6							100.0
$10,000 to $10,999	11.8	8,855	.2	.6	1.2	4.4	56.3	36.8	0.5						100.0
$11,000 to $11,999	12.3	9,215	.3	.4	.9	2.2	16.1	74.6	5.2	0.3					100.0
$12,000 to $12,999	9.3	9,463	.3	.5	1.1	2.5	8.1	62.3	22.9	2.0	0.3				100.0
$13,000 to $13,999	7.4	10,250	.5	.6	1.0	2.1	5.5	25.0	54.4	10.0	.7	0.2			100.0
$14,000 to $14,999	5.9	10,948	.3	.8	.5	2.1	3.0	11.1	33.9	42.2	5.9	.1	0.1		100.0
$15,000 to $15,999	4.2	11,662	.4	.4	.6	1.0	1.7	4.8	17.6	38.1	32.9	2.4	.1		100.0
$16,000 to $16,999	2.9	12,309	.1	.3	.3	1.3	1.2	3.1	8.9	21.3	43.6	18.3	1.6		100.0
$17,000 to $17,999	1.6	12,962	.3	.3	.3	1.3	1.6	2.4	3.5	12.9	28.5	37.4	11.5		100.0
$18,000 to $19,999	1.6	13,848			.3	.8	1.3	.8	3.7	6.6	13.5	27.1	44.8	1.1	100.0
$20,000 or more	1.0	15,433			.4		1.2	1.6	2.1	2.5	6.6	9.1	37.0	39.5	100.0
Total	100.0	8,849	.2	.5	4.7	25.3	23.7	22.3	10.0	6.0	3.8	1.8	1.3	.4	100.0
Existing homes															
Less than $7,000	2.4	$5,492	29.3	51.2	19.5										100.0
$7,000 to $7,999	4.7	6,512	1.8	21.3	57.9	19.0									100.0
$8,000 to $8,999	9.1	7,144	.6	4.0	38.5	54.0	2.9								100.0
$9,000 to $9,999	9.7	7,677	.1	1.1	13.0	53.4	31.9	0.5							100.0
$10,000 to $10,999	11.8	8,256	.2	.9	3.5	24.8	59.7	10.3	0.6						100.0
$11,000 to $11,999	11.1	8,885	.1	.1	1.1	7.7	47.8	40.2	2.1	0.9					100.0
$12,000 to $12,999	11.2	9,408	.1	.3	1.1	4.0	17.5	57.2	18.9	.5	0.4				100.0
$13,000 to $13,999	9.4	10,144	.1	.1	.5	1.9	7.4	29.4	54.0	6.0	.3	0.3			100.0
$14,000 to $14,999	7.6	10,758	.1	.1	.1	.9	3.7	12.9	42.7	36.1	3.0	.1	0.3		100.0
$15,000 to $15,999	6.1	11,464	.1	.3	.3	.9	2.1	5.5	22.3	38.8	28.6	.7	.4		100.0
$16,000 to $16,999	4.9	12,197		.1	.4	.6	1.3	2.7	11.3	25.2	42.7	14.8	.7	0.2	100.0
$17,000 to $17,999	3.5	12,782		.1		.4	.9	2.2	7.7	12.0	34.1	33.3	9.3		100.0
$18,000 to $19,999	4.4	13,813	.1		.2	.3	.7	1.1	3.1	5.7	16.7	27.2	44.2	.7	100.0
$20,000 or more	4.1	15,560		.1	.1	.1	.2	.6	.9	1.7	4.7	7.4	44.6	39.6	100.0
Total	100.0	9,140	.9	2.9	8.7	15.6	18.9	16.5	13.1	7.7	6.3	3.5	4.2	1.7	100.0

TABLE 81

Transaction characteristics by total requirements for single-family homes, Sec. 203, 1954

Total requirements	Percentage distribution	Average							Current investment as a percent of	
		Total requirements	Sale price	Mortgage amount	Property value	Area in square feet	Annual income	Current investment [1]	Total requirements	Annual income
	New homes									
Less than $7,000	0.5	$6,684	$6,632	$6,134	$6,706	733	$3,829	$550	8.2	14.4
$7,000 to $7,999	5.7	7,487	7,362	6,906	7,425	771	4,463	581	7.8	13.0
$8,000 to $8,999	20.3	8,337	8,222	7,581	8,240	903	4,816	756	9.1	15.7
$9,000 to $9,999	15.5	9,389	9,215	8,265	9,292	959	5,147	1,124	12.0	21.8
$10,000 to $10,999	11.8	10,504	10,356	8,771	10,296	955	5,371	1,733	16.5	32.3
$11,000 to $11,999	12.3	11,447	11,244	9,192	11,104	976	5,502	2,255	19.7	41.0
$12,000 to $12,999	9.3	12,465	12,257	9,485	11,971	1,008	5,800	2,980	23.9	51.4
$13,000 to $13,999	7.4	13,463	13,239	10,003	12,899	1,053	6,088	3,460	25.7	56.8
$14,000 to $14,999	5.0	14,458	14,201	10,602	13,848	1,082	6,425	3,856	26.7	60.0
$15,000 to $15,999	4.2	15,434	15,162	11,282	14,761	1,134	6,867	4,152	26.9	60.5
$16,000 to $16,999	2.9	16,465	16,142	11,950	15,508	1,162	7,672	4,515	27.4	58.9
$17,000 to $17,999	1.6	17,431	17,088	12,514	16,535	1,231	7,894	4,917	28.2	62.3
$18,000 to $19,999	1.6	18,798	18,405	13,399	17,559	1,990	8,702	5,309	28.7	62.0
$20,000 or more	1.0	21,965	21,451	14,696	19,741	1,397	10,425	7,269	33.1	69.7
Total	100.0	11,185	10,985	9,038	10,847	984	5,600	2,147	19.2	38.3
	Existing homes									
Less than $7,000	2.4	$6,261	$6,213	$5,203	$6,417	867	$4,366	$968	15.5	22.2
$7,000 to $7,999	4.7	7,519	7,349	6,337	7,518	868	4,653	1,182	15.7	25.4
$8,000 to $8,999	9.1	8,522	8,336	7,019	8,303	911	4,946	1,503	17.6	30.4
$9,000 to $9,999	9.7	9,466	9,266	7,550	9,141	965	5,116	1,910	20.2	37.3
$10,000 to $10,999	11.8	10,484	10,288	8,124	10,099	1,010	5,348	2,360	22.5	44.1
$11,000 to $11,999	11.1	11,466	11,251	8,760	10,975	1,029	5,606	2,700	23.6	48.3
$12,000 to $12,999	11.2	12,482	12,278	9,282	11,930	1,090	5,981	3,200	25.6	53.5
$13,000 to $13,999	9.4	13,470	13,230	9,898	12,768	1,112	6,325	3,572	26.5	56.5
$14,000 to $14,999	7.6	14,452	14,210	10,536	13,645	1,165	6,727	3,916	27.1	58.2
$15,000 to $15,999	6.1	15,430	15,163	11,148	14,522	1,219	7,285	4,282	27.8	58.8
$16,000 to $16,999	4.9	16,458	16,139	11,823	15,443	1,274	7,816	4,635	28.2	59.3
$17,000 to $17,999	3.5	17,453	17,120	12,440	16,195	1,317	8,022	5,013	28.7	62.5
$18,000 to $19,999	4.4	18,898	18,537	13,389	17,415	1,414	8,951	5,509	29.2	61.5
$20,000 or more	4.1	22,364	21,845	15,012	19,610	1,607	10,673	7,352	32.9	68.9
Total	100.0	12,578	12,344	9,398	11,919	1,098	6,233	3,180	25.3	51.0

[1] Total requirements less mortgage amount.

Data on current investments or down payments plus incidental costs afford another means for measuring the extent to which FHA-insured financing assisted home buyers in the various price levels during 1954. Not only did downpayments in both new- and existing-home cases increase as price levels advanced, but the ratios of downpayments to total requirements also rose, although the rate of increase was comparatively slower in the price classes above $13,000. In new-home transactions, current investments averaged about $2,100 or 19 percent of total requirements, ranging from $550 or 8 percent in the lowest price group to about $7,300 or one-third of total costs. Buyers of existing homes made larger downpayments representing larger proportions of total requirements—averaging overall nearly $3,200 (one-fourth of total requirements) and ranging from just under $1,000 (15½ percent of total investment) for the least expensive properties to

$7,350 (nearly one-third of the total outlay) for the highest priced homes. The spread between the larger current investments of existing-home transactions and new-home transactions fell off sharply when total requirements amounted to $13,000 or more. Comparable reductions occurred in the deviations between the downpayment ratios for corresponding price classes of new and existing homes. As pointed out previously, the same maximum loan-value ratio applied to most of the surveyed new and existing homes in the higher value categories.

Inasmuch as the downpayments made by most home buyers are largely savings accumulated out of their incomes, the relationship between current investments of the FHA home buyers of 1954 and their annual effective incomes is of particular interest. On the average current investments of new-home buyers amounted to 38 percent of their annual incomes, compared with the considerably higher 51 percent for existing-home buyers. The greatest divergence between the new- and existing-home ratios of investment to income occurred in those transactions with total requirements of less than $13,000. Above this level, the proportion of income required for downpayments was approximately the same for new and existing homes in corresponding price classes. The initial current investments required of both new- and existing-home buyers increased at rates exceeding the relative advances in home prices and buyers' incomes. For example, comparing new home transactions in the $16,000 and $8,000 price ranges, total requirements for the more expensive homes were only about twice as large, but downpayments were 6 times as great, the ratio of downpayments to total requirements triple that for the lower price transactions, and the proportion of income required for downpayment (59 percent) nearly 4 times greater.

Mortgagor's Income and Housing Expense

A fundamental part of the FHA underwriting system is the procedure for evaluating the risk involved in the mortgage credit elements of each transaction. The major items receiving consideration are the mortgagor's income, his financial assets, the current and anticipated demands upon his income and assets, and the mortgagor's primary motivation in applying for the loan.

An estimate is made of the mortgagor's probable earning capacity during the first third of the mortgage term, which is likely to be the most hazardous in the life of the mortgage. The estimated earning capacity so established is called the mortgagor's effective income. Incomes of co-mortgagors or endorsers may be included partially, wholly, or not at all, depending on specific circumstances.

The Section 203 single-family transactions insured in 1954 wherein mortgagors were the owner-occupants are analyzed in the following paragraphs in the light of their mortgage credit aspects. As pointed out earlier in this discussion, owner-occupants were the mortgagors in 94 percent of the new and practically all of the existing single-family cases insured in 1954.

Annual Income Distribution.—As depicted in Chart 37 and Table 82, the largest segments of homeowners assisted by FHA-insured financing under Section 203 during 1954 had annual effective incomes of $4,000 to $5,999—nearly one-half of the new-home and more than two-fifths of the existing homeowners. The proportion of existing-home mortgagors in the higher income brackets was substantially greater than of the new—28 percent with incomes of $6,000 to $7,999 compared with 24 percent of the new-home buyers in this range; 18 percent earned $8,000 or more as against one-tenth of the new homeowners. Of the remaining mortgagors, about one-sixth of the new- and one-ninth of the existing-home purchasers had annual incomes of $3,000 to $3,999.

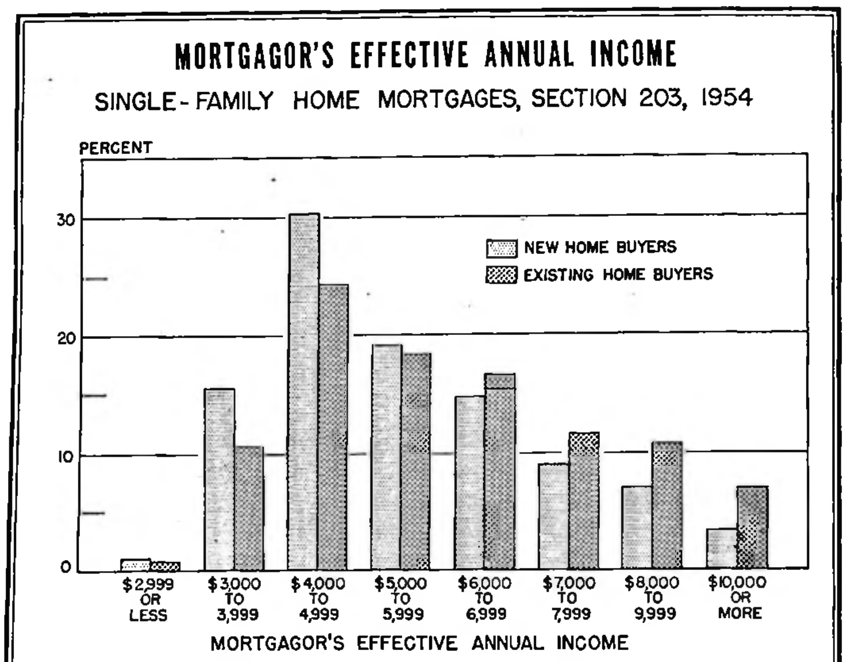

CHART 37

Table 82 compares the mortgagor income distributions for 1954 with those of previous selected years. The major changes in income distributions from 1953 to 1954 were the reductions in the proportions of both new and existing homeowners with incomes in the $3,000 to

TABLE 82

Income of single-family home mortgagors, Sec. 203, selected years

Mortgagor's effective annual income	Percentage distributions									
	New homes					Existing homes				
	1954	1953	1950	1946	1940	1954	1953	1950	1946	1940
Less than $1,500	------	(1)	(1)	0.2	5.0	------	------	0.1	0.3	5.3
$1,500 to $1,999	(1)	(1)	0.2	2.7	23.4	(1)	(1)	.3	4.2	20.5
$2,000 to $2,499	0.2	0.2	2.6	16.0	28.3	0.2	0.2	2.4	19.4	25.0
$2,500 to $2,999	.8	1.4	9.4	15.8	15.4	.6	.9	6.5	14.8	13.9
$3,000 to $3,499	4.0	6.5	21.5	19.7	12.0	2.8	3.9	15.3	19.3	11.6
$3,500 to $3,999	11.5	14.1	21.9	17.6	6.2	7.8	10.3	18.2	14.6	6.9
$4,000 to $4,499	14.9	16.8	13.7	8.8	3.2	11.7	13.1	12.6	7.1	4.0
$4,500 to $4,999	15.3	15.2	10.3	7.5	2.0	12.6	12.3	11.5	6.7	3.1
$5,000 to $5,999	19.2	18.3	9.7	4.1	1.9	18.4	19.1	11.9	4.3	3.3
$6,000 to $6,999	14.8	12.8	5.8	4.3	1.2	16.6	15.6	9.4	4.4	2.5
$7,000 to $7,999	9.0	7.5	2.5	1.7	.5	11.6	10.5	4.9	1.9	1.2
$8,000 to $9,999	7.0	4.9	1.6	.7	.4	10.8	8.7	3.8	1.6	1.2
$10,000 or more	3.3	2.3	.8	.9	.5	6.9	5.4	3.1	1.5	1.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	$5,633	$5,284	$4,213	$3,619	$2,665	$6,245	$5,038	$4,837	$3,640	$3,012
Median	$5,130	$4,880	$3,861	$3,313	$2,416	$5,696	$5,306	$4,274	$3,101	$2,490

(1) Less than 0.05 percent.

$4,499 range and the substantial increase in the relative number of those earning $6,000 or more. These upward shifts in income were not typical of the change in overall national income levels since the estimated average income for nonfarm families declined somewhat during 1954. In contrast, incomes of FHA new-home mortgagors of 1954 averaged nearly 7 percent above those of the 1953 mortgagors and existing homeowners' incomes were 5 percent higher.

Mortgagor's Monthly Income by States.—Tables 83 and 84 show by States and Territories the medians and percentage distributions of the monthly effective incomes of owner-occupant mortgagors in the FHA new- and existing single-family home transactions insured under Section 203 during 1954. The greater number of new-home mortgagors in 7 of 8 States and existing-home mortgagors in half of the States had monthly incomes of $300 to $499. In most States the income distributions of existing-home mortgagors were generally more dispersed, with larger proportions in the higher brackets than was true for new-home buyers. As evidenced by the medians, incomes of existing-home mortgagors were typically higher than those of new-home owners in all areas except Connecticut, Idaho, Montana, New York, and Puerto Rico. In continental United States, Nevada had the highest median incomes for both new- ($530) and existing-home mortgagors ($725). Vermont reported the lowest median incomes, $360 for new-home owners and $363 for existing-home mortgagors.

Incomes of less than $300 monthly were reported for 10 percent or more of the new-home mortgagors in 12 States principally in the New England and South Atlantic areas but in only 5 States for existing-home mortgagors.

TABLE 83

Mortgagor's monthly income by States, new 1-family homes, Sec. 203, 1954

State	Median monthly income	Mortgagor's effective monthly income—Percentage distribution								
		Less than $300	$300 to $399	$400 to $499	$500 to $599	$600 to $699	$700 to $799	$800 to $999	$1,000 or more	Total
Alabama	$467.12	5.3	26.3	27.5	15.4	10.5	7.1	4.5	3.4	100.0
Arizona	465.27	5.3	25.0	30.2	19.2	6.8	5.9	3.0	4.6	100.0
Arkansas	436.29	9.6	30.1	28.3	17.4	8.2	3.2	2.3	.9	100.0
California	433.31	5.5	35.6	26.9	14.6	9.0	4.6	2.5	1.3	100.0
Colorado	492.86	.8	18.5	33.1	19.3	11.8	9.5	3.5	3.5	100.0
Connecticut	517.92	1.4	22.1	22.1	24.5	9.2	7.8	7.8	5.1	100.0
Delaware	(1)	-----	-----	-----	-----	-----	-----	-----	-----	(1)
District of Columbia	(1)	-----	-----	-----	-----	-----	-----	-----	-----	(1)
Florida	402.03	15.2	34.3	26.0	12.1	6.4	2.8	2.1	1.1	100.0
Georgia	429.37	13.6	30.4	20.4	19.7	6.2	5.5	1.9	2.3	100.0
Idaho	471.43	1.1	27.6	29.8	17.0	13.8	4.3	4.3	2.1	100.0
Illinois	467.39	2.3	28.3	28.9	21.8	10.8	4.9	2.3	.7	100.0
Indiana	428.89	4.6	37.7	26.5	16.2	9.0	3.8	1.9	.3	100.0
Iowa	397.58	10.7	40.3	24.0	14.0	7.1	1.3	1.3	1.3	100.0
Kansas	442.11	5.0	34.0	26.0	16.2	8.9	5.3	3.0	1.6	100.0
Kentucky	450.00	3.3	35.8	22.0	24.4	8.9	1.6	2.4	1.6	100.0
Louisiana	445.79	9.8	29.2	23.0	16.5	10.9	5.4	2.5	1.8	100.0
Maine	396.00	15.7	35.7	27.2	15.7	4.3	-----	1.4	-----	100.0
Maryland	418.63	10.9	34.9	22.3	16.2	7.4	4.8	3.1	.4	100.0
Massachusetts	448.81	2.4	30.9	34.2	18.7	7.3	.8	4.1	1.6	100.0
Michigan	462.27	1.5	29.3	30.9	20.7	10.1	3.9	2.4	1.2	100.0
Minnesota	443.28	5.4	30.4	32.9	18.6	2.9	4.4	2.9	2.5	100.0
Mississippi	400.09	11.4	30.4	23.9	11.4	7.6	4.9	2.7	1.7	100.0
Missouri	466.21	3.1	27.6	29.2	19.7	12.4	4.0	2.4	1.0	100.0
Montana	516.00	1.1	10.8	33.7	27.2	16.3	6.5	2.2	2.2	100.0
Nebraska	428.45	11.8	31.4	23.7	19.2	9.0	2.5	1.6	.8	100.0
Nevada	529.87	2.0	19.7	22.4	19.7	14.0	8.9	5.6	2.7	100.0
New Hampshire	391.18	10.2	43.6	35.9	2.6	7.7	-----	-----	-----	100.0
New Jersey	453.24	5.3	32.9	22.1	18.1	10.3	5.9	3.5	1.9	100.0
New Mexico	462.14	3.3	26.3	32.9	16.9	10.3	6.1	3.7	.5	100.0
New York	486.85	3.8	27.2	21.9	18.2	13.6	6.0	6.1	3.2	100.0
North Carolina	406.65	13.0	35.1	29.3	11.9	6.7	1.8	1.7	.5	100.0
North Dakota	426.92	2.7	37.9	35.1	8.1	5.4	8.1	-----	2.7	100.0
Ohio	426.48	3.3	38.8	30.0	15.5	6.9	2.5	2.1	.9	100.0
Oklahoma	424.76	9.0	34.0	24.4	14.7	10.6	3.3	2.1	1.0	100.0
Oregon	418.75	4.1	40.6	28.1	15.2	8.8	1.2	1.4	.6	100.0
Pennsylvania	442.81	4.3	34.3	26.8	18.4	8.3	3.9	2.6	1.4	100.0
Rhode Island	413.16	6.7	40.0	25.4	16.0	5.3	5.3	1.3	-----	100.0
South Carolina	419.35	16.9	29.2	20.1	22.1	6.5	3.2	1.3	.7	100.0
South Dakota	460.23	3.1	30.0	24.4	22.5	11.0	4.4	-----	3.7	100.0
Tennessee	432.04	9.1	31.7	28.7	15.8	9.0	3.3	2.1	.3	100.0
Texas	414.86	8.3	37.8	26.4	14.5	7.8	2.8	1.8	.6	100.0
Utah	444.38	1.8	32.6	35.2	14.5	7.5	4.4	4.0	-----	100.0
Vermont	360.00	12.5	62.5	18.8	6.2	-----	-----	-----	-----	100.0
Virginia	402.00	12.4	37.2	23.2	15.2	7.7	2.8	.9	.6	100.0
Washington	456.12	3.5	30.7	28.2	19.3	7.2	6.3	3.4	1.4	100.0
West Virginia	447.06	9.1	28.8	25.7	12.1	6.1	10.6	6.1	1.5	100.0
Wisconsin	387.50	5.9	50.4	29.6	8.9	3.0	.7	1.5	-----	100.0
Wyoming	473.81	2.0	16.3	42.9	18.4	12.3	2.0	4.1	2.0	100.0
Alaska	(1)	-----	-----	-----	-----	-----	-----	-----	-----	(1)
Hawaii	511.90	6.2	17.5	24.5	15.3	15.7	8.0	9.1	3.7	100.0
Puerto Rico	400.00	17.1	32.9	17.1	10.3	9.6	6.2	4.1	2.7	100.0
Total	428.26	6.0	32.8	27.0	16.6	9.1	4.3	2.7	1.5	100.0

[1] Inadequate sample.

TABLE 84

Mortgagor's monthly income by States, existing 1-family homes, Sec. 203, 1954

State	Median monthly income	Mortgagor's effective monthly income—Percentage distribution								
		Less than $300	$300 to $399	$400 to $499	$500 to $599	$600 to $699	$700 to $799	$800 to $999	$1,000 or more	Total
Alabama	$489.83	7.2	24.5	20.3	13.5	15.9	7.2	6.9	4.5	100.0
Arizona	475.44	6.2	24.8	25.2	11.1	8.8	7.5	5.8	10.6	100.0
Arkansas	465.94	9.2	23.4	26.4	20.3	10.7	2.7	4.6	2.7	100.0
California	501.33	2.8	21.7	25.2	18.5	13.9	8.5	6.2	3.2	100.0
Colorado	516.67	.6	22.7	23.9	17.0	14.8	6.3	10.2	4.5	100.0
Connecticut	508.86	3.2	21.0	24.0	20.3	13.1	6.8	6.8	4.8	100.0
Delaware	481.48	-----	27.1	28.1	16.7	10.4	6.2	11.5	-----	100.0
District of Columbia	558.33	4.3	13.1	17.4	26.1	17.4	17.4	-----	4.3	100.0
Florida	472.09	4.5	27.8	24.4	14.8	11.1	6.3	6.0	5.1	100.0
Georgia	491.41	5.9	20.1	26.2	19.4	10.0	7.1	7.9	3.4	100.0
Idaho	463.07	6.4	26.5	27.1	19.4	8.6	4.0	4.3	3.7	100.0
Illinois	517.97	1.6	16.1	28.7	20.0	15.1	7.3	6.6	4.6	100.0
Indiana	479.82	4.5	25.1	25.5	19.1	12.6	6.8	4.5	1.9	100.0
Iowa	448.65	7.2	30.2	25.8	18.6	6.1	6.3	3.5	2.3	100.0
Kansas	494.56	4.4	24.0	22.9	18.7	11.2	6.8	8.3	3.7	100.0
Kentucky	493.24	8.7	21.9	20.8	20.0	12.6	8.7	5.3	2.0	100.0
Louisiana	519.54	5.2	19.7	21.3	19.7	14.7	7.0	7.7	4.7	100.0
Maine	402.83	13.7	35.6	22.8	13.7	7.3	3.0	3.5	.4	100.0
Maryland	513.49	5.9	20.4	20.8	21.8	14.2	7.9	7.3	1.7	100.0
Massachusetts	472.39	5.1	25.7	26.5	22.9	10.3	4.7	2.8	2.0	100.0
Michigan	478.56	2.7	26.5	26.5	18.2	10.8	5.7	6.2	3.4	100.0
Minnesota	485.92	1.5	21.8	31.0	21.2	12.2	4.6	5.3	2.4	100.0
Mississippi	428.13	9.1	32.7	29.1	11.8	8.2	5.5	2.7	.9	100.0
Missouri	487.54	3.3	25.5	24.3	18.3	12.3	6.8	5.6	3.9	100.0
Montana	500.00	2.0	18.3	29.8	19.8	12.3	6.7	4.4	6.7	100.0
Nebraska	464.71	5.5	27.0	27.0	20.1	9.3	3.2	4.2	3.7	100.0
Nevada	725.00	.8	1.5	9.2	19.1	16.0	13.7	19.1	20.6	100.0
New Hampshire	395.83	13.0	38.7	6.4	13.0	9.7	6.4	6.4	6.4	100.0
New Jersey	523.70	2.4	19.4	23.3	20.9	16.0	6.4	7.6	4.0	100.0
New Mexico	563.16	-----	15.7	17.1	27.2	18.6	11.4	5.7	4.3	100.0
New York	479.96	2.1	25.8	27.6	19.3	11.1	6.1	5.7	2.3	100.0
North Carolina	507.14	4.0	17.4	27.1	21.1	10.7	9.4	8.0	2.3	100.0
North Dakota	487.93	6.1	18.2	29.3	21.2	14.1	2.0	5.1	4.0	100.0
Ohio	472.60	3.1	28.1	25.9	19.6	11.3	6.4	4.0	1.6	100.0
Oklahoma	439.41	11.0	29.6	23.9	16.0	7.7	4.7	3.9	2.6	100.0
Oregon	486.13	2.7	25.6	25.1	21.4	10.4	7.0	5.1	2.7	100.0
Pennsylvania	456.99	6.4	28.9	25.9	17.0	10.7	4.2	4.7	2.2	100.0
Rhode Island	462.20	7.1	29.2	22.2	18.9	14.6	3.2	3.2	1.6	100.0
South Carolina	444.12	12.9	25.9	25.4	12.4	9.9	6.5	5.5	1.5	100.0
South Dakota	474.30	5.0	20.1	25.5	21.1	13.6	5.0	1.2	2.5	100.0
Tennessee	448.61	8.8	20.1	24.9	15.7	11.6	4.4	3.9	1.6	100.0
Texas	452.64	6.4	29.8	26.2	17.0	9.3	5.2	3.7	2.4	100.0
Utah	467.02	3.6	27.5	28.1	18.0	7.2	7.8	4.2	3.6	100.0
Vermont	362.50	23.4	42.6	23.4	6.4	2.1	2.1	-----	-----	100.0
Virginia	486.29	6.1	25.9	20.9	15.4	15.4	7.0	7.8	1.5	100.0
Washington	492.12	2.6	23.7	25.7	19.8	14.0	6.3	4.9	3.0	100.0
West Virginia	463.28	6.9	25.8	27.5	19.3	9.4	6.4	1.3	3.4	100.0
Wisconsin	471.02	2.6	28.0	26.9	19.6	14.4	4.8	3.0	.7	100.0
Wyoming	536.84	6.1	16.7	16.7	28.8	13.6	4.5	9.1	4.5	100.0
Alaska	860.00	-----	-----	5.8	17.3	7.7	13.4	17.3	38.5	100.0
Hawaii	557.14	2.8	16.4	19.3	20.0	18.6	10.7	7.9	4.3	100.0
Puerto Rico	345.45	33.5	36.2	11.2	10.5	2.0	1.3	2.0	3.3	100.0
Total	474.68	4.4	24.6	25.2	18.6	12.0	6.5	5.6	3.1	100.0

Characteristics by Mortagagor's Monthly Income.—Characteristics of the Section 203 transactions insured in 1954 corresponding to monthly income groups of the owner-occupant mortgagors are shown in Table 85 (transaction and property characteristics) and Table 86 (financial characteristics). For example Table 85 shows that new-home mortgagors with monthly incomes in 1954 of $350 to $399 purchased properties averaging $10,149 in sale price and valued by FHA at $10,161 or nearly 2.3 times their average annual income.

TABLE 85

Transaction and property characteristics by income of single-family home mortgagors, Sec. 203, 1954

Mortgagor's effective monthly income	Percentage distribution	Average: Total requirements [1]	Average: Sale price [1]	Average: Property value	Average: Mortgage amount	Average: Calculated area (square feet)	Average: Number of rooms	Mortgage as a percent of FHA value	Ratio of FHA value to amount of income
				New homes					
Less than $250.00	0.9	$8,316	$8,162	$8,208	$7,041	832	4.5	85.8	3.03
$250.00 to $299.99	5.1	8,732	8,569	8,611	7,555	869	4.6	87.7	2.59
$300.00 to $349.99	15.5	9,581	9,401	9,424	8,109	907	4.8	86.0	2.43
$350.00 to $399.99	17.3	10,310	10,149	10,161	8,546	950	4.9	84.1	2.28
$400.00 to $449.99	16.8	10,912	10,715	10,754	8,918	979	4.9	82.9	2.14
$450.00 to $499.99	10.2	11,543	11,308	11,269	9,251	1,011	5.0	82.1	2.00
$500.00 to $549.99	10.5	11,952	11,749	11,756	9,555	1,033	5.0	81.3	1.90
$550.00 to $599.99	6.1	12,245	12,039	12,056	9,771	1,041	5.0	81.0	1.76
$600.00 to $649.99	5.4	12,696	12,565	12,479	10,061	1,072	5.1	80.6	1.68
$650.00 to $699.99	3.7	13,442	13,125	13,151	10,473	1,106	5.2	79.6	1.64
$700.00 to $799.99	4.3	13,886	13,663	13,777	10,893	1,160	5.2	79.1	1.56
$800.00 to $999.99	2.7	14,673	14,488	14,455	11,398	1,179	5.3	78.9	1.40
$1,000.00 or more	1.5	15,410	15,001	15,012	11,776	1,245	5.3	78.4	1.01
Total	100.0	11,185	10,985	11,024	9,108	995	5.0	82.6	1.96
				Existing homes					
Less than $250.00	0.8	$8,077	$7,930	$8,036	$6,060	925	4.7	75.4	3.03
$250.00 to $299.99	3.6	8,973	8,699	8,762	6,851	922	4.8	78.2	2.65
$300.00 to $349.99	10.9	9,900	9,689	9,601	7,518	963	4.9	78.3	2.47
$350.00 to $399.99	13.7	10,721	10,519	10,317	8,053	997	5.0	78.1	2.32
$400.00 to $449.99	15.0	11,552	11,324	11,074	8,600	1,042	5.1	77.7	2.20
$450.00 to $499.99	10.2	12,183	11,960	11,610	9,058	1,078	5.2	78.0	2.06
$500.00 to $549.99	11.5	12,880	12,611	12,250	9,492	1,114	5.3	77.4	1.97
$550.00 to $599.99	7.1	13,412	13,184	12,685	9,856	1,140	5.4	77.7	1.85
$600.00 to $649.99	6.9	13,954	13,749	13,177	10,269	1,185	5.4	77.9	1.78
$650.00 to $699.99	5.1	14,648	14,419	13,788	10,727	1,200	5.4	77.8	1.72
$700.00 to $799.99	6.5	15,510	15,303	14,533	11,280	1,278	5.6	77.6	1.64
$800.00 to $999.99	5.6	16,743	16,413	15,622	12,090	1,367	5.8	77.4	1.51
$1,000.00 or more	3.1	18,485	18,100	16,873	12,936	1,507	5.9	76.7	1.13
Total	100.0	12,578	12,344	11,950	9,201	1,108	5.2	77.7	1.91

[1] Based on purchases only.

The buyers' cash investment (total requirements of $10,310 less the mortgage of $8,546) averaged about $1,760 or 17 percent of total requirements. The houses contained on the average 950 square feet and nearly 5 rooms. As indicated in Table 86, of the average monthly income of $371 for the mortgagors in this group, 23 percent was required for monthly housing expense including 18 percent of income for monthly mortgage payment. Had these mortgagors been renting their homes, their monthly rentals would likely have averaged about $82.

For both new- and existing-home transactions, the price levels and amounts of obligation assumed by the home buyers did not increase proportionately with income. This is demonstrated by comparing the data for the $350 to $399 income group with those for the $700 to $799 group. Although the average income in the higher bracket was double that in the lower class, the averages of total requirements,

mortgage amount, and monthly housing expense were only 1.3 times greater. Further evidence of this disproportionate relationship between the increases in income and the other items is the steady downward trend in the property value-income ratios shown in Table 85 and the ratios of housing expense to income and monthly payment to income presented in Table 86 and Chart 38. This situation was not unique with transactions for the year 1954; it has been apparent in other years when comparable data on FHA transactions were available for analysis.

Although these relationships between buyers' incomes, total requirements, and monthly housing expenses may have been generally comparable in non-FHA transactions, the FHA experience varies in two respects: First, very few of the more expensive home transactions utilize FHA-insured financing, since buyers in the higher income brackets can more readily obtain satisfactory financing with conventional loans; second, most of the properties eligible for the more favorable FHA financing terms, and hence most likely to be purchased

TABLE 86

Financial characteristics by income of single-family home mortgagors, Sec. 203, 1954

Mortgagor's effective monthly income	Percentage distribution	Monthly average: Income	Monthly average: Housing expense	Monthly average: Mortgage payment	Monthly average: Rental value	Percent ratio of: Housing expense to income	Percent ratio of: Mortgage payment to income	Percent ratio of: Payment to rental value
				New homes				
Less than $250.00	0.9	$225.58	$69.74	$52.76	$66.25	30.9	23.4	79.6
$250.00 to $299.99	5.1	276.66	75.80	57.83	70.30	27.4	20.9	82.3
$300.00 to $349.99	15.5	323.65	81.24	61.65	76.17	25.1	19.0	80.9
$350.00 to $399.99	17.3	371.17	86.20	65.90	82.42	23.2	17.8	80.0
$400.00 to $449.99	16.8	418.80	89.55	69.05	86.03	21.4	16.5	80.3
$450.00 to $499.99	10.2	468.93	92.57	71.78	90.32	19.7	15.3	79.5
$500.00 to $549.99	10.5	516.69	96.20	74.81	93.39	18.6	14.5	80.1
$550.00 to $599.99	6.1	571.34	98.63	76.59	96.39	17.3	13.4	79.5
$600.00 to $649.99	5.4	617.82	101.84	80.33	98.24	16.5	13.0	81.8
$650.00 to $699.99	3.7	667.42	104.96	83.41	102.98	15.7	12.5	81.0
$700.00 to $799.99	4.3	737.95	111.00	86.80	107.77	15.1	11.8	80.5
$800.00 to $999.99	2.7	860.18	116.44	92.15	112.78	13.5	10.7	81.7
$1,000.00 or more	1.5	1,243.62	122.67	95.83	118.62	9.9	7.7	80.8
Total	100.0	468.41	91.77	70.90	88.16	19.6	15.1	80.4
				Existing homes				
Less than $250.00	0.8	$220.96	$68.16	$50.35	$65.71	30.8	22.8	76.6
$250.00 to $299.99	3.6	275.05	76.37	55.71	71.04	27.7	20.2	78.4
$300.00 to $349.99	10.9	324.18	83.51	61.81	77.44	25.8	19.1	79.8
$350.00 to $399.99	13.7	370.83	88.70	66.33	82.96	23.9	17.9	80.0
$400.00 to $449.99	15.0	419.15	93.68	71.06	88.55	22.3	17.0	80.2
$450.00 to $499.99	10.2	469.79	97.87	74.68	92.73	20.8	15.9	80.5
$500.00 to $549.99	11.5	517.36	103.05	78.71	97.08	19.9	15.2	81.1
$550.00 to $599.99	7.1	571.20	106.45	81.87	100.26	18.6	14.3	81.7
$600.00 to $649.99	6.9	617.27	109.63	85.90	103.53	17.8	13.9	83.0
$650.00 to $699.99	5.1	668.00	113.63	88.63	108.24	17.0	13.3	81.9
$700.00 to $799.99	6.5	738.61	119.76	93.57	114.12	16.2	12.7	82.0
$800.00 to $999.99	5.6	863.73	128.53	101.53	121.74	14.9	11.8	83.4
$1,000.00 or more	3.1	1,245.43	140.85	112.40	132.66	11.3	9.0	84.7
Total	100.0	520.42	100.71	77.08	94.93	19.4	14.8	81.2

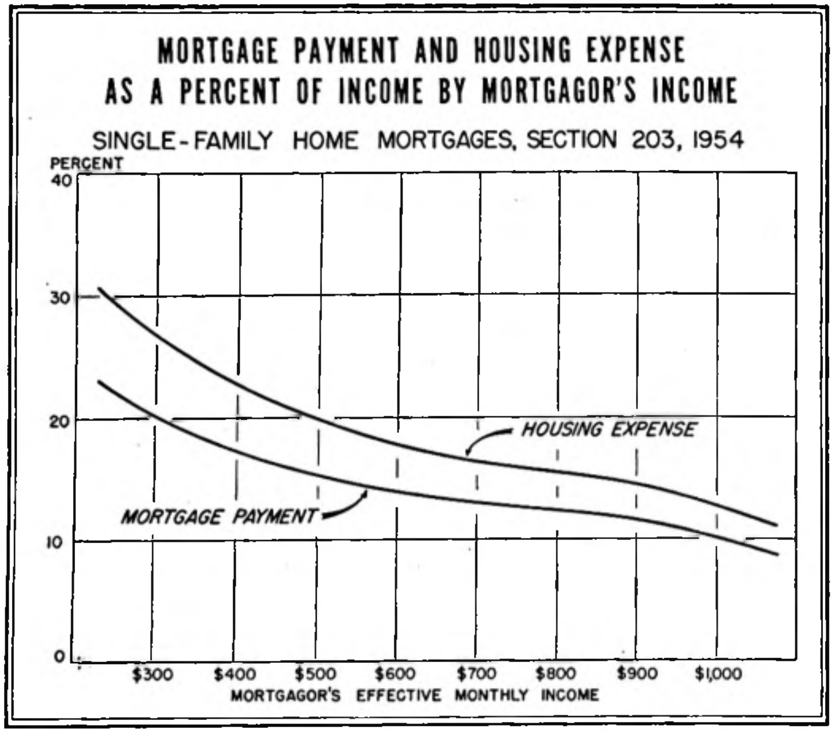

CHART 38

regardless of the buyer's income, were in the low and middle price brackets. It is interesting to note that in several States median incomes of new-home mortgagors were higher than the national average but median property values were lower.

