Hazel Young

23rd Annual Report

Federal Housing Administration

NORMAN P. MASON
Commissioner

FEDERAL HOUSING ADMINISTRATION

for the year ending December 31, 1956

TWENTY-THIRD ANNUAL REPORT

of the

FEDERAL HOUSING ADMINISTRATION

Year ending December 31, 1956

A reprint of Part III of the Tenth
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and Home Finance Agency

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FEDERAL HOUSING ADMINISTRATION

Under authority of the National Housing Act of June 27, 1934, as amended, the Federal Housing Administration operates housing loan insurance programs designed to encourage improvement in housing standards and conditions, to facilitate sound home financing on reasonable terms, 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 agency of the Housing and Home Finance Agency.

The various types of FHA insurance in effect in 1956 are summarized below.

TITLE I

Section 2 of Title I of the National Housing 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. FHA liability is limited to 90 percent of loss on individual loans and to 10 percent of all Section 2 loans made by the institution.

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 of Title II authorizes the insurance of mortgages on new and existing 1- to 4-family dwellings. This section accounts for over 70 percent of all mortgage insurance written by the FHA.

Section 207 authorizes the insurance of mortgages, including construction advances, on rental housing projects of eight or more family units. Special provision is made for mortgage insurance on projects undertaken by nonprofit corporations for occupancy by elderly persons. Section 207 also authorizes the insurance of mortgages on mobile home courts.

Section 213, added to Title II in 1950, authorizes the insurance of mortgages on cooperative housing projects of eight or more family units. 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 the 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 which have been certified to the FHA by the Housing and Home Finance Administrator as eligible for Section 220 mortgage insurance.

Section 221, also added in 1954, authorizes mortgage insurance on low-cost housing for families from urban renewal areas and families displaced by Government action. Mortgage insurance is available under Section 221 for purchase of existing housing, rehabilitated housing, and new construction. It is 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, 207, and 213 of mortgages on specified types of permanent housing sold by the Federal or State government. This authority is similar to that formerly provided under Section 610 of Title VI.

TITLE VI

This title is now inactive.

Sections 603 and 608 of Title VI were enacted in 1941 and 1942, respectively, to aid the production of war housing through mortgage insurance provisions more liberal than those of Sections 203 and 207. They were revised and extended on May 22, 1946, as part of the Veterans' Emergency Housing Program. 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 (Wherry Act) and rewritten in 1955 (Capehart Act) authorizes the insurance of mortgages on 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 homes built for sale to civilians employed at military research and development installations.

TITLE IX

This title, added to the act in 1951 and now inactive, authorized FHA insurance of mortgages on housing programed by the Housing and Home Finance Administrator for critical defense areas.

Publications

The following are the principal new or revised FHA publications issued in 1956. Unless otherwise indicated, they can be obtained without charge from the Federal Housing Administration, Washington 25, D. C.

Administrative Rules and Regulations for Armed Services Mortgage Insurance under Title VIII of the National Housing Act—FHA Form No. 3300.

Amortization and Mortgage Insurance Premium Tables for mortgages to be insured under Section 203 of the National Housing Act—FHA Form 2042–B, revised December 1956. 20¢.*

Annual Report—Twenty-second annual report of the Federal Housing Administration; year ending December 31, 1955. 75¢.*

Cooperative Housing Program—FHA No. 3250. 15¢.*

Dealer Guide for FHA Title I Loans—FH–30A, revised September 1956. 10¢.*

Digest of Insurable Loans—FHA 2575. 10¢.*

FHA Facts for Home Buyers—FHA 2098, revised September 1956. 15¢.*

Heat Loss Calculations: Technical Circular No. 7—FHA 2574. 40¢.*

Improve Today with FHA—FH No. 39, revised 1956.

New FHA Terms, Rates for Home Improvement Loans—Form FH–38, revised September 1956. 15¢.*

Property Improvement Loans: General administrative policy applicable to property-improvement loans reported for insurance under Title I of the National Housing Act (including amendments through Aug. 8, 1956)—FH Form No. 20A.

Property Improvement Loans: Regulations under Title I under Section 2 of the National Housing Act—FH Form No. 20.

This Is the FHA—FHA Form No. 2650, revised October 1956. 15¢.*

*Available at price shown from Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

The Year in Summary

Mortgage and property improvement loan insurance totaling $3.46 billion was written by the FHA in 1956—the fifth highest amount for any year to date. Largely because of conditions in the money market, the total was about 9 percent less than in 1955, although nearly 13 percent above 1954.

The year 1956 was a highly productive one for FHA. Insurance activity, while it broke no records, was at a high level. Two new programs of mortgage insurance provided by the Housing Act of 1956 were put into effect, as well as amendments made by the act to existing programs. Action was taken to help to increase the supply of money available for financing homes in a tight market.

Internal operations of the FHA were improved in a number of respects. Savings were made in administrative costs. Requirements and procedures were restudied. The FHA approach to mortgage credit was reviewed.

Greater responsibility was placed in the field offices. A course of training for new directors was put into effect. Regional conferences were held in San Francisco, Houston, Chicago, and Philadelphia, in which representatives of FHA headquarters and field offices took part.

Closer cooperation with industry was achieved. Twelve meetings were held with industry advisory committees.

A program of technical studies was undertaken in cooperation with other Government and non-Government agencies, to evaluate new materials and methods of construction.

A study of rapidly wasting real estate items was made at the request of the Senate Committee on Banking and Currency.

These measures and others were taken in order that the FHA program might bring the greatest possible benefit to the greatest possible number of families.

FHA appraisals of 5,409 Government-owned properties in Richland, Wash., and 8,598 in Oak Ridge, Tenn., preliminary to sale of the properties to private individuals, were submitted to the Housing and Home Finance Administrator on April 2 and May 11 respectively, for forwarding to the Atomic Energy Commission. The appraisals were undertaken pursuant to provisions of the Atomic Energy Community Act of 1955 (Public Law 221, 84th Cong., approved Aug. 4, 1955).

In November the FHA Commissioner headed a delegation from the United States to the first inter-American technical meeting on housing and planning, sponsored by the Organization of American States and held in Bogota, Colombia.

AGGREGATE INSURANCE VOLUME

Insurance written by the FHA for the entire period of operations from June 1934 through December 31, 1956 totaled $43.3 billion. This amount included $28.6 billion of mortgage insurance on 4.4 million homes and $5 billion on 8,626 housing projects with 689,000 units, $9.6 billion of insurance covering 20.1 million property improvement loans, and $5.3 million of insurance on 756 manufactured-housing loans.

More than $18.8 billion of the insurance written had been terminated by the end of 1956. Of the remaining $24.5 billion still in force, an estimated $4 billion had been amortized, leaving outstanding a net amount of $20.5 billion.

The net balance outstanding included $15.5 billion of home mortgage insurance, $4 billion of project mortgage insurance, and $1 billion of property improvement loan insurance.

Detailed statistics on the volume and characteristics of the mortgages and loans insured will be found in Sections 2 and 3 of this report.

PROPERTY IMPROVEMENT LOAN INSURANCE

Under authority of Title I, Section 2, of the National Housing Act, the FHA insures qualified financial institutions against loss on property improvement loans. The types of loans and the terms are shown at the top of the following page.

FHA liability is limited to 90 percent of loss on each loan and to 10 percent of all Title I loans made by the lender.

Public Law 405, 84th Congress, approved February 10, 1956, amended Title I to provide that loans financing improvements to residential structures damaged in major disasters could be insured whether or not the structures had been completed and occupied for at least 6 months.

The Housing Act of 1956 (Public Law 1020, 84th Cong., approved Aug. 7, 1956) amended Title I by—

(1) authorizing the FHA Commissioner in his discretion to waive the requirement of 6-months' completion and occupancy for any residential structure;

(2) extending the expiration date of the insurance authority for 3 years, to cover loans made before September 30, 1959;

(3) increasing the maximum loan amount to $3,500 for all loans except class 1 (b) (for these the maximum was increased from $10,000 to $15,000, but the $2,500 maximum per-unit average was retained);

Type of loan	Type of improvement	Maximum maturity	Maximum amount	Maximum financing charge
Class 1 (a)	Repair, alteration, or improvement of or in connection with an existing structure.	3 years 32 days; or 5 years 32 days if advance (exclusive of financing charges) exceeds $600.	$3,500	$5 discount per $100 per year up to $2,500. $4 discount per $100 for any portion above $2,500.
Class 1 (b)	Alteration, repair, improvement, or conversion of existing structure used or to be used as an apartment house or a dwelling for 2 or more families.	7 years 32 days	Average of $2,500 per dwelling unit, total not to exceed $15,000.	$5 discount per $100 per year up to $2,500. $4 discount per $100 for any portion above $2,500.
Class 2 (a)	Construction of a new structure to be used exclusively for other than residential or agricultural purposes.	3 years 32 days; or 5 years 32 days if advance (exclusive of financing charges) exceeds $600.	$3,500	$5 discount per $100 per year up to $2,500. $4 discount per $100 for any portion above $2,500.
Class 2 (b)	Construction of a new nonresidential farm structure.	7 years 32 days. If secured by first lien, 15 years 32 days.	$3,500	$5 discount per $100 per year up to $2,500. $4 discount per $100 for any portion above $2,500. $3.50 discount for entire advance if maturity exceeds 7 years 32 days.

(The added 32-day period is provided in order to permit the maximum of 36, 84, or 180 monthly payments, as the case may be, if there should be 2 calendar months to the first payment.)

(4) authorizing an increase in the maximum maturity of class 1(a) and class 2(a) loans, at the Commissioner's discretion, from 3 years to 5 years;

(5) providing for a maximum discount of $5 a year on the loan amount up to $2,500 and $4 a year on any part of the net proceeds above $2,500. This is the first time the maximum charge has been set by law.

More than a million property improvement loans totaling about $692 million were reported for insurance in 1956. Altogether from 1934 to the end of 1956 Title I insurance has covered more than 20 million loans with total net proceeds of $9.6 billion. About $1 billion of this amount was outstanding on December 31, 1956, and over $57 million was available in the insurance fund to pay losses and related expenses.

The FHA paid 31,552 insurance claims in 1956, totaling $12.2 million. This amount represents 1.19 percent of the average net proceeds outstanding during the year and compares with a ratio of 1.50 in 1955.

Since 1934, 595,000 claims have been paid in the total amount of $199 million or 2.06 percent of the amount of all loans insured. Actual and anticipated recoveries by the FHA on defaulted notes have reduced losses to $94 million or .96 percent of the net proceeds of all loans insured.

The staff of Title I field supervisors was increased from 11 to 15 in 1956. These men work with lenders and survey their Title I operations with the object of eliminating weaknesses that could result in too great a volume of claims. Their efforts are largely responsible for the fact that the number of claims paid last year was nearly 22 percent less than in 1955.

Another important factor in the curtailment of claims has been the elimination of irregular dealers. In 1956 the Title I activities of more than 500 firms and individuals were restricted because of unethical or irregular practices. This was less than half the number that the FHA found it necessary to restrict in 1955.

The list of items eligible for Title I financing was revised during the year to include landscaping and grading, bulk milk tanks, milk coolers, permanent lawn sprinkling systems, and commercial greenhouses.

New contracts of insurance were issued to 364 lending institutions in 1956. At the end of the year 7,788 institutions with 4,308 branch offices held contracts.

MORTGAGE INSURANCE

Homes

Home mortgages were insured in 1956 under the following titles and sections of the National Housing Act:

Title and section	Number of mortgages	Amount (000)
Title I, Sec. 8	130	$775
Title II, Sec. 203	234,929	2,460,506
Title II, Sec. 213	677	7,220
Title II, Sec. 220	57	508
Title II, Sec. 221	16	124
Title II, Sec. 222	11,457	151,550
Title VIII, Sec. 809	12	152
Title IX, Sec. 903	834	8,150
Total [1]	248,121	2,638,226

[1] Includes 24 open-end advances totaling $55,351 insured under Sec. 203 pursuant to the provisions of Sec. 225.

The number of homes financed in 1956 with FHA-insured mortgages was about a fifth less than in 1955. The reduction was caused chiefly by the scarcity of funds available for this type of mortgage. This in turn was caused by the great volume of demand for funds for other purposes at rates of return higher than those obtainable on insured mortgages. The prices that FHA-insured mortgages brought in the secondary market declined during the year.

The highest point reached in 1956 by applications for home mortgage insurance was in March, when applications were received on 50,951 homes. After this the number declined fairly steadily for the rest of the year.

Homes started under the FHA program totaled 183,350 compared with 268,655 in 1955, and represented 17 percent of all private non-farm starts as reported by the Bureau of Labor Statistics, compared with 21 percent in 1955.

The FHA took several steps during the year to help to make it possible for families, particularly those with limited means, to finance homes.

On July 30, 1955, to counteract inflationary tendencies that were beginning at that time to appear in the mortgage market, the Commissioner had by administrative action increased the minimum down payment on insured home mortgages by 2 percent and had reduced the maximum maturity to 25 years.

On January 17, 1956, the Commissioner increased the maximum maturity to the statutory limit of 30 years. On September 20, he reduced the minimum down payment on homes valued at $9,000 or less from 7 percent to the statutory requirement of 5 percent. Nearly a fourth of the homes financed with insured mortgages in 1955 had been in this value range.

On December 4, 1956, the Commissioner authorized an increase in the maximum interest rate from 4½ percent to 5 percent. The 4½ percent maximum had been in effect since May 2, 1953.

In May 1956, FHA requirements were liberalized to facilitate trade-in transactions for home purchases. A previous requirement that major improvements be made in the house taken in trade was canceled, and real estate firms and land developers as well as builders were enabled to use FHA-insured interim financing in taking title to the homes.

The Housing Act of 1956 amended Section 203 by authorizing the same maximum loan-value ratio for both new and existing homes—95 percent of the first $9,000 of appraised value plus 75 percent of the value above $9,000. The ratio for existing homes had been 90 percent of $9,000 of value plus 75 percent of the remaining value.

The only exception made by the new law is that if application for mortgage insurance is made within a year after completion of a home that the FHA did not inspect during construction the former ratio of 90 percent applies to the first $9,000 of value.

The new law also increased from $7,000 to $12,000 the maximum amount of a mortgage given to finance disaster housing.

Cooperative Housing

Mortgages in the amount of $36.4 million were insured under Section 213 of the National Housing Act in 1956 on 58 cooperative housing projects providing 3,009 dwelling units. Mortgages were also insured on 677 individual homes released from overall mortgages on sales-type projects.

Applications were received during the year on 472 projects involving nearly 13,000 units, and on 822 individual homes.

The Housing Act of 1956 made several liberalizing amendments to Section 213. One of these allows cooperatives with 50 percent veteran membership to finance their projects with insured mortgages representing up to 95 percent of replacement cost. Before this amendment was made, the mortgage could not exceed 90 percent unless at least 65 percent of the members were veterans. The new law also allows World War I veterans to be included in the count of veteran members.

Another amendment, intended to make more housing possible for cooperatives in large cities, authorizes increases in high-cost areas up to $1,000 per room above the regular limitation on mortgage amounts.

A third amendment authorizes the FHA to insure mortgages on management-type projects built by corporate investors when the sponsor certifies to the FHA its intention of selling the project to a cooperative group within 2 years after completion. This makes it possible for a project to be placed under construction while the cooperative is being organized, with a consequent saving of time in getting the members housed. Also, it enables the investor to obtain construction financing on favorable terms and to offer the cooperative a completed project already approved for FHA insurance. When the mortgagor is not a cooperative, the mortgage is limited to not more than 85 percent of replacement cost.

On April 10, the Commissioner removed the 2 percent additional down payment requirement that had been in effect for sales-type mortgages, both project and individual, since July 30, 1955.

A significant development in 1956 was the wide dispersion of FHA activity in cooperative housing. At the end of the year, 29 States and Hawaii had cooperative projects on which mortgages had been insured or on which commitments were outstanding or applications were being processed.

Conferences were held during the year with consumers' interest groups, FHA field office personnel, and others to promote understanding of Section 213 and improvement in procedures.

Rental Housing

Mortgages totaling $5.5 million were insured under Section 207 in 1956 on 12 rental housing projects with 736 units.

The Housing Act of 1956 amended Section 207 as follows:

(1) The maximum per-room mortgage limitation was increased from $2,000 to $2,250, and from $2,400 to $2,700 in elevator structures; the per-unit limitation (when the number of rooms in the project is fewer than 4 per unit) was increased from $7,200 to $8,100, and from $7,500 to $8,400 in elevator structures; and provision was made that any of these limitations might be increased by as much as $1,000 in high-cost areas.

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(2) The maximum loan-value ratio was increased from 80 percent to 90 percent.

Rental housing was affected during the year by the tight mortgage money situation, but the volume of applications received increased in the last 4 months of the year, and growing interest in Section 207 insurance was evident also in the number of projects brought to the FHA for discussion, especially in the latter part of the year.

In August a new form of corporate charter was issued for FHA-insured rental projects, to reduce the number of controls and at the same time protect the interests of the Government.

A survey made at the end of March showed that vacancies in rental projects on which FHA mortgage insurance was in force had declined from 4.4 percent in 1955 to 3.2 percent, reversing an upward trend that had begun in 1953.

On December 4, 1956, the maximum interest rate was increased from $4\frac{1}{4}$ percent to $4\frac{1}{2}$ percent for FHA project mortgage insurance under Sections 207 and 213.

HOUSING FOR THE ELDERLY

The Housing Act of 1956 recognized the housing needs of older people by making special provision for FHA insurance of mortgages on both individual homes and housing projects.

To assist elderly persons who have regular incomes but not enough cash for a downpayment, the act provides that when a mortgagor under Section 203 is 60 years old or older the required down payment can be made by a corporation or person other than the mortgagor.

The act also authorizes mortgage insurance under Section 207 to enable nonprofit organizations to provide multifamily rental accommodations designed especially for older people. The housing can be in new, converted, or rehabilitated structures. The mortgage amount can be computed on the basis of $8,100 per dwelling unit, and can represent up to 90 percent of replacement cost instead of 90 percent of appraised value as provided for other rental housing mortgages insured under Section 207.

Much interest has been expressed in the rental provisions by labor unions, veterans' organizations, professional and trade associations, local governing bodies, and other groups throughout the country.

The FHA Commissioner sent a special representative to work with field office staffs to acquaint them thoroughly with the possibilities of the new program. He also had a special study made of architectural features that are desirable in housing for elderly persons.

At the end of the year it was apparent that this program could be expected to be a significant force in helping to improve housing conditions for the elderly.

MILITARY HOUSING

Public Law 574, 84th Congress, approved June 13, 1956, added a new Section 809 to Title VIII of the National Housing Act to make provision for home mortgage insurance when the mortgagor is an essential, nontemporary civilian employed at a research or development installation of one of the armed services. Certification by the Secretary of Defense is required. The mortgage must meet the eligibility provisions of Section 203(b), but the finding of economic soundness is not specified. The FHA Commissioner may require the Secretary of Defense to guarantee the insurance fund against loss if the mortgage is not an acceptable risk.

At the end of the year the Secretary of Defense had issued two certificates for a total of 1,500 units under Section 809 and had executed a guarantee to the insurance fund for those units.