As shown in Table 85, existing-home averages exceeded those for new homes in corresponding income groups with respect to total requirements, sale price, property value, and rental value. On the other hand, new-home mortgage amounts were higher than existing in the monthly income classes under $550 because most of the properties were in value groups where new homes were eligible for relatively larger mortgage amounts. In the monthly income groups from $550 upward, the values of existing properties were sufficiently greater than those reported for newly constructed dwellings to yield larger average mortgage amounts. With the exception of the two lowest income classes, monthly payments on existing-home mortgages exceeded those on new-home mortgages principally because of the shorter loan duration in all income groups and the relatively larger mortgages undertaken by existing-home mortgagors in the higher income brackets. Reflecting the higher average monthly payment on existing-home

mortgages and the generally larger operating, maintenance, and repair costs for existing properties, the average monthly housing expenses of existing-home mortgagors were above those of new home owners in virtually all income classes. As shown in Table 86, the proportion of income required for housing expense averaged slightly higher for new-home transactions than for existing-home transactions, although within most of the individual income classes the reverse is true.

Housing Expense by Mortgagor's Monthly Income.—As stated in the FHA Underwriting Manual, "One of the principal problems in mortgage credit analysis is to determine whether a mortgage obligation will be within the mortgagor's financial ability to pay. . . . Specific maximum ratios (of mortgage payments or value to income) for all mortgagors are not practicable because of variations in local conditions, living standards, differing family housing needs, and other conditions affecting ability to pay. . . . A general principle to be followed is that the relationship of a mortgagor's prospective housing expense to effective income should be kept within limits found to be favorable through experience in mortgage lending."

Table 87 shows distributions of monthly housing expense by income classes of owner-occupant mortgagors involved in Section 203 transactions insured in 1954. These data emphasize the general tendency of families with higher incomes to purchase more expensive homes, necessarily entailing higher housing expenses. However, housing expense increases at a progressively slower rate than does income, as indicated by the medians in the second column of Table 87 and more vividly by the declining ratio of housing expense as depicted in Chart 38. For new-home buyers, typical expenses ranged from $71 for those with monthly incomes of less than $250 to $117 for those earning $1,000 or more, compared with existing home expenses of $68 in the lowest income group and about $139 in the highest. Within corresponding income groups from $300 upward, median housing expenses of existing-home buyers exceeded those of new-home buyers in line with higher mortgage payments and estimated costs of operation and expenses of maintenance and repair.

Housing expenses within individual income classes displayed significant variation, becoming more evenly distributed as monthly incomes of new- and existing-home buyers were $350 or more. Chart 39 depicts the range of housing expense in the various income brackets of FHA home buyers in 1954 (new and existing homes combined), and the increased dispersion accompanying higher incomes.

Total Monthly Mortgage Payment

About three-fourths of the estimated housing expense for both new- and existing-home buyers in 1954 was accounted for by the monthly

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TABLE 87

Housing expense by income of single-family home mortgagors, Sec. 203, 1954

Mortgagor's effective monthly income	Percentage distribution	Median monthly housing expense	Monthly housing expense—Percentage distributions: Less than $50.00	$50.00 to $59.99	$60.00 to $69.99	$70.00 to $79.99	$80.00 to $89.99	$90.00 to $99.99	$100.00 to $109.99	$110.00 to $119.99	$120.00 to $139.99	$140.00 or more	Total
			New homes										
Less than $250.00	0.9	$70.85	0.4	11.5	33.9	44.6	9.2	0.4					100.0
$250.00 to $299.99	5.1	75.40	.2	3.0	10.9	50.2	23.0	4.0	0.4		0.2	0.3	100.0
$300.00 to $349.99	15.5	81.61	.3	1.4	8.5	33.9	36.9	16.4	2.3	0.1	.1	.1	100.0
$350.00 to $399.99	17.3	85.94	.2	.6	5.2	24.4	33.0	26.3	8.5	1.4	.2	.2	100.0
$400.00 to $449.99	16.8	89.90	.2	.4	3.9	18.6	27.2	28.3	15.6	4.7	.9	.2	100.0
$450.00 to $499.99	10.2	92.52	.1	.5	3.0	15.4	24.6	25.7	17.4	10.0	3.2	.1	100.0
$500.00 to $549.99	10.5	94.81	.2	.2	2.1	14.2	22.3	22.9	17.3	12.7	7.5	.6	100.0
$550.00 to $599.99	6.1	96.63		.4	2.2	11.0	21.0	23.2	16.8	12.6	11.1	1.7	100.0
$600.00 to $649.99	5.4	98.54	.4	.2	2.3	10.0	19.7	20.3	16.2	13.3	14.7	2.9	100.0
$650.00 to $699.99	3.7	102.11	.1		1.7	8.0	18.0	18.9	15.4	13.4	17.1	7.4	100.0
$700.00 to $799.99	4.3	107.97	.3	.1	1.1	7.1	12.8	15.4	16.5	15.4	10.7	11.6	100.0
$800.00 to $999.99	2.7	112.80	.3	.5	1.3	6.4	10.5	14.3	13.2	12.6	21.9	19.0	100.0
$1,000.00 or more	1.5	117.44	.5		1.2	7.0	9.0	11.6	12.9	10.4	19.2	28.2	100.0
Total	100.0	88.91	.2	.8	5.0	20.7	26.1	21.6	11.8	6.5	5.1	2.2	100.0
			Existing homes										
Less than $250.00	0.8	$67.57	3.0	23.8	30.7	32.3	6.4	3.8					100.0
$250.00 to $299.99	3.6	75.89	.7	7.4	19.8	35.2	26.9	8.1	1.2	0.3	0.1	0.3	100.0
$300.00 to $349.99	10.9	83.42	.4	2.9	10.4	25.1	32.8	22.0	5.1	.8	.2	.3	100.0
$350.00 to $399.99	13.7	89.64	.1	1.6	6.3	17.1	25.8	29.0	15.3	4.0	.6	.2	100.0
$400.00 to $449.99	15.0	94.23	.2	.9	3.9	12.7	21.3	26.1	21.4	10.9	2.4	.2	100.0
$450.00 to $499.99	10.2	98.70	.3	.6	3.7	9.7	17.2	21.3	22.0	15.7	8.2	.7	100.0
$500.00 to $549.99	11.5	102.53	.4	.6	2.7	7.6	13.7	19.9	20.3	16.3	16.3	2.2	100.0
$550.00 to $599.99	7.1	105.61	.1	.5	3.2	6.8	12.5	17.0	17.5	14.6	22.6	5.2	100.0
$600.00 to $649.99	6.9	109.25	.1	.2	1.6	6.2	10.5	16.0	16.6	15.8	23.1	9.9	100.0
$650.00 to $699.99	5.1	113.75	.3	.2	1.4	4.0	8.9	14.8	14.9	14.6	25.7	15.2	100.0
$700.00 to $799.99	6.5	119.46	.1	.2	.9	3.4	6.4	11.6	13.1	15.1	27.4	21.8	100.0
$800.00 to $999.99	5.6	128.36	(1)	.1	.6	2.3	4.8	8.1	10.5	13.3	25.1	35.2	100.0
$1,000.00 or more	3.1	139.30	.2	.1	.6	1.8	3.0	5.7	7.0	9.5	22.9	49.2	100.0
Total	100.0	97.41	.3	1.3	4.7	11.8	17.4	19.5	15.4	10.7	11.7	7.2	100.0

[1] Less than 0.05 percent.

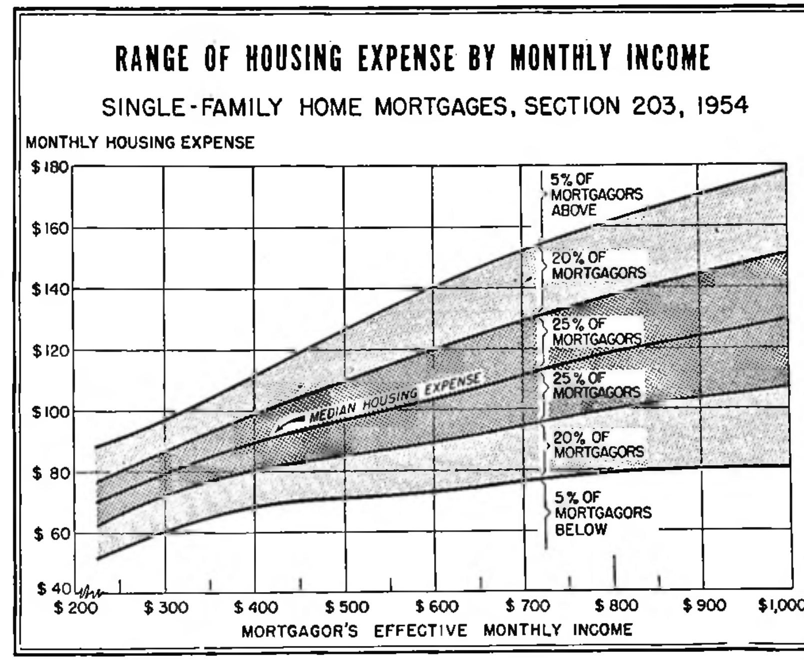

CHART 39

mortgage payment covering interest, principal amortization, property taxes and special assessments, hazard insurance, FHA mortgage insurance premiums, and ground rent, if any. In Chart 38, the converging tendency of the curves stems from the rise in the mortgage payment proportion of housing expense as mortgagors with higher incomes undertook larger mortgage, insurance, and tax obligations.

The distribution of total monthly mortgage payments for new- and existing-home transactions insured under Section 203 in 1954 is pictured in Chart 40. New-home mortgage payments were predominantly (nearly three-fourths) in the $50 to $79.99 brackets, while nearly three-fifths of existing-home payments were reported in the somewhat higher range of $60 to $89.99. Payments of $90 or more were required in about one-ninth of the new-home cases and in more than twice that proportion of existing-home transactions. Only about 3½ percent of the new-home mortgages and 5 percent of those on existing homes specified total monthly payments of less than $50.

Reflecting the higher level of FHA mortgage amounts in 1954, the typical monthly payment was 4 percent more for new homes and 5 percent higher for existing homes than in 1953. Table 88 reveals that the principal changes from the previous year in the mortgage payment distribution were declines in the new-home proportion with payments of less than $55, and gains in the proportion ranging from $80 upward;

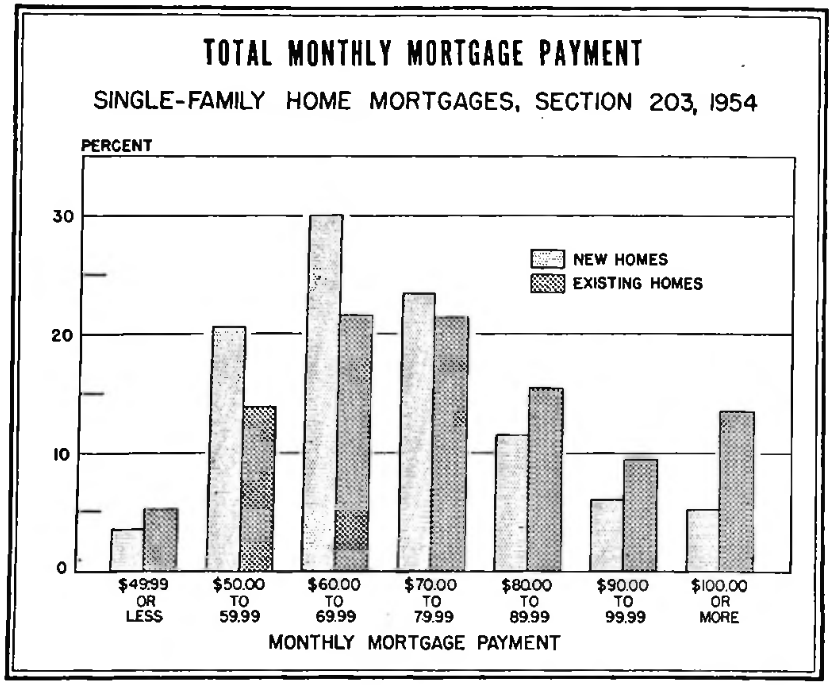

CHART 40

and, in existing homes, declines in the proportion of payments of less than $75 and gains in the proportion of payments of $90 or more.

TABLE 88

Monthly mortgage payment for single-family homes, Sec. 203, selected years

Total monthly mortgage payment	Percentage distributions									
	New homes					Existing homes				
	1954	1953	1950	1946	1941	1954	1953	1950	1946	1941
Less than $25.00	0.1	(1)	0.1	1.3	11.0	0.1	(1)	1.2	5.5	15.8
$25.00 to $29.99	(1)	(1)	.1	4.1	17.1	.1	(1)	1.1	9.0	15.2
$30.00 to $34.99	(1)	0.1	.6	11.3	21.1	.2	0.1	2.3	16.0	16.3
$35.00 to $39.99	.1	.2	3.4	13.7	18.8	.5	.6	5.4	18.3	14.4
$40.00 to $44.99	.8	2.5	12.9	16.6	13.0	1.2	1.7	9.2	15.3	11.0
$45.00 to $49.99	2.5	6.3	16.9	14.5	6.7	3.1	4.7	12.6	11.6	7.8
$50.00 to $54.99	6.6	10.7	18.6	17.1	4.1	5.5	7.3	13.9	7.8	5.1
$55.00 to $59.99	13.9	13.3	16.6	10.0	2.9	8.3	10.0	13.3	5.0	3.6
$60.00 to $64.99	15.2	14.0	12.2	5.8	1.9	9.8	11.6	10.8	3.5	2.6
$65.00 to $69.99	14.8	15.3	8.2	3.2	1.2	11.7	12.1	8.5	2.2	1.8
$70.00 to $74.99	13.6	12.8	4.8	1.4	.8	10.9	11.4	5.9	1.6	1.4
$75.00 to $79.99	9.7	8.8	2.4	.4	.4	10.4	10.4	4.3	1.2	1.0
$80.00 to $89.99	11.5	9.6	1.7	.3	.4	15.3	14.2	5.3	1.2	1.4
$90.00 to $99.99	6.0	4.0	.7	.2	.2	9.4	7.7	2.6	.6	.9
$100.00 or more	5.2	2.4	.8	.1	.4	13.5	8.2	3.6	1.2	1.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	$71.36	$67.05	$55.38	$46.06	$36.88	$77.10	$72.79	$58.94	$43.25	$39.50
Median	$68.62	$65.95	$54.31	$46.18	$35.21	$74.34	$70.84	$56.65	$40.83	$53.91

[1] Less than 0.05 percent.

Characteristics of Section 8 Home Mortgage Transactions

Section 8, enacted in April 1950, was intended to assist in providing adequate housing for families of low and moderate income in rural areas and small communities as well as urban and suburban areas. It authorized the insurance of mortgages covering properties in areas where it is not practicable to obtain conformity with many of the requirements essential to the insurance of mortgages on properties in built-up urban areas. Although Section 8 itself was repealed by the Housing Act of 1954, its essential provisions were continued in the new Subsection (i) of Section 203 enacted in that Act.

The volume of insurance written under Section 8 in 1954 was the largest for any year since its enactment—nearly 15,900 mortgages amounting to over $89 million, or about half of the cumulative volume of insurance written during the four years of its existence. The following tables present data on certain of the more significant characteristics of Section 8 transactions insured in 1954. The outstanding feature of the program revealed by these characteristics was its concentrated utilization in that segment of the housing market involving properties in the relatively narrow value bracket of $5,000 to $7,000. This, of course, was the consequence of the limitation in insurable mortgage amount to a maximum of $5,700 for owner-occupant mortgagors.[19]

In accordance with legislative specification, homes covered by Section 8 mortgages were all single-family structures. Most (89½ percent) of the transactions in 1954 were of the purchase type, with slightly over 10 percent involving the financing of construction on the owners' lots. The mortgagors were owner-occupants in 98 percent of the cases and builders in only slightly over 1½ percent.

Typical Section 8 Home Mortgage Transaction

The typical Section 8 transaction insured in 1954 covered a property valued by FHA at $6,072, including land with a market price of $700 or 11½ percent of value. The typical structure had a calculated area of 706 square feet and provided about 4½ rooms of which 2 were bedrooms. The typical mortgage amounted to $5,737—about 92 percent of property value—and was repayable at the rate of $42

[19] For builder mortgagors, the maximum mortgage amount was $5,100. The maximum ratio of loan to value for owner-occupant mortgagors was 95 percent and for builder mortgagors 85 percent. Mortgages financing the reconstruction or replacement of housing destroyed by a catastrophe declared by the President to be a major disaster were eligible for higher amounts up to a maximum of $7,000 and ratios of loan to value up to 100 percent. The maximum amortization period for all Section 8 loans was 30 years. These maxima were effective from July 1953 until repeal of Section 8 in August 1954. FHA approval of plans and specifications before the beginning of construction and FHA inspection during construction were required in Section 8 transactions. Construction must have begun after April 20, 1950.

monthly over a period of 25½ years. The mortgage payment covered, in addition to interest and principal, premiums on hazard and FHA mortgage insurance, and real estate taxes and assessments averaging about $5 monthly. Frequently a mortgagee's service charge, not exceeding one-half of 1 percent of the average outstanding balance, was also included.[20] Housing expenses—mortgage payment plus operating costs and maintenance and repair expense—averaged about $59 monthly.

The typical Section 8 mortgagor in 1954 had a monthly effective income of $329. Housing expenses in Section 8 transactions insured in 1954 averaged about 17 percent of mortgagors' incomes, including 12 percent for mortgage payment. Of the average total transaction requirements of nearly $6,300, 11 percent or about $670 represented the average initial cash investment made by the buyer.

Mortgage Amount and Duration

The following table indicates that roughly 7 of every 8 mortgages insured under Section 8 in 1954 had principal amounts of $5,500 to $5,999.

Mortgage amount	Percentage distribution	Average duration of loan (years)
Less than $4,500	0.5	21.9
$4,500 to $4,999	3.8	21.1
$5,000 to $5,499	9.0	25.2
$5,500 to $5,999	80.2	25.7
$6,000 or more	.5	28.8
Total	100.0	25.5
Median mortgage amount	$5,737	

Durations of the Section 8 mortgages generally were longer as mortgage amounts increased, ranging from an average of 21.1 years to 28.8 years, with an overall average of 25.5 years.

Property Characteristics

Table 89 shows that about three-fourths of the properties in Section 8 transactions insured in 1954 had FHA-estimated values of $6,000 to $6,499 and nearly 95 percent were in the $5,500 to $6,999 value ranges—undoubtedly the consequence of the fact that the combination of maximum mortgage amount and lowest down payment was available under this section for properties valued at or near $6,000.

[20] To encourage participation of lending institutions in the Section 8 program, the Administrative Rules were amended in January 1953 to permit lending institutions to charge the mortgagor a service charge not exceeding one-half of one percent of the outstanding balance of the mortgage to compensate for the extra costs of handling quantities of small mortgages.

Mortgage amounts in the various value classes were near the maximum permissible for properties in each value group.

TABLE 89

Characteristics by property value of single-family homes, Sec. 8, 1954

FHA estimate of property value	Percentage distribution	Average			Loan as percent of value	Average		Average monthly		
		Property value	Mortgage amount	Land price		Calculated area (square feet)	Room count	Total payment	Taxes and assessments	Housing expense
Less than $5,000	0.1	(1)	$4,664	(1)	(1)	(1)	(1)	(1)	(1)	(1)
$5,000 to $5,499	2.7	$5,236	4,807	$538	91.8	665	3.9	$37.86	$4.02	$52.46
$5,500 to $5,999	10.6	5,743	5,355	674	93.2	687	4.0	41.09	4.38	57.50
$6,000 to $6,499	75.4	6,077	5,676	699	93.4	734	4.4	42.33	5.06	59.03
$6,500 to $6,999	8.5	6,599	5,594	777	84.8	762	4.4	44.50	6.38	63.22
$7,000 to $7,499	2.1	7,132	5,770	768	80.9	837	4.5	47.17	6.07	65.44
$7,500 or more	.6	7,865	5,742	843	73.0	906	4.7	48.73	6.11	67.94
Total	100.0	6,093	5,612	700	92.1	732	4.3	42.40	5.11	59.23

[1] Inadequate data.

Land prices for Section 8 properties averaged between 10 and 12 percent of property value, ranging from an average of $538 in the lowest value group to $843 in the highest. The overall average of $700 was less than half the land price average of $1,456 for Section 203 new home transactions in 1954. Moreover, land prices represented smaller proportions of total property value in Section 8 transactions (11½ percent) than in Section 203 (13 percent). These data are indicative of the less stringent site and location requirements for Section 8, as well as the substantially higher value level of Section 203 properties.

Table 89 also shows the expected correlation between size of structure and value of property. The following data indicate that most of the Section 8 homes had calculated areas of 600 to 799 square feet, with over one-fifth having areas of 800 or more square feet:

Calculated area of structure (square feet)	Percentage distribution	Calculated area of structure (square feet)	Percentage distribution
Less than 500	0.1	900 to 999	4.1
500 to 599	4.2	1,000 or more	1.0
600 to 699	34.2		
700 to 799	40.1	Total	100.0
800 to 899	16.3	Median area: (square feet)	706

The size distributions of Section 8 structures exhibited comparable concentrations when measured in terms of number of rooms and bedrooms. As shown by the following tables, 3 of 4 Section 8 homes contained 4 rooms and 5 of every 6 had 2 bedrooms:

Number of rooms per structure	Percentage distribution	Number of bedrooms per structure	Percentage distribution
3	3.0	1	0.3
4	75.2	2	83.9
5	13.8	3 or more	15.8
6 or more	8.0		
Total	100.0	Total	100.0
Median room count	4.6	Median bedroom count	2.6

Monthly mortgage payments in Section 8 transactions, following the trend of mortgage amounts, increased as property values rose and were concentrated in a narrow band ranging from an average of $38 for properties in the lowest value class to $49 for those with highest values. Monthly housing expenses averages, reflecting limited spread of the mortgage payment component, ranged only from $52 for properties in the $5,000 to $5,499 range to $68 for those valued at $7,500 or more. Monthly taxes and assessments included in the total mortgage payment averaged about $5 for all Section 8 transactions insured in 1954, with the averages by value groups generally conforming with the level of property values.

Characteristics by Mortgagor's Monthly Income

Over three-tenths of the Section 8 occupant-mortgagors in 1954 had monthly effective incomes (before taxes) of less than $300 and nearly three-fifths were earning under $350 monthly. (See Table 90.) This was over 5 times the proportion of owner-occupants of Section 203 new homes with monthly incomes of less than $300, and almost 3 times the proportion with incomes of less than $350. The typical Section 8 mortgagor had a monthly effective income of $329, or about $100 less than the $428 median income for the Section 203 new home mortgagors of 1954. It is likely that some of the Section 8 transactions in the higher income brackets included part or all the incomes of co-mortgagors or co-signers whose participation was required because the income of the principal mortgagor was not considered sufficient.

As Table 90 indicates, property value and mortgage amount averages for most of the income groups of Section 8 mortgagors varied only slightly. Moreover, total monthly mortgage payments and housing expenses were roughly the same for all income classes with the exception of those below $250 and those of $600 or more. This, of course, is a reflection of the limited price class of housing for which Section 8 mortgage financing terms were the most favorable.

Section 8 mortgagors were devoting, on the average, somewhat smaller proportions of their incomes for mortgage payment (12 percent) and housing expense (17 percent) than their Section 203 compatriots (15 percent for monthly payment and 20 percent for housing expense). Moreover, in corresponding income brackets, the Section 8 payment-income and housing expense-income ratios were also smaller.

The share of Section 8 mortgagors' incomes required for mortgage payment ranged from 7 percent in the highest income bracket to 23 percent in the lowest, while the housing expense portion ranged from 9 percent to 30 percent.

TABLE 90

Characteristics by income of single-family home mortgagors, Sec. 8, 1954

Mortgagor's monthly effective income	Percentage distribution	Average			Average monthly			Percent ratio of		
		Total requirements	Property value	Mortgage amount	Mortgagor's income	Total payment	Housing expense	Loan to value	Payment	Housing expense
									To income	
Less than $200.00	1.8	$6,035	$5,957	$5,461	$178.26	$40.86	$53.91	91.7	22.9	30.2
$200.00 to $249.99	9.0	6,198	6,031	5,601	224.55	41.37	55.93	92.9	18.4	24.9
$250.00 to $299.99	20.4	6,252	6,116	5,628	271.59	41.98	58.28	92.0	16.5	21.5
$300.00 to $349.99	28.6	6,311	6,108	5,630	320.63	42.31	59.53	92.2	13.2	18.6
$350.00 to $399.00	17.0	6,301	6,161	5,631	368.57	42.81	60.06	91.4	11.6	16.3
$400.00 to $449.99	11.0	6,292	6,114	5,627	416.53	42.45	60.21	92.0	10.2	14.5
$450.00 to $499.99	4.5	6,373	6,203	5,622	468.31	42.42	59.78	90.6	9.1	12.8
$500.00 to $599.99	5.2	6,348	6,190	5,622	531.86	43.62	60.24	90.8	8.2	11.3
$600.00 or more	2.5	6,802	6,154	5,628	724.56	46.91	63.92	91.5	6.5	8.8
Total	100.0	6,297	6,119	5,623	345.86	42.42	59.17	91.9	12.3	17.1

Characteristics of Project Mortgage Transactions

An analysis of the characteristics of projects for which commitments for mortgage insurance were issued by the FHA during 1954 (280 projects containing 24,000 dwelling units) is presented in the following pages. Rental housing project data are based on commitments issued under the Section 207 rental housing program (15,000 units), the Section 803 military housing program (3,000 units), and the Section 908 defense housing program (less than 100 units). The project program analysis also covers the Section 213 cooperative housing program which included 3,000 units in sales-type projects and an additional 3,000 units in management-type projects. Other project programs, including the Section 220 urban renewal program and the Section 221 program for relocation housing, were included in the legislation approved August 2, 1954, but being in effect during only a brief period of 1954 had no commitment activity during the year.

Typical Project Mortgage Transaction

The typical project approved for mortgage insurance by the FHA during 1954 consisted of 41 dwelling units. The typical dwelling unit contained 4.8 rooms, rented for $95.02, and secured a mortgage of $8,162, representing 79.3 percent of the estimated replacement cost.

Considerable differences existed between the typical rental housing project and the typical cooperative housing project covered by commitments issued during the year. The typical rental project was larger, containing 77.5 dwelling units, with a median room count of 4.7 rooms, which rented for $102.72. The typical unit mortgage of $8,041 represented 74.7 percent of replacement cost. In contrast, the typical cooperative project included only 28.4 units of 5.4 rooms involving monthly charges to the cooperative member of $75.77. The median unit mortgage involved in these cooperative projects was $8,650, which approximated 90.8 percent of replacement cost.

As shown in Table 91, the typical rental project under Section 207 consisted of 76 dwelling units and that under Section 803 contained 162.5 dwelling units. The typical unit for Section 207 projects had 4.6 rooms and rented for $115.60, while those under Section 803 had 4.9 rooms with a monthly rental of $72.13. This seeming disparity of the monthly rental for Section 207 is caused in part by the high percentage of dwelling units—more than one-half—in elevator-type structures which characteristically are smaller and rent for more. Four-fifths of the Section 803 units were in 1-family structures.

The typical management-type cooperative project on which a commitment for mortgage insurance was issued in 1954 consisted of 127.5 dwelling units with a median room count of 4.8 rooms, involved a monthly charge of $93.66, and secured a mortgage of $8,807—80.7 percent of replacement cost—substantially the same as for 1953. The sales-type cooperative projects covered by 1954 commitments, however, showed some differences in 1954. The typical project was less than half as large, containing 25.8 dwelling units, and the typical

TABLE 91

Characteristics of multifamily housing transactions, by section, 1954

Item	Total rental and cooperative housing [1]	Rental housing			Cooperative housing, Sec. 213		
		Total [1]	Sec. 207	Sec. 803	Total	Management type	Sales type
Projects:							
Median size (in units)	41.0	77.5	76.0	162.5	28.4	127.5	25.8
Average size (in units)	85.3	116.8	108.0	213.5	46.7	147.4	28.4
Units:							
Median size (in rooms) [2, 3]	4.8	4.7	4.6	4.9	5.4	4.8	5.8
Median monthly rental [2, 4]	$95.02	$102.72	$115.60	$72.13	$75.77	$93.66	$53.41
Median mortgage amount [2, 5]	$8,162	$8,041	$8,031	$8,053	$8,650	$8,807	$7,848
Median mortgage-cost ratio	79.3	74.7	72.9	81.2	90.8	80.7	94.1

[1] Includes data for commitments issued under Sec. 908.
[2] Tables covering size of units, monthly rental, and amount of mortgage exclude data for projects in Alaska (none committed in 1954), Guam, and Hawaii. In recognition of higher costs, liberalized legislative provisions were enacted—for Alaska in 1949, Guam in 1952, and Hawaii in 1953.
[3] In determining the number of rooms per unit, baths, closets, halls, and similar spaces were excluded.
[4] Data on monthly rental for units in cooperative projects refer to monthly charges. Monthly charges include, in management-type projects, member's pro rata share of estimated monthly debt service and project operating and maintenance costs; and, in sales-type projects, estimated total monthly mortgage payment (including real estate taxes, FHA mortgage premiums, and hazard insurance premiums) of purchaser-member.
[5] Amount of mortgage allocable to dwelling use.
The information in the footnotes apply to this and to all subsequent tables in this section of the report.

dwelling unit was smaller with 5.8 rooms as compared to 6.1 rooms for 1953. Monthly charges of $53.41 were considerably smaller than the $76.51 reported for 1953, and the amount of mortgage—$7,848—was less than the previous $10,071. The ratio of the mortgage to replacement cost remained about the same at 94.1 percent for 1954.

Yearly Trend

The trends of selected characteristics for rental housing projects (Section 213 cooperatives excluded) through 1954 are shown in Chart 41 and Table 92.

The median project for 1954 contained 77.5 dwelling units, a 27-percent decrease from 1953. Project sizes have varied greatly from year to year since 1950.

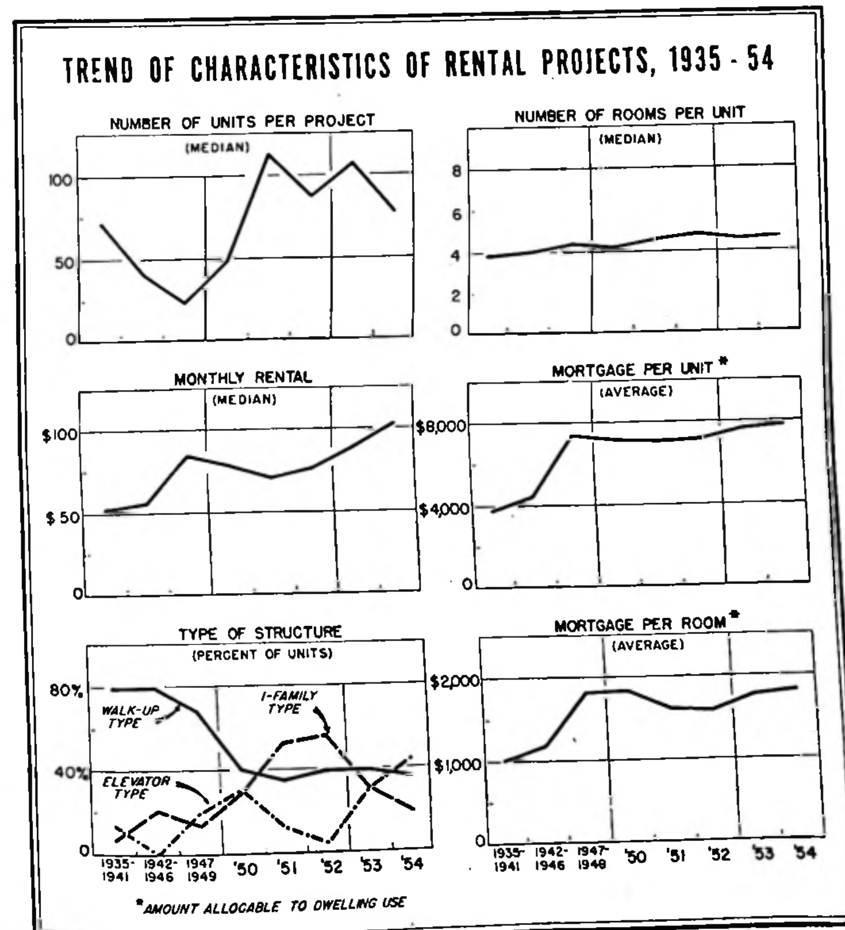

CHART 41

The median monthly rental per unit increased 17 percent over 1953 to $102.72—an alltime high—despite the fact that the typical unit—4.7 rooms—remained virtually unchanged. This, coupled with the increased average mortgage allocable to dwelling use—$7,821 per unit, also an alltime high—points up the fact that nearly one-half of the units approved during 1954 were in elevator structures.

TABLE 92

Characteristics of mortgages and projects in rental project transactions, by years, 1935–54

Item	Year [1]							
	1954	1953	1952	1951	1950	1947–49	1942–46	1935–41
Projects:								
Median size (in units)	77.5	106.8	87.5	112.5	48.6	24.0	41.0	72.2
Average size (in units)	116.8	150.1	154.8	182.4	97.6	55.8	75.9	121.1
Percent with:								
Walkup structures	54.6	55.8	53.5	49.4	59.0	78.6	81.6	82.6
Elevator structures	27.6	22.1	5.6	10.1	18.0	6.8	-------	9.9
1-family structures	17.8	22.1	40.9	40.5	23.0	14.6	18.4	7.5
Units:								
Median size (in rooms)	4.7	4.6	4.8	4.6	4.2	4.4	4.0	3.9
Average size (in rooms)	4.3	4.3	4.5	4.4	3.9	4.0	3.7	3.7
Median monthly rental	$102.72	$87.95	$75.38	$71.10	$78.87	$84.43	$56.45	$53.09
Average mortgage amount	$7,821	$7,679	$7,170	$7,133	$7,140	$7,382	$4,427	$3,725
Percent in:								
Walkup structures	35.8	39.4	39.4	35.0	40.0	68.3	79.4	79.0
Elevator structures	44.4	30.0	4.4	12.8	30.8	18.2	-------	14.0
1-family structures	19.8	30.6	56.2	52.2	29.2	13.5	20.6	7.0
Rooms:								
Average monthly rental	$24.39	$21.34	$16.77	$16.91	$20.06	$20.72	$15.10	$14.54
Average mortgage amount	$1,817	$1,778	$1,570	$1,619	$1,835	$1,832	$1,187	$1,009

[1] Based on insurance written in 1935–41 under Sec. 207, in 1942–46 under Sec. 608, and on commitments issued in 1947–49 under Sec. 608, in 1950–51 under Secs. 207, 608, 803, and in 1952–54 under Secs. 207, 803, 908.

Type of Structure

The three principal types of structure into which FHA classifies large-scale developments are walkup, elevator, and 1-family (row, semidetached, and detached houses). Nearly one-half of all rental and cooperative projects approved for mortgage insurance during 1954 consisted primarily of 1-family houses—a distinct departure from the trend of other recent years when walkups were the most popular. However, it should be noted that more units—43 percent of the total—were provided in elevator buildings than in either of the other types of structure. See Table 93 and Chart 42 for a detailed comparison of the relative proportions of projects and dwelling units by principal type of structure.

Walkup-type structures predominated for rental housing projects, accounting for 55 percent of the total number of projects, about the same as in the past 2 years. However, because of the decrease in Section 803 activity, the proportion of projects consisting of 1-family structures declined and the proportion consisting of elevator-type structures increased.

TABLE 93

Type of structure for multifamily housing, by section, 1954

Type of structure	Total rental and cooperative housing	Rental housing			Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 803	Total	Management type	Sales type
	Projects—Percentage distribution						
Walkup	31.9	54.6	58.2	13.3	4.0	26.3	-------
Elevator	19.6	27.6	31.3	-------	9.7	63.1	-------
1-family	48.5	17.8	10.5	86.7	86.3	10.6	100.0
All projects	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Dwelling units—Percentage distribution						
Walkup	28.9	35.8	38.9	20.3	7.4	15.3	-------
Elevator	42.7	44.4	54.5	-------	37.0	77.7	-------
1-family	28.4	19.8	6.6	79.7	55.0	7.0	100.0
All units	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Nearly one-half of the dwelling units provided in rental housing projects approved during 1954 were in elevator-type structures. This is the highest proportion to date for this type of project, reflecting

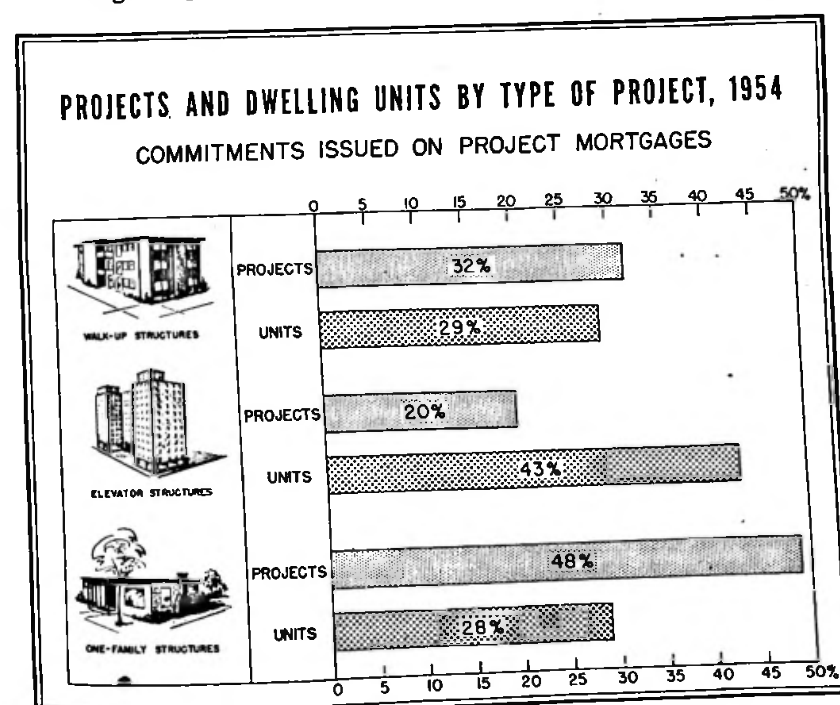

CHART 42

Section 207 activity which accounted for the major proportion of operations during 1954.

For Section 213 cooperative housing, projects consisting of 1-family homes—86 percent—were most prevalent and accounted for more than half the dwelling units approved in 1954. This was a reflection of the increased proportion of sales-type cooperative housing, consisting entirely of 1-family homes. Management-type cooperatives, as heretofore, were predominantly elevator-type structures.

Size of Project

The median project for 1954 contained 41 dwelling units—a decrease of 60 percent from 1953. In line with this trend, 59 percent of the projects approved during the year had less than 50 dwelling units and only 26 percent contained more than 100 dwelling units, as compared to 27 percent and 51 percent respectively for 1953.

More than two-thirds of the dwelling units provided were in projects of 100 units or more, while only 18 percent were in projects having less than 50 units.

TABLE 94

Size of project for multifamily housing, by section, 1954

Number of dwelling units per project	Total rental and cooperative housing	Rental housing			Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 803	Total	Management type	Sales type
	Projects—Percentage distribution						
8 to 24	29.7	20.4	21.6	6.7	41.1	5.3	47.6
25 to 49	20.0	18.4	17.9	13.3	41.9	21.0	45.7
50 to 99	15.6	23.0	24.0	13.3	6.5	5.3	6.7
100 to 149	9.4	12.5	12.7	13.4	5.7	36.8	-------
150 to 199	7.6	11.9	12.7	6.7	2.4	15.8	-------
200 to 299	3.3	5.9	5.2	13.3	-------	-------	-------
300 to 399	2.6	3.3	3.0	6.7	1.6	10.5	-------
400 to 499	1.4	2.0	.8	13.3	.8	5.3	-------
500 or more	1.4	2.6	1.5	13.3	-------	-------	-------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	41.0	77.5	76.0	162.5	28.4	127.5	25.8
	Dwelling units—Percentage distribution						
8 to 24	6.2	2.9	3.2	0.0	16.4	0.6	31.1
25 to 49	11.9	5.7	6.3	1.7	30.8	5.5	54.5
50 to 99	13.5	15.1	17.5	4.5	8.7	2.0	14.4
100 to 149	13.1	12.5	13.7	7.5	15.2	31.3	-------
150 to 199	15.4	17.4	20.3	4.7	9.1	18.9	-------
200 to 299	9.0	12.0	11.9	12.5	-------	-------	-------
300 to 399	9.9	9.1	9.2	9.4	12.1	25.1	-------
400 to 499	7.5	7.4	2.9	27.9	7.7	16.0	-------
500 or more	13.5	17.9	15.0	31.2	-------	-------	-------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	85.3	116.8	108.0	213.5	40.7	147.4	28.4

One project for 1,668 units, sponsored by a State supervised redevelopment agency, was approved in 1954. With this exception, all other rental projects ranged in size from 12 units to 504 units with the typical project having 78 units. Rental projects having more than 100 units each contained the greater share of the total number of units—more than three-fourths—with 18 percent of the units concentrated in projects of 500 units or more. See Table 94 for the percentage distribution of projects and units by size of project for each program.

The median project for Section 213 cooperatives contained 28 dwelling units. The typical management-type project—128 units—was substantially larger than the typical sales-type project of 26 units. Over 90 percent of the dwelling units in management-type cooperatives (predominantly elevator buildings) were in projects of 100 or more units, while all units in sales-type cooperatives were in projects with less than 100 units—86 percent in projects having less than 50 units.

Size of Dwelling Unit

The median unit for projects committed for insurance during 1954 contained 4.8 rooms—equaling the previous high which was established in 1952. The typical unit in rental housing projects, containing 4.7 rooms, was slightly larger than in 1953, while the typical unit in cooperatives, with 5.4 rooms, was larger than that reported for any previous year. This is another reflection of the increased proportion of sales-type cooperative units approved during 1954, since management-type cooperative units duplicated the 1953 median of 4.8 rooms and sales-type cooperative units were smaller—5.8 rooms as compared to 6.1 rooms in 1953.

See Table 95 for the percentage distribution of dwelling units by number of rooms for individual project programs. Reflecting the 1953 legislative change which based the maximum mortgage on a dollar amount per room as well as on a percentage of value, Section 207 showed a shift toward larger units—those having 5 or more rooms accounting for 30 percent of the 1954 total as compared to 15 percent for 1953, despite the fact that 55 percent of these units were in elevator-type structures. One-fourth of Section 207 units in elevator structures contained 5 or more rooms, an increase over the 14 percent reported for 1953.

Chart 43 presents graphically the size of dwelling units by type of structure for all project sections combined. There was little change over 1953 for all types combined with the exception of a shift of approximately 6 percent from units of 4½ rooms to those of 5 or more rooms. The proportion of units in walkup-type structures—predominantly under Section 207—containing 4 or less rooms decreased from about

TABLE 95

Size of dwelling units for multifamily housing, by section, 1954

Rooms per unit	Total rental and co-operative housing	Rental housing			Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 803	Total	Manage-ment type	Sales type
		Dwelling units—Percentage distribution					
Less than 3	4.2	5.2	6.4	--------	1.0	2.0	--------
3	6.4	8.5	8.7	7.6	.2	.3	--------
3½	10.6	11.4	13.7	1.8	8.2	16.8	--------
4	15.1	16.1	16.3	14.6	12.1	13.0	11.2
4½	22.8	25.4	24.7	27.7	15.1	29.6	1.5
5	22.1	23.3	23.3	24.2	18.2	23.0	13.7
5½	7.4	2.6	2.0	5.5	21.9	7.8	35.3
6 or more	11.4	7.5	4.9	18.6	23.3	7.5	38.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	4.8	4.7	4.6	4.9	5.4	4.8	5.8

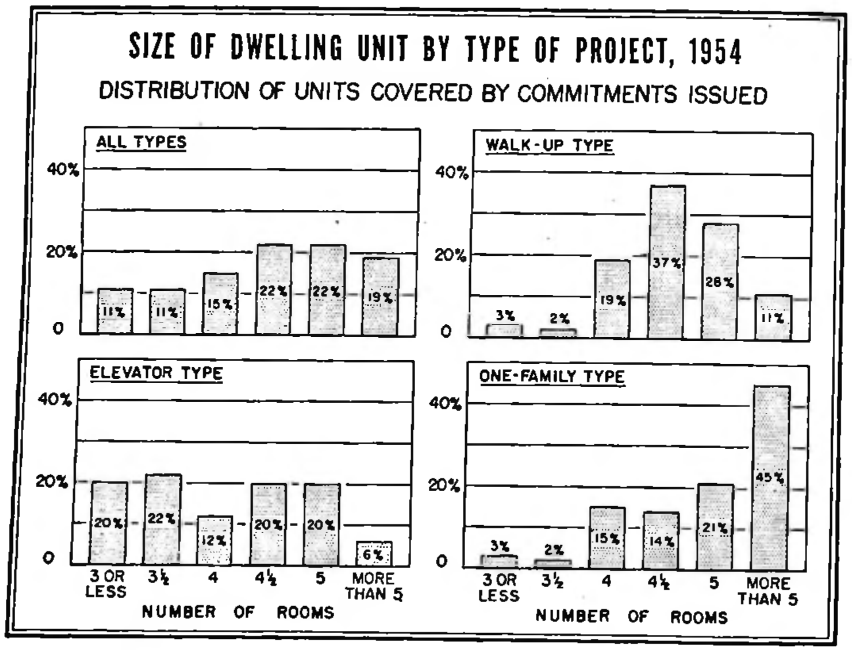

CHART 43

40 percent in 1953 to about 24 percent in 1954, while those of 4½ rooms or more increased correspondingly. Units in elevator structures, as noted above, showed an increased proportion with 5 or more rooms (11 percentage points greater than in 1953). However, units containing 3½ rooms were most popular under Section 207, accounting for 22 percent of the total, and those with 4½ rooms were most popular under Section 213 management-type cooperatives, accounting for 33 percent. Units in 1-family structures, characteristically larger, showed an increasing concentration of those having 5 or more rooms—66 percent in 1954 compared with 55 percent for 1953.[21]

Amount of Mortgage

Table 96 shows the distributions of the rental and cooperative projects and dwelling units by the total amounts of the mortgages covered by commitments issued in 1954. The median amount of

TABLE 96

Total amount of mortgage for multifamily housing, by section, 1954

Amount of mortgage	Total rental and co-operative housing	Rental housing			Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 803	Total	Manage-ment type	Sales type
		Projects—Percentage distribution					
Less than $100,000	4.7	7.9	9.0	--------	0.8	--------	1.0
$100,000 to $199,999	25.0	14.5	14.2	13.3	37.9	5.3	43.8
$200,000 to $299,999	19.6	10.5	9.7	6.7	30.7	5.3	35.2
$300,000 to $399,999	8.7	5.3	6.0	--------	12.9	10.5	13.3
$400,000 to $499,999	5.4	5.9	6.7	--------	4.8	5.3	4.8
$500,000 to $749,999	9.0	15.8	10.4	13.3	.8	5.3	--------
$750,000 to $999,999	6.9	10.5	11.2	6.7	2.4	5.3	1.9
$1,000,000 to $2,499,999	15.2	21.7	20.9	33.3	7.3	47.3	--------
$2,500,000 to $4,999,999	5.1	7.2	5.2	26.7	2.4	15.7	--------
$5,000,000 or more [1]	.4	.7	.7	--------	--------	--------	--------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	$308,333	$593,750	$568,182	$1,450,000	$235,000	$1,416,667	$213,750
		Dwelling units—Percentage distribution					
Less than $100,000	0.7	0.8	1.0	--------	0.3	--------	0.6
$100,000 to $199,999	6.0	2.6	2.7	1.4	16.7	0.6	31.7
$200,000 to $299,999	6.8	3.1	3.2	.9	18.1	.9	34.3
$300,000 to $399,999	4.4	2.2	2.7	--------	11.3	2.9	19.1
$400,000 to $499,999	3.5	2.8	3.5	--------	5.7	1.7	9.4
$500,000 to $749,999	8.6	11.0	12.5	4.5	1.2	2.6	--------
$750,000 to $999,999	8.7	10.0	11.6	3.2	4.4	3.9	4.9
$1,000,000 to $2,499,999	30.5	33.2	33.8	30.9	22.4	46.3	--------
$2,500,000 to $4,999,999	23.7	24.9	17.5	59.1	19.9	41.1	--------
$5,000,000 or more [1]	7.1	9.4	11.5	--------	--------	--------	--------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	$704,121	$948,053	$879,660	$1,685,420	$414,943	$1,366,853	$242,693

[1] Represents 1 project for $14,638,800 and 1,668 units sponsored by State-supervised redevelopment agency.

[21] Typical unit compositions are as follows:

Less than 3 rooms—Combination living and sleeping room with dining alcove and kitchen or kitchenette.

3 rooms—Living room, 1 bedroom and kitchen, with dining space in either living room or kitchen.

3½ rooms—Living room, 1 bedroom, dining alcove, and kitchen.

4 rooms—Living room, 2 bedrooms, with dining space either in living room or in kitchen; or (less frequently) living room, 1 bedroom, dining room, and kitchen.

4½ rooms—Living room, 2 bedrooms, dining alcove, and kitchen.

5 rooms—Living room, 2 bedrooms, dining room, and kitchen; or (less frequently) living room, 3 bedrooms, and kitchen, with dining space in either living room or kitchen.

5½ rooms—Living room, 3 bedrooms, dining alcove, and kitchen.

6 rooms—Living room, 3 bedrooms, dining room, and kitchen.

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$308, 000 reported for all projects reflects the $594,000 median reported for rental projects and the $235,000 median for cooperative housing projects.

Over one-half of the Section 207 mortgages involved principal amounts of $500,000 or more. The concentration was even more marked in Section 803 Military Housing, where 60 percent of the projects involved mortgages of $1,000,000 or more. Management-type cooperative housing mortgages were also concentrated in the higher mortgage amount groups, but sales-type projects generally involved mortgages of less than $400,000.

Mortgage Allocable to Dwellings.—The median mortgage allocable to dwelling use in 1954 was $8,162—an all-time high.[22] This amount excludes that portion of the project mortgage that is allocated to garages, stores and other nondwelling income-producing parts of the project.

Table 97 presents the percentage distribution of dwelling units by amount of mortgage. Compared to 1953 there was a slight increase in the median unit mortgage for rental housing projects, $8,041 over $7,801. Section 207 and Section 803 had nearly identical median mortgages of $8,031 and $8,053 respectively, with Section 207 unit

TABLE 97

Amount of mortgage allocable to dwellings for multifamily housing, by section, 1954

Average amount of mortgage per dwelling unit [1]	Total rental and cooperative housing	Rental housing			Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 803	Total	Management type	Sales type
	Dwelling units—Percentage distribution						
Less than $5,000	0.9	1.2	1.5				
$5,000 to $5,999	7.7	8.9	9.6	6.2	4.1		7.9
$6,000 to $6,499	4.5	6.0	3.6	16.2			
$6,500 to $6,999	8.0	9.8	0.8	10.0	2.8		5.5
$7,000 to $7,499	14.8	17.7	20.0	8.4	6.1	1.7	10.2
$7,500 to $7,999	8.4	4.7	4.8	3.2	19.6		38.0
$8,000 to $8,499	17.4	20.2	11.8	56.0	9.2	16.0	2.9
$8,500 to $8,999	19.0	16.2	20.0		27.2	52.7	3.4
$9,000 to $9,999	15.4	15.2	18.8		15.8	27.5	4.7
$10,000 to $10,999	2.2	.1	.1		8.6	2.1	14.6
$11,000 or more	1.7				6.6		12.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	$8,162	$8,041	$8,031	$8,053	$8,650	$8,807	$7,848

[1] Data based on the average unit-amount per project for all projects except Sec. 213 sales-type, the data for which are based on the estimated mortgage amounts for the individual homes.

[22] Projects located in Hawaii and Guam were excluded from the data pertaining to mortgage amounts, monthly rentals, and size of dwelling unit because of the more liberal provisions of the National Housing Act to compensate for the higher costs prevailing in these territories. Alaska is also subject to these more liberal provisions but no project-mortgage commitments issued by the FHA during the year involved Alaskan properties.

mortgages ranging from less than $5,000 to $10,000 and Section 803 mortgages ranging from $5,000 to $8,499. Some 56 percent of the Section 803 units secured mortgages in the $8,000 to $8,499 group.

The typical unit mortgage for Section 213 cooperatives decreased $299 during 1954—from $8,949 to $8,650. The unit mortgage for management-type cooperatives increased slightly, but the sales-type cooperative unit with a mortgage of $7,848 declined $2,223 or 22 percent from 1953. This difference was, in part, the result of increased geographical dispersion and variety among the projects on which commitments were issued in 1954.

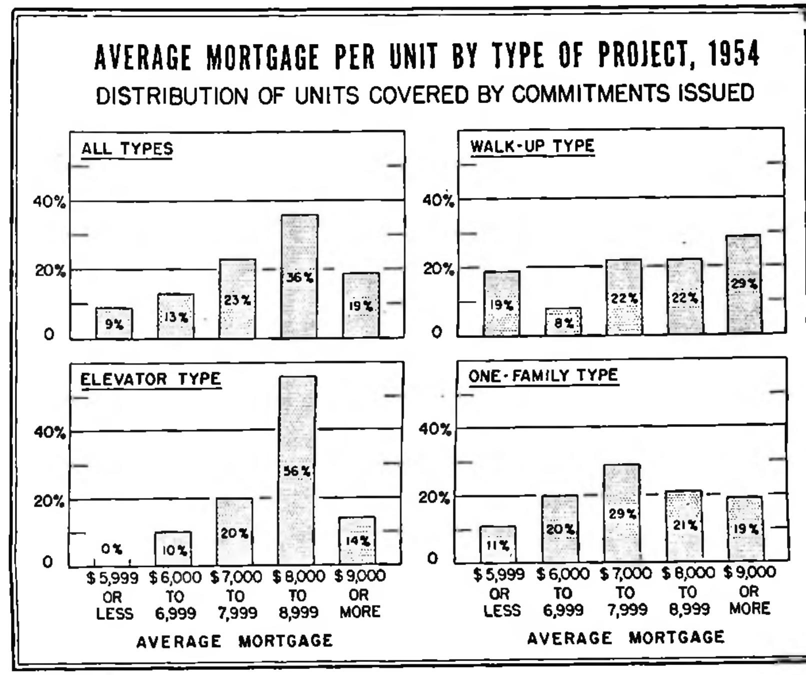

CHART 44

Chart 44 shows that unit mortgages for walkup structures were fairly evenly distributed for the various mortgage intervals with the exception of those in the $6,000 to $6,999 class. The bulk of these units were processed under Section 207 and the distribution reflects the mortgage limitation of $10,000 per unit which was in effect prior to the enactment of the 1954 amendments to the National Housing Act. This legislation removed the $10,000 limitation but retained provision for the maxima of $2,000 per room and 80 percent of value for units with an average of 4 or more rooms. If the number of bedrooms equals or exceeds 2 per family unit and the mortgage does not exceed $7,200 per unit, the loan-value ratio may be as high as 90 percent.

More than half of the units in elevator structures had mortgages of $8,000 to $8,999. Over three-fourths of these elevator units were processed under Section 207, the rest being Section 213 management-type cooperatives.

For 1-family-type projects more units—nearly one-third—had mortgages between $7,000 and $7,999. Mortgage amount groups of $6,000 to $6,999 and $8,000 to $8,999 each accounted for about one-fifth of the units. Most of these units were processed under either Section 803 or Section 213 (sales type)—38 and 45 percent, respectively. Section 803 mortgages ranged from $5,500 to $8,499 while Section 213 sales-type mortgages ranged from $5,500 to $12,500.

Ratio of Mortgage Amount to Replacement Cost

The typical project mortgage covered by a commitment issued in 1954 involved an amount representing 79.3 percent of the estimated replacement cost—a decrease from the 82.9 percent reported for 1953. The median loan-cost ratio for rental housing projects decreased sharply from 82.4 percent in 1953 to 74.7 percent in 1954, while the typical cooperative housing project ratio rose substantially—from 84.6 percent to 90.8 percent. (Table 98.)

The sharp decrease in the mortgage-to-cost ratio for rental housing projects reflects the increased proportion of operations under Section 207 with its characteristically lower ratios. The Section 207 median ratio of 72.9 percent for 1954 was nearly the same as the 72.2 percent in 1953, while the comparable ratio for Section 803 decreased from 84.3 percent to 81.2 percent.

TABLE 98

Ratio of amount of mortgage to replacement cost for multifamily housing, by section, 1954

Mortgage as a percent of replacement cost	Total rental and co-operative housing	Rental housing			Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 803	Total	Manage-ment type	Sales type
	Dwelling units—Percentage distribution						
Less than 70	16.2	20.8	25.5		2.2	4.5	
70 to 74.9	23.4	20.3	35.6	1.4	5.2	10.7	
75 to 79.9	16.8	17.2	13.4	34.1	15.4	31.9	
80 to 82.4	7.9	7.7	5.0	18.8	8.7	18.0	
82.5 to 84.9	7.1	6.3	2.1	24.7	9.5	19.7	
85.0 to 87.4	4.3	5.5	6.8		.6	1.2	
87.5 to 89.9	9.9	11.0	8.9	21.0	6.2	11.4	1.4
90.0 [1]	14.4	2.2	2.7		52.2	2.6	98.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	79.3	74.7	72.9	81.2	90.8	80.7	94.1

[1] Includes any veterans' cooperative projects under Sec. 213 with ratios exceeding 90.0 percent.

Section 207 mortgages, by statute, are based on the FHA estimate of value rather than on replacement cost. This results in a lower ratio of loan to replacement cost since the estimate of value is generally a lower amount. The maximum ratio of loan to value exceeds 80 percent only for those projects with an average of 2 or more bedrooms per dwelling unit and involving mortgage amounts not in excess of $7,200 per unit. For comparison, the percentage distribution of mortgage amount as a percent of value for Section 207 projects is shown below:

Mortgage as percent of value	Percent distribution of units	Mortgage as percent of value	Percent distribution of units
Less than 70.0	19.6	85.0 to 87.4	1.5
70 to 74.9	34.3	87.5 to 89.9	5.4
75 to 79.9	6.3	90.0	13.8
80 to 82.4	17.9		
82.5 to 84.9	1.2	Total	100.0

The proportion of Section 207 units with loan-value ratios of less than 80 percent decreased slightly to 60.2 percent in 1954 as compared to 62.8 percent for 1953, while units with ratios of 80 percent or more increased from 37.2 percent of the 1953 total number of units to 39.8 percent in 1954. However, the proportion of units with loan-value ratios of less than 70.0 percent increased 8.2 percentage points to 19.6 percent and a corresponding increase of 7.7 percentage points occurred for units with a 90 percent ratio.

The increased ratio of loan to replacement cost for cooperative housing projects was largely the result of the larger proportion of sales-type cooperatives processed during 1954. The ratios for management-type cooperatives—80.7 percent—and sales-type cooperatives—94.1 percent—did not vary a great deal from 1953. The Housing Act of 1954 provided that Section 213 mortgages would be calculated on the basis of estimated value rather than on estimated replacement cost as heretofore.

Monthly Rental or Charges

The data presented in this section on the monthly rentals or charges to be paid by the occupants of rental or cooperative projects securing FHA-insured mortgages are based on estimates made in connection with the underwriting analysis prepared at the time of commitment. While generally reflecting rentals that are expected to prevail when the projects are completed and occupied, the rent schedules may be revised because of changes in construction or operating costs.

Under the Section 213 cooperative housing program, monthly charges for management-type projects consist of each member's pro rata share of the estimated monthly amount of debt service (payment of mortgage principal, interest, and FHA insurance premium), project operating and maintenance costs (including taxes, hazard insurance, and reserves for replacements), and a general operating reserve to cover delinquent payments and vacancies. For sales-type projects, the monthly charge represents the estimated total monthly mortgage payment for the house being purchased (principal, interest, FHA insurance premium, real estate taxes, and hazard insurance).

The median monthly rental or charge for all project programs combined in 1954 was $95.02—an increase of 9 percent over 1953 and the highest typical charge reported in the history of the FHA. The monthly fee for rental projects was $102.72 and for Section 213 cooperatives $75.77.

TABLE 99

Monthly rental or charges for multifamily housing, by section, 1954

Monthly rental or charges per dwelling unit	Total rental and co-operative housing	Rental housing			Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 803	Total	Management type	Sales type
	Dwelling units—Percentage distribution						
Less than $60	10.2	1.8	1.2	4.4	36.1	1.9	68.6
$60 to $69.99	12.6	13.4	8.6	34.4	10.0	4.0	15.7
$70 to $79.99	11.4	11.4	6.4	32.0	11.4	11.4	11.3
$80 to $89.99	10.4	9.7	7.3	10.5	12.5	22.1	3.4
$90 to $99.99	12.2	11.2	12.1	7.0	15.1	30.0	1.0
$100 to $109.99	7.7	7.8	9.4	1.4	7.2	14.8	--------
$110 to $119.99	8.8	10.0	12.2	.4	5.2	10.6	--------
$120 to $129.99	6.7	8.2	10.1	--------	2.2	4.6	--------
$130 to $149.99	11.3	14.9	18.4	--------	.3	.6	--------
$150 or more	8.7	11.6	14.3	--------	--------	--------	--------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	$95.02	$102.72	$115.60	$72.13	$75.77	$93.66	$53.41

Though the median fee for rental projects increased by $14.77 during 1954 to a new all-time high, Section 207 projects with a typical rent of $115.60 showed an increase of only $4.95, and Section 803, with a median rental of $72.13, a decrease of $2.82. The major portion of the 1954 overall increase for rental projects was a reflection of the decrease in Section 803 activity. Median rentals under this section have ranged from $70 to $75 since its enactment in 1949. Section 207 rentals have increased each year since 1950, paralleling the increasing proportion of these units in elevator structures. Table 99 shows that 64 percent of the units covered by Section 207 commitments in 1954 were expected to rent for $100 or more, with one-third in the range above $130. Three-fourths of the Section 207 units renting above $100 were in elevator buildings.

The decrease in the typical monthly charges reported for Section 213 cooperatives is attributable to the projected schedule of charges for the sales-type projects on which commitments were issued during the year. Nearly 7 out of every 10 of these units—all in single-family dwellings—had charges of less than $60 per month. In 1953 approximately the same proportion of units reported prospective charges in the $70 to $79.99 bracket. The change resulted in a 1954 median charge of $53.41—a 30 percent decrease—for sales-type cooperatives. As previously indicated, the decrease is largely attributable to greater project dispersion in areas where lower costs and charges were possible. The median charges of $93.66 for management-type cooperatives showed little change from 1953.

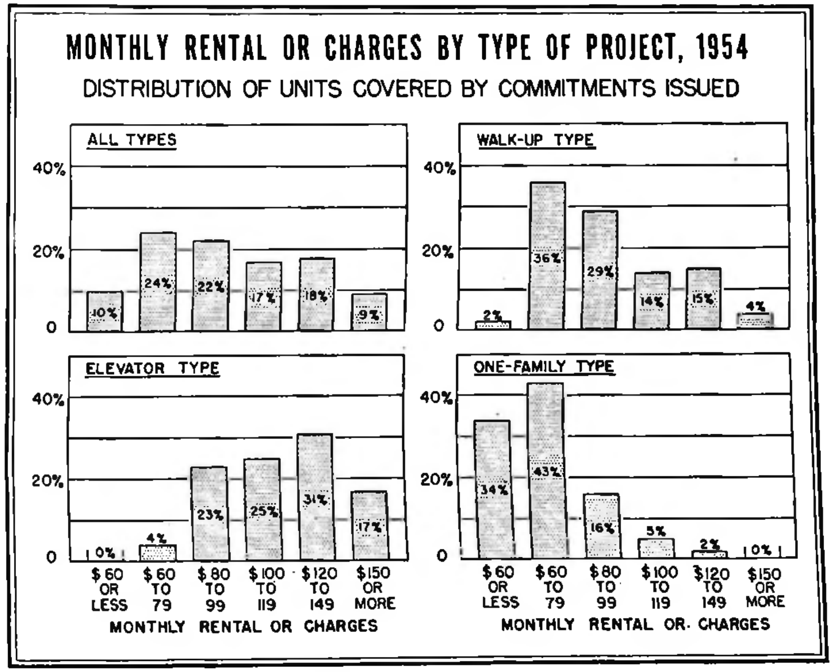

CHART 45

Chart 45 depicts the distribution of the monthly rental or charges for each type of structure. The greater proportion of units—nearly two-thirds—in walkup structures had monthly charges ranging from $60 to $99.99. Walkups with charges in excess of $100 were reported under Section 207 (one-third of all 207 walkups) and in Section 213 management-type cooperatives (two-thirds of management-type walkups, with the maximum charge less than $130).

Elevator structures, with three-fourths of the units exceeding $100 per month, generally provide all equipment and services. These usually include heat, hot and cold water, laundry facilities, janitor services, grounds maintenance, ranges, and refrigerators.

One-family dwellings, as in previous years, had large proportions in the lower rental intervals. A comparison of Chart 45 with its 1953 counterpart will reveal the sizable shift to charges of $60 or less from those of $60–$79.99 and $80–$99.99 in the projects covered by 1953 commitments. Most 1-family dwellings were in Section 213 sales-type and Section 803 military housing projects.

Characteristics by Income of Cooperative Project Members

Selected characteristics of mortgage transactions by monthly income of cooperators participating in Section 213 cooperative organizations are presented in Table 100 for management-type projects and Table 101 for sales-type projects. These data are considered indicative of the cooperative members' incomes even though there may be subsequent changes in the composition of the membership of the individual cooperatives.

TABLE 100

Transaction characteristics by income of management-type cooperative project members, 1954

Member's effective monthly income [1]	Percentage distribution	Average: Member's monthly income	Average: Monthly charges	Average: Total monthly housing expense	Average: Number of rooms	Average: Number of bedrooms	As a percent of monthly income: Monthly charges	As a percent of monthly income: Monthly housing expense
Less than $300	2.4	$273.23	$65.87	$77.50	3.5	1.0	24.1	28.4
$300 to $399.99	16.4	356.92	79.46	88.64	4.3	1.6	22.3	24.8
$400 to $499.99	28.0	439.74	89.53	96.85	4.4	1.7	20.4	22.0
$500 to $599.99	24.1	541.67	97.28	104.64	4.6	2.0	18.0	19.3
$600 to $699.99	12.8	640.43	100.16	108.39	4.7	2.0	15.6	16.9
$700 to $799.99	5.2	751.18	102.13	112.52	4.7	2.0	13.6	15.0
$800 or more	10.5	1,410.72	107.50	121.72	4.9	2.0	7.6	8.6
Total	100.0	590.18	93.08	101.82	4.5	1.8	15.8	17.3

[1] In this and subsequent tables, member's effective monthly income refers to estimated amount of member's earning capacity that is likely to prevail during approximately the first third of the mortgage term.

TABLE 101

Transaction characteristics by income of sales-type cooperative project members, 1954

Member's effective monthly income	Percentage distribution	Average: Member's monthly income	Average: Sale price	Average: Monthly charges	Average: Total monthly housing expense	Average: Number of rooms	Average: Number of bedrooms	As a percent of monthly income: Monthly charges	As a percent of monthly income: Monthly housing expense	Ratio of sale price to annual income
Less than $300	18.4	$254.16	$7,160	$46.74	$63.94	4.9	2.5	18.4	25.2	2.3
$300 to 399.99	40.4	349.67	8,477	56.34	76.36	5.5	2.8	16.1	21.8	2.0
$400 to $499.99	22.9	437.79	9,295	60.36	81.31	5.7	2.9	13.8	18.6	1.8
$500 to $599.99	10.3	531.00	10,283	64.20	85.30	5.8	3.0	12.1	16.1	1.6
$600 to $699.99	4.3	636.47	10,999	66.31	87.54	5.9	3.1	10.4	13.8	1.4
$700 to $799.99	1.5	747.77	11,619	69.42	93.98	6.0	3.2	9.3	12.6	1.3
$800 or more	2.2	1,056.91	12,297	71.83	92.66	6.2	3.4	6.8	8.8	1.0
Total	100.0	404.92	8,847	57.27	77.23	5.5	2.8	14.1	19.1	1.8

More than half of the members of management-type projects had monthly incomes of $500 or more. The average income for all members was about $590. Four-fifths of the members of sales-type projects had incomes of less than $500 with an average approximating $405 per member.

As shown in the table for management-type cooperatives, the average monthly charge (member's pro rata share of estimated monthly debt service and project operating and maintenance costs) was $93.08 and with the estimated amount of personal benefit expenses (cost of utilities, minor repairs, and maintenance of the member's own apartment) added, the total prospective monthly housing expense was $101.82—about 17 percent of the member's average monthly income. Housing expenses for members in the lower income group ranged as high as 28 percent of income. The average dwelling unit in management-type projects contained 4.5 rooms, including 1.8 bedrooms.

Cooperators in sales-type projects paid an average monthly charge (estimated monthly debt service, real estate taxes, and hazard insurance) of $57.27. Their average monthly housing expense of $77.23 represented 19 percent of the members' average income. These units consisted of an average 5.5 rooms, including 2.8 bedrooms, and had an average sale price of $8,847, which was nearly twice the annual income of the sales-type cooperative members.

Table 102 also presents data showing the distribution of sale price per home by members' effective monthly income for sales-type projects. As it indicates, sale prices ranging from $7,000 to $7,999 predominate for homes constructed under this program, with the median being $7,901.

TABLE 102

Sale price by income of sales-type cooperative project members, 1954

Member's effective monthly income	Percentage distribution	Median sale price	Sale price per home—Percentage distribution: $5,000 to $5,999	$6,000 to $6,999	$7,000 to $7,999	$8,000 to $8,999	$9,000 to $9,999	$10,000 to $10,999	$11,000 to $11,999	$12,000 or more	Total
Less than $300.00	18.4	$7,226	18.8	26.7	38.4	8.3	3.4	3.6	0.8	-------	100.0
$300 to $399.99	40.4	7,847	2.1	7.1	53.7	8.5	5.3	0.6	13.4	0.3	100.0
$400 to $499.99	22.9	8,128	.4	2.4	45.6	11.0	1.4	5.5	26.8	6.9	100.0
$500 to $599.99	10.3	11,000	1.0	1.7	29.3	11.2	2.4	4.4	25.5	24.5	100.0
$600 to $699.99	4.3	11,817	.8	2.4	17.9	13.8	3.3	2.4	13.8	45.6	100.0
$700 to $799.99	1.5	11,942	-------	7.0	11.6	2.3	-------	-------	32.6	46.5	100.0
$800 or more	2.2	12,395	-------	1.6	4.7	14.0	1.6	1.6	3.1	73.4	100.0
Total	100.0	7,901	4.5	8.8	43.3	9.6	3.5	6.4	15.4	8.5	100.0

Characteristics of Property Improvement Loans

The typical property improvement loan granted by an approved Title I lending institution during 1954 provided $430 in proceeds to a borrower planning to improve an existing home. The loan had a maturity of 3 years with equal monthly payments of $13.74 for principal and interest. Continuing the trend of recent years, the single-family residence was the principal type of structure improved by this modernization work. The principal types of improvement included the installation of insulation, additions and alterations, and heating repair and maintenance.

Amount of Loan

Percentage distributions of the number and net proceeds of loans insured in selected years are shown in Table 103. It is apparent that there has been a general upward trend in the size of the loans insured by FHA under this program. For example, in a typical prewar year (1940) almost 80 percent of the Title I insured loans involved less than $500, while only 58 percent of those loans insured in 1954 were for less than that amount.

TABLE 103

Amount of property improvement loans, selected years

Net proceeds of individual loan	Number of loans						Net proceeds [1]					
	1954	1953	1952	1951	1946	1940	1954	1953	1952	1951	1946	1940
	Percentage distribution											
Less than $100	1.5	1.6	2.1	2.9	3.6	5.4	0.2	0.2	0.3	0.5	0.6	1.0
$100 to $199	12.8	12.6	14.4	21.2	19.1	24.7	3.3	3.2	3.0	8.9	6.3	8.7
$200 to $299	16.6	16.7	18.0	20.4	22.0	23.0	6.8	6.0	7.8	10.1	12.5	13.4
$300 to $399	15.9	15.6	15.5	16.8	15.9	14.2	9.1	9.0	9.4	11.5	12.1	11.6
$400 to $499	10.7	10.4	10.0	7.6	11.3	9.8	7.9	7.6	7.8	6.7	11.1	10.4
$500 to $599	9.0	8.8	8.4	5.9	7.8	7.5	8.0	7.8	7.0	6.3	9.6	9.9
$600 to $799	10.7	11.0	10.5	9.1	7.2	5.8	12.2	12.6	12.7	12.6	11.0	9.4
$800 to $999	6.5	6.9	6.5	5.5	4.2	3.1	9.6	10.2	10.1	9.8	8.2	6.4
$1,000 to $1,499	8.9	9.0	8.1	6.1	4.8	3.1	17.2	17.4	16.5	14.4	12.5	8.8
$1,500 to $1,999	3.6	3.7	3.1	2.2	1.4	.9	10.0	9.7	9.0	7.3	5.3	3.9
$2,000 to $2,499	1.7	1.7	1.5	1.1	.7	.6	6.2	6.1	5.7	4.7	3.5	3.0
$2,500 to $2,999	1.9	1.8	1.0	1.1	1.0	1.2	8.1	7.7	7.2	5.8	6.5	7.7
$3,000 to $3,999	.1	.1	.2	.1	.1	.7	.7	.8	.9	.7	.5	5.8
$4,000 to $4,999	(2)	.1	.1	(2)	(2)	------	.3	.4	.4	.3	.1	------
$5,000 or more	.1	(2)	(2)	(2)	(2)	------	.4	.4	.4	.4	.2	------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	$430	$433	$400	$333	$328	$287	------	------	------	------	------	------
Average	------	------	------	------	------	------	$591	$595	$567	$492	$454	$417

[1] Data for 1951–54 are based on net proceeds; data for earlier years are based on face amount.
[2] Less than 0.05 percent.

The typical property improvement loan approved in 1954 amounted to $430—similar to the $433 reported for 1953. A similar average amount of loan was also reported—$595 in 1953 and $591 in 1954. The percentage distributions shown for 1954 do not indicate any significant changes from the 1953 pattern. However, it may be

noteworthy that 1954 marked the first downturn in the average since 1943.

Duration of Loan

The median term of the loans insured in 1954 was 36 months, as it has been during most of the 20-year history of Title I. An exception can be noted in 1951 when credit restrictions limited the maturity of most loans under Title I to 30 months (Table 104).