The Housing Act of 1956 amended the Capehart housing provisions of Title VIII (Sec. 803) by—

(1) continuing through June 30, 1958 the authority to issue commitments of mortgage insurance;

(2) increasing the mortgage insurance authorization to $2.3 billion;

(3) making the insurance available for military housing on Midway Island and in the Canal Zone;

(4) increasing the maximum average mortgage amount per family unit from $13,500 to $16,500 (including ranges, refrigerators, shades, screens, and fixtures);

(5) requiring determination by the Secretary of Defense, with the approval of the FHA Commissioner, that the new housing will not substantially curtail occupancy in existing housing on which Title VIII insurance is in force;

(6) requiring the FHA Commissioner to report to the Banking and Currency Committees each instance in which he has required the Secretary of Defense to guarantee the Armed Forces Housing Mortgage Insurance Fund;

(7) increasing the limitation on the monthly payments that the Secretary of Defense can make for the payment of obligations on military housing mortgages from $9 million to $21 million;

(8) requiring that plans, drawings, and specifications must follow the principle of modular measure;

(9) limiting the floor area of the housing units;

(10) making the lessee's interest in Wherry Act projects subject to local taxes and assessments;

(11) authorizing the Secretary of Defense to acquire, when he deems it necessary, any land or, with the approval of the Federal Housing Commissioner, any housing financed under the Wherry Act. Where military housing has been approved by the Secretary of Defense under the Capehart provisions of Title VIII, the Secretary is directed to acquire any Wherry housing located on or near the same installation.

At the end of the year 214 Capehart projects comprising 83,000 housing units had been agreed upon by the FHA and the Department of Defense and were in various stages of development from preliminary planning to completion and occupancy. Ninety of these projects had also received final approval from the Senate and House Armed Services Committees.

URBAN RENEWAL

Activity under Section 220 began to gather momentum in 1956.

At December 31 the cumulative record for the 2 years of operation was:

Multifamily housing:
- 5 mortgages insured for $9.4 million.
- 16 commitments issued for $45.6 million.
- 5 applications in process for $13.3 million.
- 5 applications in preapplication stage for $19.6 million.

Single-family homes:
- 57 mortgages insured totaling $.6 million.
- 402 commitments issued totaling $3.9 million.

The Housing and Home Finance Administrator certified 7 projects in 1956 pursuant to Section 220, bringing the total to 42.

As increasing numbers of sites are put on the market by local public agencies, the volume of applications under Section 220 is expected to increase.

Commitments on the first individual homes to be built under this program were issued in April 1956 on 88 units in a development of 195 homes on the outskirts of Perth Amboy, N. J.

Thirty-nine cities now have certificates of need for relocation housing under Section 221 totaling 14,864 units.

The first new construction under Section 221 was started in Corpus Christi, Tex., in May in a development of 212 units, half of which were to be newly built.

The Housing Act of 1956 amended Section 220 by providing for an allowance for builders' and sponsors' profit and risk of not more than 10 percent of replacement cost exclusive of land, and by making it clear that the FHA Commissioner's authority to increase the mortgage limitation per room or per family unit in multifamily housing by $1,000 in high-cost areas applied to both garden-type and elevator structures.

The act amended Section 221 by increasing the dollar limitation per family unit from $7,600 to $9,000 and in high-cost areas from $8,600 to $10,000. It increased the maximum loan-value ratio on homes from 95 percent to 100 percent, with the requirement that the mortgagor make an initial payment of at least $200, which may be applied to settlement costs and other initial charges. The maximum maturity was increased from 30 years to 40 years.

The FHA made a number of changes in its requirements and procedures during the year to make mortgage insurance for urban renewal areas more practicable and to give greater latitude to FHA field offices in meeting local conditions.

On December 4 the maximum interest rate on all urban renewal mortgages insured by the FHA was increased to 5 percent. The maximum rates had previously been $4\frac{1}{2}$ percent on home mortgages under Sections 220 and 221 and $4\frac{1}{4}$ percent on multifamily mortgages under both sections.

MINORITY-GROUP HOUSING

In letters to field office directors during the year the Commissioner emphasized the rights of minority groups to equal opportunities in the housing market and the responsibility of the directors to help in a positive way to make adequate housing available to them. He recommended specific actions for the directors to take.

Although the tightness of mortgage money as the year went on provided some difficulty, a number of developments available to minority groups were built under the FHA program in various parts of the country. Growing interest in this area of the market on the part of lenders and builders is apparent.

The New York offices of the FHA undertook the responsibility of calling to the attention of builders operating in the State the provisions of the Metcalf-Baker State law prohibiting discrimination in housing.

FORECLOSURES AND LOSSES

At the end of 1956 the FHA had acquired through foreclosure or the assignment of mortgage notes 72,894 units of housing, representing about 1.4 percent of the 5,088,990 units covered by mortgages or loans insured since the beginning of operations. Of the acquired units, 38,799 had been sold and 34,095 remained on hand.

Losses realized on the total amount of mortgage insurance written from 1934 through 1956 amounted to eleven 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.

In addition to the actual losses realized, provision has been made for estimated future losses in the amount of $95,120,695 on the 34,095 units remaining on hand at the end of 1956.

FINANCIAL POSITION

Gross income from fees, insurance premiums, and investments during the fiscal year 1956 from all insurance operations of the FHA totaled $145,532,774. Expenses of administering the agency during the fiscal year amounted to $40,587,159, leaving an excess of gross income over operating expenses of $104,945,615.

From the establishment of the FHA in 1934 through June 30, 1956, gross income totaled $1,167,126,780, while operating expenses amounted to $422,916,108. Expenses 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, operating expenses have been paid in total by allocation from the various insurance funds.

In fiscal year 1954, the FHA completely repaid its indebtedness to the United States Treasury Department, including principal and interest in the amount of $85,882,962, for funds advanced by the Treasury to pay salaries and expenses during the early years of FHA operations and to establish certain insurance funds.

At June 30, 1956, FHA had total capital of $481,207,568, which had been accumulated from earnings. Of this amount, $411,437,737 was in the insurance reserve funds and $49,459,831 in the statutory reserve fund. Insurance reserve funds are available for future losses and expenses, while the statutory reserve fund is available for future losses, expenses, and participation payments under the mutual provisions of the National Housing Act. The remaining $20,310,000 was transferred from the FHA insurance funds in which it was earned to other FHA insurance funds under the provisions of Section 219 of the act or other statutory authority and is identified as capital contributions from other FHA insurance funds.

Total capital of each insurance fund at June 30, 1956, was as follows:

Title I Insurance Fund	$52, 259, 738
Title I Housing Insurance Fund	2, 779, 787
Mutual Mortgage Insurance Fund	[1] 291, 423, 401
Housing Insurance Fund	5, 826, 885
Sec. 220 Housing Insurance Fund	802, 755
Sec. 221 Housing Insurance Fund	906, 822
Servicemen's Mortgage Insurance Fund	1, 227, 153
War Housing Insurance Fund	116, 267, 730
Housing Investment Insurance Fund	847, 074
Armed Services Housing Mortgage Insurance Fund	9, 822, 132
National Defense Housing Insurance Fund	—955, 909
Total	481, 207, 568

[1] Includes statutory reserve of $49,459,831.

DEBENTURE INTEREST RATE

The interest rate on FHA debentures was increased twice in 1956. Effective July 1 it was increased from 2⅞ percent to 3 percent for mortgages insured under all sections except Section 221(g)(3). In December an increase to 3¼ percent was made, effective January 1, 1957.

FEDERAL HOUSING ADMINISTRATION

ORGANIZATIONAL CHART

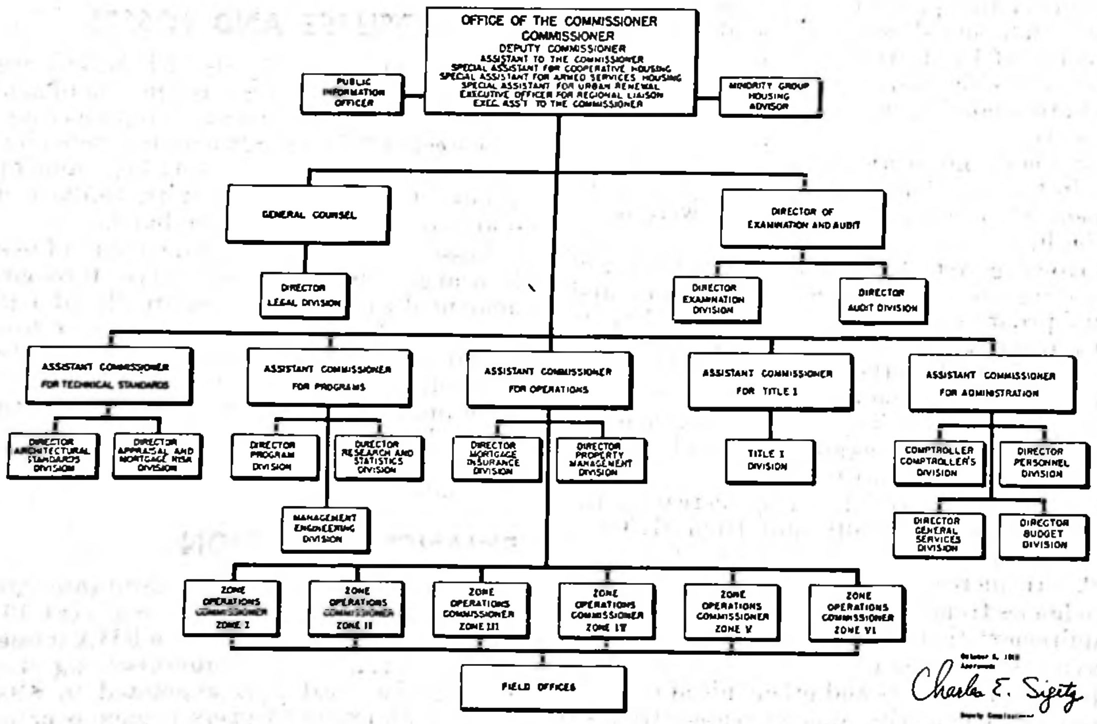
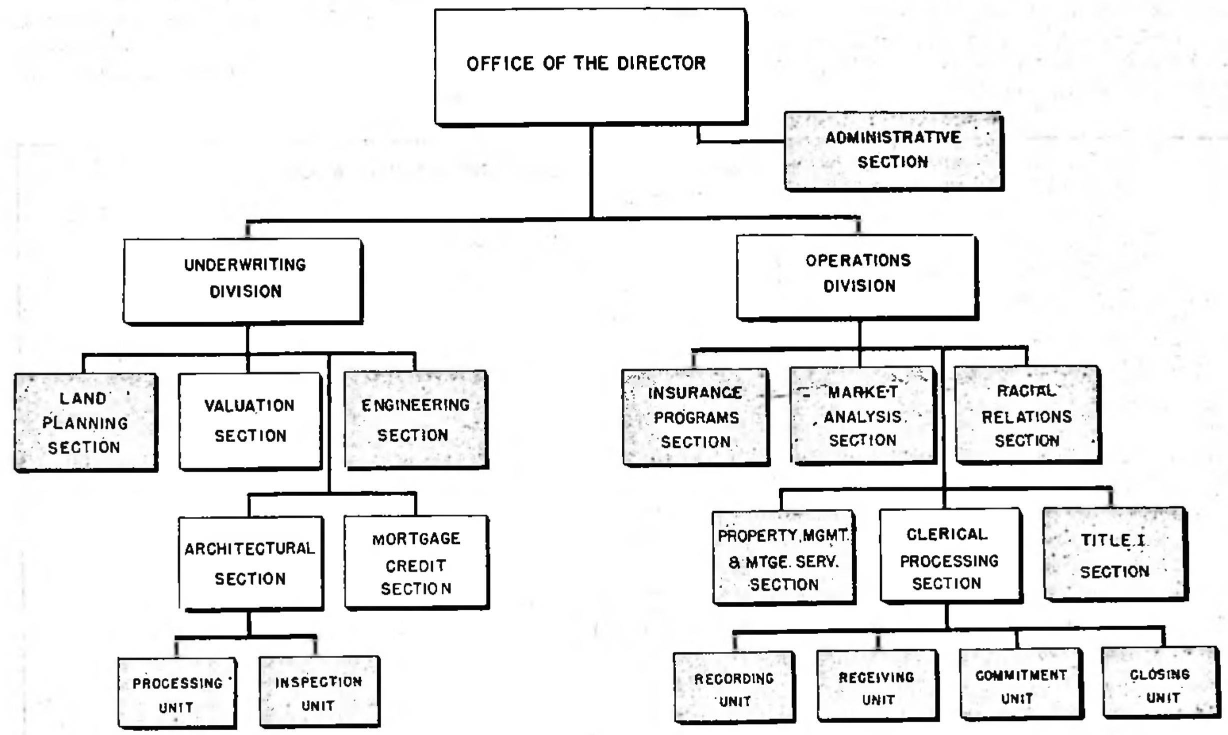