TABLE 104

Term of property improvement loans, selected years

Term in months: Modal term	Term in months: Interval	Number of loans						Net proceeds [1]					
		1954	1953	1952	1951	1946	1940	1954	1953	1952	1951	1946	1940
		Percentage distribution											
6	6–8	0.7	0.7	0.9	1.0	1.3	0.5	0.4	0.3	0.4	0.5	0.7	0.3
12	9–14	10.1	9.4	9.6	10.7	16.9	12.4	4.5	4.1	4.3	5.0	8.7	5.1
18	15–20	6.7	6.3	6.9	6.9	8.4	8.8	3.6	3.3	3.7	3.8	5.3	4.3
24	21–26	10.4	9.7	9.1	9.5	12.3	13.3	7.1	6.5	6.1	6.8	9.5	8.6
30	27–32	3.1	3.0	5.3	43.4	2.3	4.1	2.3	2.2	4.0	46.3	1.6	2.6
36	33–41	68.5	70.4	67.9	28.2	58.6	59.8	80.0	81.5	79.8	35.7	73.0	71.6
48	42–53	(2)	(2)	(2)	(2)	(2)	(2)	.1	(2)	(2)	.1	(1)	(2)
60	54–63	.4	.4	.2	.2	(3)	(3)	1.6	1.6	1.0	1.1	(3)	(3)
------	Over 63	.1	.1	.1	.1	.2	1.1	.4	.5	.7	.7	1.2	7.5
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median		36.4	36.4	36.3	30.6	36.0	35.4	------	------	------	------	------	------
Average		------	------	------	------	------	------	31.1	31.4	30.9	28.3	28.8	31.8

[1] Data for 1951–54 are based on net proceeds; data for earlier years are based on face amount.
[2] Less than 0.05 percent.
[3] Included in "over 63 months."

During 1954 the 36-month loans constituted the bulk of insured transactions (69 percent of the number of loans) and accounted for $8 out of every $10 insured under the property improvement program. Only a small share—one-half of 1 percent—of the 1954 loans insured had maturities longer than 36 months.

Type of Property and Improvement

Table 105 shows the types of property and improvements financed with the proceeds of Title I loans. Nine out of every 10 loans, constituting 82 percent of the total net proceeds insured, were used by borrowers to repair or modernize single family homes. An additional 10 percent of the proceeds disbursed covered repairs or alterations to multifamily structures. The remaining amount was evenly distributed among the construction or repair of garages, farm buildings, and commercial and industrial structures. (Also see Table 106 showing amount of property improvement loans by type of property.)

These properties were improved in various ways as indicated in Table 105 and shown graphically in Chart 46. The distributions by

TABLE 105

Type of improvement by type of property for property improvement loans, 1954

Major type of improvement	Total	Single-family dwellings	Multi-family dwellings	Commercial and industrial	Farm homes and buildings	Garages and other
	Type of property improved					
	Number of loans—Percentage distribution					
Additions and alterations	14.0	14.1	11.8	20.2	13.3	11.8
Exterior finish	11.1	11.1	14.2	7.1	10.0	1.6
Interior finish	7.1	6.9	10.5	13.0	2.8	1.5
Roofing	5.6	5.6	6.8	5.9	9.4	1.4
Plumbing	9.4	9.6	8.6	8.2	15.0	1.3
Heating	13.9	13.7	22.1	13.9	8.3	2.2
Insulation	19.8	20.9	17.5	5.6	8.3	1.5
New nonresidential construction	2.1	-------	-------	10.0	26.6	75.4
Miscellaneous	17.0	18.1	8.5	16.1	6.3	3.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Percent of total	100.0	88.4	6.7	1.2	1.6	2.1
	Net proceeds—Percentage distribution					
Additions and alterations	21.6	18.3	1.8	0.7	0.4	0.4
Exterior finish	14.1	11.9	1.7	.2	.3	(1)
Interior finish	8.6	6.8	1.2	.4	.1	.1
Roofing	4.5	3.7	.5	.1	.2	(1)
Plumbing	8.1	6.7	.9	.2	.2	.1
Heating	14.7	11.7	2.5	.3	.1	.1
Insulation	12.1	10.9	1.0	.1	.1	(1)
New nonresidential construction	3.4	-------	-------	.3	.9	2.2
Miscellaneous	12.9	11.5	.8	.4	.1	.1
Total	100.0	81.5	10.4	2.7	2.4	3.0
	Net proceeds—Average					
Additions and alterations	$917	$870	$1,407	$1,687	$1,095	$860
Exterior finish	754	717	1,048	1,387	934	911
Interior finish	718	658	1,039	1,502	870	1,291
Roofing	473	449	619	960	544	685
Plumbing	506	465	907	1,187	671	905
Heating	626	574	972	1,226	640	1,150
Insulation	362	351	506	794	378	508
New nonresidential construction	966	-------	-------	1,531	1,303	832
Miscellaneous	450	422	883	1,193	689	920
Total	501	546	922	1,349	890	847

[1] Less than 0.05 percent.

type of improvement refer only to the major purpose of the loan. Therefore, when a loan is disbursed by a lender for several purposes, the whole loan is reported for the principal type of improvement only. Thus, a loan reported to FHA as financing exterior finishing may also include, for example, minor work on the insulation of the structure and interior decorating.

This is the fourth consecutive year that insulation work constituted the most frequently reported type of improvement. About 1 out of every 5 loans insured during 1954 was used to finance the installation or repair of home insulation. These loans, typically inexpensive, averaged $362 in 1954 and accounted for only one-eighth of the total

TABLE 106

Amount of property improvement loans by type of property, 1954

Net proceeds of individual loan	Total	Single family dwellings	Multi-family dwellings	Commercial and industrial	Farm homes and buildings	Garages and other
		Type of property improved				
	Number of loans—Percentage distribution					
Less than $100	1.5	1.6	0.6	0.2	0.7	0.3
$100 to $199	12.8	13.8	6.4	3.3	6.8	3.2
$200 to $299	16.6	17.7	10.2	4.5	9.4	4.9
$300 to $399	15.9	16.7	11.3	6.3	11.1	6.7
$400 to $499	10.7	11.0	8.3	6.5	8.4	8.0
$500 to $599	9.0	9.0	9.3	6.1	8.1	11.3
$600 to $799	10.7	10.3	11.7	9.0	12.3	20.6
$800 to $999	6.5	6.1	8.4	6.6	8.4	15.6
$1,000 to $1,499	8.9	8.0	14.6	15.7	15.9	18.2
$1,500 to $1,999	3.6	3.1	7.3	10.3	7.6	5.8
$2,000 to $2,499	1.7	1.4	4.4	8.9	4.4	2.4
$2,500 to $2,999	1.9	1.3	5.2	21.9	5.7	2.9
$3,000 to $3,999	.1	-------	1.2	1.7	1.2	.1
$4,000 to $4,999	(1)	-------	.5	-------	-------	-------
$5,000 or more	.1	-------	.6	-------	-------	-------
Total	100.0	100.0	100.0	100.0	100.0	100.0
Median	$430	$403	$666	$1,269	$689	$752
Average	$591	$546	$922	$1,349	$890	$847

[1] Less than 0.05 percent.

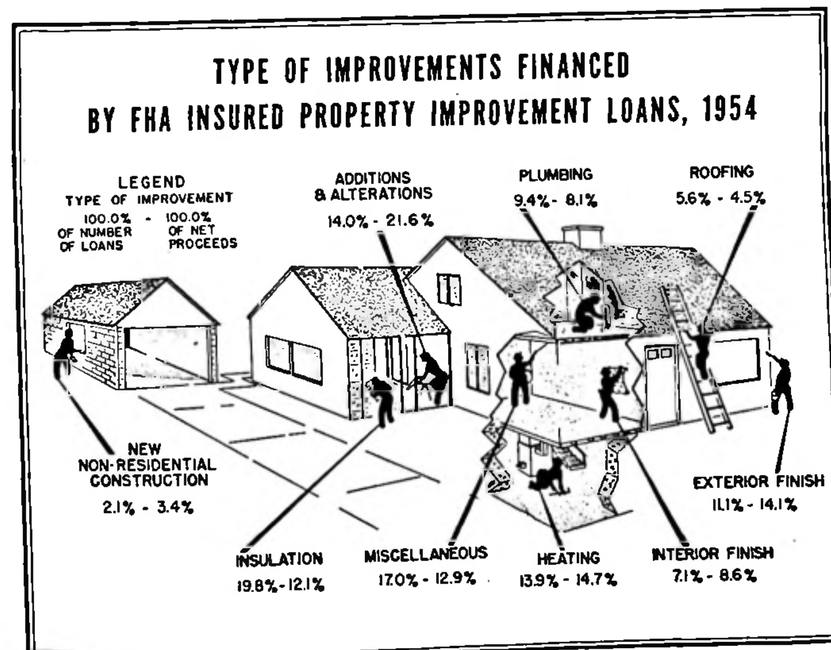

CHART 46

dollar volume of Title I loans insured. Another indication of the popularity of these loans can be seen in Table 107, which shows that nearly one-half of the loans for home insulation were in the $200–399 range and that nine-tenths involved net proceeds of less than $600.

As shown in Table 105, structural additions and alterations ranked second in the number of loan transactions. Work of this type accounted for 14 percent of the total loans insured—the highest proportion recorded for additions and alterations expenditures since 1939. These loans, averaging $917, account for the largest share of the total dollar amount (21.6 percent) of insurance written under the Title I program during 1954. They continued to be one of the most expensive type insured, as shown by Table 107. which indicates that the typical loan for this purpose amounted to $742 and that two-thirds of the dollar volume insured was accounted for in loans of $1,000 or more.

Another important type of work financed in 1954 was the installation and repair of heating systems. Although dropping in relative

TABLE 107

Amount of property improvement loans by type of improvement, 1954

Net proceeds of individual loan	Total	Major type of improvement: Additions and alterations	Exterior finish	Interior finish	Roofing	Plumbing	Heating	Insulation	New nonresidential construction	Miscellaneous
	Number of loans—Percentage distribution									
Less than $200	14.3	5.2	4.8	11.2	15.3	17.6	9.4	22.9	1.9	22.6
$200-$390	32.5	17.2	18.8	25.4	42.6	40.4	27.3	44.6	10.0	42.0
$400-$599	19.7	18.1	22.1	10.9	10.8	16.2	21.7	22.0	18.0	17.0
$600-$709	10.7	13.4	17.4	11.5	8.2	8.0	15.7	5.8	18.9	6.2
$800-$999	6.5	8.6	12.0	6.4	4.6	4.7	10.7	2.1	14.9	3.1
$1,000-$1,499	8.9	17.2	15.5	12.6	5.8	7.1	10.0	1.7	19.4	4.4
$1,500-$1,999	3.6	9.1	5.3	6.1	2.1	2.7	2.7	.5	7.2	2.1
$2,000-$2,499	1.7	5.0	1.9	3.0	.9	1.3	1.1	.2	3.6	1.1
$2,500-$2,999	1.9	5.7	1.5	3.7	.7	1.4	1.0	.2	4.4	1.5
$3,000 or more	.2	.5	.1	.2	(1)	(1)	.4	(1)	1.7	(1)
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	$430	$742	$649	$541	$369	$356	$521	$321	$816	$320
Average	$591	$917	$754	$718	$473	$506	$626	$362	$966	$450
	Net proceeds—Percentage distribution									
Less than $200	3.5	0.8	0.9	2.1	4.7	5.0	2.3	9.0	0.3	7.3
$200-$399	15.9	5.4	7.5	9.8	25.8	22.9	12.9	36.3	3.2	26.7
$400-$599	15.9	9.4	14.3	13.2	19.9	15.2	16.8	28.8	9.2	17.9
$600-$799	12.2	9.8	15.9	10.6	11.8	11.4	17.2	10.7	13.4	9.2
$800-$999	9.6	8.2	14.8	7.8	8.5	8.1	14.9	5.1	13.6	6.1
$1,000-$1,499	17.2	21.3	24.0	19.6	14.1	15.8	18.3	5.5	23.3	11.3
$1,500-$1,999	10.0	16.1	11.7	13.6	7.2	8.6	7.0	2.2	12.4	7.4
$2,000-$2,499	6.2	11.4	5.3	8.7	3.9	5.4	3.9	1.2	7.9	4.9
$2,500-$2,999	8.1	15.6	4.9	12.8	3.7	6.8	4.1	1.0	11.5	8.5
$3,000 or more	1.4	2.0	.7	1.8	.4	.8	2.6	.2	5.2	.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Less than 0.05 percent.

importance from 1953, heating loans ($626) were reported almost as frequently as those for additions and alterations.

The remaining loans covered the financing of interior and exterior finishes, roofing, plumbing, and some new nonresidential construction, as well as miscellaneous types of work. It is of interest to note that loans in the miscellaneous category have again become more prevalent, increasing for the eighth consecutive year and accounting for 17 percent of the total. The reason may be partly the increases in the types of jobs falling into this category, such as electric wiring, and also the more frequent use of loans for more than one type of improvement which cannot be easily classified elsewhere.

The year 1954 marks the first time that State distributions by type of improvement have been available. The greater number of States show a tendency to conform to the national pattern; however, there are some notable exceptions. For example, insulation loans make up one-fifth of the national total, but Table 108 reveals an expected concentration of such loans in the Northern States, especially in New England. Vermont, and New Hampshire report over half of their volume as being for insulation while the remaining New England States report more than one-third of their total number of loans devoted to this type of work.

Another exception is noted in the data for New Mexico where more than 40 percent of the loans were reported for additions and alterations—3 times the national average.

Table 108 shows that 12 States reported approximately one-fourth of their loans as being for new nonresidential construction and miscellaneous loans. Arizona, California, Georgia, Louisiana and Texas reported over 30 percent for this type of improvement, and it is considered possible that the classification included the installation of various types of cooling equipment not elsewhere classified.

With but a few exceptions, the State distributions for plumbing, roofing, and finishing did not vary substantially from the national distribution.

Claims Paid by Type of Property and Improvement

The average claim paid during 1954 was $443—one-tenth larger than the $400 reported for 1953. Data on claims paid on defaulted loans during 1954 are presented in Table 109, which contains percentage distributions by type of property and type of improvement financed. The greater number of the claims paid in any year are in settlement of defaulted notes insured in a prior year. In 1954, almost seven-eighths of the claims paid involved loans originated within the two preceding years.

As in 1953, the bulk of the claims paid in 1954 were on defaulted loans covering improvements to single-family residences.

TABLE 108

Type of improvement insured by FHA, by State location of property, 1954

State	Major type of improvement: Total	Additions and alterations	Exterior finish	Interior finish	Roofing	Plumbing	Heating	Insulation	New nonresidential construction and miscellaneous
	Number of loans—Percentage distribution								
Alabama	100.0	14.2	13.0	6.1	9.7	13.0	14.0	5.3	24.7
Arizona	100.0	19.5	6.2	8.9	3.9	11.1	18.9	0.4	31.1
Arkansas	100.0	24.9	15.2	10.5	6.1	14.7	5.3	3.9	19.4
California	100.0	13.0	7.2	7.6	6.9	12.5	5.6	10.5	36.7
Colorado	100.0	13.8	10.3	7.0	4.1	15.6	8.0	16.8	24.4
Connecticut	100.0	11.9	10.3	8.2	3.4	6.9	13.6	36.0	9.7
Delaware	100.0	17.8	14.1	3.1	7.0	5.8	11.9	22.3	18.0
District of Columbia	100.0	7.3	11.5	13.9	6.6	5.8	13.2	28.4	13.3
Florida	100.0	22.9	8.8	7.0	7.3	8.8	3.8	17.7	23.7
Georgia	100.0	11.5	11.2	4.5	7.0	7.6	6.5	10.0	40.8
Idaho	100.0	21.1	10.5	6.4	7.7	11.8	12.6	15.9	14.0
Illinois	100.0	13.5	8.5	6.1	4.5	10.1	17.9	27.0	12.4
Indiana	100.0	12.2	11.6	4.7	4.4	9.2	16.9	30.3	10.7
Iowa	100.0	11.1	13.6	5.3	7.1	11.7	24.1	17.3	9.8
Kansas	100.0	15.5	12.2	6.0	5.3	11.8	7.5	25.1	16.6
Kentucky	100.0	14.4	10.6	6.0	3.7	7.3	12.8	32.3	12.9
Louisiana	100.0	20.0	16.5	6.3	4.7	10.9	2.6	5.3	33.7
Maine	100.0	5.8	8.0	4.3	7.4	7.5	20.1	42.1	4.8
Maryland	100.0	7.6	8.8	7.2	4.5	4.1	10.4	32.3	25.1
Massachusetts	100.0	5.6	10.5	6.7	8.2	5.3	18.6	40.3	4.8
Michigan	100.0	11.9	8.9	6.4	3.7	9.1	14.3	25.3	20.4
Minnesota	100.0	16.7	12.8	10.0	4.5	16.9	16.0	10.5	12.6
Mississippi	100.0	19.5	16.1	6.1	7.2	21.4	5.7	4.7	19.3
Missouri	100.0	13.4	9.8	5.9	4.5	13.4	15.9	20.6	16.5
Montana	100.0	16.5	19.0	9.9	7.9	9.1	10.3	15.1	12.2
Nebraska	100.0	12.7	11.3	8.6	8.0	9.7	19.3	21.1	9.3
Nevada	100.0	21.7	12.0	6.0	5.0	11.7	5.4	11.5	26.7
New Hampshire	100.0	4.3	8.4	4.7	4.6	4.4	16.1	53.8	3.7
New Jersey	100.0	14.5	10.1	8.3	4.9	8.9	18.3	27.9	7.1
New Mexico	100.0	42.2	3.8	5.6	2.3	17.3	3.6	1.0	24.2
New York	100.0	12.7	9.9	8.6	4.8	6.2	17.2	30.4	10.2
North Carolina	100.0	14.8	19.6	6.2	5.2	11.2	12.9	10.5	10.6
North Dakota	100.0	12.7	12.0	6.1	8.2	11.6	11.0	23.7	14.1
Ohio	100.0	11.9	9.9	5.7	5.2	7.2	21.8	25.3	13.0
Oklahoma	100.0	23.7	19.4	9.1	6.2	9.3	2.8	5.9	23.6
Oregon	100.0	16.3	14.0	9.6	15.4	9.5	16.5	7.0	11.7
Pennsylvania	100.0	6.2	11.1	8.1	6.4	9.2	23.0	28.2	7.8
Rhode Island	100.0	9.0	11.0	7.5	10.7	4.0	14.5	38.9	4.4
South Carolina	100.0	16.9	12.3	6.3	6.6	9.0	9.1	13.8	26.0
South Dakota	100.0	16.4	11.4	5.6	4.1	11.4	13.4	19.8	17.9
Tennessee	100.0	17.0	11.3	7.0	6.4	9.5	10.3	11.8	26.7
Texas	100.0	23.1	12.0	7.3	5.2	7.6	5.5	2.3	37.0
Utah	100.0	15.9	6.1	8.8	5.9	10.3	18.6	14.2	20.2
Vermont	100.0	4.1	12.1	2.1	6.9	2.9	12.9	54.6	4.4
Virginia	100.0	11.5	11.8	5.5	4.0	5.3	8.1	39.0	13.9
Washington	100.0	16.4	13.7	9.1	11.0	9.6	18.5	8.9	12.8
West Virginia	100.0	11.7	9.5	5.5	4.4	15.8	12.9	28.2	12.0
Wisconsin	100.0	12.2	20.1	5.3	7.3	6.9	19.0	15.2	14.0
Wyoming	100.0	18.0	10.9	4.7	4.8	14.7	4.8	26.5	15.6
Alaska	100.0	30.9	7.1	7.5	3.9	20.6	12.9	6.4	10.7
Hawaii	100.0	28.2	19.1	7.3	17.7	4.2	1.6	0.7	21.2
Puerto Rico	100.0	43.4	15.0	22.9	4.9	2.0	0.2	0.6	11.0
Guam	100.0	70.4	-------	11.1	-------	14.8	3.7	-------	-------
Total	100.0	14.0	11.1	7.1	5.6	9.4	13.9	19.8	19.1

Approximately one-third of the number and dollar amount of defaults were accounted for by two types of notes—those financing exterior finishes and insulation work. The relative experience for exterior finishing jobs was less satisfactory than for insulation work. In fact, during the last several years exterior finish has made up about one-eighth of the volume of loans—one-sixth of the dollar amount—

and has accounted for nearly one-fifth of the claims and between 20 and 25 percent of the amount of claims paid. The experience with insulation loans has been much better, despite the fact that this type of improvement ranks second in the distribution of claim volume. For example, insulation has accounted for 1 out of every 5 loans insured in the last few years and has averaged slightly more than 11 percent of the net proceeds insured. Claim submissions based on insulation notes have averaged only about 14 percent of the number and less than 10 percent of the dollar volume.

Claims resulting from loans for the other types of improvements are all about proportionate to the volume of loans insured.

TABLE 109

Type of improvement by type of property for claims paid on property improvement loans, 1954

Major type of improvement	Type of property improved: Total	Single family dwellings	Multifamily dwellings	Commercial and industrial	Farm homes and buildings	Garages and other
	Number of claims paid—Percentage distribution					
Additions and alterations	12.7	12.5	12.6	20.6	20.6	9.6
Exterior finish	18.6	19.4	17.1	5.9	13.8	2.3
Interior finish	7.6	7.4	10.0	16.8	7.1	1.3
Roofing	8.0	8.0	7.9	5.1	13.8	2.0
Plumbing	10.6	10.7	10.5	8.4	13.4	1.2
Heating	12.1	11.6	23.0	14.7	7.9	1.8
Insulation	14.1	14.8	10.9	4.1	8.1	2.7
New nonresidential construction	1.6	-------	-------	7.4	17.0	76.6
Miscellaneous	14.7	15.6	8.0	17.0	6.6	2.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
Percent of total	100.0	87.9	6.0	1.8	3.0	1.3
	Amount of claims paid—Percentage distribution					
Additions and alterations	18.3	14.8	1.7	1.0	0.6	0.2
Exterior finish	23.5	20.7	1.9	.2	.6	.1
Interior finish	7.9	6.2	.9	.7	.1	(1)
Roofing	5.8	4.9	.5	.1	.3	(1)
Plumbing	9.0	7.3	1.0	.2	.5	(1)
Heating	11.4	8.7	2.0	.4	.2	.1
Insulation	9.1	8.2	.6	.1	.2	(1)
New nonresidential construction	3.1	-------	-------	.3	1.4	1.4
Miscellaneous	11.9	10.6	.6	.5	.2	(1)
Total	100.0	81.4	9.2	3.5	4.1	1.8
	Claim paid—Average					
Additions and alterations	$642	$598	$988	$1,141	$753	$625
Exterior finish	560	640	821	927	636	821
Interior finish	450	420	681	977	266	813
Roofing	321	309	419	602	347	518
Plumbing	377	346	692	635	508	658
Heating	415	378	655	670	282	942
Insulation	286	279	390	539	336	395
New nonresidential construction	863	-------	-------	1,113	1,211	641
Miscellaneous	359	342	572	661	505	677
Total	443	411	677	853	604	643

[1] Less than 0.05 percent.

SECTION 4

ACTUARIAL ANALYSIS OF INSURING OPERATIONS

This section of the report contains analyses of (1) the reserves of the insurance funds of the Federal Housing Administration and (2) the termination experience of FHA-insured home mortgages. The analysis of the reserves includes the results of the annual valuation of the reserve liabilities of the mortgage insurance funds. For insurance organizations, the purposes of such valuations generally are to establish whether a fund is solvent and to determine how much of surplus may be available for distribution. Although the method used in making valuations of FHA's insurance funds is in accordance with standard insurance practice, there is a noteworthy distinction between the reserve liabilities of FHA's insurance funds and those of insurance organizations underwriting conventional risks. Unlike the policy reserves of insurance organizations which measure liabilities of a fund based in part on expected mortality, the reserve liabilities of FHA's funds are a measure of the *contingent* liabilities in the event adverse economic conditions of approximately depression magnitude develop immediately. FHA's reserve liabilities, therefore, are not designed to measure solvency according to its accepted meaning in the underwriting of conventional risks. For FHA's funds underwriting risks which are predominantly economic in nature and cyclical in pattern, the reserve liabilities are designed to appraise the ability of the surplus of a fund to meet such future losses and expenses as might be incident to a general deterioration of economic conditions. For only one of FHA's funds the reserve liabilities are used to determine how much of surplus may be distributed. This is the Mutual Mortgage Insurance Fund from which the National Housing Act authorizes the Federal Housing Administration to distribute a participating share to a mortgagor upon the termination of a mortgage insurance contract provided such a termination did not involve the payment of an insurance claim. FHA's other funds are not authorized by the statute to make such distributions.

The analysis of the termination experience covers the estimated life expectancy of Section 203 home mortgages and includes the actuarial schedules on survivorship and rates of termination by policy year. The life expectancy is estimated in part from the survivorship schedule. The rates of termination for the various types of terminations of mortgages insured under Section 203 are discussed in connection with the schedule on termination rates.

Analysis of Reserves of Insurance Funds

There is herewith presented an analysis of the annual valuation of the reserve liabilities of the insurance funds of the Federal Housing Administration. There are eleven such insurance funds under which the fiscal provisions of the separate insurance programs are administered. Each of the insurance funds was created by specific provision in the National Housing Act. The first, the Mutual Mortgage Insurance Fund, was provided for in the original National Housing Act, approved June 27, 1934; and the most recently established funds were provided for by the Housing Act of 1954 amendments, approved August 2, 1954, namely, the Section 220 Housing Insurance Fund, the Section 221 Housing Insurance Fund, and the Servicemen's Mortgage Insurance Fund. Each of the separate insurance funds is credited with fee, premium, and investment income and charged with administrative expenses and insurance losses with respect to loan and mortgage insurance contracts assigned to the fund. The following listing identifies the various insurance funds, the date of their establishment, and the FHA insurance programs which are operated through the respective funds:

Insurance fund	Date established	Insurance program
Title I Insurance Fund	June 3, 1939	Sec. 2.
Title I Housing Insurance Fund	Apr. 30, 1950	Sec. 8.
Mutual Mortgage Insurance Fund	June 27, 1934	Secs. 203, 207 [1], and 225.
Housing Insurance Fund	Feb. 3, 1938	Secs. 207, 210, and 213.
Sec. 220 Housing Insurance Fund	Aug. 2, 1954	Sec. 220.
Sec. 221 Housing Insurance Fund	do	Sec. 221.
Servicemen's Mortgage Insurance Fund	do	Sec. 222.
War Housing Insurance Fund	Mar. 28, 1941	Secs. 603, 603-610, 608, 608-610, 609, and 611.
Housing Investment Insurance Fund	Aug. 10, 1948	Title VII.
Military Housing Insurance Fund	Aug. 8, 1949	Title VIII.
National Defense Housing Insurance Fund	Sept. 1, 1951	Secs. 903 and 908.

[1] Insured prior to Feb. 3, 1938.

Each is established to be self-supporting from its own earnings and from capital contributed by one FHA insurance fund to another FHA insurance fund. All advances by the Government to the insurance funds have been repaid with accrued interest to the United States Treasury out of earned surplus, in accord with legislation adopted March 10, 1953, and June 30, 1953, the final payment being made on March 11, 1954. There were 6 funds which received such advances and the total amount which they repaid was $85,882,961.52.

Nature of Reserve Liabilities

The earned surplus of these funds, representing the accumulation of net income after administrative expenses and insurance losses and the capital contributed by some funds to establish and operate other funds, constitutes the resources of each fund available to cover future net insurance losses and administrative expenses. Recently established funds have, of course, accumulated little in the way of earned surplus, while the accumulation in older funds is comparatively substantial.

An appraisal of the ability of the earned surplus of a fund to meet the future losses and expenses of its insurance programs depends largely on the extent to which these future liabilities of the fund may be accurately measured. Unlike life or casualty insurance, the catastrophe hazard in FHA's mortgage insurance programs, and in FHA's property improvement loan insurance program to a somewhat different degree, represents the major part of the risk which is underwritten. The catastrophe hazard is reflected in the past experience of mortgage lending which discloses periodic investment losses of substantial magnitudes incident to a general deterioration of economic conditions. The major liabilities which the mortgage insurance funds can be expected to incur would result from such adverse economic conditions. Because such economic reversals cannot be predicted either in point of time or in magnitude, the measurement of the future liabilities for a mortgage insurance fund involves use of specially developed appropriate assumptions of contingent possibilities. The Federal Housing Administration has made an effort to measure such liabilities—an effort which is unique in the measurement of risks which are predominantly economic in nature.

For life and casualty organizations underwriting conventional risks, the liabilities for the insurance contracts in force are classified as policy reserves or policy reserve liabilities. For FHA's insurance, such liabilities are classified as reserve liabilities for insurance contracts in force, or "required reserves." Unlike those of private insurance organizations, which underwrite risks whose frequency of occurrence is reasonably certain, however, FHA's required reserves are a measure of the *contingent* liabilities of the insurance funds in the event of a cyclical reversal in which adverse economic conditions of approximately depression magnitude develop immediately. The required reserves are a measure of *contingent* liabilities for the reason that they measure the discounted net losses and expenses contingent upon the development of adverse economic conditions. Since such a contingency cannot be predicted, FHA's required reserves are computed on the assumption that such a contingency may develop at any time, and, therefore, may occur immediately. When the reserve liabilities of each of the insurance funds are so valued, they can be compared with the capital and surplus of each fund to show the status of the reserve requirements of the fund.

Valuation of Reserve Liabilities

Although such valuations of reserve liabilities are unique, the basis of the technique used by FHA is in accordance with standard insurance practice. The reserve liabilities for mortgage insurance contracts in force represent the difference between the present value of expected future income and the present value of expected future insurance losses and expenses with respect to the insurance contracts in force at any point in time. The technique for adapting this basic concept of reserves, briefly, involves a cyclical framework of defined amounts representing phases of assumed unfavorable and favorable experience for a hypothetical number of insurance contracts. When these amounts for premium and investment income, on the one hand, and insurance loss and administrative expenses, on the other, are both discounted to present values, their difference for each year in the history of the hypothetical group of insurance contracts is the reserve factor used in measuring the required reserve liabilities for the insurance contracts in force. When the accumulated surplus and capital of the fund is equal to or exceeds these required reserves, the insurance program may be described as adequately protected by its own resources. Thus, the reserve factor, which is expressed as a given number of dollars per $1,000 of original face amount of mortgage insured, represents the reserve liability for a group of mortgages exposed to a cyclical risk beginning with unfavorable experience first, followed by favorable experience, and then by similar phases of unfavorable and favorable experience until the maturity of that group of mortgage insurance contracts is reached. By beginning the exposure with the unfavorable phase of the cyclical framework, the concept of an immediate economic reversal is accommodated.

The defined amounts for future premium and investment income, on the one hand, and future insurance loss and administrative expenses, on the other, used in computing reserve factors for various types of insured mortgages at each duration, i. e., the number of years of insurance after endorsement, represent estimates of experience of insured mortgages which could be expected if these mortgages were exposed to the risk of title transfer and loss during periods of unfavorable and favorable economic conditions. These estimates for the favorable economic conditions are based in part on FHA's own experience with insured mortgages, which have been exposed to risk during a period of largely favorable economic conditions. Estimates of unfavorable experience are based on a variety of sources of information and analyses of mortgage experience during the 1930's and adapted for high-percentage, long-term amortized mortgages of the kind FHA insures. Recorded experience with such mortgages during periods of unfavorable economic conditions is very limited in scope since it was not until the time of the initiation of FHA's insurance programs that the high-percentage, long-term amortized mortgage was widely popularized.

Reserve Factors

The experience information which FHA uses in its determination of reserve factors is conceptually similar to mortality experience used by private insurance organizations. Like that of private insurance organizations, there is a continuous effort to improve the information on the basis of experience.

The reserve factor for a mortgage insurance contract in force is highest in its first policy year and declines with the duration of the insurance contract. These factors decline with duration because the amount at risk (i. e., the unpaid insured loan balance) and incidence of default and foreclosure involving insurance claim both decrease as the policy year increases. Thus the reserve liabilities for a group of contracts which are, say, only a year old are greater than for a group of contracts of similar maturity and risk which are 5 years old. If both groups of these contracts are in force and are evaluated at the end of the same accounting period, their reserve liabilities will reflect exposure to the same successive phases of, first, expected unfavorable experience, and then, expected favorable experience until their respective maturities are reached.

The financial status of a fund covering two such groups may be established by comparing the accumulated earned surplus for these two groups of contracts with their reserve liabilities. If both groups have had comparable experience in the way of income, losses, and expenses, the accumulated earned surplus for the younger group would be smaller than for the older group and the reserve liability for the younger group would be larger than for the older group. The difference between the earned surplus of both groups and their combined reserve liabilities reflects the financial status of their fund. If the actual experience for both groups of mortgages were such that their insurance losses were of modest proportion, at some point in time the hypothetical fund would reach a balance status, i. e., where the earned surplus is equal to the required reserves with respect to the insurance contracts in force. At this point, the earned surplus would be sufficient to cover adverse experience of approximately depression magnitude.

For illustrative purposes, Table 110 shows the calendar year (as distinct from fiscal year) reserve factors for typical mortgage insurance contracts in the three oldest mortgage insurance funds of the Federal Housing Administration: the Mutual Mortgage Insurance Fund, the Housing Insurance Fund and the War Housing Insurance Fund.

These factors were used to compute the required reserves shown in Table 112. They are shown for both home and project mortgages for the first 5 policy years or durations. As between home mortgages insured under the Mutual Mortgage Insurance Fund and the War Housing Insurance Fund (authority under Section 603 to insure mortgages on new homes was terminated on April 30, 1948, and to insure refinanced Section 603 mortgages on existing homes was terminated on August 2, 1954), the differences in the reserve factors are substantial, as they also are between project mortgages insured under the Housing Insurance Fund (Section 207 and Section 213 programs) and the War Housing Insurance Fund (authority under Section 608 to insure new mortgages was terminated April 20, 1950, and authority to insure refinanced Section 608 mortgages was transferred to Section 207 on August 2, 1954). The differences in the reserve factors shown represent differences in risk reflecting a number of elements of risk, among them, loan-value ratio, term of mortgage, amortization basis, rate of insurance loss, rate of title transfer (foreclosure involving claim for insurance), rate of prepayment, and rate of withdrawal (foreclosure not involving claim for insurance).

Estimates for several of the more important elements of mortgage risk, namely, the rate of title transfer and the rate of insurance loss for typical insured mortgages, are shown in Table 111 to provide some indication of the magnitudes which go into the determination of the reserve factors. The rates shown are only for the unfavorable phase of the title transfer cycle (i. e., depression period) and for the same types of mortgages and durations as shown in Table 110. These rates reflect the estimates of the title transfer and loss experience which could be expected in the case of these typical insured mortgages if they were exposed during unfavorable economic conditions. The

TABLE 110

Calendar year reserve factors per $1,000 of original face amount of insurance in force for typical home and project mortgages insured under 3 FHA insurance funds

Duration	Home mortgages		Project mortgages	
	Mutual mortgage insurance fund [1]	War housing insurance fund [2]	Housing insurance fund [3]	War housing insurance fund [4]
0	$32.147	$46.850	$35.572	$67.827
1	29.881	43.454	31.786	63.847
2	27.401	39.757	28.069	59.986
3	24.716	35.812	24.375	56.130
4	21.730	31.613	20.616	52.223

[1] Under Sec. 203, term of 25 years, 90 percent loan-value ratio, and mortgage pattern rating of 60–100.
[2] Under Sec. 603, term of 25 years.
[3] Under Sec. 207, declining annuity basis of amortization and term of 40 years.
[4] Under Sec. 608, level annuity basis of amortization and term of 32 years and 7 months.

rates for the favorable phase of the title transfer cycle are, of course, lower. Differences in these rates as between funds and type of mortgage account in part for the differences in reserve factors shown in Table 110.

TABLE 111

Standard rates of title transfer and insurance loss per $1,000 of original face amount of insurance in force for typical home and project mortgages insured under 3 FHA insurance funds during the unfavorable phase of the title transfer cycle

Duration	Home mortgages				Project mortgages			
	Mutual Mortgage Insurance Fund [1]		War Housing Insurance Fund [2]		Housing Insurance Fund [3]		War Housing Insurance Fund [4]	
	Rate of title transfer	Rate of loss	Rate of title transfer	Rate of loss	Rate of title transfer	Rate of loss	Rate of title transfer	Rate of loss
0	0.0375	$326	0.0425	$351	0.0475	$339	0.0525	$412
1	.0370	316	.0422	339	.0467	325	.0522	405
2	.0365	305	.0418	327	.0458	310	.0518	397
3	.0359	293	.0412	312	.0448	295	.0513	388
4	.0353	279	.0404	296	.0437	279	.0507	378

[1] Under Section 203, term of 25 years, 90 percent loan-value ratio, and mortgage pattern rating of 60–100.
[2] Under Section 603, term of 25 years.
[3] Under Section 207, declining annuity basis of amortization and term of 40 years.
[4] Under Section 608, level annuity basis of amortization and term of 32 years and 7 months.

To illustrate the significance of the rates as shown in Table 111, if there were 100,000 home mortgage contracts insured under Section 203 and exposed at the beginning of their first policy year to adverse economic conditions, 3.75 percent of these contracts or 3,750 could be expected to be title transfers during that year. Since for purposes of computations, each such contract has a unit original face amount of $1,000 and the standard rate of loss in the first policy year is $326 per $1,000, the total amount of insurance losses expected during the first year from the initial group is $1,222,500, or the product of the number of title transfers and the rate of loss. The insurance losses in the second policy year are the amount based on the surviving mortgage contracts at the beginning of the second policy year, or 95,100 (the initial 100,000 less the sum of the 3,750 title transfers and 1,150 other terminations of contracts). The standard rate of title transfer for the second policy year is 3.70 percent, and the product of the survivors and this rate is 3,519 title transfers. With a loss rate of $316 per $1,000 of original face amount of mortgage insurance, insurance losses during the second policy year are $1,112,004. For the unfavorable phase of the title transfer cycle, the average annual title transfer rate during the first five years is assumed to be 3.65 percent of insurance contracts in force at the beginning of each year and average annual insurance losses during this period are computed at $1,006,388 per $100,000,000 of original insurance in force for these

Section 203 mortgages for which the reserve factors are shown. These assumptions would reflect for cases insured *immediately before a depression* (1) 5-year foreclosure and FHA acquisition of 16.48 percent of the insured cases; (2) net FHA losses on these cases totaling 5.03 percent of the original amount of insured mortgages; and (3) average losses per property acquired of $305 per $1,000 of mortgage. For these properties, FHA net disposal prices are assumed to average only $695 per $1,000 of original mortgage amount or about 62.6 percent of the original FHA valuation.