CHART III–1

FEDERAL HOUSING ADMINISTRATION

INSURING OFFICE

ORGANIZATIONAL CHART



THIS IS THE MAXIMUM ORGANIZATION OF AN FHA INSURING OFFICE. WHERE THE MAXIMUM ORGANIZATION IS NOT REQUIRED, THE FUNCTIONS ARE COMBINED OR ARE PERFORMED BY SPECIALISTS FROM OTHER OFFICES ON A PART-TIME BASIS AND SOME OR ALL OF THE SHADED UNITS ARE NOT ESTABLISHED.

CHART III–2

Debentures are issued to lending institutions in exchange for properties or assigned mortgages offered to the FHA Commissioner under mortgage insurance contracts when mortgages go into default.

SECTION 608 RECOVERIES

The windfall recovery program was substantially completed in 1956 and it is expected that by the end of 1957 all pending cases will be either settled by negotiation out of court or sent to the Department of Justice for legal action.

ORGANIZATION AND PERSONNEL

Charts III–1 and III–2 show the organization of the headquarters and field offices of the FHA.

New staff appointments in 1956 included a general counsel, two assistant commissioners, an assistant to the Commissioner, a director of examination and audit, and seven directors of field offices.

A compliance officer was appointed in September to review complaints of irregularities under the FHA program for the protection of the public.

Full-time FHA personnel totaled 6,252 at the beginning of 1956 and 6,184 at December 31. Average full-time employment during the year was 6,209. Of this number, 77 percent were in field offices and 23 percent in the Washington headquarters office. There were 844 appointments in 1956 and 916 separations.

With the decline in mortgage insurance applications during the latter part of the year, field office employment decreased from the peak of 4,874 in August to 4,741 on December 31.

Field expenses for legal work were reduced approximately 80 percent in 1956 by the abolition of full-time attorney positions and use of attorneys' services only as actually required.

At the end of the year there were 138 FHA field offices. They included 75 insuring offices, which receive and completely process applications for mortgage insurance; 17 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 46 valuation stations, where technical personnel prepare architectural and valuation reports for the insuring offices in their respective areas.

The Long Beach, Calif., insuring office was made a service office in January 1956. The office at Kennewick, Wash., was changed during the year from a valuation station to a service office.

Awards were made to 102 FHA employees in 1956 for sustained superior performance, outstanding performance ratings, and employee suggestions.

Initial steps were taken to put into effect a project of career development for FHA employees.

Chart III–3 shows the boundaries of the six regions supervised by the zone operations commissioners in Washington, and the locations of the field offices.

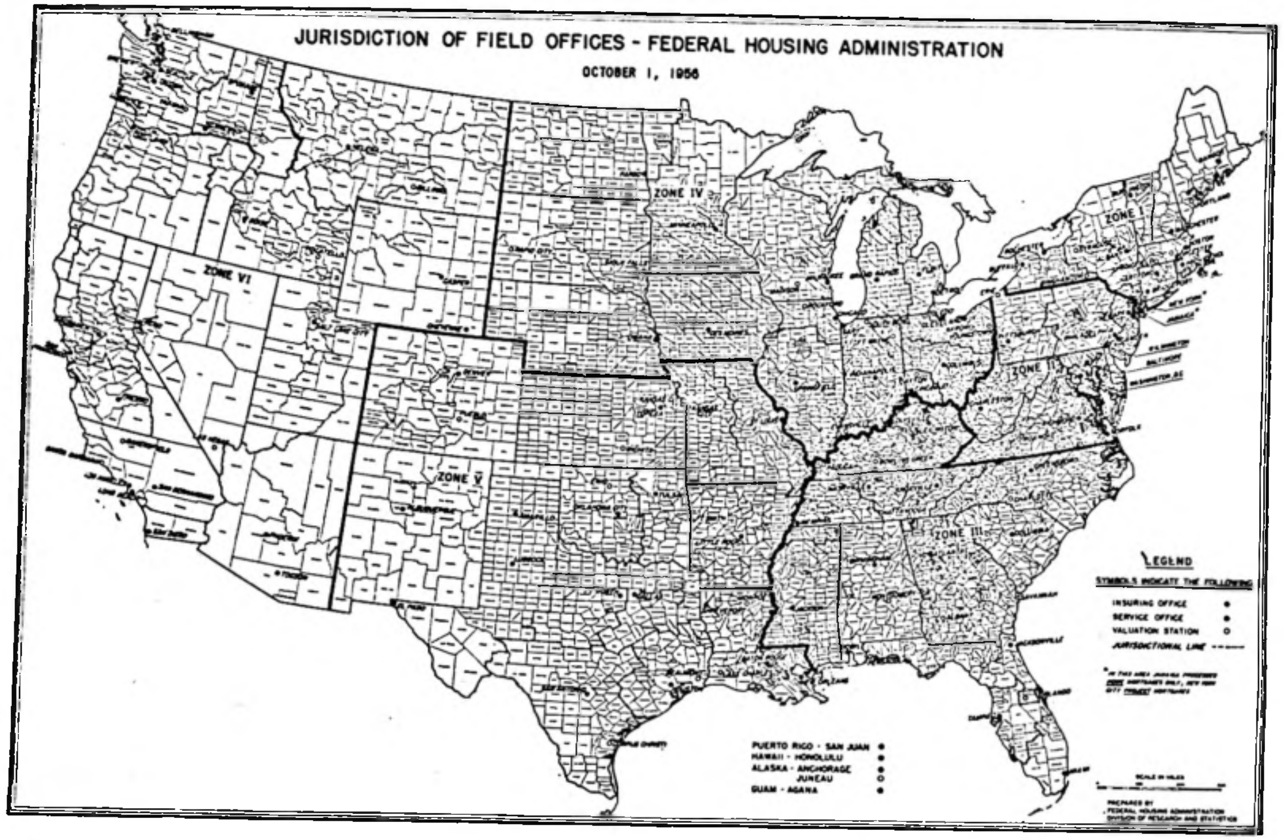


CHART III–3

Volume of FHA Mortgage and Loan Insurance Operations

A detailed statistical appraisal of the magnitude and scope of FHA operations during 1956 and cumulatively since the inception of the agency in 1934 is presented in this section of the report. Included are analyses of yearly trends, geographical distributions, financial institution participation, termination and foreclosure activity, and default experience.

FHA insurance was available during 1956 under the following titles and sections of the National Housing Act to assist in the financing of:

(1) Home Mortgages.—Title II, Sections 203, 213, 220, 221, 223, and 225; and Title VIII, Section 809.

(2) Multifamily Project Mortgages.—Title II, Sections 207, 213, 220, 221, 222, and 223; and Title VIII, Section 803.

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

(4) Rental Housing Investment Yields.—Title VII, Section 701.

Through December 31, 1956, no insurance had been written under the multifamily project mortgage provisions of the Section 221 relocation housing program or the Title VII investment insurance program; in fact, no formal applications for insurance had been filed under either program. Insurance written during the year under the repealed Sections 8 and 903 was pursuant to commitments issued before the expiration of insurance authority under these programs.

SUMMARY OF OPERATIONS

Combined Insurance Activity

Nearly $3.5 billion of mortgages and loans were insured by FHA during 1956, making it the ninth consecutive year in which insurance volume exceeded the $3 billion mark. Financed with the assistance of this insurance were mortgages on 248,000 homes, multifamily projects providing 11,200 dwelling units, and 692,000 property improvement loans. Although the total amount of FHA insurance written in 1956 was down 9 percent from 1955, it represented the fifth highest yearly volume in the agency's history. (Chart III–4 and table III–1.)

Table III–1.—*Mortgages and loans insured by FHA, 1934–56*

[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, 503	115, 124	485, 812	11, 930	47, 638	376, 480	138, 143		
1939	925, 262	164, 630	604, 764	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, 830	223, 562	973, 271	5, 842	21, 216	427, 534	126, 354		
1943	933, 986	160, 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, 085	96, 776	474, 245	4, 058	19, 817	501, 441	170, 923		
1946	755, 778	80, 872	421, 049	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, 240, 865	300, 034	2, 116, 043	79, 184	608, 711	1, 357, 386	614, 239	3	$1, 872
1949	3, 826, 283	305, 705	2, 200, 842	133, 135	1, 021, 231	1, 246, 254	593, 744	196	1, 466
1950	4, 343, 378	342, 582	2, 492, 367	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	30, 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
1955	3, 806, 937	310, 870	3, 084, 767	9, 431	76, 489	1, 024, 698	645, 645	11	38
1956	3, 460, 408	248, 121	2, 638, 230	11, 177	130, 247	1, 013, 086	691, 992		
Total [6]	43, 288, 506	4, 196, 176	28, 558, 111	688, 950	5, 088, 071	20, 109, 663	9, 637, 008	756	5, 316

[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, Sec. 213 (individual home mortgage provisions), and Sec. 611 (individual home mortgage provisions), Apr. 20, 1950; Sec. 903, Sept. 1, 1951; Sec. 220 (individual home mortgage provisions), Sec. 221 (individual home mortgage provisions), Sec. 222, and Sec. 225, Aug. 2, 1954; Sec. 809, June 13, 1956.

[3] Includes the following sections listed in order of enactment date: Sec. 207, June 27, 1934; Sec. 210, Feb. 3, 1938; Sec. 608, May 26, 1942; Sec. 608-610, Aug. 5, 1947; Sec. 611 (project mortgage provisions), Aug. 10, 1948; Sec. 803, military housing, Aug. 8, 1949; Sec. 213 (project mortgage provisions), Apr. 20, 1950; Sec. 908, Sept. 1, 1951; Sec. 220 (project mortgage provisions) and Sec. 221 (project mortgage provisions), Aug. 2, 1954; Sec. 803, armed services housing, Aug. 11, 1955.

[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 is due in part to authorization controls which resulted in a tabulation backlog of approximately $200 million as of Dec. 31, 1952. See text of 1953 FHA Annual Report, pp. 126–128 for detailed explanation.

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

[6] Cumulative data shown in this report represent volume of operations from the dates of enactment of the various programs.

The predominance of home mortgage insurance in FHA operations during 1956 and cumulatively since 1934 is evident in the following table:

Type of program	Year 1956		1934–56	
	Billions of dollars	Percent	Billions of dollars	Percent
Home mortgages	2.6	76	28.6	66
Multifamily project mortgages	.1	4	5.1	12
Property improvement loans	.7	20	9.6	22
Total	3.5	100	43.3	100

These data parallel the national trend toward home ownership which has characterized the period since the establishment of FHA.

Table III–2 shows the volume of FHA insurance written under each title and section of the National Housing Act during 1956, 1955, and cumulatively through the end of 1956. Over 77 percent of the total amount of FHA insurance written in 1956 was attributable to programs established under the provisions of Title II of the National Housing Act, with 71 percent accounted for by the Section 203 home mortgage program. Title II programs—particularly Section 203—have been the chief FHA insurance vehicles throughout most of the life of the agency, being subordinate to the Title I property improvement loan program only during the agency's first 2 years (1934–35), and to the Title VI emergency housing program during the World War II period of 1943–45 and the postwar years of 1947–48.

The Title II dollar volume dropped 13 percent in 1956, with Section 203 decreasing by 16 percent. A 2 percent gain in the volume of Title I insurance raised its proportion of the overall total to 20 percent from 18 percent the year before. Reflecting the accelerated pace of the armed services housing program, Title VIII insurance increased more than 2½ times over the 1955 level, bringing its share of the total up to 2 percent from less than 1 percent in the previous year. With Title IX defense housing insurance authority placed on a standby authority as of August 1, 1955, the amount of insurance written under this title declined 72 percent in 1956 and represented only two-tenths of 1 percent of the overall total.

In the 22½ years ending December 31, 1956, FHA insurance facilitated the financing of nearly

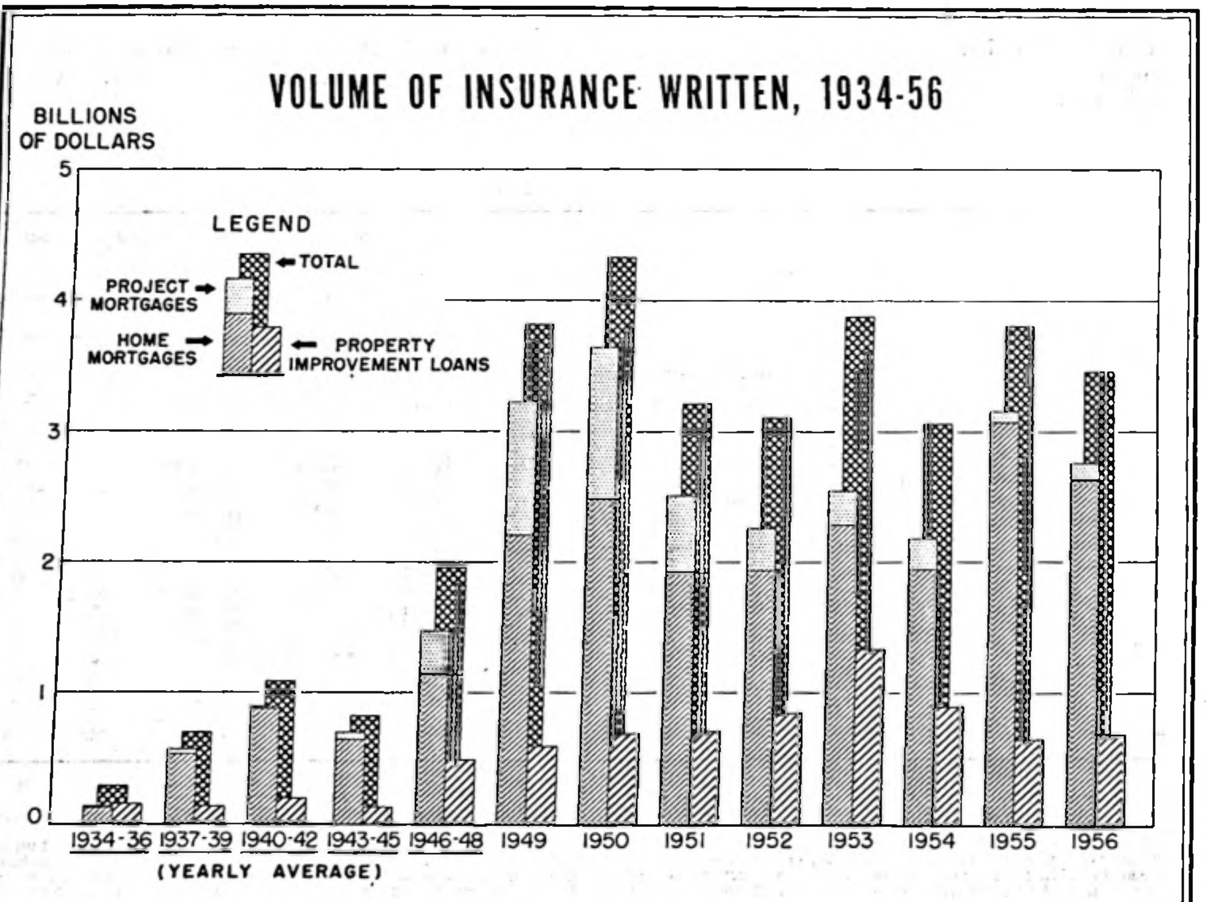


CHART III–4

TABLE III–2.—*FHA insurance written, by title and section, 1955, 1956, and 1934–56*

[Dollar amounts in thousands]