It should be noted that, in this discussion of reserves, consideration is given only to reserves for mortgage insurance contracts in force. Reserves for other purposes, such as reserves for future losses on properties and mortgage notes already on hand, are set up in the separate insurance funds and these are the more familiar types of business reserves. With this brief explanation of the nature of reserves for insurance contracts in force, attention may be directed to a valuation of the reserve liabilities for the separate insurance funds as of December 31, 1954.

Financial Status of Mortgage Funds

Table 112 summarizes some of the salient information on the financial status of the 11 funds. It first shows the outstanding balance of the insurance in force with respect to the loan or mortgage insurance contracts assigned to the funds and in force as of December 31, 1954. It also shows their respective earned surpluses and capital contributions from other funds. The capital contribution to one FHA fund from the earned surplus of another FHA fund for the purpose of establishing and operating that fund is provided for by general authority in Section 219 of the National Housing Act and under explicit direction in Sections 8, 207, 220, 221, 222, and 903. Seven of the insurance funds have received capital contributions in the amount of $17,500,000 as of December 31, 1954. The bulk of this amount, or $16,500,000, was contributed by the earned surplus of the War Housing Insurance Fund, and of this amount approximately $5.8 million went to the Housing Insurance Fund and $6.8 million to the National Defense Housing Insurance Fund. The figures for earned surplus of the contributing funds do *not* include the amount of these contributions.

The third column of figures shows the required reserves or reserve liabilities for mortgage insurance contracts in force adjusted for the unearned premiums. Because FHA's accounting system is on an accrual basis, the earned surplus does not include the unearned premiums. The reserve requirements are adjusted for the estimated unearned premiums to be retained after refunds of unearned premiums upon prepayment of insured mortgages prior to maturity.

TABLE 112

Outstanding balance of insurance in force, earned surplus, and estimated reserve requirements in the insurance funds of the Federal Housing Administration

	As of Dec. 31, 1954			
	Outstanding balance of insurance in force	Earned surplus and contributions from other insurance funds [1]	Estimated reserve requirements, adjusted [2]	Excess of earned surplus over estimated reserve requirements, adjusted
Title I Housing Insurance Fund	$102, 147, 887	$1, 490, 880	$7, 780, 402	−$6, 289, 522
Mutual Mortgage Insurance Fund	10, 458, 216, 177	[3] 215, 757, 547	202, 396, 873	13, 360, 674
Housing Insurance Fund	553, 965, 272	7, 181, 905	24, 941, 343	−17, 759, 438
Sec. 220 Housing Insurance Fund		985, 951		985. 951
Sec. 221 Housing Insurance Fund		987, 573		987, 573
Servicemen's Mortgage Insurance Fund	141, 336	997, 006	5, 624	991, 382
War Housing Insurance Fund	4, 543, 280, 867	109, 101, 491	194, 762, 196	−85, 660, 705
Housing Investment Insurance Fund		842, 810		842, 810
Military Housing Insurance Fund	635, 706, 593	10, 481, 958	39, 742, 753	−29, 260, 795
National Defense Housing Insurance Fund	520, 202, 759	7, 631, 579	23, 299, 851	−15, 668, 272
Total all mortgage insurance funds	16, 873, 750, 891	355, 458, 700	492, 929, 042	−137, 470, 342
Title I Insurance Fund	1, 392, 428, 933	[4] 34, 133, 423	(5)	
Total all funds	18, 266, 179, 824	389, 592, 123		

[1] Contributions represent earned surplus of certain insurance funds transferred to other FHA insurance funds as contributed capital in the amount of $17,500,000.

[2] For mortgage insurance contracts in force. Adjusted for estimated unearned premiums in 6 insurance funds in the amount of $47,040,814 to be retained after refunds of unearned premiums upon prepayment.

[3] Includes $52,621,898 as of Dec. 31, 1954 in the Participating Reserve Account, representing balances available for participations, which account may be charged with any net loss sustained by the Mutual Mortgage Insurance Fund in any semiannual period.

[4] Does not include unearned premiums in this fund amounting to $20,025,922 as of Dec. 31, 1954.

[5] Reserve requirements are not estimated for the Title I Insurance Fund. The maximum potential liability under this fund was $237,148,026 as of Dec. 31, 1954, representing the balance of reserves available to qualified lending institutions for the payment of claims. This potential liability was calculated at 10% of net proceeds of insurance written less claims paid and semiannual reserve adjustments.

The comparative financial status of each of the insurance funds may be analyzed from the figures for earned surplus and estimated reserve requirements, adjusted, and the excess of earned surplus over estimated reserve requirements, adjusted, which is also shown.

Analysis of Table 112 discloses that with respect to the mortgage insurance contracts in force only, five funds have a balance status, that is, the earned surplus is in excess of the estimated reserve requirements, adjusted. Of these, the Mutual Mortgage Insurance Fund is the only one with a significant amount of insurance in force. The others have no insurance in force, as in the case of the Section 220 Housing, the Section 221 the Housing, and Housing Investment Insurance Funds, or very little as yet, as in the case of the Servicemen's Mortgage Insurance Fund.

Of the remaining funds in which the adjusted reserve liabilities exceed the earned surplus, the largest excess is in the War Housing Insurance Fund. This fund is younger than the Mutual Mortgage Insurance Fund, having been established in 1941 first as the Defense Housing Insurance Fund. Because no new insurance can be written under this fund, its reserve requirements will decline as a result of

both the duration of insurance contracts in force and because of terminations of insurance contracts.

The 4 remaining funds in which required reserves exceed earned surplus are comparatively young funds, all but one of these having been established in 1949 or later. They are the Title I Housing Insurance Fund, the Military Housing Insurance Fund, and the National Defense Housing Insurance Fund. The exception is the Housing Insurance Fund. Although established in 1938, the bulk of the insurance in force in this fund is likewise of recent origin.

In connection with the status of insurance funds in which the estimated reserve requirements, adjusted exceed the earned surplus, the device of flexibility in the use of resources of the separate funds to assist other funds is noteworthy. This device is provided for in Section 219 of the National Housing Act, as amended, which was first approved by the Congress on June 30, 1953. On August 2, 1954, the Congress authorized an additional insurance fund to be included with the 6 insurance funds originally authorized to provide financial assistance to one another. This section of the statute reads as follows:

> Notwithstanding limitations contained in any other sections of this Act as to the use of moneys credited to the Title I Housing Insurance Fund, the Housing Insurance Fund, the War Housing Insurance Fund, the Housing Investment Insurance Fund, the Military Housing Insurance Fund, the Defense Housing Insurance Fund, or the Section 220 Housing Insurance Fund, the Commissioner is hereby authorized to transfer funds from any one or more of such Insurance Funds to any other such Fund in such amounts and at such times as the Commissioner may determine, taking into consideration the requirements of such Funds, separately and jointly to carry out effectively the insurance programs for which such Funds were established.

In order to provide some perspective on the financial status of the separate insurance funds, Table 113 has been prepared. This table compares the earned surplus with the estimated reserve requirements, adjusted at the end of 1952, 1953, and 1954. Because of the fiscal requirements of recent amendments to the National Housing Act, as amended, a number of adjustments in balance sheet information have been made in this table in the interest of year to year comparability of the figures shown. These adjustments are explained in the footnotes to the table. For example, the figures of earned surplus in the funds as of the end of 1952 do not include the advances of principal by the Government with interest accrued to that date. The principal amounts were subsequently repaid to the United States Treasury with interest accrued to the date of payment.

Among the more significant facts disclosed by the table is the improvement over the 3-year period in the financial status of the 2 largest funds, the Mutual Mortgage Insurance Fund and the War Housing Insurance Fund. This improvement is reflected in the increase in the excess of earned surplus over estimated reserve require-

TABLE 113

Earned surplus and estimated reserve requirements in the insurance funds of the Federal Housing Administration, as of Dec. 31, 1952–54

	Earned surplus and contributions from other funds,[1] as of—			Estimated reserve requirements, adjusted,[2] as of—			Excess of earned surplus over estimated reserve requirements, adjusted, as of—			Government advances of principal with interest accrued to Dec. 31, 1952, not included in earned surplus as of Dec. 31, 1952[3]	
	Dec. 31, 1952	Dec. 31, 1953	Dec. 31, 1954	Dec. 31, 1952	Dec. 31, 1953	Dec. 31, 1954	Dec. 31, 1952	Dec. 31, 1953	Dec. 31, 1954	Principal	Accrued interest
Title I Housing Insurance Fund	$938,585	$1,132,692	$1,499,880	$2,839,272	$3,722,188	$7,780,402	−$1,900,687	−$2,589,496	−$6,280,522		
Mutual Mortgage Insurance Fund	[4] 135,062,209	[4] 169,952,425	[4] 215,757,547	186,242,503	202,859,167	202,306,873	−51,180,294	−32,906,742	13,360,674	$41,994,095	$16,134,070
Housing Insurance Fund	497,762	5,410,647	7,181,905	14,375,335	19,143,338	24,941,343	−13,877,573	−13,732,691	−17,759,438	4,170,024	1,321,892
Sec. 220 Housing Insurance Fund			985,951						985,951		
Sec. 221 Housing Insurance Fund			987,573						987,573		
Servicemen's Mortgage Insurance Fund			997,006			5,624			991,382		
War Housing Insurance Fund	114,952,703	121,603,296	109,101,491	248,470,133	221,060,126	194,762,196	−133,517,430	−99,456,830	−85,660,705	5,000,000	1,317,680
Housing Investment Insurance Fund	−95,572	822,951	842,810				−95,572	822,951	842,810	1,000,000	94,769
Military Housing Insurance Fund	5,362,890	9,564,286	10,481,958	30,798,660	36,454,599	39,742,753	−25,435,770	−26,890,313	−29,260,795	5,000,000	357,371
National Defense Housing Insurance Fund	956,489	8,155,505	7,631,579	6,148,602	16,632,261	23,299,851	−5,192,113	−8,476,756	−15,668,272		
Total all mortgage insurance funds	257,675,066	316,641,892	355,458,700	488,874,514	409,871,679	492,929,042	−231,199,448	−183,220,787	−137,470,342	57,164,119	19,225,782
Title I Insurance Fund	18,669,028	27,104,491	34,133,423	(5)	(5)	(5)				8,333,314	
Total all funds	276,344,094	343,746,383	389,592,123							65,497,433	19,225,782

[1] Contributions represent earned surplus of certain FHA insurance funds transferred as contributed capital to other FHA insurance funds in the amounts of $3,000,000 as of Dec. 31, 1952, $16,100,000 as of Dec. 31, 1953, and $17,500,000 as of Dec. 31, 1954.

[2] For mortgage insurance contracts in force. Adjusted for estimated unearned premiums to be retained after refunds of unearned premiums upon prepayment. For purposes of comparability, estimated reserve requirements for the Mutual Mortgage Insurance Fund as of Dec. 31, 1952–53, are adjusted for the previously required 10 percent premium transfer to the General Reinsurance Account.

[3] Advances of the Government with accrued interest in the amount of $85,882,962 were repaid in full to the U. S. Treasury, the first payment being made July 1, 1953, and the final payment being made Mar. 11, 1954. The earned surplus of the insurance funds concerned as of Dec. 31, 1952, exclude these advances with accrued interest which Public Law 5 and Public Law 94, 83d Cong., authorized FHA to recognize as indebtedness. For purposes of comparability in this table, the earned surplus of the funds concerned as of Dec. 31, 1952, are adjusted by deducting the principal amount of the advances with interest accrued to Dec. 31, 1952, as shown. The total amount of accrued interest repaid was $20,385,529.

[4] Includes $52,621,898, as of Dec. 31, 1954, in the Participating Reserve Account representing balances available for participations, which account may be charged with any net loss sustained by the Mutual Mortgage Insurance Fund in any semiannual period. The comparable figure for Dec. 31, 1953, is $54,551,818. The comparable figure for Dec. 31, 1952, without allowance for the premium limitation required by Public Law 94, approved June 30, 1953, is $61,529,196.

[5] Reserve requirements are not estimated for the Title I Insurance Fund. Unearned premiums in this fund amounted to $20,825,535 as of Dec. 31, 1952, $30,787,037 as of Dec. 31, 1953, and $29,625,922 as of Dec. 31, 1954. The maximum potential liability under this fund representing the balance of reserves available to qualified lending institutions for the payment of claims was $233,252,136 as of Dec. 31, 1952, $261,310,506 as of Dec. 31, 1953, and $237,148,026 as of Dec. 31, 1954. This potential liability was calculated at 10 percent of net proceeds of insurance written less claims paid and semiannual reserve adjustments.

ments, adjusted. For the former fund, the increase is of such an order of magnitude that the fund attained a balance status with respect to insurance contracts in force by the end of 1954. For the latter, the increase in the excess is from approximately −$133.5 million to −$85.7 million at the end of 1954. For two funds with a significant volume of insurance in force, there has been a moderate decrease in the excess of earned surplus over required reserves. These are the Housing Insurance Fund and Military Housing Insurance Fund. For two other funds with a relatively less significant volume of insurance in force, there has been an appreciable decrease in this excess. They are the Title I Housing Insurance Fund and the National Defense Housing Insurance Fund.

Financial Status of Title I Insurance Fund

Reserve requirements like those for the mortgage insurance programs discussed in the foregoing paragraphs have not yet been estimated for the loan insurance in force under the Title I Insurance Fund. This fund was established by the amendment of June 3, 1939, to the National Housing Act. As of December 31, 1954, the estimated outstanding balances of loans in force amounted to $1,392,428,933. The earned surplus and the unearned premium income on that date was $63,759,345 or 4.58 percent of the outstanding balance of insurance in force. The earned surplus and unearned premium income do not include $8,333,314 representing the Government investment in the capital account of the Fund which was repaid to the United States Treasury as required by the legislation of March 10, 1953. The figure also does not include a capital contribution of $1,000,000 to the Title I Housing Insurance Fund. The maximum potential liability under this fund at the year end was $237,148,026 which represents the balance of reserves outstanding to the credit of qualified lending institutions for future insurance claims on loans outstanding. This maximum potential liability is calculated in accordance with the Administrative Regulations for Property Improvement Loans under Title I, Section 2 at 10 percent of the net proceeds of insurance written less claims paid and semiannual reserve adjustments. The total amount of claims paid through the end of 1954 amounted to $138,676,532 or 1.81 percent of the net proceeds of loans insured under the Fund. Recoveries on defaulted notes on which claims were paid amounted to $51,154,717. Actual losses on defaulted notes amounted to $28,557,868 and reserves for future losses on such notes amounted to $40,817,629. The balance, i. e., between claims paid, on the one hand, and recoveries, actual losses, and reserves for losses, on the other, represents principally the notes in process of collection. The adequacy of the earned surplus and the unearned premiums on December 31, 1954, is evident when compared with the maximum claims paid under Title I since 1934 which amounted to 4.04 percent for insurance written in the period from 1934 to June 30, 1939. After allowing for recoveries by collection efforts after payment of these claims, the gross claim payments of 4.04 percent were reduced to 1.89 percent net claims.

Analysis of Termination Experience

Life Expectancy

On the basis of the 1935–53 experience of terminations of 1- to 4-family home mortgages insured under Section 203, it is estimated that the life expectancy of such mortgages is 7.99 years. The life expectancy of a mortgage is the period of time for which the mortgage can, on the average, be expected to remain in force. This estimated figure is based on the cumulative termination experience of the first of the FHA home mortgage insurance programs and on a projection of this experience to reflect the life expectancy for mortgages with maturities of 20 years. This termination experience has been observed over an 18-year period since the inauguration of the program operating under the Mutual Mortgage Insurance Fund, and includes all home mortgage insurance contracts written under Section 203 from 1935 through 1952 and exposed to their policy anniversaries in 1953 or prior termination dates. A projection of this cumulative experience through 2 additional years gives the estimated life expectancy of approximately 8 years for these home mortgages.

The estimated life expectancy of Section 203 home mortgages on the basis of the 1935–53 termination experience represents an increase of 0.11 year over the comparable figure reported in the 1953 annual report. The following data summarize the estimated life expectancies of these mortgages based on observed and projected termination experience shown in this and previous annual reports:

Observed experience	Period of observation	Period of projection	Estimated life expectancy
	Years	*Years*	*Years*
Mortgages insured 1935–49 and exposed to policy anniversaries in 1950 or prior termination dates	15	5	7.55
Mortgages insured 1935–50 and exposed to policy anniversaries in 1951 or prior termination dates	16	4	7.70
Mortgages insured 1935–51 and exposed to policy anniversaries in 1952 or prior termination dates	17	3	7.88
Mortgages insured 1935–52 and exposed to policy anniversaries in 1953 or prior termination dates	18	2	7.99

These data reflect a trend toward longer life expectancies for Section 203 mortgages, which can be expected to continue as the effects of the relatively high levels of terminations in the late war and early postwar years continue to be offset by the relatively lower levels which have been obtaining since then. The relatively high levels of terminations, i. e., terminations in relation to insurance in force, occurred

in the period 1944–48, with the peak rate obtaining in 1946. Prepayments accounted for most of these terminations and were the result of mortgagors paying off their mortgages or selling their homes—both developments reflecting a combination of the high personal savings and incomes and the shortages of consumer goods and housing in that war and postwar period.

Mortgage Survivors and Mortgage Termination Rates

The life expectancy of the Section 203 mortgages is estimated in part from the survivorship table presented in Actuarial Schedule 1. This table summarizes the 1935–53 termination experience for these 1- to 4-family home mortgages in terms of total annual termination rates by policy year and shows how these rates apply to an initial hypothetical group of 100,000 mortgages. When such termination rates are applied to the initial group, the number of mortgages terminating during each policy year and the number of mortgages surviving at the beginning of each policy year may be determined.

ACTUARIAL SCHEDULE 1

Survivorship table of a group of 1- to 4-family home mortgages based on aggregate termination experience by policy year for Sec. 203 mortgages insured from 1935 through 1952 and exposed to policy anniversaries in 1953 or prior termination dates

Policy year	Mortgage survivors at the beginning of policy year	Annual termination rates [1]	Mortgage terminations during the policy year	Policy year	Mortgage survivors at the beginning of policy year	Annual termination rates [1]	Mortgage terminations during the policy year
1st	100,000	0.0256461	2,565	10th	34,712	0.1515096	5,259
2d	97,435	.0481429	4,691	11th	29,453	.1385949	4,082
3d	92,744	.0697818	6,472	12th	25,371	.1362391	3,457
4th	86,272	.0971486	8,381	13th	21,914	.1349346	2,957
5th	77,891	.1275363	9,934	14th	18,957	.1392411	2,640
6th	67,957	.1477010	10,037	15th	16,317	.2346911	3,829
7th	57,920	.1575944	9,128	16th	12,488	.2414807	3,016
8th	48,792	.1594173	7,778	17th	9,472	.1511497	1,432
9th	41,014	.1536527	6,302	18th	8,040	.6161137	4,954

[1] The method of determining these rates is identical with the standard method of computing probabilities.

A policy year covers the annual period beginning with the date on which a mortgage contract is endorsed for insurance. Thus a mortgage insurance contract which has not passed its first anniversary is in force or exposed to the risk of termination during its first policy year. If the contract is terminated before this anniversary, it is terminated during its first policy year. Determined by the standard method of computing probabilities, the rate of termination for the first policy year is the number of mortgage insurance contracts terminated during this policy year divided by the number of mortgage insurance contracts in force (i. e., exposed to the risk of termination) at the beginning of the first policy year. Likewise, the rate of termination for the second policy year is the number of mortgages terminated during the second policy year divided by the number of mortgages in force at the beginning of the second policy year.

The figures on mortgage survivors and mortgage terminations presented in Actuarial Schedule 1 are interpreted in the following manner: Based on the 1935–53 termination experience of Section 203 mortgages, the annual rate of termination in the first policy year is 0.0256461. When the initial hypothetical group of 100,000 home mortgages is multiplied by this rate, the product is 2,565 mortgages, which is the number of such mortgages which can be expected to terminate for various reasons within the first policy year after the date of their insurance. If these terminations during the first policy year are subtracted from the initial number of home mortgages, it leaves 97,435 mortgage survivors at the beginning of the second policy year. The annual rate of terminations in the second policy year is 0.0481429. Applied against the survivors at the beginning of the second policy year, this rate gives 4,691 mortgages, the number which can be expected to terminate during the second policy year. Subtracting these from the 97,435 mortgages in force at the beginning of the second policy year leaves 92,744 mortgage survivors at the beginning of the third policy year.

Termination Rates for Various Types of Terminations

The annual termination rates shown in the survivorship table are composed of rates for the different types of terminations. They include the two types of prepayments—prepayments in full and prepayments by supersession; the two types of titles acquired—titles retained by mortgagees and titles transferred to FHA; and other types of termination, which are predominantly maturities. These annual rates by policy year for the different types of terminations are shown in Actuarial Schedule 2. They are determined by the same method of computing probabilities as are the total annual termination rates and are, therefore, additive. Thus, the annual rate of prepayment in full for a given policy year can be added to the annual rate of prepayment by supersession for the same policy year to give the total rate of prepayment for the given policy year. The rate for a particular policy year for titles acquired by mortgagees and retained by mortgagees can be combined with the rate for the same policy year for titles acquired by mortgagees and transferred to FHA to give a total foreclosure rate for that policy year. When the annual rates for the different types of termination are added together, they give the total annual termination rates shown in both actuarial schedules.

The annual rates by policy year for the different types of termination measure the distribution of terminations during a policy year. Their interpretation is the same as for total annual termination

ACTUARIAL SCHEDULE 2

Annual termination rates [1] for 1- to 4-family home mortgages by type of termination based on aggregate termination experience by policy year for Sec. 203 mortgages insured from 1935 through 1952 and exposed to policy anniversaries in 1953 or prior termination dates

Policy year	Type of termination					
	Prepayments in full	Prepayments by supersession	Titles acquired by mortgagees		Others	Total
			Retained by mortgagee	Transferred to FHA		
1st	0.0186729	0.0067905	0.0000708	0.0000777	0.0000342	0.0256461
2d	.0363777	.0107009	.0003383	.0006972	.0000288	.0481429
3d	.0543432	.0140208	.0004375	.0009204	.0000599	.0697818
4th	.0793514	.0165957	.0004050	.0006813	.0001152	.0971486
5th	.1095452	.0167993	.0002538	.0004220	.0005160	.1275363
6th	.1311086	.0158434	.0001677	.0002337	.0002576	.1477010
7th	.1429515	.0142475	.0000988	.0000029	.0002037	.1575044
8th	.1459328	.0128936	.0000860	.0000262	.0004787	.1594173
9th	.1403058	.0127610	.0000715	.0000115	.0005029	.1536527
10th	.1361349	.0112712	.0000510	.0000028	.0040497	.1515096
11th	.1232253	.0098488	.0000453		.0054755	.1385949
12th	.1242402	.0085173	.0000431		.0034385	.1362391
13th	.1223345	.0066086	.0000151	.0000075	.0059689	.1349346
14th	.1330144	.0054041	.0000380		.0007846	.1392411
15th	.1812685	.0029610			.0504616	.2346911
16th	.1260138	.0016552	.0001103		.1137104	.2414897
17th	.1448786	.0022512			.0040199	.1511497
18th	.5687204	.0047393	.0023696		.0402844	.6161137

[1] The method of determining these rates is identical with the standard method of computing probabilities.

rates shown in Actuarial Schedule 1, and may be illustrated by the use of the same initial hypothetical group of 100,000 home mortgages. Based on the 1935–53 termination experience for Section 203 mortgages, if 100,000 such mortgages are in force at the beginning of the first policy year, a total of 2,565 mortgages can be expected to terminate during the first policy year of their endorsement. This figure is the product of the initial number of mortgages and the total annual rate of termination for the first policy year. How these 2,565 mortgages can be expected to be distributed among the separate types of terminations can be determined by multiplying their respective rates of termination for the first policy year by the number of mortgages in force at the beginning of the year. According to Actuarial Schedule 2, of these 2,565 terminations during the first year, 1,867 can be expected to be prepayments in full and 679 can be expected to be prepayments by supersession. These two types of prepayments thus account for the bulk of the terminations during the first policy year. The 19 remaining terminations can be expected to consist of 15 foreclosures, with 7 of the properties retained by mortgagees and 8 transferred to FHA, and 4 other terminations. For further illustration, at the beginning of the tenth policy year, 34,712 of the initial group of 100,000 mortgages are in force and 5,259 such mortgages can be expected to terminate for various reasons during the tenth policy

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year. Of these terminations, 4,726 can be expected to be prepayments in full, 391 prepayments by supersession, 2 foreclosures, and 140 other terminations, principally maturities.

The extent to which the annual rates of prepayment in full by policy year largely determines the total annual rates of termination is disclosed by a comparison of these two sets of rates. In 13 of the 18 policy years for which rates of termination are shown, the rate of prepayment in full for each policy year accounts for more than four-fifths of the total annual termination rate. It accounts for more than half in the remaining policy years, which are at the early and later durations (i. e., the number of policy years during which an insurance contract is exposed to the risk of termination). The emerging pattern of the rates of prepayment in full which the 1935–53 experience reflects is one of a steady increase in the rates by duration of the insurance contract until about the eighth policy year when the rates tend to level out for about the next 6 years. After the fourteenth year, the rates fluctuate sharply reflecting both the thinness of the termination experience and the approach of the insurance contracts to their maturities when the cumulative effects of partial prepayments during the life of the mortgage result in accelerated termination before maturity.

Of secondary importance in the determination of the total annual termination rates by policy year for Section 203 mortgages are the rates of prepayment by supersession. The emerging pattern of these rates is one in which the rates rise sharply with duration until about the fifth policy year, after which they gradually decline until the sixteenth policy year, when they turn up again.

The annual rates of termination are "crude" or actual rates as distinguished from "graduated" or smoothed rates. They are based on number of mortgages only, and include mortgages with the various terms of financing eligible for insurance under the administrative rules and regulations for Title II, Section 203. Because this insurance program has not been in operation long enough for many of its longer-term mortgages to mature, the rates of termination for the later policy years are based on a smaller aggregate amount of experience than those for earlier policy years. The rates of termination for the first policy year are based on the terminations from contracts endorsed for insurance in each calendar year from 1935 through 1952. For the second policy year, they are based on the terminations from endorsements in each calendar year from 1935 through 1951. Thus, for the eighteenth policy year they are based on terminations from endorsements of the calendar year 1935 only. With time, the accumulation of termination data will provide the merged experience of home mortgage insurance contracts through that policy year which will represent the longest maturity eligible for insurance under this program.

It should be noted, therefore, that the pattern of termination rates shown in the actuarial schedules is only an emerging one and cannot be said to be definitive for total terminations or the different types of terminations. Table 114 shows the annual termination rates for all types of terminations based on the 1935–53 experience and those shown in previous annual reports where the periods of observed experience are shorter. A comparison of these total annual termination rates for the same policy year discloses changes produced by additional experience. Not only can additional termination experience influence their rates by duration, particularly in the later durations where the aggregate experience is smaller, but changing economic conditions can also influence the rates of termination.

TABLE 114

Annual termination rates[1] *for 1- to 4-family home mortgages based on aggregate termination experience for Sec. 203 mortgages insured from 1935 through 1949, 1950, 1951, or 1952 and exposed to policy anniversaries in 1950, 1951, 1952, or 1953 or prior termination dates, respectively*

Policy year	Mortgages insured 1935–49 and exposed to policy anniversaries in 1950 or prior termination dates	Mortgages insured 1935–50 and exposed to policy anniversaries in 1951 or prior termination dates	Mortgages insured 1935–51 and exposed to policy anniversaries in 1952 or prior termination dates	Mortgages insured 1935–52 and exposed to policy anniversaries in 1953 or prior termination dates
1st	0.0285040	0.0267311	0.0262079	0.0256461
2d	.0552852	.0531523	.0492760	.0481429
3d	.0804727	.0707239	.0749205	.0697818
4th	.1074291	.1066581	.1039655	.0971486
5th	.1344601	.1333261	.1315634	.1275363
6th	.1537240	.1516030	.1502859	.1477010
7th	.1636703	.1608247	.1595251	.1575944
8th	.1654034	.1619905	.1605922	.1594173
9th	.1628393	.1557526	.1546551	.1536527
10th	.1740603	.1578571	.1523362	.1515096
11th	.1718533	.1512604	.1421310	.1385949
12th	.1876187	.1530535	.1431409	.1362391
13th	.1628588	.1573791	.1432536	.1349346
14th	.1714530	.1623134	.1532564	.1392411
15th	.3595019	.2720614	.2570375	.2346911
16th	----------	.4449153	.2627400	.2414897
17th	----------	----------	.3511450	.1511497
18th	----------	----------	----------	.6161137

[1] The method of determining these rates is identical with the standard method of computing probabilities.

SECTION 5

ACCOUNTS AND FINANCE

The figures for 1953 and 1954 in the financial statements of this report are on an accrual basis and are shown for the fiscal year rather than the calendar year. Section 2 of the report, Volume of Mortgage and Loan Insurance Operations, is on a calendar-year basis to coincide with the housing year. In order to provide comparable figures, those statements in the Accounts and Finance section which are coordinated with the statistical tables shown in Section 2 have been prepared on a calendar-year basis.

Prior to July 1, 1939, there was no provision in the National Housing Act for collecting premiums on insurance granted under Title I, Section 2; therefore, moneys for salaries and expenses and for the payment of insurance claims were advanced by the Federal Government, and recoveries of claims paid were required to be deposited to the general fund of the Treasury. The account established in connection with insurance operations prior to July 1, 1939 is identified in the accounting records as the Title I Claims Account. The Housing Act of 1954, approved August 2, 1954, provided that the Title I Claims Account should be terminated as of August 1, 1954, at which time all the remaining assets and liabilities of such account were transferred to and merged with the Title I Insurance Fund.

An amendment of June 3, 1939, to the National Housing Act, created the Title I Insurance Fund and authorized the collection of premiums, and the amendment of June 28, 1941 authorized the retention of recoveries on insurance granted on and after July 1, 1939. Therefore, only the results of operations with respect to insurance granted on and after July 1, 1939, are included in the June 30, 1954, combined statement of financial condition (Statement 1) and the combined statement of income and expense (Statement 2). Transactions on insurance granted before July 1, 1939, have been shown separately in a statement of accountability for funds advanced (Statement 8).

Combined Funds

Gross Income and Operating Expenses, Fiscal Year 1954

Gross income of combined FHA funds for fiscal year 1954 under all insurance operations totaled $125,223,448 and was derived from fees, insurance premiums, and income on investments. Operating expenses of the FHA during the fiscal year 1954 totaled $31,365,885.

Cumulative Gross Income and Operating Expenses, by Fiscal Years

From the establishment of FHA in 1934 through June 30, 1954, gross income totaled $882,770,694, while operating expenses totaled $346,098,702. Gross income and operating expenses for each fiscal year are detailed below:

Income and operating expenses through June 30, 1954

Fiscal year	Income from fees, premiums, and investments	Operating expenses
1935	$539,609	$6,336,905
1936	2,503,248	12,160,487
1937	5,690,268	10,318,119
1938	7,874,377	9,297,884
1939	11,954,056	12,609,887
1940	17,860,296	13,206,522
1941	24,126,366	13,359,588
1942	28,316,764	13,471,496
1943	25,847,785	11,160,452
1944	28,322,415	11,148,361
1945	29,824,744	10,218,995
1946	30,720,072	11,191,492
1947	26,790,341	16,063,870
1948	51,164,456	20,070,745
1949	63,983,953	23,378,496
1950	85,705,342	27,457,889
1951	98,004,922	31,314,754
1952	103,021,039	30,622,925
1953	115,288,193	31,343,950
1954	125,223,448	31,365,885
Total	882,770,694	346,098,702

The above income was derived from the following insurance operations: Title I Insurance Fund (property improvement loans), $116,486,382; Title I Housing Insurance Fund (home mortgages), $2,296,222; Title II Mutual Mortgage Insurance Fund (home mortgages), $489,316,291; Title II Housing Insurance Fund (rental housing projects), $16,851,403; Title VI War Housing Insurance Fund (war and veterans' emergency housing), $238,411,594; Title VII Housing Investment Insurance Fund (yield insurance), $70,263; Title VIII Military Housing Insurance Fund (rental housing projects), $13,773,743; and Title IX National Defense Housing Insurance Fund (home mortgages and rental housing projects), $5,564,796.

Salaries and Expenses

The current fiscal year is the fifteenth in which the Federal Housing Administration has met all expenditures for salaries and expenses by allocation from its insurance funds.

The amount that may be expended for salaries and expenses during a fiscal year is fixed by Congress. Under the terms of the National Housing Act, expenditures for the operations of each title and section are charged against the corresponding insurance fund.

The amounts charged against the various titles and sections of the Act during the fiscal year 1954 to cover operating costs and the purchase of furniture and equipment are as follows:

Salaries and expenses, fiscal year 1954 (July 1, 1953 to June 30, 1954)

Title and Section	Amount	Percent	Title and Section	Amount	Percent
Title I:			Title VIII:		
Sec. 2	$3,339,547	10.67	Sec. 803	900,512	2.88
Sec. 8	828,585	2.65	Title IX:		
Title II:			Sec. 903	991,938	3.17
Sec. 203	20,847,300	66.61	Sec. 908	331,943	1.06
Sec. 207-210	1,180,045	3.77			
Sec. 213	1,001,966	3.20	Total	31,297,205	100.00
Title VI:					
Sec. 603	654,027	2.09			
Sec. 608	1,212,088	3.87			
Sec. 609	2,185	.01			
Sec. 611	7,129	.02			

Capital and Statutory Reserves of Combined FHA Funds

The combined capital and statutory reserves of all FHA funds on June 30, 1954, amounted to $354,026,126, and consisted of $226,267,-394 capital ($15,200,000 capital contributions from other FHA Insurance Funds and $211,067,394 earned surplus), and $127,758,732 statutory reserves as shown in Statement 1.

STATEMENT 1

Comparative statement of financial condition, all FHA funds combined, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$55,869,788	$134,710,027	$78,840,239
Investments:			
U. S. Government securities (amortized)	343,639,929	257,081,124	−86,558,805
Other securities (stock in rental housing corporations)	452,800	473,200	20,400
Total investments	344,092,729	257,554,324	−86,538,405
Loans receivable:			
Mortgage notes and contracts for deed	37,410,588	43,937,505	6,526,917
Less reserve for losses	633,893	1,149,386	515,493
Net loans receivable	36,776,695	42,788,119	6,011,424
Accounts and notes receivable:			
Accounts receivable—Insurance premiums	9,852,552	4,738,857	−5,113,695
Accounts receivable—Other	97,648	124,320	26,672
Total accounts and notes receivable	9,950,200	4,863,177	−5,087,023
Accrued assets: Interest on U. S. Government securities	667,205	589,809	−77,396
Land, structures, and equipment:			
Furniture and equipment	2,140,299	[1] 2,124,969	−15,330
Less reserve for depreciation	1,129,802	1,230,278	100,476
Net furniture and equipment	1,010,497	894,691	−115,806
Acquired security or collateral:			
Real estate (at cost plus expenses to date)	62,200,931	67,150,084	4,949,153
Less reserve for losses	11,151,255	23,656,483	12,505,228
Net real estate	51,049,676	43,493,601	−7,556,075
Mortgage notes acquired under terms of insurance (at cost plus expenses to date)	51,200,873	65,359,007	14,158,134
Less reserve for losses	9,291,780	26,548,225	17,256,445
Net mortgage notes acquired under terms of insurance	41,909,093	38,810,782	−3,098,311

See footnotes at end of table.

STATEMENT 1—Continued

Comparative statement of financial condition, all FHA funds combined, as of June 30, 1953, and June 30, 1954—Continued

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS—continued			
Acquired security or collateral—Continued			
Defaulted Title I notes	$49,926,575	$55,719,524	$5,792,949
Less reserve for losses	35,222,799	38,416,180	3,193,381
Net defaulted Title I notes	14,703,776	17,303,344	2,599,568
Net acquired security or collateral	107,662,545	99,607,727	−8,054,818
Other assets—held for account of mortgagors	40,116	52,164	12,048
Total assets	556,069,775	541,060,038	−15,009,737
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	3,096,006	[2] 4,165,147	1,069,141
Group account participations payable	1,762,175	1,524,660	−237,515
Total accounts payable	4,858,181	5,689,807	831,626
Accrued liabilities:			
Interest on debentures	1,026,147	1,246,945	220,798
Interest on funds advanced by U. S. Treasury	19,868,878		−19,868,878
Total accrued liabilities	20,895,025	1,246,945	−19,648,080
Trust and deposit liabilities:			
Fee deposits held for future disposition	5,696,878	5,604,333	−92,545
Excess proceeds of sale	1,341,714	1,752,844	411,130
Deposits held for mortgagors, lessees, and purchasers	1,169,544	1,779,693	610,149
Undistributed receipts	8,532	7,932	−600
Due general fund of the U. S. Treasury	14	25	11
Employees' payroll deductions for taxes, etc.	942,821	828,767	−114,054
Total trust and deposit liabilities	9,159,503	9,973,594	814,091
Deferred and undistributed credits:			
Unearned insurance premiums	$69,253,730	$74,514,461	$5,260,731
Unearned insurance fees	319,641	511,733	192,092
Other		5,884	5,884
Total deferred and undistributed credits	69,573,371	75,032,078	5,458,707
Bonds, debentures, and notes payable: Debentures payable	79,010,736	94,436,436	15,425,700
Other liabilities:			
Funds advanced by U. S. Treasury	65,497,433		−65,497,433
Reserve for foreclosure costs—mortgage notes	509,515	655,052	145,537
Total other liabilities	66,006,948	655,052	−65,351,896
Statutory reserves:			
For transfer to general reinsurance account	30,966,814	26,105,714	−4,861,100
Net balances of group accounts available for contingent losses, expenses, other charges, and participations	117,301,384	101,653,018	−15,648,366
Total statutory reserves	148,268,198	127,758,732	−20,509,466
Total liabilities	397,771,962	314,792,644	−82,979,318
CAPITAL			
Capital contributions from other FHA insurance funds	12,000,000	15,200,000	3,200,000
Earned surplus:			
Insurance reserve fund (cumulative earnings) available for future losses and related expenses	142,612,264	146,869,031	4,256,767
General reinsurance reserve fund (cumulative earnings) available for future losses and related expenses	3,685,549	64,198,363	60,512,814
Total earned surplus	146,297,813	211,067,394	64,769,581
Total capital	158,297,813	226,267,394	67,969,581
Total liabilities and capital	556,069,775	541,060,038	−15,009,737
Contingent liability for certificates of claim on properties on hand	2,582,396	2,975,511	393,115

[1] Excludes unfilled orders in the amount of $3,657.
[2] Excludes unfilled orders in the amount of $70,134.

The contributed capital of $15,200,000 and the earned surplus of $211,067,394 are available for future contingent losses and related expenses. The statutory reserves of $127,758,732 represent the net balances of the group accounts under the Mutual Mortgage Insurance Fund, and are earmarked for participation payments to mortgagors under the mutual provision of Title II of the National Housing Act after providing for contingent insurance losses, expenses, and related charges.

The capital and statutory reserves of each fund are given below:

Fund	Capital and statutory reserves
Title I Insurance Fund	$29,387,380
Title I Housing Insurance Fund	1,449,262
Mutual Mortgage Insurance Fund	191,957,095
Housing Insurance Fund	7,166,328
War Housing Insurance Fund	106,498,018
Housing Investment Insurance Fund	832,880
Military Housing Insurance Fund	9,895,918
National Defense Housing Insurance Fund	6,839,245
Total	354,026,126

In addition, the various insurance funds had collected or accrued $511,733 unearned insurance fees and $74,514,461 unearned insurance premiums as shown below. Since the accounts are on an accrual basis, these fees and premiums have been deferred and will be allocated to income each month as they are earned.

	Deferred fee income	Deferred premium income	Total deferred fee and premium income
Title I Insurance Fund		$31,272,484	$31,272,484
Title I Housing Insurance Fund		274,890	274,890
Mutual Mortgage Insurance Fund		26,757,435	26,757,435
Housing Insurance Fund	$508,110	1,389,783	1,897,893
War Housing Insurance Fund	24	12,050,152	12,050,176
Military Housing Insurance Fund	3,599	1,525,508	1,529,107
National Defense Housing Insurance Fund		1,244,209	1,244,209
Total	511,733	74,514,461	75,026,194

Combined Income, Expenses, and Losses, all FHA Funds

Total income from all sources during the fiscal year 1954 amounted to $128,484,763, while total expenses and insurance losses amounted to $40,704,536, leaving net income, before adjustment of valuation and statutory reserves, of $87,780,227. Increases in valuation reserves for the year amounted to $33,470,547, leaving $54,309,680 net income for the period. Cumulative income from June 30, 1934, through June 30, 1954, was $896,857,075, and cumulative expenses were $398,927,909, leaving net income of $497,929,166 before adjustment of valuation reserves.

STATEMENT 2

Combined statement of income and expenses for all FHA funds through June 30, 1953, and June 30, 1954

	June 30, 1934, to June 30, 1953	July 1, 1953, to June 30, 1954	June 30, 1934, to June 30, 1954
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$47,336,467	$7,869,234	$55,205,701
Interest on mortgage notes and contracts for deed	80,774	20,869	101,643
Interest and other income on defaulted Title I notes	2,998,378	729,245	3,727,623
Interest—Other	7,728,440	2,319,588	10,048,028
Dividends on rental housing stock	9,426	2,812	12,238
	58,153,485	10,941,748	69,095,233
Insurance premiums and fees:			
Premiums	564,311,297	103,352,824	667,664,121
Fees	144,062,491	14,388,245	158,450,736
	708,373,788	117,741,069	826,114,857
Other income:			
Profit (or loss −) on sale of investments	1,827,565	−389,667	1,437,898
Miscellaneous income	17,474	191,613	209,087
	1,845,039	−198,054	1,646,085
Total income	768,372,312	128,484,763	896,857,075
Expenses:			
Interest expenses:			
Interest on funds advanced by U. S. Treasury	19,868,878	516,651	20,385,529
Interest on debentures	4,609,923	509,020	5,118,943
	24,478,801	1,025,671	25,504,472
Administrative expenses:			
Operating costs (including adjustments for prior years)	306,397,139	[1] 31,315,938	337,713,077
Other expenses:			
Depreciation on furniture and equipment	1,670,545	147,916	1,818,461
Miscellaneous expenses	274,515	247,341	521,856
	1,945,060	395,257	2,340,317
Losses and chargeoffs:			
Loss on sale of acquired properties	5,322,866	1,421,779	6,744,645
Loss (or profit −) on equipment	−4,382	3,736	−646
Loss on defaulted Title I notes	20,083,889	6,542,155	26,626,044
	25,402,373	7,967,670	33,370,043
Total expenses	358,223,373	40,704,536	398,927,909
Net income before adjustment of valuation reserves	410,148,939	87,780,227	497,929,166
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−633,893	−515,493	−1,149,386
Reserve for loss on real estate	−11,151,255	−12,505,228	−23,656,483
Reserve for loss on mortgage notes acquired under terms of insurance	−9,291,780	−17,256,445	−26,548,225
Reserve for loss on defaulted Title I notes	−35,222,799	−3,193,381	−38,416,180
Net adjustment of valuation reserves	−56,299,727	−33,470,547	−89,770,274
Net income	353,849,212	54,309,680	408,158,892

[1] Excludes unfilled orders in the amount of $66,477.

STATEMENT 2—Continued

Combined statement of income and expenses for all FHA funds through June 30, 1953, and June 30, 1954—Continued

ANALYSIS OF EARNED SURPLUS

	June 30, 1934, to June 30, 1953	July 1, 1953, to June 30, 1954	June 30, 1934, to June 30, 1954
Distribution of net income:			
Statutory reserves:			
Balance at beginning of period	------------	$148, 268, 198	------------
Adjustments during period	------------	−62, 410, 303	------------
Net income for period	$195, 551, 399	48, 750, 402	$181, 891, 498
Total statutory reserves	195, 551, 399	134, 608, 297	181, 891, 498
Participations in mutual earnings distributed	−47, 283, 201	−6, 849, 565	−54, 132, 766
Balance at end of period	148, 268, 198	127, 758, 732	127, 758, 732
Earned surplus:			
Balance at beginning of period	------------	146, 297, 813	------------
Adjustments during period	------------	62, 410, 303	------------
Net income for period	158, 297, 813	5, 559, 278	226, 267, 394
Total earned surplus	158, 297, 813	214, 267, 394	226, 267, 394
Capital contributions to other FHA insurance funds	−12, 000, 000	−3, 200, 000	−15, 200, 000
Balance at end of period	146, 297, 813	211, 067, 394	211, 067, 394

Contributed Capital

The contributed capital of $15,200,000 shown on Statement 1 represents funds transferred from earnings of insurance funds to establish other insurance funds and transfers under the provisions of Section 219 of the National Housing Act, as amended. The contributed capital had increased from $15,200,000 to $17,500,000 at December 31, 1954. An analysis of capital contributions at December 31, 1954, is shown in Statement 3.

General Mortgage Insurance Authorization

Section 217 of the National Housing Act, as amended by Public Law 560, 83d Congress, approved August 2, 1954, provided for a general mortgage insurance authorization to consolidate and merge all existing mortgage insurance authorizations or existing limitations with respect to any section or title of the Act (except Title I, Sec. 2) into one general insurance authorization to take the place of all existing authorizations or limitations. The general insurance authorization provides that the aggregate amount of principal obligations of all mortgages which may be insured and outstanding at any one time under insurance contracts or commitments to insure pursuant to any section or title of the Act (except Title I, Sec. 2) shall not exceed the sum of (*a*) the outstanding principal balances, as of July 1, 1954, of all insured mortgages (as estimated by the Commissioner based on scheduled amortization payments without taking into account prepayments or delinquencies), (*b*) the principal amount of all outstand-

STATEMENT 3

Analysis of capital contributions to FHA insurance funds from other FHA insurance funds as of Dec. 31, 1954

Fund	Capital contributions: To establish insurance funds	Capital contributions: Pursuant to sec. 219	Total contributions	Contributions returned	Contributed capital
Title I Housing Insurance					
From: Title I Insurance	$1, 000, 000	------------	$1, 000, 000	------------	$1, 000, 000
Housing Insurance					
From:					
Mutual Mortgage Insurance	1, 000, 000	------------	1, 000, 000	------------	1, 000, 000
National Defense Housing Insurance	------------	$3, 200, 000	3, 200, 000	−$1, 000, 000	2, 200, 000
Housing Investment Insurance	------------	90, 000	90, 000	------------	90, 000
War Housing Insurance	------------	2, 500, 000	2, 500, 000	------------	2, 500, 000
Total	1, 000, 000	5, 790, 000	6, 790, 000	−1, 000, 000	5, 790, 000
Section 220 Housing Insurance					
From: War Housing Insurance	1, 000, 000	------------	1, 000, 000	------------	1, 000, 000
Section 221 Housing Insurance					
From: War Housing Insurance	1, 000, 000	------------	1, 000, 000	------------	1, 000, 000
Servicemen's Mortgage Insurance					
From: War Housing Insurance	1, 000, 000	------------	1, 000, 000	------------	1, 000, 000
Housing Investment Insurance					
From: National Defense Housing Insurance	------------	1, 000, 000	1, 000, 000	------------	1, 000, 00
To: Housing Insurance	------------	−90, 000	−90, 000	------------	−90, 000
Total	------------	910, 000	910, 000	------------	910, 000
Military Housing Insurance					
From: War Housing Insurance	------------	1, 900, 000	1, 900, 000	−1, 900, 000	------------
National Defense Housing Insurance					
From: War Housing Insurance	10, 000, 000	------------	10, 000, 000	------------	10, 000, 000
To:					
Housing Insurance	------------	−3, 200, 000	−3, 200, 000	1, 000, 000	−2, 200, 000
Housing Investment Insurance	------------	−1, 000, 000	−1, 000, 000	------------	−1, 000, 000
Total	10, 000, 000	−4, 200, 000	5, 800, 000	1, 000, 000	6, 800, 000
Total all funds	15, 000, 000	4, 400, 000	19, 400, 000	−1, 900, 000	17, 500, 000

ing commitments to insure on that date, and (*c*) $1,500,000,000, except that with the approval of the President such aggregate may be increased by not to exceed $500,000,000. The general mortgage insurance authorization at July 1, 1954 was established as follows:

Insurance in force	$16, 493, 192, 800
Commitments outstanding	2, 349, 669, 800
Additional authorized amount	1, 500, 000, 000
Total authorization	20, 342, 862, 600

On December 28, 1954, the President increased the authorization by $500,000,000, thereby making a total authorization of $20,842,862,600 at December 31, 1954.

The status of the general mortgage insurance authorization at December 31, 1954, is shown in Statement 4 below.

STATEMENT 4

Status of general mortgage insurance authority as of Dec. 31, 1954

	Estimated outstanding balance of insurance in force	Outstanding commitments for insurance	
Sec. 217 General Mortgage Insurance Authorization			[1] $20,842,862,600
Title I, Sec. 8	$162,147,887	$54,088,189	
Title II:			
Sec. 203	10,457,206,257	[2] 3,022,357,074	
Sec. 207–210	245,360,603	[3] 91,470,300	
Sec. 213	309,614,589	[4] 77,459,750	
Sec. 220			
Sec. 221			
Sec. 222	141,336	3,218,352	
Total	11,012,322,785	3,194,505,476	
Title VI:			
Sec. 603	1,572,788,017		
Sec. 608	2,952,474,112		
Sec. 609:			
Manufacturer's loan	100,000		
Purchasers' loans	139,843		
Sec. 610 (Sec. 603)	11,463,273		
Sec. 610 (Sec. 608)	5,547,102		
Sec. 611	768,520		
Total	4,543,280,867		
Title VIII, Sec. 803	635,796,593	18,732,700	
Title IX:			
Sec. 903	460,333,618	50,995,762	
Sec. 908	59,869,141	923,400	
Total	520,202,759	51,919,162	
Total charges to Sec. 217	16,873,750,891	3,319,245,527	20,192,996,418
Unused insurance authorization			649,866,182

[1] Increased $500,000,000 by the President on Dec. 28, 1954, pursuant to Sec. 217 of the National Housing Act.
[2] Includes statements of eligibility in the amount of $17,950,700. Also includes $17,550 commitments outstanding on farm mortgages chargeable against limitation of $100,000,000.
[3] Includes statements of eligibility in the amount of $3,081,100.
[4] Includes statements of eligibility in the amount of $63,908,950.

Cost Certifications on Multifamily Projects

To prevent the possibility of the builder's "mortgaging out" on multifamily housing projects financed with FHA-insured mortgages, the mortgagor is now required to certify, before final endorsement of the mortgage for insurance, to the actual cost of the project; and, if the mortgage amount is more than the statutory ratio applied to such actual costs, the mortgage amount must be correspondingly reduced.

During 1954, cost certifications were received on projects which were completed during the year and had mortgages insured by the Federal Housing Administration, as follows:

	Number	Amount of cost certified by builder or sponsor	Amount of mortgage at final endorsement
Sec. 207	1	$136,116	$124,800
Sec. 803	6	17,803,200	16,007,143
Sec. 908	16	9,124,483	8,879,949

On one Section 908 mortgage, the amount of the insured mortgage at final endorsement was reduced by $32,300 as a result of cost certification by the builder.

Title I: Property Improvement Loans

Loans Insured and Claims Paid

Operations under Section 2 of Title I cover the insurance of qualified institutions against loss on loans made to finance the alteration, repair, and improvement of existing structures, and loans not exceeding $3,000 for the construction of new nonresidential structures.

Loans aggregating 18,117,994 in number and $8,425,982,359 in amount (net proceeds) had been reported for insurance under this section through December 31, 1954. Through that date, 523,205 claims had been paid for $170,160,738 and there was 1 claim payable on real property acquired in the amount of $4,508. The total claims paid and payable, numbering 523,206 in the amount of $170,165,246, represent approximately 2.02 percent of the total net proceeds of loans insured, as shown in Statement 5.

In the calendar year 1954, 1,506,480 loans were insured for an aggregate of $890,606,372, and 47,488 claims were paid for $21,047,414.

STATEMENT 5

Summary of Title I notes insured, claims for insurance paid, and recoveries on defaulted notes purchased by calendar years, 1934–54

Year	Notes insured (net proceeds)	Claims for insurance paid	Recoveries on defaulted notes purchased			
			Total recoveries	Cash receipts		Real properties
				On notes	On sales of repossessed equipment	
1934	$27,405,525					
1935	201,258,132	$447,448	$9,916	$9,916		
1936	221,534,922	5,884,885	293,207	272,694	$20,513	
1937	54,344,338	6,890,807	942,295	913,758	28,537	
1938	150,709,152	6,016,306	1,552,417	1,489,044	63,373	
1939	203,994,512	4,728,340	1,941,953	1,919,524	22,429	
1940	241,734,821	6,543,508	1,002,540	[illegible]	13,859	
1941	248,638,549	7,265,059	2,539,496	2,335,107	11,853	$192,536
1942	141,163,308	7,132,210	2,831,754	2,795,685	−1,524	37,593
1943	87,194,156	3,718,643	4,168,859	4,024,096	717	144,046
1944	113,939,150	1,939,261	3,597,858	3,558,901	−159	39,116
1945	170,823,788	1,588,875	2,851,513	2,775,337	1,093	75,083
1946	320,593,183	2,435,964	3,058,351	2,772,487	7,270	278,594
1947	533,604,178	5,829,750	2,346,108	2,345,022	239	847
1948	621,012,484	14,345,659	2,503,044	2,499,536	752	2,756
1949	607,023,920	17,493,909	3,414,216	3,413,258	657	301
1950	700,224,528	18,168,052	5,208,863	5,187,283		21,580
1951	706,962,734	12,164,740	6,711,469	6,510,589	−50	200,930
1952	848,327,393	11,524,344	7,459,729	7,202,020	902	256,807
1953	1,334,287,124	14,995,408	7,605,902	7,533,730		72,172
1954	890,606,372	[1] 21,051,922	[1] 6,967,256	6,949,184		[1] 18,072
Total	8,425,982,359	170,165,246	67,906,746	66,395,852	170,461	1,340,433

[1] Includes claim payable on real property acquired in the amount of $4,508.

NOTES.—In addition to the above recoveries, $6,391,011 interest and other income on outstanding balances of Title I notes, and $153,533 interest on mortgage notes had been collected through Dec. 31, 1954.

Equipment in the total amount of $4,475,792 (claim amount) had been repossessed by FHA. However, only the cash recovery of $170,461 from sales is shown as a recovery, the balance of $4,305,331 having been treated as a loss. Of this amount, $3,979,705 represents equipment transferred to other Government agencies without exchange of funds; $322,833 loss on sale of equipment and $2,793 equipment destroyed as worthless.

Recoveries

Upon payment of insurance claims, the notes and other claims against the borrowers become the property of the Federal Housing Administration for collection or other disposition.

Real properties acquired are managed and sold by the Property Management Division of the Federal Housing Administration, which also handles the acquisition, management, and disposition of real properties acquired under the various other FHA insurance programs.

Through December 31, 1954, there had been acquired under the terms of insurance a total of 542 real properties at a total cost of $1,520,718. All but 7 of these, with a cost of $32,142, had been sold at a net loss of $53,921, including all expenses (such as taxes, repairs, and sales commissions) incurred by FHA in acquiring, managing, and disposing of the properties.

Insurance losses through December 31, 1954, amounted to $84,084,054. These losses represent 1.00 percent of the total amount of loans insured ($8,425,982,259). A summary of transactions through December 31, 1954, follows:

Summary of Title I transactions for the period June 30, 1934, to Dec. 31, 1954

	Total Title I transactions to Dec. 31, 1954	Percent to notes insured
Total notes insured	$8,425,982,359	100.000
Total claims paid	[1] 170,105,246	2.020
		Percent to claims paid
Recoveries:		
Cash collections:		
On notes	66,395,852	30.018
On sale of repossessed equipment	170,461	.100
Total cash	66,566,313	39.118
Real properties (after deducting losses and reserve for losses on real properties and mortgage notes)	[1] 1,340,433	.788
Total recoveries	67,906,746	39.906
Net notes in process of collection	18,174,446	10.681
Losses:		
Loss on sale of real properties	53,921	.032
Loss on repossessed equipment	4,305,331	2.530
Loss on defaulted Title I notes	38,907,173	22.864
Reserve for loss on real properties and mortgage notes	12,508	.007
Reserve for loss on defaulted Title I notes	40,805,121	23.980
Total losses	84,084,054	49.413

[1] Includes 1 claim payable on real properties acquired in the amount of $4,508.

NOTE.—Included in the loss on repossessed equipment is $3,979,705 representing the cost (claim amount) of equipment repossessed by FHA and subsequently transferred to other Government agencies for their use. Although the Federal Government has received the benefit of the residual value of this equipment, the cost to Title I is shown as a loss, since the equipment was transferred without exchange of funds.

Title I Insurance Fund

The Title I Insurance Fund was established by amendment of June 3, 1939, to the National Housing Act for the purpose of carrying out the provisions of Title I (Sec. 2) on insurance granted on and after July 1, 1939.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by the mortgagors in the form of participation payments.

Section 2(f) of the Act provides that moneys in the Title I Insurance Fund shall be available for defraying the operating expenses of the Federal Housing Administration under this title, and any amounts which are not needed for such purpose may be used for the payment of claims in connection with the insurance granted under this title. Section 2(f) of the Act as amended August 2, 1954, provides that moneys in this fund not needed for current operations may be invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by the United States Government. At December 31, 1954, this fund held $38,000,000 Special Series 2 percent Treasury notes.

Since the establishment of the Title I Insurance Fund, all operating expenses have been paid out of earnings of the fund, and since July 1, 1944, all insurance claims relating to this fund have been paid out of accumulated earnings and recoveries in the fund. Prior to July 1, 1944, a portion of the insurance claims was met from income and recoveries while the remainder was paid from funds advanced by the Federal Government.

The total capital of the Title I Insurance Fund as of June 30, 1954, as shown in Statement 6, was $29,387,380, consisting entirely of earned surplus. In accordance with Public Law 5, 83d Congress, approved March 10, 1953, the amount of capital contributed to this fund by the United States Government, $8,333,314 was established as a liability of the fund as of June 30, 1953. On July 1, 1953, the entire amount was repaid and the liability liquidated.

STATEMENT 6

Comparative statement of financial condition, Title I Insurance Fund, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$36,662,362	$41,309,647	$4,647,285
Loans receivable:			
Mortgage notes and contracts for deed	522,421	526,489	4,068
Less reserve for losses	7,836	7,897	61
Net loans receivable	514,585	518,592	4,007
Accounts and notes receivable:			
Accounts receivable—Insurance premiums	8,002,635	3,093,370	−4,909,265
Accounts receivable—Other	26,851	38,101	11,250
Accounts receivable—Interfund	149,749	137,995	−11,754
Total accounts and notes receivable	8,179,235	3,269,466	−4,909,769
Acquired security or collateral:			
Real estate (at cost plus expenses to date)	72,812	38,446	−34,366
Less reserve for losses	10,655	5,514	−5,141
Net real estate	62,157	32,932	−29,225
Defaulted Title I notes	49,926,575	55,719,524	5,792,949
Less reserve for losses	35,222,799	38,416,180	3,193,381
Net defaulted Title I notes	14,703,776	17,303,344	2,599,568
Net acquired security or collateral	14,765,933	17,336,276	2,570,343
Total assets	60,122,115	62,433,981	2,311,866
LIABILITIES			
Accounts payable: Bills payable to vendors and Government agencies	729,941	1,757,658	1,027,717
Trust and deposit liabilities: Deposits held for mortgagors, lessees, and purchasers	8,800	10,575	1,775
Deferred and undistributed credits:			
Unearned insurance premiums	29,073,351	31,272,484	2,199,133
Other		5,884	5,884
Total deferred and undistributed credits	29,073,351	31,278,368	2,205,017
Other liabilities: Funds advanced by U. S. Treasury	8,333,314		−8,333,314
Total liabilities	38,145,406	33,046,601	−5,098,805
CAPITAL			
Earned surplus: Insurance reserve fund (cumulative earnings) available for future losses and related expenses	21,976,709	29,387,380	7,410,671
Total liabilities and capital	60,122,115	62,433,981	2,311,866

For the fiscal year 1954, Title I Insurance Fund income totaled $20,493,395, while expenses and losses amounted to $9,874,458, leaving $10,618,937 net income before adjustment of valuation reserves. After the valuation reserves were increased by $3,188,031, there remained $7,430,636 net income for the year.

STATEMENT 7

Income and expenses, Title I Insurance Fund, through June 30, 1953, and June 30, 1954

	June 3, 1939, to June 30, 1953	July 1, 1953, to June 30, 1954	June 3, 1939, to June 30, 1954
Income:			
Interest and dividends:			
Interest on mortgage notes and contracts for deed	$80,774	$20,869	$101,643
Interest and other income on defaulted Title I notes	2,998,378	729,245	3,727,623
	3,079,152	750,114	3,829,266
Insurance premiums and fees:			
Premiums	96,370,835	19,746,243	116,117,078
Fees	369,304		369,304
	96,740,139	19,746,243	116,486,382
Other income: Miscellaneous income	2,962	−2,962	
Total income	99,822,253	20,493,395	120,315,648
Expenses:			
Administrative expenses: Operating costs	21,086,364	3,295,824	24,402,153
Other expenses:			
Depreciation on furniture and equipment	113,897	15,546	129,443
Miscellaneous expenses	256,189	16,762	272,951
	370,086	32,308	402,394
Losses and chargeoffs:			
Loss on sale of acquired properties	21,876	3,779	25,655
Loss on equipment	42,039	392	42,431
Loss on defaulted Title I notes	20,083,889	6,542,155	26,626,044
	20,147,804	6,546,326	26,694,130
Total expenses	41,604,254	9,874,458	51,498,677
Net income before adjustment of valuation reserves	58,217,999	10,618,937	68,816,971
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−7,836	−61	−7,897
Reserve for loss on real estate	−10,655	+5,141	−5,514
Reserve for loss on defaulted Title I notes	−35,222,799	−3,193,381	−38,416,180
Net adjustment of valuation reserves	−35,241,290	−3,188,301	−38,429,591
Net income	22,976,709	7,430,636	30,387,380

ANALYSIS OF EARNED SURPLUS

Distribution of net income: Earned surplus:			
Balance at beginning of period		$21,976,709	
Adjustments during the period		−19,965	
Net income for the period	$22,976,709	7,430,636	$30,387,380
Total	22,976,709	29,387,380	30,387,380
Capital contributions to other FHA insurance funds	−1,000,000		−1,000,000
Balance at end of period	21,976,709	29,387,380	29,387,380

Title I Insurance Authority

An amendment to Section 2(a) of the National Housing Act approved April 20, 1950, provides for a revolving type of insurance authorization. Section 2(a) of the Act, as amended, provides that

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the aggregate amount of obligations that may be outstanding at any one time shall not exceed $1,750,000,000. The status of the Title I, Section 2 insurance authority as of December 31, 1954, is given below:

Status of Title I insurance authority, as of Dec. 31, 1954

Insurance authority		$1,750,000,000
Charges against insurance authority:		
Estimated outstanding balance of insurance in force:		
Amendment of June 3, 1939	$1,529,826	
Reserve of July 1, 1947	15,361,867	
Reserve of Mar. 1, 1950 (including 53,765 notes on loan reports in process)	1,375,537,240	
Total charges against authority		1,392,428,933
Unused insurance authority		357,571,067

Title I Insurance Liability

The maximum amount of claims that a qualified institution may present for payment is limited to 10 percent of the eligible loans reported by that institution for insurance. Section 2(a) of the Act, as amended August 2, 1954, provides that with respect to any loan, advance of credit, or purchase made after the effective date of the Housing Act of 1954, the amount of any claim for loss on such individual loan, advance of credit, or purchase paid by the Commissioner under the provisions of this section to a lending institution shall not exceed 90 per centum of such loss. This new coinsurance provision of Title I became effective October 1, 1954, and from that date the lender has been required to bear 10 percent of the loss sustained on any one loan. As of December 31, 1954, the maximum possible liability of the Title I Insurance Fund for claims was $237,148,026.

Insurance reserves under Title I, established, released, and outstanding at Dec. 31, 1954, as provided under Secs. 2 and 6, National Housing Act

Item	Gross reserves established	Reserves released	Semiannual reserve adjustments	Claims paid	Outstanding contingent liability
Insurance reserves:					
Sec. 2:					
20 percent, original act	$66,331,509	$50,769,729		$15,561,780	
10 percent, amendment Apr. 3, 1936	17,257,563	10,647,672		6,609,891	
10 percent, amendment Feb. 3, 1938	27,302,148	18,041,547		9,260,601	
10 percent, amendment June 3, 1939	86,068,194	64,120,045		20,418,323	$1,529,826
10 percent, reserve of July 1, 1944	85,459,950	61,227,415		24,232,535	
10 percent, reserve of July 1, 1947	163,005,172	101,641,055		46,002,250	15,361,867
10 percent, reserve of Mar. 1, 1950	430,118,858		$165,070,368	47,958,916	217,089,574
Estimated loan reports in process	3,166,759				3,166,759
Sec. 6:					
20 percent, amendment Apr. 22, 1937	297,366	246,498		50,868	
10 percent, amendment Apr. 17, 1936	11,913	6,330		5,574	
Total	879,079,432	306,700,300	165,070,368	[1] 170,160,738	237,148,026

[1] Excludes 1 claim payable on real property acquired in the amount of $4,058.

Title I Claims Account

Through June 30, 1954, the Federal Government had advanced a total of $38,243,525 to cover operations under Title I (Sec. 2) on insurance granted prior to July 1, 1939. Of this amount, $6,613,811 had been advanced for salaries and expenses and the remaining $31,629,714 for the payment of insurance claims and loans to insured institutions. In addition, $2,327,473 had been collected as interest and other income, making a total of $40,570,998 accountable funds.

Funds accounted for at June 30, 1954, amounted to $40,506,511: $19,184,143 representing recoveries and interest on claims deposited in the general fund of the Treasury, and $21,322,368 representing expenses and losses, leaving a balance to be accounted for of $64,487. This balance is accounted for by the net assets on hand at June 30, 1954, which consisted of $24,202 cash, $798 real property, $40,107 accounts and notes receivable, and $620 trust liabilities. In accordance with a provision of the Housing Act of 1954, this account was merged with the Title I Insurance Fund as of August 1, 1954.

STATEMENT 8

Title I Claims Account—Statement of accountability for funds advanced as of June 30, 1954

Advances from RFC for:			
Payment of claims	$31,488,714		
Loans to insured institutions	141,000		
Payment of salaries and expenses	6,613,811		
		$38,243,525	
Income from operations: Interest and other income on defaulted notes.		2,327,473	
Total funds available			$40,570,998
Recoveries on claims and loans to insured institutions deposited in the general fund of the Treasury		$19,184,143	
Salaries and expenses		6,613,811	
Losses, including estimated future losses:			
Sale of real property	$26,747		
Repossessed equipment	4,259,330		
Defaulted notes	10,422,283		
Provision for loss on real property on hand	197		
		14,708,557	
Total funds used			40,506,511
Balance of funds to be accounted for			64,487
Accountability represented by:			
Assets on hand:			
Cash		$24,202	
Accounts receivable and accrued assets		2,601	
Mortgage notes	$4,640		
Less estimated future losses	69		
		4,571	
Real property	995		
Less estimated future losses	197		
		798	
Defaulted notes	787,794		
Less estimated future losses	754,859		
		32,935	
Total assets on hand		65,107	
Liabilities:			
Deposits held for account of mortgagors and lessees		620	
Net assets on hand			64,487

Title I Housing Insurance Fund

An amendment of April 20, 1950, to the National Housing Act (Public Law 475, 81st Cong.) created the Title I Housing Insurance Fund to be used by the FHA Commissioner as a revolving fund for carrying out the provisions of Section 8 of Title I of the Act. This section provided for the insurance of mortgages to assist families of low and moderate income, particularly in suburban and outlying areas. For the purposes of this fund, the Act authorized the Commissioner to transfer the sum of $1,000,000 from the Title I Insurance Fund.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

Title I Housing Insurance Fund Capital and Net Income

Assets of the Title I Housing Insurance Fund at June 30, 1954 totaled $2,446,075, against which there were outstanding liabilities of $996,813, leaving $1,449,262 capital. Included in the capital is the sum of $1,000,000 which was transferred from the Title I Insurance Fund in accordance with Section 8(h) of the Act, and earned surplus of $449,262.

STATEMENT 9

Comparative statement of financial condition, Title I Housing Insurance Fund, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$310, 350	$743, 349	$432, 999
Investments: U. S. Government securities (amortized)	957, 209	1, 406, 788	449, 579
Loans receivable:			
Mortgage notes and contracts for deed		228, 269	228, 269
Less reserve for losses		3, 424	3, 424
Net loans receivable		224, 845	224, 845
Accounts and notes receivable: Accounts receivable—Insurance premiums	6, 194	9, 639	3, 445
Accrued assets: Interest on U. S. Government securities	990	989	−1
Acquired security or collateral:			
Real estate (at cost plus expenses to date)	24, 439	70, 582	46, 143
Less reserve for losses	3, 448	10, 117	6, 669
Net acquired security or collateral	20, 991	60, 465	39, 474
Total assets	1, 295, 734	2, 446, 075	1, 150, 341
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies		170	170
Interfund	34	1, 728	1, 694
Total accounts payable	34	1, 898	1, 864
Accrued liabilities: Interest on debentures	286	969	683
Trust and deposit liabilities:			
Fee deposits held for future disposition	79, 547	652, 735	573, 188
Excess proceeds of sale		391	391
Deposits held for mortgagors, lessees, and purchasers		2, 830	2, 830
Total trust and deposit liabilities	79, 547	655, 956	576, 409
Deferred and undistributed credits: Unearned insurance premiums	172, 758	274, 890	102, 132
Bonds, debentures and notes payable: Debentures payable	22, 850	63, 100	40, 250
Total liabilities	275, 475	996, 813	721, 338
CAPITAL			
Capital contributions from other FHA insurance funds	1, 000, 000	1, 000, 000	
Earned surplus:			
Insurance reserve fund (cumulative earnings) available for future losses and related expenses	20, 259	449, 262	429, 003
Total capital	1, 020, 259	1, 449, 262	429, 003
Total liabilities and capital	1, 295, 734	2, 446, 075	1, 150, 341
Contingent liabilities for certificates of claim on properties on hand	1, 723	3, 500	1, 777

The total income of the Title I Housing Insurance Fund for fiscal year 1954 amounted to $1,081,665, while expenses and losses totaled $650,871, leaving net income of $430,794 before adjustment of the valuation reserves. The valuation reserves were increased $10,093, resulting in a net income of $420,701 for the year.

STATEMENT 10

Income and expenses, Title I Housing Insurance Fund, through June 30, 1953, and June 30, 1954

	April 20, 1950, to June 30, 1953	July 1, 1953, to June 30, 1954	April 20, 1950, to June 30, 1954
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$63,726	$26,337	$90,063
Interest—Other		967	967
	63,726	27,304	91,030
Insurance premiums and fees:			
Premiums	461,117	397,267	858,384
Fees	690,681	657,094	1,347,775
	1,151,798	1,054,361	2,206,159
Total income	1,215,524	1,081,665	2,297,189
Expenses:			
Administrative expenses: Operating costs	1,186,181	639,136	1,817,015
Other expenses: Depreciation on furniture and equipment	5,882	3,017	8,899
Losses and chargeoffs:			
Loss on sale of acquired properties		8,042	8,042
Loss (or profit−) on equipment	−246	76	−170
	−246	8,718	8,472
Total expenses	1,191,817	650,871	1,834,386
Net income before adjustment of valuation reserves	23,707	430,794	462,803
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable		−3,424	−3,424
Reserve for loss on real estate	−3,448	−6,669	−10,117
Net adjustment of valuation reserves	−3,448	−10,093	−13,541
Net income	20,259	420,701	449,262
ANALYSIS OF EARNED SURPLUS			
Distribution of net income: Earned surplus:			
Balance at beginning of period		$20,259	
Adjustments during the period		8,302	
Net income for the period	$20,259	420,701	$449,262
Balance at end of period	20,259	449,262	449,262

Investments

Section 8(i) of the Act provides that moneys in the Title I Housing Insurance Fund not needed for current operations shall be deposited with the Treasurer of the United States to the credit of the fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by the United States; or the Commissioner may, with the approval of the Secretary of the Treasury, purchase debentures issued under the fund, provided that such purchases are made at a price that will produce an investment yield not less than the yield obtainable from other authorized investments. During fiscal year 1954, $4,550 of Series L 2½ percent debentures were purchased from FNMA and $225,350 were called for redemption. During the fiscal year 1954, net investments amounting to $450,000 were made for the account of this fund, and at June 30, 1954 the fund held bonds in the principal amount of $1,400,000, yielding 2.30 percent, as follows:

Investments of the Title I Housing Insurance Fund, June 30, 1954

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1058	2	$450,000	$450,000	$450,000
1967–72	2½	958,367	950,000	956,788
Average annual yield 2.30 percent		1,408,367	1,400,000	1,406,788

Properties Acquired Under the Terms of Insurance

During the calendar year 1954, 25 properties insured under Title I, Section 8, were acquired by the Commissioner under the terms of insurance. Through December 31, 1954, a total of 82 homes had been acquired under the Title I Housing Insurance Fund at a total cost of $411,740, and 62 were sold at prices which left a net charge against the fund of $13,104, or an average of $211 per case.

STATEMENT 11

Statement of profit and loss on sale of acquired properties, Title I Housing Insurance Fund, through Dec. 31, 1954

Items	Total TIHI Fund (62 properties)
Proceeds of sales:	
Sales price [1]	$294,690
Less commission and other selling expense	9,279
Net proceeds of sales	285,411
Income:	
Rental and other income (net)	686
Mortgage note income	9,221
Total income	9,907
Total proceeds of sold properties	295,318
Expenses:	
Debentures and cash adjustments	275,515
Interest on debentures	11,786
Taxes and insurance	3,561
Maintenance and operating expense	16,508
Total expenses	307,370
Net profit (or loss —) before distribution of liquidation profits	—12,052
Less distribution of liquidation profits:	
Certificates of claim	912
Increment on certificates of claim	13
Refunds to mortgagors	127
Loss to Title I Housing Insurance Fund	13,104
Average loss to Title I Housing Insurance Fund	211

[1] Analysis of terms of sales:

Terms of sales	Number of properties	Number of notes	Cash	Mortgage notes	Sales price
Properties sold for all cash	1		$3,800		$3,800
Properties sold for cash and notes (or contracts for deed)	60	60	16,915	$266,975	283,890
Properties sold for notes only	1	1		7,000	7,000
Total	62	61	20,715	273,975	294,690

The turnover of Section 8 properties acquired and sold, by calendar year, is given below:

STATEMENT 12

Turnover of properties acquired under Sec. 8 of Title I, through Dec. 31, 1954

Properties acquired		Properties sold, calendar years			Properties on hand Dec. 31, 1954
Year	Number	1952	1953	1954	
1952	2			1	1
1953	55		7	46	2
1954	25			8	17
Total	82		7	55	20

NOTE.—On the 62 properties sold, the average time between acquisition and sale by the Federal Housing Administration was 5.83 months.

On December 31, 1954, there remained on hand 20 properties insured under the Title I Housing Insurance Fund. The cost of these properties was:

Title I Housing Insurance Fund, statement of properties on hand at Dec. 31, 1954

	Title I Sec. 8 (20 properties)
Expenses:	
Acquisition costs	$96,011
Interest on debentures	2,981
Taxes and insurance	2,207
Maintenance and operating expenses	2,747
Net cost of properties on hand	103,946

Section 8 of the Act provides that if the net amount realized from any property acquired by FHA under the terms of insurance with respect to which Section 8 is applicable, after deducting all expenses incurred in handling, dealing with, and disposing of such property, exceeds the face value of debentures issued and cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be applied to the certificate of claim issued to the mortgagee, and that any excess remaining after paying the certificate of claim and increment thereon shall be refunded to the mortgagor.