	1956			1955			1934–56		
	Number	Units	Amount	Number	Units	Amount	Number	Units	Amount
Title I	1,013,225	n. a.	$692,767	1,030,412	n. a.	$677,953	20,194,110	n. a.	$9,967,944
Sec. 2 property improvement loans	1,013,086	n. a.	691,992	1,024,698	n. a.	645,645	20,109,663	n. a.	9,637,008
Sec. 2 home mortgages							46,115	46,115	126,611
Sec. 8 home mortgages	139	139	775	5,714	5,714	32,308	38,332	38,332	204,326
Title II	247,211	257,036	2,680,331	302,532	316,049	3,077,457	3,427,650	3,673,427	24,859,031
Sec. 203 home mortgages	234,920	240,033	2,469,596	294,772	301,707	2,928,953	3,395,858	3,524,028	23,600,904
Sec. 207 project mortgages	12	736	5,441	47	5,108	39,059	777	81,296	452,601
Sec. 213 cooperative housing	735	3,686	43,586	1,078	2,599	22,880	12,835	48,877	467,052
Project mortgages	(58)	(3,009)	(36,360)	(24)	(1,545)	(13,854)	(365)	(36,407)	(348,830)
Sales-type project mortgages	(47)	(1,254)	(16,419)	(17)	(636)	(4,855)	(237)	(13,364)	(130,550)
Management-type project mortgages	(11)	(1,755)	(19,947)	(7)	(909)	(8,999)	(128)	(23,043)	(218,280)
Home mortgages	(677)	(677)	(7,220)	(1,054)	(1,054)	(9,026)	(12,470)	(12,470)	(118,222)
Sec. 220	62	1,108	9,972				62	1,108	9,972
Project mortgages	(5)	(1,051)	(9,375)	(—)	(—)	(—)	(5)	(1,051)	(9,375)
Home mortgages	(57)	(57)	(598)	(—)	(—)	(—)	(57)	(57)	(598)
Sec. 221 home mortgages	16	16	124				16	16	124
Sec. 222 home mortgages	11,457	11,457	161,556	6,635	6,635	86,645	18,102	18,102	238,242
Sec. 225 open-end advances	(24)	(24)	55	(12)	(12)	20	(36)	(36)	75
Title VI				11		36	635,940	1,166,812	7,127,565
Sec. 603 home mortgages							624,653	690,007	3,645,217
Sec. 608 project mortgages							7,045	465,674	3,440,018
Sec. 609 manufactured-housing loans				11	n. a.	36	756	n. a.	5,316
Sec. 610 public-housing sales							3,386	9,072	24,468
Sec. 603-610 home mortgages	(—)	(—)	(—)	(—)	(—)	(—)	(3,363)	(5,157)	(16,109)
Sec. 608-610 project mortgages	(—)	(—)	(—)	(—)	(—)	(—)	(23)	(3,915)	(8,360)
Sec. 611 site-fabricated housing							100	2,059	12,546
Project mortgages	(—)	(—)	(—)	(—)	(—)	(—)	(25)	(1,984)	(11,991)
Home mortgages	(—)	(—)	(—)	(—)	(—)	(—)	(75)	(75)	(556)
Title VIII	32	6,393	79,217	9	2,681	22,406	301	90,150	753,562
Sec. 803 project mortgages	20	6,381	79,065	9	2,681	22,406	289	90,138	753,410
Military housing	(4)	(982)	(8,410)	(8)	(2,261)	(18,836)	(272)	(84,319)	(679,185)
Armed services housing	(16)	(5,399)	(70,655)	(1)	(420)	(3,570)	(17)	(5,819)	(74,225)
Sec. 809 home mortgages	12	12	152				12	12	152
Title IX	834	909	8,150	2,696	3,450	28,838	57,220	74,154	580,403
Sec. 903 home mortgages	834	909	8,150	2,695	3,344	27,915	57,123	65,669	516,976
Sec. 908 project mortgages				1	106	923	97	8,485	63,427
Total [1]	1,261,302	[2] 264,477	3,460,468	1,335,660	[2] 327,885	3,806,937	24,315,221	[2] 5,088,990	43,288,506

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

$43.3 billion in mortgages and loans. Of this amount, $28.6 billion covered 4,196,000 home mortgages, $9.6 billion financed over 20,100,000 property improvement loans, and $5.1 billion represented multifamily housing project mortgages secured by nearly 689,000 dwelling units. In addition, the FHA had insured 756 loans aggregating $5,000,000 for the production and sale of manufactured (prefabricated) houses.

At the end of 1956, the outstanding amount of FHA-insured mortgages and property improvement loans in force totaled $20.5 billion, or less than half of the $43.3 billion of insurance written through that date. Most of the reduction—$18.8 billion—resulted from terminations of insurance contracts (principally on home mortgages prepaid before maturity) and maturing of short-term property improvement loans. Amortization of mortgages and loans remaining in force accounted for another $3.9 billion of the reduction (table III–3).

Variation in the proportions of insurance terminated under the individual programs reflects the differences in the average duration of the obligations, prepayment activity, purpose of the program, and dates of enactment and expiration of legislative authority. For example, the retirement of $4 of every $5 of insurance under Section 2 of Title I reflects the typically shorter term of the property improvement loans insured under this section. High termination rates of Section 609 manufactured housing loans and Section 611 obligations (predominantly construction loans) mirror earlier loan maturities and the relatively brief period of operation (1947–54). Termination of half of the Section 603 insured amount reflects heavy prepayment activity induced by the large volume of property transfers and virtual suspension of the new-home phase of this program in 1948. In the multifamily project programs, longer mortgage durations and more recent enactment of most of these programs accounts for the considerably lower proportions. An exception is Section 207, its high termination rate reflecting prepayment of most of the pre-World War II project mortgages.

TABLE III-3.—*Status of FHA insurance written as of Dec. 31, 1956*

[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	20, 155, 778	17, 270, 606	2, 885, 172		
	Net proceeds	$9, 763, 619	$7, 726, 681	$2, 036, 938	$955, 472	$1, 081, 466
Sec. 8 home mortgages	Number of mortgages	38, 332	2, 256	36, 076		
	Amount	$204, 326	$11, 068	$193, 258	$15, 729	$177, 529
Title II:						
Sec. 203 home mortgages	Number of mortgages	3, 395, 858	1, 533, 107	1, 862, 751		
	Amount	$23, 600, 904	$8, 264, 392	$15, 426, 512	$2, 084, 612	$13, 341, 900
Sec. 207–210 project mortgages	Number of units	81, 296	43, 089	38, 207		
	Amount	$452, 661	$171, 890	$280, 771	$15, 109	$265, 662
Sec. 213 cooperative housing	Number of units	48, 877	12, 894	35, 983		
	Amount	$467, 052	$121, 740	$345, 313	$12, 648	$332, 665
Sec. 220 rehabilitation housing	Number of units	1, 108		1, 108		
	Amount	$9, 972		$9, 972	$1	$9, 971
Sec. 221 relocation housing	Number of units	16		16		
	Amount	$124		$124	$1	$123
Sec. 222 servicemen's housing	Number of mortgages	18, 102	146	17, 956		
	Amount	$238, 242	$1, 863	$236, 379	$4, 540	$231, 839
Title VI (war and veterans' emergency program):						
Sec. 603 home mortgages [2]	Number of mortgages	628, 016	376, 647	251, 369		
	Amount	$3, 661, 325	$1, 987, 507	$1, 673, 819	$461, 126	$1, 212, 693
Sec. 608 project mortgages [3]	Number of units	469, 589	67, 173	402, 416		
	Amount	$3, 448, 378	$432, 845	$3, 015, 533	$328, 880	$2, 686, 653
Sec. 609 manufactured-housing loans [4]	Number of loans	756	756			
	Amount	$5, 316	$5, 316			
Sec. 611 site-fabricated housing	Number of units	2, 059	1, 991	68		
	Amount	$12, 546	$12, 043	$504	$55	$449
Title VIII:						
Sec. 803 military housing [5]	Number of units	90, 138	1, 674	88, 464		
	Amount	$753, 410	$13, 768	$739, 642	$36, 235	$703, 408
Sec. 809 civilian housing	Number of mortgages	12		12		
	Amount	$152		$152		$152
Title IX (defense housing program):						
Sec. 903 home mortgages	Number of mortgages	57, 123	7, 044	49, 179		
	Amount	$516, 976	$69, 267	$447, 710	$26, 489	$421, 221
Sec. 908 project mortgages	Number of units	8, 485	1, 795	6, 690		
	Amount	$63, 427	$13, 243	$50, 183	$2, 440	$47, 744
Total [6]		$43, 288, 506	$18, 831, 621	$24, 456, 884	$3, 943, 338	$20, 513, 547

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

[2] Includes 3,363 mortgages for $16,108,500 insured under Sec. 610 of which 872 mortgages for $3,535,800 have been terminated, leaving 2,491 mortgages for $12,572,700 in force.

[3] Includes 3,915 units (23 mortgages) for $8,359,500 insured under Sec. 610, of which 1,178 units (10 mortgages) for $2,121,300 have been terminated, leaving 2,737 units (13 mortgages) for $6,238,000 in force.

[4] Includes 745 discounted purchasers' loans for $2,119,559, all of which have been terminated.

[5] Includes 5,819 units (17 mortgages) for $74,224,600 insured under Sec. 803 armed services housing program.

[6] Includes open-end advances of $74,882 insured under Sec. 225, of which $2,222 has been amortized.

FHA Influence on Residential Refinancing During 1956

Of the $27.1 billion of nonfarm mortgages of $20,000 or less recorded during 1956, less than 10 percent represented FHA-insured home mortgages—slightly below the 11 percent reported for 1955. In each year since 1950, the FHA proportion has been below 12 percent, dropping to 8½ percent in 1954.

The FHA-insured portion of total home mortgage recordings has never exceeded the 25-percent peak of 1942 when war-time building and credit restrictions tended to channel a larger proportion of home mortgage financing to FHA. The high point in the postwar period came in 1949 when the FHA share reached nearly 19 percent. In the prewar years of 1939–41, about one-fifth of total recordings involved FHA-insured home mortgages. It should be noted that total recordings are not strictly comparable to FHA mortgage insurance, since the total figure includes repetitive recordings for construction and interim short-term financing on properties subsequently financed with long-term mortgages (either with or without mortgage insurance), and junior mortgages.

The FHA proportion of the outstanding nonfarm home mortgage debt declined again in 1956, as it has each year since 1950. Of the $99.2 billion of nonfarm home mortgages outstanding at the year end, some $15.5 billion or about 15½ percent was FHA-insured—down from 16 percent in 1955 and from the postwar high of 19 percent in 1950. The highest proportion ever recorded for FHA was 23½ percent in 1944.

Of the $11.1 billion increase in the outstanding home mortgage debt during 1956, some $1.2 billion or 11 percent was FHA-insured and $3.7 billion or 33 percent was guaranteed by the Veterans' Administration. The largest part of the increase—$6.2 billion or 56 percent—was financed conventionally. The FHA-insured outstanding home mortgage debt rose 8 percent during the year, the VA-guaranteed debt by 15 percent, and the outstanding amount of conventional home mortgages by 13 percent.