Certificates of claim issued in connection with the 62 Section 8 properties which had been acquired and sold through 1954 totaled $13,571. The amount to be paid on these certificates of claim totaled $912, while certificates of claim totaling $12,659 will be canceled.

In addition there were excess proceeds on 2 of the 62 properties sold, amounting to $127 for refund to the mortgagors.

Title II: Mutual Mortgage Insurance Fund

The Mutual Mortgage Insurance Fund was established by Section 202 of the National Housing Act of June 27, 1934, as a revolving fund for carrying out the provisions of Title II with respect to insurance under Section 203 (mortgages on 1- to 4-family homes) and Section 207 (rental housing projects). An amendment to the Act approved February 3, 1938, established the Housing Insurance Fund to carry the insurance on rental housing projects insured under Section 207 after that date.

In accordance with Section 202 of the Act, the Mutual Mortgage Insurance fund was originally allocated the sum of $10,000,000 by the Federal Government. It has been credited with all income received in connection with insurance granted under Section 203, and that received with respect to insurance granted under Section 207 before February 3, 1938.

Prior to the amendment of August 2, 1954, Section 205 of the Act, as amended, provided that mortgages insured under Section 203 should be classified into groups in accordance with sound actuarial practice and risk characteristics. Each group account was credited with the income and charged with the expenses and losses of the mortgages in the group. If such income exceeded the expenses and losses, the resultant credit balance was distributed in the form of participation payments to mortgagors of the group upon payment in full of their mortgages, or upon termination of the group account, except that a mortgagor might not receive an amount in excess of the aggregate scheduled annual premiums to the year of termination of the insurance.

The general reinsurance account was established by Section 205(b) of the Act and, in accordance with this section, was credited with the original allocation of $10,000,000 provided by Section 202 of the Act.

The amendment to Section 205 of the Act approved August 2, 1954, provided as follows: The Commissioner shall establish as of July 1, 1954, a General Surplus Account and a Participating Reserve Account. The balance of the General Reinsurance Account shall be transferred to the General Surplus Account, whereupon the General Reinsurance Account shall be abolished. There shall be transferred from the various group accounts to the Participating Reserve Account as of July 1, 1954, an amount equal to the aggregate amount which would have been distributed under the provisions of Section 205 in effect on June 30, 1954, if all outstanding mortgages in the group accounts had been paid in full on that date. All the remaining balances of the group accounts shall be transferred to the General Surplus Account, whereupon all the group accounts shall be abolished. The aggregate net income received or net loss sustained thereafter by the Mutual Mortgage Insurance Fund in any semiannual period shall be credited or charged to the General Surplus Account and/or the Participating Reserve Account in such manner and amount as the Commissioner may determine to be in accord with sound actuarial and accounting practice. Upon termination of the insurance obligation of the Mutual Mortgage Insurance Fund by payment of any mortgage insured thereunder, the Commissioner is authorized to distribute to the mortgagor a share of the Participating Reserve Account in such manner and amount as the Commissioner shall determine to be equitable and in accordance with sound actuarial and accounting practice, except that a mortgagor may not receive an amount in excess of the aggregate scheduled annual premium to the year of termination of the insurance.

Mutual Mortgage Insurance Fund Capital

As of June 30, 1954, the assets of the Mutual Mortgage Insurance Fund totaled $235,362,240, against which there were outstanding liabilities of $171,163,877, leaving $64,198,363 capital. Included in the liabilities are the statutory reserves of $127,758,732. This figure includes $26,105,714 for transfer to the general reinsurance account

STATEMENT 13

Comparative statement of financial condition, Mutual Mortgage Insurance Fund, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$6,963,330	$13,275,595	$6,312,265
Investments: U. S. Government securities (amortized)	234,304,182	212,178,240	−22,125,942
Loans receivable:			
Mortgage notes and contracts for deed	5,223,347	5,373,045	149,698
Less reserve for losses	78,351	80,593	2,242
Net loans receivable	5,144,096	5,292,452	147,456
Accounts and notes receivable:			
Accounts receivable—Insurance premiums	1,245,813	995,226	−250,587
Accounts receivable—Other		167	167
Accounts receivable—Interfund	856,088	777,490	−78,598
Total accounts and notes receivable	2,101,901	1,772,883	−329,018
Accrued assets: Interest on U. S. Government securities	528,507	511,320	−17,187
Acquired security or collateral:			
Real estate (at cost plus expenses to date)	1,406,294	2,730,841	1,324,547
Less reserve for losses	188,959	399,091	210,132
Net acquired security or collateral	1,217,335	2,331,750	1,114,415
Total assets	250,260,251	235,362,240	−14,898,011
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	881	4,303	3,422
Group account participations payable	1,762,175	1,524,660	−237,515
Total accounts payable	1,763,056	1,528,963	−234,093
Accrued liabilities:			
Interest on debentures	128,027	190,043	62,016
Interest on funds advanced by U. S. Treasury	16,606,504		−16,606,504
Total accrued liabilities	16,734,531	190,043	−16,544,488
Trust and deposit liabilities:			
Fee deposits held for future disposition	4,648,458	4,577,257	−71,201
Excess proceeds of sale	217,896	299,464	81,568
Deposits held for mortgagors, lessees, and purchasers	99,344	87,997	−11,347
Total trust and deposit liabilities	4,965,698	4,964,718	−980
Deferred and undistributed credits: Unearned insurance premiums	24,440,438	26,757,435	2,316,997
Bonds, debentures, and notes payable: Debentures payable	8,408,686	9,963,986	1,555,300
Other liabilities: Funds advanced by the U. S. Treasury	41,994,095		−41,994,095
Statutory reserves:			
For transfer to general reinsurance reserve	30,966,814	26,105,714	−4,861,100
Net balances of group accounts available for contingent losses, expenses, other charges, and participations	117,301,384	101,653,018	−15,648,366
Total statutory reserves	148,268,198	127,758,732	−20,509,466
Total liabilities	246,574,702	171,163,877	−75,410,825
CAPITAL			
Earned surplus: General reinsurance reserve fund (cumulative earnings) available for future losses and related expenses	3,685,549	64,198,363	60,512,814
Total liabilities and capital	250,260,251	235,362,240	−14,898,011
Contingent liability for certificates of claim on properties on hand	68,367	120,435	52,068

and $101,653,018 available for contingent losses, expenses, other charges, and participation payments to mortgagors under the mutual provision of the Act.

In accordance with Public Law 94, 83d Congress, approved June 30, 1953, the amount of capital contributed to this fund by the United States Government in the amount of $41,994,095, $10,000,000 to establish the fund and $31,994,095 for salaries and expenses, was established as a liability of the fund as of June 30, 1953. The principal liability of $41,994,095, together with interest thereon in the amount of $17,059,847, was repaid during fiscal year 1954, the final payment being made on March 11, 1954.

Income and Expenses

During fiscal year 1954 the income to the fund amounted to $69,630,208, while expenses and losses amounted to $22,459,380, leaving $47,170,828 net income before adjustment of valuation reserves. After the valuation reserves had been increased $212,374, the net income for the year was $46,958,454.

The cumulative income of the Mutual Mortgage Insurance Fund from June 30, 1934, to June 30, 1954, amounted to $493,962,994 while cumulative expenses amounted to $246,393,449, leaving $247,569,545 net income before adjustment of valuation reserves. After $479,684 had been allocated to valuation reserves, the cumulative net income amounted to $247,089,861.

STATEMENT 14

Income and expenses, Mutual Mortgage Insurance Fund, through June 30, 1953, and June 30, 1954

	June 30, 1934, to June 30, 1953	July 1, 1953, to June 30, 1954	June 30, 1934, to June 30, 1954
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$37,080,118	$5,436,832	$42,525,950
Interest—Other	3,965,457	472,539	4,437,996
Dividends on rental housing stock	286	------------	286
	41,054,861	5,909,371	46,964,232
Insurance premiums and fees:			
Premiums	294,879,136	52,402,479	347,281,615
Fees	86,799,363	10,879,262	97,678,625
	381,678,499	63,281,741	444,960,240
Other income:			
Profit on sale of investments	1,585,294	244,521	1,829,815
Miscellaneous income	14,132	194,575	208,707
	1,599,426	439,096	2,038,522
Total income	424,332,786	69,630,208	493,962,994

STATEMENT 14—Continued

Income and expenses, Mutual Mortgage Insurance Fund, through June 30, 1953, and June 30, 1954—Continued

	June 30, 1934, to June 30, 1953	July 1, 1953, to June 30, 1954	June 30, 1934, to June 30, 1954
Expenses:			
Interest expense:			
Interest on funds advanced by U. S. Treasury	$16,606,504	$453,343	$17,059,847
Interest on debentures	4,609,923	509,020	5,118,943
	21,216,427	962,363	22,178,790
Administrative expenses: Operating costs	198,758,886	21,078,029	219,942,456
Other expenses:			
Depreciation on furniture and equipment	1,092,856	99,385	1,192,241
Miscellaneous expenses	18,226	201,372	219,598
	1,111,082	300,757	1,411,839
Losses and chargeoffs:			
Loss on sale of acquired properties	2,767,323	115,721	2,883,044
Loss (or profit —) on equipment	−25,190	2,510	−22,680
	2,742,133	118,231	2,860,364
Total expenses	223,828,528	22,459,380	246,393,449
Net income before adjustment of valuation reserves	200,504,258	47,170,828	247,569,545
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−78,351	−2,242	−80,593
Reserve for loss on real estate	−188,959	−210,132	−399,091
Net adjustment of valuation reserves	−267,310	−212,374	−479,684
Net income	200,236,948	46,958,454	247,089,861

ANALYSIS OF EARNED SURPLUS

Distribution of net income:			
Statutory reserves:			
Balance at beginning of period	------------	$148,268,198	------------
Adjustments during period	------------	−62,410,303	------------
Net income for period	$195,551,399	48,750,402	$181,891,498
	195,551,399	134,608,297	181,891,498
Participations in mutual earnings distributed	−47,283,201	−6,849,565	−54,132,766
Balance at end of period	148,268,198	127,758,732	127,758,732
Earned surplus:			
Balance at beginning of period	------------	3,685,549	------------
Adjustments during period	------------	62,304,762	------------
Net income (or loss —) for period	4,685,549	−1,791,948	65,198,363
	4,685,549	64,198,363	65,198,363
Capital contributions to other FHA insurance funds	−1,000,000	------------	−1,000,000
Balance at end of period	3,685,549	64,198,363	64,198,363

Investments

Section 206 of the Act provides that excess moneys in the Mutual Mortgage Insurance Fund not needed for current operations shall be deposited with the Treasurer of the United States to the credit of the fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by the United States; or the Commissioner may, with the approval of the Secretary of the Treasury, purchase debentures issued under the fund, provided that such purchases are made at a price which will produce an investment yield not less than the yield obtainable from other authorized investments.

During the fiscal year 1954, $76,550 of Series A 3-percent Mutual Mortgage Insurance Fund debentures matured and were paid and $152,000 were redeemed in payment of mortgage insurance premiums; $62,800 of Series E 2¾ percent were purchased from FNMA, $314,750 were redeemed in payment of mortgage insurance premiums, and $227,900 were called for redemption; $78,500 Series K 2½ percent were redeemed in payment of mortgage insurance premiums, $49,800 were purchased from FNMA, and $71,500 were called for redemption.

Net sales of United States Government securities made during the year decreased the holdings of the fund by $22,400,000 (prinicpal amount). These transactions did not change the average annual yield, which remained at 2.49 percent. On June 30, 1954, the fund held United States Government securities in the amount of $212,667,000, principal amount, as follows:

Investments of the Mutual Mortgage Insurance Fund, June 30, 1954

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1958	2	$9,800,000	$9,800,000	$9,800,000
1962–67	2½	5,000,000	5,000,000	5,000,000
1963–68	2½	4,500,000	4,500,000	4,500,000
1964–69	2½	21,038,603	21,400,000	21,080,136
1965–70	2½	25,546,515	25,900,000	25,580,448
1966–71	2½	21,737,555	22,100,000	21,766,727
1967–72	2½	124,636,165	123,967,000	124,450,929
Average annual yield 2.49 percent		212,258,838	212,667,000	212,178,240

Properties Acquired Under the Terms of Insurance

Four hundred and twenty-seven homes insured under Section 203 were acquired by the Commissioner during the calendar year 1954 under the terms of insurance. During 1953, 263 foreclosed properties had been transferred to the Commissioner, and in 1952 there had been 282. Through 1954, a total of 5,712 small homes had been acquired under the Mutual Mortgage Insurance Fund at a total cost of $34,439,679. Statement 15 shows the turnover of Section 203 acquired properties since the acquisition of the first such property in 1936.

STATEMENT 15

Turnover of properties acquired under Sec. 203 of Title II contracts of insurance by years, and cumulative through Dec. 31, 1954

Properties acquired		Properties sold by calendar years																		Properties on hand Dec. 31, 1954
Year	Number	1936–37	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
1936	13	11	2																	
1937	98	13	67	7	5	6														
1938	324		139	99	50	28	6	2	−1	1										
1939	753			278	331	110	28	3	2	1										
1940	1,123				611	448	46	14	3	1										
1941	1,044					754	257	29	2	2										
1942	502						355	139	8											
1943	168							140	27	1										
1944	33								26	7										
1945	8									7	1									
1946	1										1									
1947																				
1948	4												2	2						
1949	37													17	19	1				
1950	225														65	102	25	11	8	14
1951	407															188	173	17	10	19
1952	282																142	86	13	41
1953	263																	88	84	91
1954	427																		162	265
Total	5,712	24	208	384	997	1,346	692	327	67	20	2		2	19	84	291	340	202	277	430

NOTES.—On the 5,282 properties sold, the average time between acquisition and sale by the Federal Housing Administration was 6.41 months. The number of properties sold has been reduced by 22 properties repossessed because of default on mortgage notes. Of these reacquisitions, 19 had been sold by Dec. 31, 1954.

Through December 31, 1954, 5,282 acquired properties insured under Section 203 had been sold at prices which left a net charge against the fund of $2,968,293, or an average of approximately $562 per case. One Section 207 rental housing project, insured under the Mutual Mortgage Insurance Fund prior to February 3, 1938, had been acquired and sold in 1941 at no loss to the fund.

STATEMENT 16

Statement of profit and loss on sale of acquired properties, Mutual Mortgage Insurance Fund, through Dec. 31, 1954

Item	Sec. 203 (5,282 properties)	Sec. 207 (1 property, 265 units)	Total MMI Fund (5,283 properties)
Proceeds of sales:			
Sales price [1]	$27,645,290	$1,000,000	$28,645,290
Less commission and other selling expenses	1,282,847		1,282,847
Net proceeds of sales	26,362,443	1,000,000	27,362,443
Income:			
Rental and other income (net)	466,453		466,453
Mortgage note income	3,191,214		3,191,214
Total income	3,657,667		3,657,667
Total proceeds of sold properties	30,020,110	1,000,000	31,020,110
Expenses:			
Debentures and cash adjustments	26,519,360	942,145	27,461,505
Interest on debentures	3,655,846	18,387	3,674,233
Taxes and insurance	526,678	5,012	531,690
Additions and improvement	75,782		75,782
Maintenance and operating expense	1,278,456		1,278,456
Miscellaneous expense	4,945	1,669	6,614
Total expenses	32,061,067	967,213	33,028,280
Net profit (or loss −) before distribution of liquidation profits	−2,040,957	32,787	−2,008,170
Less distribution of liquidation profits:			
Certificates of claim	603,347	31,532	634,879
Increment on certificates of claim	39,421	1,255	40,676
Refunds to mortgagors	284,568		284,568
Loss to Mutual Mortgage Insurance Fund	2,068,293		2,068,293
Average loss to Mutual Mortgage Insurance Fund	502		

[1] Analysis of terms of sales—

Terms of sales	Number of properties	Number of notes	Cash	Mortgage notes	Sales price
Properties sold for all cash	830		$5,144,660		$5,144,660
Properties sold for cash and notes (or contracts for deed)	4,435	4,425	2,554,873	$20,884,781	23,439,654
Properties sold for notes only	17	17		60,976	60,976
Total	5,282	4,442	7,699,533	20,945,757	28,645,290

On December 31, 1954, 430 properties insured under the Mutual Mortgage Insurance Fund were held by the FHA. The cost of these properties was:

Mutual Mortgage Insurance Fund, statement of properties on hand at Dec. 31, 1954

	Sec. 203 (430 properties)
Expenses:	
Acquisition costs	$3,508,534
Interest on debentures	179,195
Taxes and insurance	87,333
Additions and improvements	15,524
Maintenance and operating expenses	142,348
Total expenses	3,932,934
Income: Rental and other income (net)	106,838
Net cost of properties on hand	3,826,096

Certificates of Claim and Refunds to Mortgagors

Section 204(f) of the Act provides that if the net amount realized from any property acquired by the FHA under the terms of insurance with respect to which Section 204(f) is applicable, after deducting all expenses incurred in handling, dealing with, and disposing of such property, exceeds the face value of debentures issued and cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be applied to the certificate of claim issued to the mortgagee, and that any excess remaining after paying the certificate of claim and increment thereon shall be refunded to the mortgagor.

Certificates of claim issued in connection with the 5,282 Section 203 properties which had been acquired and sold through 1954 totaled $2,210,296. The amount paid or to be paid on these certificates of claim totaled $603,347 (approximately 27 percent), while certificates of claim totaling $1,606,949 (approximately 73 percent) had been or will be canceled.

In addition, there were excess proceeds on approximately 17 percent (or 879) of the 5,282 sold properties amounting to $284,568, for refund to mortgagors. The refund to mortgagors on those 879 cases averaged $324.

Mutual Mortgage Participation Payments

In carrying out the mutual provisions of Title II prior to enactment of the Housing Act of 1954, the Administration had established through June 30, 1954, a total of 324 group accounts, of which 188 had developed credit balances for distribution and 136 had deficit balances. The 188 group accounts which had credit balances included 48 from which participation payments had been made at the time of termination.

Of the 136 deficit balance groups at June 30, 1954, 73 had been terminated with deficits totaling $158,247, and these deficits had been charged against the general reinsurance account. The income of the remaining 63 groups had not yet been sufficient to offset the expenses and reserves for losses.

The credit balances of the 48 group accounts which had matured and from which participation payments had been made at termination amounted to $1,797,146, and these balances were shared by 14,124 mortgagors. Payments to mortgagors ranged from $1.89 to $78.59 per $1,000 of original face amount of mortgage.

The first participation payments in connection with insured loans prepaid in full were made as of January 1, 1944, and during the 10½ years following that date total payments of $54,132,767 were made or accrued on 423,815 insured loans.

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The credit balances of the 140 groups, from which participation payments would have been made as insured loans were paid in full, amounted to $68,275,799 on June 30, 1954. On that date there were still in force in these group accounts approximately 472,176 insured mortgages on which the original face amount had been $2,684,677,109.

Title II: Housing Insurance Fund

The insurance risks on rental and group housing insured under Sections 207 and 210 after February 3, 1938, and on cooperative housing insured under Section 213 are liabilities of the Housing Insurance Fund, which was established by the amendment to the National Housing Act approved February 3, 1938.

Section 213, which was added to the Act by an amendment approved April 20, 1950, authorized the insurance of mortgages on cooperative housing projects. To be eligible for insurance under Section 213, the mortgagor must be a nonprofit cooperative ownership housing corporation, the permanent occupancy of the dwellings being restricted to members, or a nonprofit corporation organized for the purpose of building homes for members. In the latter instance provision is made for the release from the blanket mortgage of individual properties for sale to members and for the insurance of individual mortgages under Section 213 on such released properties.

Appraisal fees, insurance premiums, interest on investments, and income from projects acquired under the terms of insurance are deposited with the Treasurer of the United States to the credit of the Housing Insurance Fund. Foreclosure losses and general operating expenses of the Federal Housing Administration under Sections 207 and 210 since February 3, 1938, and under Section 213 are charged against the fund.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments. Any increase in the fund resulting from operations is retained as a general reserve to meet possible insurance losses and future expenses in connection with Sections 207, 210, and 213 insurance. In accordance with Section 207(h) of the Act, the excess proceeds, if any, from the sale of an acquired project, after deducting all costs incident to the acquisition, handling, and final disposition of such project, are applied to the mortgagee's certificate of claim and increment thereon, and any balance is credited to the Housing Insurance Fund, except that with respect to individual mortgages insured under the provisions of Section 213(d) any excess remaining after payment of the certificate of claim and increment thereon is for refund to the mortgagor. Prior to enactment of the amendments of August 10, 1948, to the National Housing Act, any excess remaining

after payment of the certificate of claim and increment thereon was refunded to the mortgagor.

Housing Insurance Fund Capital and Net Income

Assets of the Housing Insurance Fund as of June 30, 1954, totaled $12,339,262, against which there were outstanding liabilities of $5,172,934. The capital of the fund amounted to $7,166,328, represented by $6,490,000 capital contributions from other FHA insurance funds and earned surplus of $676,328.

In accordance with Public Law 94, 83d Congress, approved June 30, 1953, the amount of capital contributed to this fund by the United States Government for salaries and expenses in the amount of $4,170,024 was established as a liability of the fund as of June 30, 1953. This amount, together with interest thereon in the amount of $1,386,666, was repaid during fiscal year 1954, the final payment being made on October 31, 1953.

STATEMENT 17

Comparative statement of financial condition, Housing Insurance Fund, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (—)
ASSETS			
Cash with U. S. Treasury	$650, 452	$3, 172, 288	$2, 521, 836
Investments:			
U. S. Government securites (amortized)	5, 001, 010	3, 300, 951	—1, 700, 059
Other securities (stock in rental housing corporations)	27, 400	43, 500	16, 100
Total investments	5, 028, 410	3, 344, 451	—1, 683, 959
Loans receivable:			
Mortgage notes and contracts for deed	2, 571, 640	3, 999, 389	1, 427, 749
Less reserve for losses	38, 575	140, 656	108, 081
Net loans receivable	2, 533, 065	3, 852, 733	1, 319, 668
Accounts and notes receivable:			
Accounts receivable—Insurance premiums	31, 623	35, 428	3, 805
Accounts receivable—Interfund	15, 470	7, 200	—8, 270
Total accounts and notes receivable	47, 093	42. 628	—4, 465
Accrued assets: Interest on U. S. Government securities	3, 437	3, 438	1
Acquired security or collateral:			
Real estate (at cost plus expenses to date)	------	1, 699, 502	1, 099, 502
Less reserve for losses	------	669, 200	660, 290
Net real estate	------	1, 030, 212	1, 030, 212
Mortgage notes acquired under terms of insurance (at cost plus expenses to date)	1, 871, 947	1, 471, 506	—400, 441
Less reserve for losses	271, 725	577, 994	306, 269
Net mortgage notes acquired under terms of insurance	1, 600, 222	893, 512	—706, 710
Net acquired security or collateral	1, 600, 222	1, 923, 724	323, 502
Total assets	9, 862, 679	12, 339, 262	2, 476, 583

STATEMENT 17—Continued

Comparative statement of financial condition, Housing Insurance Fund, as of June 30, 1953, and June 30, 1954—Continued

	June 30, 1953	June 30, 1954	Increase or decrease (—)
LIABILITIES			
Accounts payable: Bills payable to vendors and Government agencies	$10	$49	$39
Accrued liabilities:			
Interest on debentures	21,079	44,533	23,454
Interest on funds advanced by U. S. Treasury	1,368,805		—1,368,805
Total accrued liabilities	1,389,884	44,533	—1,345,351
Trust and deposit liabilities:			
Excess proceeds of sale	87,450	128,606	41,156
Deposits held for mortgagors, lessees, and purchasers	79,864	172,400	92,536
Total trust and deposit liabilities	167,314	301,006	133,692
Deferred and undistributed credits:			
Unearned insurance premiums	926,510	1,389,783	463,273
Unearned insurance fees	288,458	508,110	219,652
Total deferred and undistributed credits	1,214,968	1,897,893	682,925
Bonds, debentures, and notes payable: Debentures payable	1,794,000	2,916,250	1,122,250
Other liabilities:			
Funds advanced by U. S. Treasury	4,170,024		—4,170,024
Reserve for foreclosure costs—Mortgage notes	17,159	13,203	—3,956
Total other liabilities	4,187,183	13,023	—4,173,980
Total liabilities	8,753,359	5,172.934	—3,580,425
CAPITAL			
Capital contributions from other FHA insurance funds	1,000,000	6,490,000	5,490,000
Earned surplus: Insurance reserve fund (cumulative earnings) available for future losses and related expenses	109,320	676,328	567,008
Total capital	1,109,320	7,166,328	6,057,008
Total liabilities and capital	9,862,679	12,339.262	2,476,583
Contingent liability for certificates of claim on properties on hand	35,520	58,791	23,271

During the fiscal year 1954 the income of the fund amounted to $3,725,196, while expenses and losses amounted to $2,080,172, leaving $1,645,024 net income before adjustment of valuation reserves. After the valuation reserves had been increased by $1,083,640, there remained $561,384 as net income for the year.

STATEMENT 18

Income and expenses, Housing Insurance Fund, through June 30, 1953, and June 30, 1954

	Feb. 3, 1938, to June 30, 1953	July 1, 1953, to June 30, 1954	Feb. 3, 1938, to June 30, 1954
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$926,126	$85,305	$1,011,431
Interest—Other	122,535	10,885	133,420
Dividends on rental housing stock	1,638	143	1,781
	1,050,299	96,333	1,146,632
Insurance premiums and fees:			
Premiums	8,041,081	1,809,368	9,850,449
Fees	4,079,679	1,819,495	5,899,174
	12,120,760	3,628,863	15,749,623
Other income: Profit on sale of investments	88,568		88,568
Total income	13,259,627	3,725,196	16,984,823
Expenses:			
Interest expenses: Interest on funds advanced by U. S. Treasury	1,368,805	17,861	1,386,666
Administrative expenses: Operating costs	11,472,496	2,159,025	13,625.897
Other expenses:			
Depreciation on furniture and equipment	70,495	10,191	80,686
Miscellaneous expenses	100		100
	70,595	10,191	80,786
Losses and chargeoffs:			
Loss (or profit —) on sale of acquired properties	—70,872	—107,163	—178,035
Loss (or profit —) on equipment	—1,017	258	—759
	—71,889	—106,905	—178,704
Total expenses	12,840,007	2,080,172	14,914,555
Net income (or loss —) before adjustment of valuation reserves	419,620	1,645,024	2,070,268
Increase (—) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	—38,575	—21,416	—146,656
Reserve for loss on real estate		—634,392	—669,290
Reserve for loss on mortgage notes acquired under terms of insurance	—271,725	—265,269	—577,994
Net adjustment of valuation reserves	—310,300	—921,077	—1,393,940
Net income before extraordinary nonrecurring expenses	109,320	723,947	676,328
Extraordinary nonrecurring expenses:			
Reserve for loss on loans receivable		—86,665	
Reserve for loss on real estate		—34,898	
Reserve for loss of mortgage notes acquired under terms of insurance		—41,000	
Total nonrecurring expenses		—162,563	
Net income	109,320	561,384	676,328

ANALYSIS OF EARNED SURPLUS

Distribution of net income: Earned surplus:			
Balance at beginning of period		$109,320	
Adjustments during period		5,624	
Net income for period	$109,320	561,384	$676,328
Balance at end of period	109,320	676,328	676,328

Investments

Section 207(p) of the National Housing Act provides that excess moneys not needed for current operations under the Housing Insurance Fund shall be deposited with the Treasurer of the United States to the credit of the Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by the United States, or, with the approval of the Secretary of the Treasury, used for the purchase of debentures issued under Section 207 and Section 204. In the fiscal year 1954, $1,177,650 of Series M 2½ percent debentures were purchased from FNMA and $139,550 were redeemed in payment of mortgage insurance premiums; and $370,000 of Series Q 2½ percent debentures were redeemed in payment of mortgage insurance premiums. During the fiscal year 1954, net sales of United States Government securities decreased the holdings of the fund $1,700,000 (principal amount). These transactions resulted in an increase in the average annual yield from 2.33 percent to 2.50 percent. On June 30, 1954, the fund held United States Government securities in the principal amount of $3,300,000, as follows:

Investments of the Housing Insurance Fund, June 30, 1954

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1962–67	2½	$1,500,000	$1,500,000	$1,500,000
1967–72	2½	1,801,438	1,800,000	1,800,951
Average annual yield 2.50 percent		3,301,438	3,300,000	3,300,951

Properties Acquired Under the Terms of Insurance

During 1954, no additional project mortgage notes insured under Section 207 or Section 213 were assigned to the FHA Commissioner. Title to 1 project (214 units) insured under Section 207 and 3 home properties insured under Section 213 were acquired under the terms of insurance, and in addition 2 Section 207 mortgage notes previously assigned to the Commissioner were acquired by foreclosure in 1954. Through December 31, 1954, a cumulative total of 20 rental housing projects and two mortgage notes insured under Section 207–210 of the Housing Insurance Fund, 3 project mortgage notes and 3 home properties insured under Section 213 had been acquired under the terms of insurance. Sixteen projects and 1 of the mortgage notes insured under Sections 207–210, and 1 project mortgage note and 1 home property insured under Section 213 had been sold at no loss to the Housing Insurance Fund. There remained on hand at December 31, 1954, 4 projects and 1 mortgage note insured under Section 207 and 2 mortgage notes and 2 home properties insured under Section 213, as follows:

Housing Insurance Fund, statement of properties on hand as of Dec. 31, 1954

	Sec. 207		Sec. 213		Total, 6 properties 3 notes (462 units)
	Projects		Projects, 2 mortgage notes (67 units)	Homes, 2 properties (2 units)	
	4 properties (345 units)	1 mortgage note (48 units)			
Expenses:					
Acquisition costs	$1,836,891	$598,290	$683,369	$15,135	$3,133,685
Interest on debentures	70,368	26,063	26,855	469	123,755
Taxes and insurance	34,911			121	35,032
Additions and improvements	1,252				1,252
Maintenance and operating expenses	41,454				41,454
Miscellaneous expenses	1,557	955	289		2,801
Total expenses	1,986,433	625,308	710,513	15,725	3,337,979
Income:					
Rental and other income (net)	101,065	322	31,067		132,454
Collections on mortgage notes			8,153		8,153
Total income and recoveries	101,065	322	39,220		140,607
Net cost of properties on hand	1,885,368	624,986	671,293	15,725	3,197,372

In addition to the rental housing projects acquired under the Housing Insurance Fund, 1 Section 207 project insured under the Mutual Mortgage Insurance Fund had been acquired and sold at no loss to that fund.

STATEMENT 19

Statement of profit and loss on sale of acquired property, Housing Insurance Fund, through Dec. 31, 1954

	Secs. 207–210, (16 projects and 1 mortgage note, 3,870 units)	Sec. 213: Projects, 1 mortgage note, 144 units	Sec. 213: Homes, 1 property, 1 unit	Total Housing Insurance Fund, 17 properties, 2 mortgage notes (4,015 units)
Proceeds of sales:				
Sales price (or proceeds of mortgage note)[1]	$15,099,886	$1,529,150	$10,800	$16,639.836
Less commissions	4,539		540	5,079
Net proceeds of sales	15,095,347	1,529,150	10,260	16,634,757
Income:				
Rental and other income (net)	1,667,737	35.260	7	1,703,004
Mortgage note income	2,726,918	122,685	215	2,849,818
Total income	4,394,655	157,945	222	4,552,822
Total proceeds of sold properties	19,490,002	1,687,095	10,482	21,187,570
Expenses:				
Debentures and cash adjustments	14,661,895	1,492,130	9,055	16.163,080
Interest on debentures	2,759,030	111,907	341	2,871,278
Taxes and insurance	469,595		5	469,600
Additions and improvements	211,660			211,660
Maintenance and operating expense	753,910		885	754,795
Miscellaneous expense	32,259	34		32,293
Total expenses	18,888,349	1,604,071	10,286	20,502.706
Net profit before distribution of liquidation profits	601,653	83,024	196	684,873
Less distribution of liquidation profits:				
Certificates of claim	212,500	30,242	196	242,938
Increment on certificates of claim	41,317	2,393		43,710
Refunds to mortgagors	172,289			172,289
Excess credited to fund	175,547	50,389		225,936

[1] Analysis of terms of sales—

Terms of sales	Number of properties	Number of notes	Cash	Mortgage notes	Sales Price
Properties sold for all cash	2		$3,062,401		$3,062,401
Properties sold for cash and notes (or contracts for deed)	14	14	229,890	$10,158,983	10,388,873
Properties sold for mortgage notes or contracts for deed only	3	146		3,188,562	3,188,562
Total	19	160	3,292,291	13,347,545	16,639,836

Certificates of Claim and Refunds to Mortgagors

Certificates of claim issued in connection with the 16 projects and 1 mortgage note insured under Section 207–210 which had been sold through December 31, 1954, totaled $290,400. The amount paid or to be paid on these certificates totaled $212,500, and the amount canceled or to be canceled $77,900. In addition, excess proceeds on 3

projects had been refunded to mortgagors in the amount of $172,289, in accordance with provisions of the Act prior to amendment of August 10, 1948.

As a result of insurance under Section 213, a certificate of claim had been issued in connection with one project acquired under the terms of insurance and subsequently sold. The total amount, $30,242, is to be canceled. In addition, a certificate of claim in the amount of $382 was issued on one Section 213 home. Of this total $196 is to be paid and $186 is to be canceled.

The certificate of claim issued in connection with the only rental housing project acquired under the Mutual Mortgage Insurance Fund amounted to $31,532. This certificate of claim had been paid in full, with increment thereon in the amount of $1,255.

Title II: Section 220 Housing Insurance Fund

The Section 220 Housing Insurance Fund was created by Section 220 of the National Housing Act, as amended August 2, 1954 (Housing Act of 1954, Public Law 560, 83d Cong.), which authorizes insurance by the FHA of mortgages on homes and rental properties located in an urban redevelopment area for which a Federal-aid contract was executed or approved before August 2, 1954, or in an urban renewal area which the Housing and Home Finance Administrator has determined to be appropriate for an urban renewal project and located in a city for which the Administrator has approved a workable program presented by the local authorities for preventing the spread of blight and eliminating and preventing slum conditions. Terms of insurance are similar to those under Sections 203 and 207, and in addition provide for the insurance of mortgages of dwellings with more than 4 units but fewer than 12.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

Title II: Section 221 Housing Insurance Fund

Section 221 Housing Insurance Fund was created by Section 221 of the National Housing Act as amended August 2, 1954 (Housing Act of 1954, Public Law 560, 83d Cong.), which authorizes the insurance, in communities that have requested it, of mortgages on low-cost housing for families displaced because of urban renewal projects. The maximum mortgage for owner-occupant mortgagors is $6,700, or $8,600 in high cost areas, and 95 percent of appraised value. Mortgages in amounts up to $6,800 ($7,650 in high-cost areas) or 85 percent of value may be insured on single-family homes built, or acquired and rehabilitated, for sale to owner-occupants. Insurance under this section may also cover mortgages up to $5 million in amount to finance the construction or rehabilitation of rental accommodations for 10 or more displaced families when the mortgagor is a private nonprofit organization subject to Government supervision. The Housing Administrator will certify to the FHA Commissioner the number of units needed to relocate displaced families, and the number of units financed under Section 221 may not exceed that number.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

Title II: Servicemen's Mortgage Insurance Fund

The Servicemen's Mortgage Insurance Fund was created by Section 222 of the National Housing Act as amended August 2, 1954 (Housing Act of 1954, Public Law 560, 83d Cong.). The purpose of this section is to aid in the provision of housing accommodations for servicemen in the Armed Forces of the United States and in the Coast Guard of the United States, and their families. Section 222 provides for the insurance of mortgages which would be eligible for insurance under Section 203, except that when executed by a mortgagor who is a serviceman and who, at the time of insurance, is the owner-occupant of the property the maximum ratio of loan to value may, in the discretion of the Commissioner, exceed the maximum ratio of loan to value prescribed in Section 203 but not to exceed in any event 95 per centum of the appraised value of the property and not to exceed $17,100.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

Title VI: War Housing Insurance Fund

The insurance risks on privately financed emergency housing loans insured under Title VI are liabilities of the War Housing Insurance Fund, established by an amendment of March 28, 1941 to the National Housing Act. Section 603 of Title VI authorized the insurance of home mortgages (1- to 4-family); Section 608, the insurance of mortgages on rental and group housing; Section 609, the insurance of loans to finance the manufacture of housing; Section 610, the insurance under Sections 603 and 608 of any mortgage executed in connection with sales by the Government of specified types of permanent housing; and Section 611, the insurance of mortgages, including construction advances, on projects of 25 or more single-family dwellings.

The War Housing Insurance Fund was originally allocated the sum of $5,000,000 by the Federal Government. It has been credited with all income received in connection with insurance granted under Title

VI, and has been charged with all expenses and losses relating to such insurance.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

War Housing Insurance Fund Capital

Assets of the War Housing Insurance Fund as of June 30, 1954, totaled $202,295,054, against which there were outstanding liabilities of $95,797,036. The fund had capital of $106,498,018, consisting entirely of earned surplus.

In accordance with Public Law 94, 83d Congress, approved June 30, 1953, the amount of capital contributed by the United States Government to establish this fund in the amount of $5,000,000 was established as a liability as of June 30, 1953. This principal amount, together with interest thereon in the amount of $1,390,010, has been repaid, the final payment being made on September 30, 1953.