FHA's influence in home mortgage financing is not fully revealed by comparisons with mortgage recordings and outstanding home mortgage

debt. Many new homes sold with VA-guaranteed or conventional mortgage financing had received the benefits of FHA analysis of the structural plans and specifications, subdivision planning, and compliance inspections during construction. FHA insurance commitments, signifying FHA approval of these properties, had assisted builders in obtaining construction financing. Of the FHA-approved and -inspected new homes completed during 1956, over half were bought with VA-guaranteed or conventional permanent financing, compared with just under half in 1955, 44 percent in 1954, 30 percent in 1953, and 39 percent in 1952. Substantiating this aspect of FHA influence is the proportion of VA appraisal requests or assignments for proposed homes in which FHA construction inspection was specified. These transactions represented one-fourth of the VA total during the period 1951–56 and trended upward from 23 percent in 1951 to 28 percent in 1956.

Similar appraisal of the influence of the multifamily project phase of FHA operations is limited to comparison with the outstanding mortgage debt on these types of properties. An estimated $13.5 billion of mortgage debt was outstanding at the end of 1956 on multifamily housing. Of this amount, nearly $3.9 billion or 29 percent was covered by FHA insurance—a decline from $4 billion and 32 percent in 1955. In 1950 (the first year for which the total data are available) and 1951 the FHA share was 38 percent, but thereafter it receded steadily, with the greatest decrease occurring in 1956.

Of the consumer-installment credit extended for home repair and modernization purposes during 1956, an estimated 44 percent represented loans insured by FHA—a trifle higher than in 1955. This was substantially lower, however, than the 81 percent of such loans which were FHA-insured during the years 1950–54. Of the $1.8 billion of this type of debt outstanding at the end of 1956 (as estimated by the Federal Reserve Board), an estimated 54 percent was covered by FHA insurance—down from the 58 percent in 1955. The FHA proportion had been as high as 85 percent at the end of 1953. The sharpest drop, from 77 to 58 percent, came in 1955. (These data reflect revisions in the Federal Reserve Board estimates made in October 1956.)

As shown in table III–4, privately financed construction starts under the FHA inspection system covered 189,300 units in 1956—32 percent less than in 1955 and the lowest volume since 1946. Some 183,300 units (97 percent of the total) were started under the home mortgage programs and nearly 6,000 in multifamily projects. (Excluded from these figures are nearly 2,600 units started during the year under the Section 803 armed services housing program which are not subject to FHA inspection.) Home starts dropped 32 percent to the lowest level since 1947 and the third lowest in the postwar period. The 6 percent gain in multifamily project starts was the first upturn in 6 years.

In 1956, for the fourth consecutive year, the FHA share of total nonfarm privately financed starts declined—to about 17 percent from 21 percent the year before. This was the lowest FHA proportion since 1946 and marked the largest year-to-year drop since 1951. The tightness of the money market and the preference of financial institutions for mortgages and other types of investments providing higher yields and quicker turnover of funds was the major reason for the decline.

As indicated in table III–4 and chart III–5, there has been an almost continuous downward trend in FHA's proportion of total private starts since 1949–50, when 3 of every 8 starts were FHA-inspected. This has been caused not only by the marked decrease in FHA's multifamily project activity, but also by the decline in FHA's share of sales home starts in the last 6 years. Of the privately financed units in 1- and 2-family structures started during 1949–50, roughly 30 percent were covered by FHA home mortgage commitments; in the period 1951–55, the proportion had declined to 22 percent; and in 1956 it was down to 18 percent.

Among the factors which may have influenced this trend were the increase in the FHA application fee for proposed home cases in May 1950, decreased availability of mortgage funds following discontinuance of Federal Reserve support of United States government securities in 1951, credit restrictions in effect during the Korean conflict tending to minimize FHA's advantage over conventional financing in downpayment and monthly payment requirements, the competitive advantage of higher-yield conventional mortgages and commercial and industrial loans during the tight money periods of 1953 and 1955–56, and the more liberal financing terms available in VA-guaranteed transactions. Another factor tending to slice the FHA segment of sales home starts has been builders' preference for conventionally-financed construction loans on homes sold after completion with FHA-insured permanent financing. Inasmuch as these homes are completed prior to the submission of the application for FHA insurance, they are classified as "existing" properties by FHA even though they are for all practical purposes "new" properties. Since 1952, the existing "new" homes have represented about one-fourth of all new-home transactions (including the existing "new") insured by FHA.

FHA Workload

During 1956, FHA field offices received applications for mortgage insurance on 473,200 units—197,700 in new homes, 245,200 in existing homes, and 30,300 in multifamily projects. Compared with the previous year, new-home receipts were

TABLE III-4.—*Privately financed nonfarm dwelling units started under FHA programs, compared with total for United States, 1935–56*

Year	Home mortgage programs: Secs. 2 and 8 [1]	Sec. 203	Sec. 220	Sec. 221	Sec. 222	Sec. 603	Sec. 809	Sec. 903	Total home units	Project mortgage programs: Sec. 207	Sec. 213 Sales type	Sec. 213 Management type	Sec. 220	Sec. 608	Sec. 611	Sec. 803 [2]	Sec. 908	Total project units [2]	Total FHA units [2]	Total United States nonfarm units [3]	FHA as percent of United States total
1935		13,226							13,226	738								738	13,964	215,700	6.5
1936		48,752							48,752	624								624	49,376	304,200	16.2
1937		56,980							56,980	3,023								3,023	60,003	332,400	18.1
1938	5,845	100,966							106,811	11,930								11,930	118,741	399,300	29.7
1939	10,783	133,874							144,657	13,462								13,462	158,119	458,400	34.5
1940	10,194	166,451							176,645	3,446								3,446	180,091	529,600	34.0
1941	9,145	180,156				27,790			217,091	3,296								3,296	220,387	619,500	35.6
1942	4,016	41,578				114,610			160,204	1,163				4,295				5,458	165,662	301,200	55.0
1943	307	338				125,474			126,119	41				19,994				20,035	146,154	183,700	79.6
1944		208				83,396			83,604					9,655				9,655	93,259	138,700	67.2
1945		17,049				21,848			38,897	200				2,062				2,262	41,159	208,100	19.8
1946		44,244				22,878			67,122	41				1,870				1,911	69,033	662,500	10.4
1947	217	20,884				157,168			178,269					50,766				50,766	229,035	845,600	27.1
1948	3,066	82,979				130,404			216,449					77,610				77,610	294,059	913,500	32.2
1949	3,261	241,559				7,806			252,626	813				109,995	100	268		111,176	363,802	988,800	36.8
1950	3,191	324,937				117			328,245	2,277	141			143,331	372	12,315		158,436	486,681	1,352,200	36.0
1951	9,357	177,435						132	186,924	4,651	1,780	5,888		39,826	1,328	23,126		76,599	263,523	1,020,100	25.8
1952	5,533	190,973						32,579	229,085	7,342	3,791	6,338		5,895	37	24,039	3,374	50,816	279,901	1,068,500	26.2
1953	4,572	181,436						30,501	216,509	7,451	2,519	5,464		109	195	15,575	4,057	35,450	251,959	1,068,300	23.6
1954	22,643	220,189			5			8,073	250,910	11,856	3,569	2,659		28		6,313	972	25,397	276,307	1,201,700	23.0
1955	296	267,411			329			619	268,655	4,180	539	987				2,334		8,040	276,695	1,309,500	21.1
1956	2	182,371	230	8	487		252		183,350	557	1,302	2,129	1,082			919	2	5,991	189,341	1,093,900	17.3
Total	92,362	2,693,996	230	8	821	691,557	252	71,904	3,551,130	77,091	13,641	23,465	1,082	465,526	2,032	84,889	8,405	676,131	4,227,261	15,215,400	27.8

[1] Sec. 2 activity 1938–50; Sec. 8 1950–56.
[2] Excludes 2,567 dwelling units started during 1956 in Sec. 803 armed services projects classified as public housing.
[3] Total number of privately financed nonfarm dwelling units started, as reported by the Bureau of Labor Statistics.