STATEMENT 20

Comparative statement of financial condition, War Housing Insurance Fund, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$6,806,152	$71,249,220	$64,443.068
Investments:			
U. S. Government securities (amortized)	78,236,665	20,773,009	−57,463,656
Other securities (stock in rental housing corporations)	403,600	401,000	−2,600
Total investments	78,640,265	21,174,009	−57,466,256
Loans receivable:			
Mortgage notes and contracts for deed	29,093,180	33,810,313	4,717,133
Less reserve for losses	509,131	910,816	401,685
Net loans receivable	28,584,049	32,899,497	4,315.448
Accounts and notes receivable:			
Accounts receivable—Insurance premiums	506,326	492,288	−14,038
Accounts receivable—Other	35	7,876	7,841
Total accounts and notes receivable	506.361	500,164	−6,197
Accrued assets: Interest on U. S. Government securities	101,667	46,458	−55,209
Acquired security or collateral:			
Real estate (at cost plus expenses to date)	60,697,386	61,718,843	1,021,457
Less reserve for losses	10,948,193	22,419,165	11,470,972
Net real estate	49,749,193	39,299,678	−10,449.515
Mortgage notes acquired under terms of insurance (at cost plus expenses to date)	49,328,926	62,492,451	13,163.525
Less reserve for losses	9.020,055	25,418,587	16,398,532
Net mortgage notes acquired under terms of insurance	40,308,871	37,073,864	−3,235,007
Net acquired security or collateral	90,058,064	76,373,542	−13,684,522
Other assets—held for account of mortgagors	40,116	52,164	12,048
Total assets	204,736,674	202,295,054	−2,441,620

STATEMENT 20—Continued

Comparative statement of financial condition, War Housing Insurance Fund, as of June 30, 1953, and June 30, 1954—Continued

	June 30, 1953	June 30, 1954	Increase or decrease (−)
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	$9, 156	$3, 868	−$5, 288
Interfund	6, 822	14, 242	7, 420
Total accounts payable	15, 978	18, 110	2, 132
Accrued liabilities:			
Interest on debentures	876, 755	981, 565	104, 810
Interest on funds advanced by U. S. Treasury	1, 373, 929		−1, 373, 929
Total accrued liabilities	2, 250, 684	981, 565	−1, 269, 119
Trust and deposit liabilities:			
Excess proceeds of sale	1, 036, 368	1, 324, 383	288, 015
Deposits held for mortgagors, lessees, and purchasers	981, 536	1, 505, 144	523, 608
Total trust and deposit liabilities	2, 017, 904	2, 829, 527	811, 623
Deferred and undistributed credits:			
Unearned insurance premiums	12, 575, 874	12, 050, 152	−525, 722
Unearned insurance fees	23	24	1
Total deferred and undistributed credits	12, 575, 897	12, 050, 176	−525, 721
Bonds, debentures, and notes payable: Debentures payable	68, 785, 200	79, 289, 600	10, 504, 400
Other liabilities:			
Funds advanced by U. S. Treasury	5, 000, 000		−5, 000, 000
Reserve for foreclosure costs—Mortgage notes	492, 356	628, 058	135, 702
Total other liabilities	5, 492, 356	628, 058	−4, 864, 298
Total liabilities	91, 138, 019	95, 797, 036	4, 659, 017
CAPITAL			
Earned surplus:			
Insurance reserve fund (cumulative earnings) available for future losses and related expenses	113, 598, 655	106, 498, 018	−7, 100, 637
Total liabilities and capital	204, 736, 674	202, 295, 054	−2, 441, 620
Contingent liability for certificates of claim on properties on hand	2, 476, 786	2, 747, 970	271, 184

Income and Expenses

During the fiscal year 1954 the fund earned $27,439,146 and had expenses of $3,196,926, leaving $24,242,220 net income before adjustment of valuation reserves. After the valuation reserves had been increased by $8,418,638 and extraordinary nonrecurring expenses were taken into account, the net loss for the year amounted to $4,028,969, which was charged to the insurance reserve fund.

The cumulative income of the War Housing Insurance Fund from its establishment March 28, 1941, to June 30, 1954, amounted to $243,887,270, while cumulative expenses were $75,440,684, leaving $168,446,586 net income before adjustment of reserves. Valuation reserves of $48,748,568 were established, leaving cumulative net income of $119,698,018.

STATEMENT 21

Income and expenses, War Housing Insurance Fund, through June 30, 1953, and June 30, 1954

	Mar. 28, 1941, to June 30, 1953	July 1, 1953, to June 30, 1954	Mar. 28, 1941, to June 30, 1954
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$8, 426, 695	$1, 814, 610	$10, 241, 305
Interest—Other	3, 640, 448	1, 834, 848	5, 475, 296
Dividends on rental housing stock	7, 387	2, 509	9, 896
	12, 074, 530	3, 651, 967	15, 726, 497
Insurance premiums and fees:			
Premiums	159, 081, 526	24, 461, 220	183, 542, 746
Fees	45, 137, 985	14, 769	45, 152, 754
	204, 219, 511	24, 475, 989	228, 695, 500
Other income:			
Profit (or loss −) on sale of investments	153, 703	−688, 810	−535, 107
Miscellaneous income	380		380
	154, 083	−688, 810	−534, 727
Total income	216, 448, 124	27 439, 146	243, 887, 270
Expenses:			
Interest expenses: Interest on funds advanced by U. S. Treasury	1, 373, 929	16, 081	1, 390, 010
Administrative expenses: Operating costs	68, 053, 922	1, 771, 234	69, 696, 824
Other expenses: Depreciation on furniture and equipment	359, 123	8, 594	367, 717
Losses and chargeoffs:			
Loss on sale of acquired properties	2, 604, 539	1, 400, 800	4, 005 339
Loss (or profit −) on equipment	−19, 423	217	−19, 206
	2 585 116	1, 401, 017	3, 986, 133
Total expenses	72, 372, 090	3, 196, 926	75, 440, 684
Net income before adjustment of valuation reserves	144 076, 034	24, 242, 220	168, 446, 586
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−509, 131	−257, 846	−910 816
Reserve for loss on real estate	−10, 948, 193	−1, 201, 091	−22, 419, 165
Reserve for loss on mortgage notes acquired under terms of insurance	−9, 020, 055	−6, 869, 701	−25 418, 587
Net adjustment of valuation reserves	−20, 477, 379	−8, 418, 638	−48, 748, 568
Net income before extraordinary nonrecurring expenses	123, 598, 655	15, 823, 582	119, 698, 018
Extraordinary nonrecurring expenses:			
Reserve for loss on loans receivable		−143, 839	
Reserve for loss on real estate		−10, 179, 881	
Reserve for loss on mortgage notes acquired under terms of insurance		−9, 528, 831	
Total nonrecurring expenses		−19, 852, 551	
Net income (or loss −)	123, 598, 655	−4, 028, 969	119, 698, 018

ANALYSIS OF EARNED SURPLUS

Distribution of net income:			
Earned surplus:			
Balance at beginning of period		$113, 598, 655	
Adjustments during period		128, 332	
Net income (or loss −) for period	$123, 598, 655	−4, 028, 969	$119, 698, 018
	123, 598, 655	109, 698, 018	119, 698, 018
Capital contributions to other FHA insurance funds	−10, 000 000	−3 200, 000	−13, 200, 000
Balance at end of period	113, 598, 655	106, 498, 018	106, 498, 018

Investments

Section 605(a) of Title VI contains a provision similar to that under Title II with respect to investment of moneys not needed for current operations by the purchase of United States Government securities or the retirement of debentures.

During the fiscal year 1954, excess funds not needed for current operations were used to retire $13,831,400 Series H 2½-percent War Housing Insurance Fund debentures, of which $2,480,200 were called for redemption, $4,652,250 were purchased from FNMA, and $6,698,950 were redeemed in payment of mortgage insurance premiums.

During the fiscal year 1954, net sales of $56,700,000 decreased the United States Government securities held by the fund as of June 30, 1954 to $20,600,000, principal amount. These transactions increased the average annual yield to 2.43 percent.

Investments of the War Housing Insurance Fund, June 30, 1954

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1966–71	2½	$4,000,000	$4,000,000	$4,000,000
1967–72	2½	16,867,853	16,600,000	16,773,009
Average annual yield 2.43 percent		20,867,853	20,600,000	20,773,009

Properties Acquired Under the Terms of Insurance

The Federal Housing Administration acquired title in 1954, under the terms of insurance, to 427 properties (830 units) insured under Section 603 and sold 290 (336 units). Through December 31, 1954, a total of 10,557 Section 603 properties (14,161 units) had been acquired at a cost of $69,307,978, and 9,244 properties (12,117 units) had been sold at prices which left a net charge against the fund of $2,762,808, or an average of $299 per case. There remained on hand for future disposition 1,313 properties having 2,044 living units.

During 1954, 39 rental housing projects (2,199 units) and 31 mortgage notes (2,818 units) insured under Section 608 were assigned to the FHA Commissioner under the terms of insurance, and 44 projects (1,664 units) were sold by the Commissioner. Through December 31, 1954, a total of 202 projects (11,662 units) and 135 mortgage notes (10,316 units) had been assigned to the Commissioner. Seventy-two projects (3,599 units) had been sold, and 1 mortgage note (42 units) had been settled, resulting in a net loss to the War Housing Insurance Fund of $2,141,842, leaving 130 projects (8,063 units) and 134 mortgage notes (10,274 units) still held by the FHA.

No additional purchasers' or manufacturers' notes insured under Section 609 were assigned to the FHA Commissioner during the calendar year 1954. Through December 31, 1954, 2 manufacturers' notes and 65 discounted purchasers' notes had been assigned. Sixty-four discounted purchasers' notes and 2 manufacturers' notes had been settled with a resultant loss to the Fund of $784,934, leaving 1 purchaser's note on hand at December 31, 1954.

STATEMENT 22

Statement of profit and loss on sale of acquired properties, War Housing Insurance Fund, through Dec. 31, 1954

	Sec. 603 (9,244 properties, 12,117 units)	Sec. 608 (72 projects and 1 mortgage note, 3,641 units)	Sec. 609 (60 notes, 369 units)	Total War Housing Insurance Fund (9,383 properties)
Proceeds of sales:				
Sales price (or proceeds of mortgage)[1]	$55,421,731	$17,312,054	$324,878	$73,058,663
Less commissions and other selling expenses	2,113,910	4,393		2,118,303
Net proceeds of sales	53,307,821	17,307,661	324,878	70,940,360
Income:				
Rental and other income (net)	4,741,473	5,015,895		9,757,368
Mortgage note income	6,207,967	750,366	28,260	6,986,593
Total income	10,949,440	5,766,261	28,260	16,743,961
Total proceeds of sold properties	64,257,201	23,073,022	353,138	87,684,321
Expenses:				
Debentures and cash adjustments	51,798,768	18,868,633	1,115,807	71,783,208
Purchase of land held under lease	49,098			49,098
Interest on debentures	6,893,688	2,092,709	22,265	9,008,662
Taxes and insurance	1,532,202	1,057,598		2,589,800
Additions and improvements	497,456	515,329		1,012,785
Maintenance and operating expense	3,984,411	2,369,234		6,353,645
Miscellaneous expense	2,986	79,154		82,140
Total expenses	64,759,509	24,982,657	1,138,072	90,880,238
Net profit (or loss−) before distribution of liquidation profits	−502,248	−1,908,735	−784,934	−3,195,917
Less distribution of liquidation profits:				
Certificates of claim	842,126	208,454		1,050,580
Increment on certificates of claim	102,092	24,653		126,745
Refunds to mortgagors	1,316,342			1,316,342
Loss to War Housing Insurance Fund	2,762,808	2,141,842	784,934	5,689,584
Average loss to War Housing Insurance Fund	299			

[1] Analysis of terms of sales—

Terms of sales	Number of properties	Number of notes	Cash	Mortgage notes	Sales price
Properties sold for all cash	2,159		$13,656,857		$13,656,857
Properties sold for cash and notes (or contracts for deed)	7,090	5,597	4,182,486	$53,749,525	57,932,011
Properties sold for notes only	134	9		1,469,795	1,469,795
Total	9,383	5,606	17,839,343	55,219,320	73,058,663

[2] Represents 64 discounted purchasers' notes and 2 manufacturers' notes settled in full.

STATEMENT 23

Statement of properties on hand, War Housing Insurance Fund, as of Dec. 31, 1954

	Section 603 1,313 properties, 2,044 units	Sec. 608		Sec. 609	Total, 1,443 properties, 135 notes, 20,382 units
		130 properties, 8,063 units	134 mortgage notes,[1] 10,274 units	1 purchaser's note,[1] 1 unit	
Expenses:					
Acquisition costs	$10, 268, 065	$57, 392, 412	$74, 238, 396	$3, 278	$141, 902, 151
Interest on debentures	583, 879	4, 649, 913	3, 544, 883	131	8, 778, 806
Taxes and insurance	493, 423	2, 603, 305			3, 096, 728
Additions and improvements	130, 988	324, 606			455, 594
Maintenance and operating	660, 956	4, 880, 719			5, 541, 675
Miscellaneous	356	95, 875	8, 681		104, 912
Total expenses	12, 137, 667	69, 946, 830	77, 791, 960	3, 409	159, 879, 866
Income and recoveries:					
Rental and other income (net)	1, 014, 228	10, 193, 534	3, 736, 736		14, 944, 498
Collections on mortgage notes			935, 653		935, 653
Total income and recoveries	1, 014, 228	10, 193, 534	4, 672, 389		15, 880, 151
Net cost of properties on hand	11, 123, 439	59, 753, 296	73, 119, 571	3, 409	143, 999, 715

[1] Acquired in exchange for debentures.

The turnover of Section 603 and Section 608 properties acquired and sold, by calendar year, is given below:

STATEMENT 24

Turnover of properties acquired under Sec. 603 of Title VI, through Dec. 31, 1954

Properties acquired		Properties sold, by calendar years												Properties on hand Dec. 31, 1954
Year	Number	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
1943	498	29	220	110	139									
1944	2, 542		36	685	1, 178	386	140	87	17	7	6			
1945	2, 062			187	1, 050	317	350	139	6	8	5			
1946	998				431	302	210	43	11	1				
1947	16					5	9	1		1				
1948	116						23	21	65	1	4	2		
1949	507							93	243	74	28	9	18	42
1950	1, 635								421	431	246	103	80	354
1951	735									441	193	63	27	21
1952	609										209	122	65	213
1953	412											56	58	298
1954	427												42	385
Total	10, 557	29	256	982	2, 798	1, 010	732	384	763	964	691	345	290	1, 313

NOTES.—On the 9,214 properties sold, the average time between acquisition and sale by the Federal Housing Administration was 17 months.

The number of properties sold has been reduced by 29 properties repossessed because of default on mortgage notes, of which 16 had been resold by Dec. 31, 1954.

STATEMENT 25

Turnover of properties acquired and mortgage notes assigned under Sec. 608 of Title VI, through Dec. 31, 1954

Properties and notes acquired		Properties and notes sold, by calendar years												Properties and notes on hand Dec. 31, 1954
Year	Number	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	
1943	1	1												
1944	1		1											
1945														
1946	1												1	
1947														
1948														
1949	16											11	1	4
1950	66									7	2	4	6	47
1951	82									1		2	21	58
1952	37												10	27
1953	63												4	59
1954	70												1	69
Total	337	1	1							8	2	17	44	264

Certificates of Claim and Refunds to Mortgagors

Section 604(f) of the Act provides that if the net amount realized from any property conveyed to the Commissioner under Section 603, after deducting all expenses incurred in handling, dealing with, and disposing of such property, exceeds the face value of the debentures issued and the cash paid in exchange for such property plus all interest paid on such debentures, such excess shall be applied to the certificate of claim issued to the mortgagee and any excess remaining after paying the certificate of claim and increment thereon shall be refunded to the mortgagor.

Certificates of claim in the total amount of $1,796,832 had been issued through 1954 in connection with the 9,244 properties which had been acquired and subsequently sold. The proceeds of sale were sufficient to provide for the payment in full or in part on these certificates in the amount of $842,126, or approximately 47 percent. Certificates of claim canceled or to be canceled amounted to $954,706, or approximately 53 percent. In addition, the proceeds of sale were sufficient to pay refunds of $1,316,342 to 3,673 mortgagors, or an average of $358 per case.

With respect to the excess proceeds, if any, from the sale of an acquired project insured under Section 608, the Act provides that any amount remaining after the payment of the certificate of claim shall be credited to the War Housing Insurance Fund.

Certificates of claim totaling $452,882 had been issued in connection with the 73 Section 608 acquisitions which had been disposed of by December 31, 1954. The proceeds of sale were sufficient to provide $208,454 for payment in full or in part on these certificates. Certificates of claim canceled or to be canceled amounted to $244,428. Excess proceeds of $460,179 had been credited to the fund, as provided in the Act.

Title VII: Housing Investment Insurance Fund

The Housing Investment Insurance Fund was created by Section 710 of the National Housing Act as amended August 10, 1948 (Housing Act of 1948, Public Law 901, 80th Cong.), which provides that this fund shall be used by the FHA Commissioner as a revolving fund for carrying out the rental housing yield insurance program authorized by Title VII and for administrative expenses in connection therewith.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

Section 710 further provides that the Secretary of the Treasury shall make available to the Commissioner such funds as the Commissioner may deem necessary, but not to exceed $10,000,000, which amount is authorized to be appropriated out of any money in the Treasury not otherwise appropriated.

One million dollars has been allocated to the fund by the Secretary of the Treasury pursuant to the request of the Federal Housing Commissioner, and the remaining $9,000,000 is being retained in the United States Treasury. Up to December 31, 1954, no applications for insurance under Title VII had been submitted.

Housing Investment Insurance Fund Capital and Net Income

Assets of the Housing Investment Insurance Fund at June 30, 1954 totaled $832,837. There were outstanding liabilities and contributed capital amounting to $909,957, which left an operating deficit of $77,120. The $1,000,000 which was transferred from the United States Treasury to establish the fund in accordance with Section 710 of the Act was established as a liability of the fund as of June 30, 1953,

under the provisions of Public Law 94, 83rd Congress. This amount, including interest thereon in the amount of $107,914, was repaid on July 31, 1953.

STATEMENT 26

Comparative statement of financial condition, Housing Investment Insurance Fund, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$57,201	$29,604	−$27,597
Investments: U. S. Government securities (amortized)	951,910	801,774	−150,136
Accrued assets: Interest on U. S. Government securities	1,458	1,459	1
Total assets	1,010,569	832,837	−177,732
LIABILITIES			
Accounts payable: Interfund	1,128	−43	−1,171
Accrued liabilities: Interest on funds advanced by U. S. Treasury	106,019		−106,019
Other liabilities: Funds advanced by U. S. Treasury	1,000,000		−1,000,000
Total liabilities	1,107,147	−43	−1,107,190
CAPITAL			
Capital contributions from other FHA insurance funds		910,000	910,000
Earned surplus (deficit −): Insurance reserve fund (cumulative earnings or deficit −) available for future losses and related expenses	−96,578	−77,120	19,458
Total capital	−96,578	832,880	929,458
Total liabilities and capital	1,010,569	832,837	−177,732

The total income for fiscal year 1954 was $20,117, consisting entirely of interest on United States Government securities, while expenses amounted to $1,898, resulting in a net income for the year of $18,219. The cumulative income of the Housing Investment Insurance Fund from August 10, 1948 to June 30, 1954 amounted to $70,263, while cumulative expenses amounted to $147,383, resulting in a net deficit to the fund of $77,120.

STATEMENT 27

Income and expenses, Housing Investment Insurance Fund, through June 30, 1953, and June 30, 1954

	Aug. 10, 1948, to June 30, 1953	July 1 1953, to June 30, 1954	Aug. 10, 1948, to June 30, 1954
Income:			
Interest and dividends: Interest on U. S. Government securities	$50,146	$20,117	$70,263
Total income	50,146	20,117	70,263
Expenses:			
Interest expenses: Interest on funds advanced by U. S. Treasury	106,019	1,895	107,914
Administrative expenses: Operating costs	40,530	3	39,294
Other expenses: Depreciation on furniture and equipment	180		180
Losses and chargeoffs: Loss (or profit−) on equipment	−5		−5
Total expenses	146,724	1,898	147,383
Net income (or loss −)	−96,578	18,219	−77,120

ANALYSIS OF EARNED SURPLUS (OR DEFICIT −)

Distribution of net income: Earned surplus (or deficit −):			
Balance at beginning of period		−$96,578	
Adjustments during period		1,239	
Net income (or loss −) for period	−$96,578	18,219	−$77,120
Balance at end of period	−96,578	−77,120	−77,120

Investments

Section 710 of the Act provides that moneys in the Housing Investment Insurance Fund not needed for current operations shall be deposited with the Treasurer of the United States to the credit of the fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by the United States; or the Commissioner may, with the approval of the Secretary of the Treasury, purchase debentures issued under this fund, provided that such purchases are made at a price which will produce an investment yield of not less than the yield obtainable from other authorized investments. During the fiscal year 1954, $150,000 (principal amount) of United States Government securities were redeemed for the account of this fund. At June 30, 1954, the fund held $800,000, principal amount, of United States Government securities yielding 2.48 percent, as follows:

Investments of the Housing Investment Insurance Fund, June 30, 1954

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1965–70	2½	$97,375	$100,000	$97,706
1967–72	2½	704,922	700,000	704,068
Average annual yield 2.48 percent		802,297	800,000	801,774

Title VIII: Military Housing Insurance Fund

An amendment to the National Housing Act approved August 8, 1949 (Public Law 211, 81st Cong.) created the Military Housing Insurance Fund to be used by the FHA Commissioner as a revolving fund for carrying out the provisions of Title VIII of the Act, which provides for the insurance of military housing mortgages. For the purposes of this fund, the Act authorized to be appropriated the sum of $10,000,000, of which $5,000,000 was made available by the Supplemental Appropriation Act, 1950 (Public Law 358, 81st Cong.).

This is not a mutual fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

Investments

Section 804(a) of the Act provides that moneys not needed for current operations shall be deposited with the Treasurer of the United States to the credit of the fund, or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by the United States, or, with the approval of the Secretary of the Treasury, used to purchase debentures issued under this title. During the fiscal year 1954, net redemptions of $2,200,000 decreased the United States Government securities held by the fund as of June 30, 1954, to $10,550,000 principal amount. These transactions resulted in an increase in the average annual yield from 2.41 percent to 2.49 percent.

Investments of the Military Housing Insurance Fund, June 30, 1954

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1964–69	2½	$1,511,820	$1,550,000	$1,516,643
1965–70	2½	288,391	300,000	289,317
1966–71	2½	1,063,141	1,100,000	1,066,384
1967–72	2½	7,701,281	7,600,000	7,677,178
Average annual yield 2.49 percent		10,564,633	10,550,000	10,549,522

Military Housing Insurance Fund Capital and Net Income

As of June 30, 1954, the assets of the Military Housing Insurance Fund totaled $11,426,964, against which there were outstanding liabilities of $1,531,046, leaving $9,895,918 capital. The capital consists of earned surplus of $9,195,918 and capital contributions from other FHA insurance funds of $700,000.

In accordance with Public Law 94, 83d Congress, approved June 30, 1953, the capital contributed by the United States Government to establish this fund in the amount of $5,000,000 was established as a liability of the fund as of June 30, 1935. This amount has been repaid during fiscal year 1954 together with interest thereon in the amount of $441,092 the final payment being made on November 30, 1953.

STATEMENT 28

Comparative statement of financial condition, Military Housing Insurance Fund, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$711,762	$764,461	$52,690
Investments:			
U. S. Government securities (amortized)	12,750,462	10,549,522	−2,200,910
Other securities (stock in rental housing corporations)	17,400	20,200	2,800
Total investments	12,767,862	10,569,722	−2,198,140
Accounts and notes receivable: Accounts receivable—Insurance premiums	55,990	73,042	17,052
Accrued assets: Interest on U. S. Government securities	19,740	19,739	−1
Total assets	13,555,354	11,426,964	−2,128,390
LIABILITIES			
Accounts payable: Interfund	−2,103	1,939	4,042
Accrued liabilities: Interest on funds advanced by U. S. Treasury	413,621		−413,621
Deferred and undistributed credits:			
Unearned insurance premiums	1,398,855	1,525,508	126,653
Unearned insurance fees	24,844	3,599	−21,245
Total deferred and undistributed credits	1,423,699	1,529,107	105,408
Other liabilities: Funds advanced by U. S. Treasury	5,000,000		−5,000,000
Total liabilities	6,835,217	1,531,046	−5,304,171
CAPITAL			
Capital contributions from other FHA insurance funds		700,000	700,000
Earned surplus: Insurance reserve fund (cumulative earnings) available for future losses and related expenses	6,720,137	9,195,918	2,475,781
Total capital	6,720,137	9,895,918	3,175,781
Total liabilities and capital	13,555,354	11,426,964	−2,128,390

Total income of the Military Housing Insurance Fund during the fiscal year 1954 amounted to $3,460,712, while expenses and losses amounted to $989,487, leaving a net income of $2,471,225. The cumulative income of the fund from August 8, 1949 to June 30, 1954 amounted to $13,773,743, while cumulative expenses totaled $4,577,825, resulting in a cumulative net income of $9,195,918.

STATEMENT 29

Income and expenses, Military Housing Insurance Fund, through June 30, 1953, and June 30, 1954

	Aug. 8, 1949, to June 30, 1953	July 1, 1953, to June 30, 1954	Aug. 8, 1949, to June 30, 1954
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$653,289	$266,517	$919,806
Dividends on rental housing stock	115	150	265
	653,404	266,667	920,071
Insurance premiums and fees:			
Premiums	4,764,601	2,670,442	7,435,043
Fees	4,895,026	523,603	5,418,629
	9,659,627	3,194,045	12,853,672
Total income	10,313,031	3,460,712	13,773,743
Expenses:			
Interest expenses: Interest on funds advanced by U. S. Treasury	413,621	27,471	441,092
Administrative expenses: Operating costs	3,164,297	957,390	4,117,131
Other expenses: Depreciation on furniture and equipment	15,486	4,512	19,998
Losses and chargeoffs: Loss (or profit−) on equipment	−510	114	−396
Total expenses	3,592,894	989,487	4,577,825
Net income	6,720,137	2,471,225	9,195,918

ANALYSIS OF EARNED SURPLUS

Distribution of net income: Earned surplus:			
Balance at beginning of period		$6,720,137	
Adjustments during period		4,556	
Net income for period	$6,720,137	2,471,225	$9,195,918
Balance at end of period	6,720,137	9,195,918	9,195,918

Properties Acquired Under Terms of Insurance

During the calendar year 1954, one property insured under Title VIII was acquired by the Commissioner under the terms of insurance. This was the first property acquired by the Military Housing Insurance Fund, and the property remained on hand at December 31, 1954. The cost of the property at December 31, 1954, was:

Military Housing Insurance Fund, statement of properties on hand at Dec. 31, 1954

	Sec. 803, 1 project (55 units)
Expenses:	
Acquisition cost	$393,268
Interest on debentures	4,916
Net cost of properties on hand	398,184

Title IX: National Defense Housing Insurance Fund

The National Defense Housing Insurance Fund was created by Section 902 of the National Housing Act as amended September 1, 1951 (Defense Housing and Community Facilities and Services Act of 1951, Public Law 139, 82d Cong.), which provides that this fund shall be used by the Commissioner as a revolving fund for carrying out the provisions of Title IX of the Act. This title of the Act provides for the insurance of mortgages in areas which the President shall have determined to be critical defense housing areas. To accomplish this purpose, the Act authorized the Commissioner to transfer from the War Housing Insurance Fund the sum of $10,000,000, all of which had been transferred by December 31, 1953.

This is not a mutual insurance fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

National Defense Housing Insurance Fund Capital and Net Income

As of June 30, 1954, the assets of the National Defense Housing Insurance Fund totaled $10,722,199, against which there were outstanding liabilities of $3,882,954, leaving $6,839,245 capital. Included in the capital is $6,100,000 transferred from other insurance funds in accordance with Section 219 of the Act, and earned surplus of $739,245.

STATEMENT 30

Comparative statement of financial condition, National Defense Housing Insurance Fund, as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$471,556	$1,014,619	$543,063
Investments:			
U. S. Government securities (amortized)	11,438,491	8,070,840	−3,367,651
Other securities (stock in rental housing corporations)	4,400	8,500	4,100
Total investments	11,442,891	8,079,340	−3,363,551
Accounts and notes receivable: Accounts receivable—Insurance premiums	3,971	39,864	35,893
Accrued assets: Interest on U. S. Government securities	11,406	6,406	−5,000
Acquired security or collateral:			
Real estate (at cost plus expenses to date)		891,871	891,871
Less reserve for losses		153,306	153,306
Net real estate		738,565	738,565
Mortgage notes acquired under terms of insurance (at cost plus expenses to date)		1,395,049	1,395,049
Less reserve for losses		551,644	551,644
Net mortgage notes acquired under terms of insurance		843,405	843,405
Net acquired security or collateral		1,581,970	1,581,970
Total assets	11,929,824	10,722,199	−1,207,625
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies		1,437	1,437
Interfund	4,929	10,128	5,19[illegible]
Total accounts payable	4,929	11,565	6,63[illegible]
Accrued liabilities: Interest on debentures		20,835	29,835
Trust and deposit liabilities:			
Fee deposits held for future disposition	968,873	374,341	−594,532
Deposits held for mortgagors, lessees and purchasers		5,713	5,713
Total trust and deposit liabilities	968,873	380,054	−588,819
Deferred and undistributed credits:			
Unearned insurance premiums	665,944	1,244,209	578,265
Unearned insurance fees	6,316		−6,316
Total deferred and undistributed credits	672,260	1,244,209	571,949
Bonds, debentures, and notes payable: Debentures payable		2,203,500	2,203,500
Other liabilities: Reserve for foreclosure costs—Mortgage notes		13,791	13,791
Total liabilities	1,646,062	3,882,954	2,236,892
CAPITAL			
Capital contributions from other FHA insurance funds	10,000,000	6,100,000	−3,900,000
Earned surplus: Insurance reserve fund (cumulative earnings) available for future losses and related expenses	283,762	739,245	455,483
Total capital	10,283,762	6,839,245	−3,444,517
Total liabilities and capital	11,929,824	10,722,199	−1,207,625

Income and Expenses

During fiscal year 1954, the income to the fund amounted to $2,634,324, while expenses and losses amounted to $1,451,344, leaving $1,182,980 net income before provision for valuation reserves. After $704,950 had been provided for valuation reserves, there remained $478,030 net income for the year.

The cumulative income of the National Defense Housing Insurance Fund from September 1, 1951, to June 30, 1954 amounted to $5,565,145 while cumulative expenses amounted to $4,120,950, leaving cumulative net income of $1,444,195 before adjustment of valuation reserves. Valuation reserves of $704,950 were established, leaving cumulative net income of $739,245.

STATEMENT 31

Income and expenses, National Defense Housing Insurance Fund, through June 30, 1953, and June 30, 1954

	Sept. 1, 1951, to June 30, 1953	July 1, 1953, to June 30, 1954	Sept. 1, 1951, to June 30, 1954
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$127,367	$219,516	$346,883
Interest—Other		349	349
Dividends on rental housing stock		10	10
	127,367	219,875	347,242
Insurance premiums and fees:			
Premiums	713,001	1,865,806	2,578,807
Fees	2,090,453	494,021	2,584,474
	2,803,454	2,359,827	5,163,281
Other income: Profit on sale of investments		54,622	54,622
Total income	2,930,821	2,634,324	5,565,145
Expenses:			
Administrative expenses: Operating costs	2,634,463	1,415,297	4,072,307
Other expenses:			
Depreciation on furniture and equipment	12,626	6,671	19,297
Miscellaneous		29,207	29,207
	12,626	35,878	48,504
Losses and charge-offs: Loss (or profit−) on equipment	−30	160	130
Total expenses	2,647,059	1,451,344	4,120,950
Net income before adjustment of valuation reserves	283,762	1,182,980	1,444,195
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on real estate		−153,306	−153,306
Reserve for loss on mortgage notes acquired under terms of insurance		−551,644	−551,644
Net adjustment of valuation reserves		−704,950	−704,950
Net income	283,762	478,030	739,245
ANALYSIS OF EARNED SURPLUS			
Distribution of net income: Earned surplus:			
Balance at beginning of period		$283,762	
Adjustments during period		−22,547	
Net income for period	$283,762	478,030	$739,245
Balance at end of period	283,762	739,245	739,245

Investments

Section 905 (a) of Title IX contains a provision similar to that under Title II with respect to investment of moneys not needed for current operations by the purchase of United States Government securities or the retirement of debentures.

During fiscal year 1954, $36,400 of Series P 2½ percent National Defense Housing Insurance Fund debentures were purchased from FNMA.

During the fiscal year 1954, net sales of $3,400,000, principal amount, of United States Government securities were made. These transactions left the United States Government securities held by the fund as of June 30, 1954 at $8,100,000, yielding 2.22 percent.

Investments of the National Defense Housing Insurance Fund, June 30, 1954

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1958	2	$4,600,000	$4,600,000	$4,600,000
1958	2⅜	2,790,813	2,800,000	2,793,177
1956–59	2¼	288,375	300,000	290,148
1966–71	2½	193,562	200,000	194,007
1967–72	2½	193,063	200,000	193,508
Average annual yield 2.22 percent		8,065,813	8,100,000	8,070,840

Properties Acquired Under Terms of Insurance

During 1954, 4 mortgage notes (253 units) insured under Section 908 were assigned to the FHA Commissioner, and titles to 690 home properties (797 units) insured under Section 903 were acquired under the terms of insurance. Through December 31, 1954, a cumulative total of 4 mortgage notes (253 units) insured under Section 908 and 693 home properties (803 units) insured under Section 903 had been acquired under the terms of insurance. Two home properties (3 units) insured under Section 903 had been sold at December 31, 1954, resulting in a loss of $1,839 to the National Defense Housing Insurance Fund. Certificates of claim issued in connection with the two Section 903 home properties which had been acquired and sold through 1954 totaled $637, all of which will be canceled. At December 31, 1954, there remained on hand 691 properties (800 units) insured under Section 903 and 4 mortgage notes (253 units) insured under Section 908, as follows:

National Defense Housing Insurance Fund, statement of properties on hand as of Dec. 31, 1954

	Sec. 903, 691 properties (800 units)	Sec. 908, 4 mortgage notes (253 units)	Total, 691 properties, 4 mortgage notes, (1,053 units)
Expenses:			
Acquisition costs	$5,703,483	$1,877,502	$7,580,985
Interest on debentures	95,465	47,373	142,838
Taxes and insurance	60,381		60,381
Additions and improvements	283		283
Maintenance and operating expense	14,896		14,896
Miscellaneous expense		460	450
Total expense	5,874,508	1,925,325	7,799,833
Income: Rental and other income (net)	32,670	31,220	63,890
Net cost of properties on hand	5,841,838	1,894,105	7,735,943

A summary of the two Section 903 acquired properties sold at December 31, 1954, is shown in Statement 32.

STATEMENT 32

Statement of profit and loss on sale of acquired properties National Defense Housing Insurance Fund, through Dec. 31, 1954

Items	Total National Defense Housing Insurance Fund, 2 properties (3 units)
Proceeds of sales:	
Sales price [1]	$15,750
Less commission and other selling expense	304
Net proceeds of sales	15,446
Income:	
Rental and other income (net)	187
Mortgage note income	163
Total income	350
Total proceeds of sold properties	15,796
Expenses:	
Debentures and cash adjustment	18,129
Interest on debentures	500
Taxes and insurance	105
Maintenance and operating expense	740
Total expenses	19,474
Net profit (or loss —) before distribution of liquidation profits	—3,678
Less distribution of liquidation profits:	
Certificates of claim	
Increment on certificates of claim	
Loss to National Defense Housing Insurance Fund	3,678
Average loss to National Defense Housing Insurance Fund	1,839

[1] Analysis of terms of sales—

Terms of sales	Number of properties	Number of notes	Cash	Mortgage notes	Sales price
Properties sold for all cash					
Properties sold for cash and notes (or contracts for deed)	2	2	$900	$14,850	$15,750
Properties sold for notes only					
Total	2	2	900	14,850	15,750

Statement 33 shows the turnover of properties acquired under Section 903.

STATEMENT 33

Turnover of properties acquired under Sec. 903 of Title IX, through Dec. 31, 1954

Properties acquired		Properties sold, calendar years		Properties on hand Dec. 31, 1954
Year	Number	1953	1954	
1953	3			3
1954	690		2	688
Total	693		2	691

NOTE.—On the 2 properties sold, the average time between acquisition and sale by the Federal Housing Administration was 6.64 months.

Administrative Expense Account

A separate account, entitled Salaries and Expenses, Federal Housing Administration, is maintained for the purpose of handling all transactions with respect to the payment of salaries and other expenses involved in operating the FHA. Moneys for such expenses and for the purchase of furniture and equipment required in the operations of the Administration are allocated to this fund and all disbursements for these purposes are made from it. Until the income of the insurance funds was sufficient to cover salaries and expenses, allocations were made to this account from the United States Treasury through the RFC in accordance with provisions contained in the National Housing Act and subsequent appropriation acts. Since July 1, 1937, a portion of the allocations, and since July 1, 1940, all allocations to salaries and expenses have been made from the various FHA insurance funds.

STATEMENT 34

Comparative statement of financial condition, Administrative Expense Account (salaries and expenses), as of June 30, 1953, and June 30, 1954

	June 30, 1953	June 30, 1954	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$3, 236, 623	$3, 151, 244	−$85, 379
Accounts and notes receivable: Accounts receivable—Other	70, 762	78, 176	7, 414
Land, structures, and equipment:			
Furniture and equipment	2, 140, 299	[1] 2, 124, 969	−15, 330
Less reserve for depreciation	1, 129, 802	1, 230, 278	100, 476
Net furniture and equipment	1, 010, 497	894, 691	−115, 806
Total assets	4, 317, 882	4, 124, 111	−193, 771
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	2, 356, 018	[2] 2, 397, 662	41, 644
Interfund	1, 010, 497	894, 691	−115, 806
Total accounts payable	3, 366, 515	3, 292, 353	−74, 162
Trust and deposit liabilities:			
Due general fund of the U. S. Treasury	8, 546	2, 991	−5, 555
Employees' pay roll deductions for taxes, etc	942, 821	828, 767	−114, 054
Total trust and deposit liabilities	951, 367	831, 758	−119, 609
Total liabilities	4, 317, 882	4, 124, 111	−193, 771

[1] Excludes unfilled orders in the amount of $3,658.
[2] Excludes unfilled orders in the amount of $70,134.