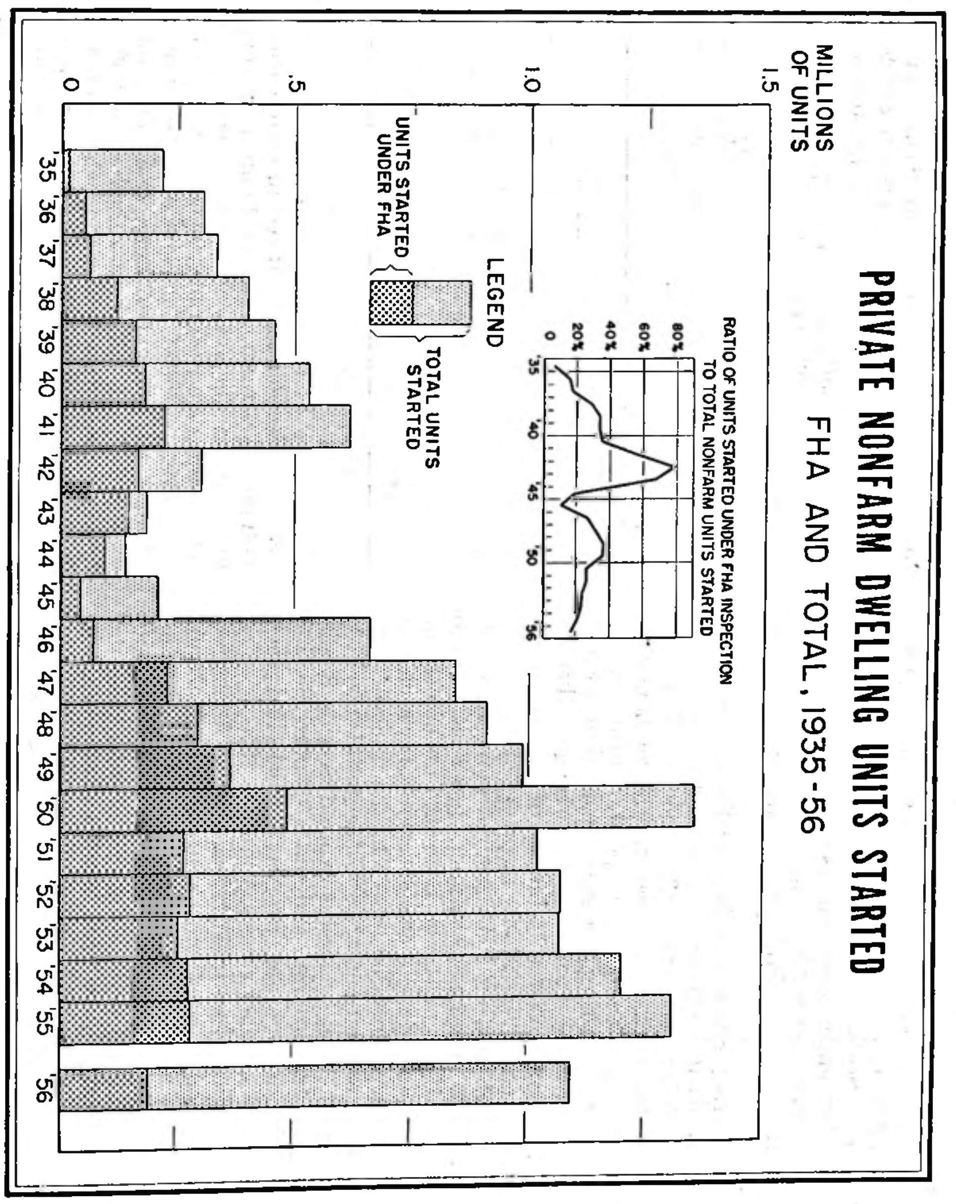


CHART III–5

down by 35 percent and existing-home submissions by 22 percent, but multifamily project applications increased twofold, reversing a 2-year downtrend.

Applications processed (approved or rejected) by FHA field offices in 1956 totaled 457,900 units. Of these, 429,400 units or over 90 percent were approved for commitments. Excluded from the workload figures are 22,700 units in cases that were found during preliminary examination to be obviously ineligible and were not assigned for processing, and preapplication appraisal work performed on 43,600 units in armed services housing projects and public-housing disposition. In addition, FHA field offices had a construction-inspection workload of 313,300 dwelling units during the year.

In November 1956, data first became regularly available on the number and size of the housing subdivisions submitted to FHA field offices for analysis prior to development. Many land developers and builders seek FHA opinion and advice concerning the suitability of sites and plans for subdivision land developments prior to construction. In the 6-month period through April 1957, FHA field offices received 3,600 requests for subdivision analysis (including resubmissions) involving an aggregate of 155,000 acres and issued completed reports setting forth development programs for 1,700 subdivisions encompassing 57,000 acres and 158,000 lots. About 1,300 analyses were discontinued as a result of developers' decisions or the patent unacceptability of the development proposals. The monthly average number of requests under consideration during this period was 2,300.

VOLUME OF INSURANCE WRITTEN

The annual trends in volumes of FHA insurance written under the home, multifamily project, and property improvement loan programs are discussed in this part of the report with reference to activity under individual sections of the National Housing Act.

Home Mortgage Volume

FHA insurance was available for home mortgages during 1956 under the various subsections of Title II, namely Section 203 (b) for regular homes; Section 203 (h) for disaster housing; Section 203 (i) for moderate-cost suburban and farm homes; Section 213 for individual homes constructed under and released from Section 213 sales-type cooperative projects; Section 220 for individual homes in urban renewal areas; Section 221 for individual homes for families relocated from urban renewal projects or displaced by other governmental action; Section 222 for career-servicemen's homes; Section 223 authorizing insurance under Section 203 and Section 213 for homes involved in public-housing disposition projects, refinancing of existing mortgages insured under Section 903, and refinancing of mortgages taken by FHA in connection with the sale of acquired properties; and Section 225 for insuring "open-end" increases of existing FHA-insured mortgages. In June 1956, Section 809 was added to Title VIII to provide FHA mortgage insurance on homes for civilian employees in armed services research and development installations. On the basis of outstanding commitments, insurance was also written during the year under the expired Section 8 suburban home program and the suspended Section 903 defense housing program which had been placed on a standby basis August 1, 1955.

As indicated in table III–5, the FHA insured $2.6 billion of home mortgages on 253,300 dwelling units in 1956—$1.1 billion and 105,300 units in new homes and $1.5 billion and 148,000 units in existing properties. Compared with 1955, the total FHA homes volume was down one-seventh in amount and one-fifth in number of units, reflecting new-home declines of 11 percent in amount and 20 percent in units, and existing-home declines of 17 percent in amount and 21 percent in number of units. Despite these declines, the number of units and amount reported for existing homes and the amount for total homes were the second highest in the agency's history. For the third time in the postwar period, the yearly volume of existing-home business exceeded that reported for new homes (see chart III–6).

The lower level of insurance endorsements in 1956 was a consequence of the general downtrend in applications for FHA home mortgage insurance—particularly new construction—which developed during the latter half of 1955 and continued during most of 1956. Another factor was the marked increase in the proportion of FHA-processed transactions which were permanently financed without FHA insurance, as evidenced by the rise in commitment-expiration rates shown in table III–6.

Reflecting increased construction and land costs, market demand for larger, better-equipped houses, and the impact of higher maximum mortgage amounts authorized under Section 203 in the Housing Act of 1954, the average amounts of home mortgages insured by FHA in 1956 were the highest on record. The new-home average increased 11 percent to $10,750 per unit, the existing-home average 5 percent to $10,200 per unit, and the overall average 7½ percent to $10,400.

Reflecting the limited applicability of the other FHA home mortgage programs, Section 203 accounted for all but 5 percent of the dwelling units and 6 percent of the aggregate home mortgage amount insured during 1956. As indicated in the following table, the Section 203 predominance was somewhat greater in new-home transactions than under the existing-home programs:

Section	Total		New		Existing	
	Units	Amount	Units	Amount	Units	Amount
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
203	94.8	93.6	96.3	90.0	93.6	91.8
222	4.5	5.7	2.6	3.2	5.9	7.7
903	.3	.3	.9	.7		
213	.3	.3			.5	.5
Others	.1	.1	.2	.1	(1)	(1)
Total	100.0	100.0	100.0	100.0	100.0	100.0

[1] Less than 0.05 percent.

Most active of the special-purpose programs in 1956 was Section 222, utilized in transactions involving 4½ percent of the total units and 6 percent of the total amount. All other special-purpose home mortgage programs together accounted for only seven-tenths of 1 percent of the total number of units and amount of home mortgages insured during the year. Although the Section 203 share of new-home business was somewhat higher than in 1955, the existing-home proportion declined, primarily as a result of increased Section 222 activity.

Included in the Section 203 data shown in table III–5 are the mortgages insured under the moderate-cost home provisions of Section 203 (i) which was enacted in 1954 to replace the terminated Section 8. Nearly all of these mortgages involved new construction, totaling in 1956 $65.5 million on 10,500 units—or roughly 30 percent below the 1955 level.

The trend in the disposition of Section 203 home mortgage applications closed during selected years of the postwar period is shown in table III–6. Less than half (47 percent) of the Section 203 cases closed in 1956 became premium-paying FHA-insured mortgages—somewhat less than the 50 percent reported for 1955 and the lowest proportion since 1947. It should be noted that although the proportions insured under Section 203 were lower in 1946 (46 percent) and 1947 (45 percent), inclusion of Section 603 cases raises the insured-case proportion for 1946 to 48 percent and for 1947 to 53 percent.

Since 1953, there has been a marked decline in the proportion of Section 203 transactions which were permanently financed with FHA insurance, from an average of nearly 60 percent in the period 1950–53 to less than 50 percent in the years 1954

TABLE III–5.—*Home mortgages insured by FHA, 1935–56*

[Dollar amounts in thousands]

Year	Grand total [1]		Total new construction [2]		New construction: Sec. 2 and 8 [3]		Sec. 203 [4]		Sec. 221		Sec. 222		Sec. 603		Sec. 809		Sec. 903	
	Units	Amount	Units	Amount	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	16,628	$37,914	218,763	$974,676										
1940–44	981,388	4,116,585	738,051	3,117,345	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	5,591	20,452	187,002	1,324,183					347,803	2,258,816				
1950	351,528	2,492,367	225,260	1,636,678	1,759	7,428	221,381	1,613,725					2,129	15,525				
1951	261,231	1,928,433	161,673	1,215,535	6,106	28,514	155,416	1,187,402					23	184				
1952	246,109	1,942,307	122,764	968,613	5,615	29,112	102,695	831,748									14,449	$107,716
1953	272,299	2,288,626	151,777	1,258,558	4,276	21,393	121,981	1,038,234									25,520	108,933
1954	222,665	1,942,266	121,847	1,035,366	15,826	89,007	85,184	777,067									20,836	169,340
1955	318,454	3,084,767	131,116	1,269,170	5,705	32,259	120,459	1,188,320			1,608	$20,676					3,344	27,915
1956	253,300	2,638,230	105,315	1,132,930	139	775	101,454	1,087,090	1	$9	2,750	35,629			5	$65	909	8,150
Total	4,400,040	28,558,111	2,533,599	16,250,245	84,018	328,741	1,713,802	11,815,286	1	9	4,358	56,306	666,300	3,537,186	5	65	65,058	512,054

Year	Total existing construction [5]		Existing or refinanced construction: Sec. 8		Sec. 203		Sec. 213		Sec. 221		Sec. 222		Sec. 603 and 603–610		Sec. 611		Sec. 809		Sec. 903	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
1935–39	278,224	$995,187			278,224	$995,187														
1940–44	243,337	909,240			236,737	973,301							6,600	$25,939						
1945–49	439,055	2,513,302			419,194	2,423,058							19,861	90,244						
1950	126,259	855,690			125,186	852,330							1,073	3,360						
1951	99,558	712,808	46	$215	97,991	706,106	313	$2,464					1,202	3,983	6	$40				
1952	123,345	973,694	200	996	119,673	940,724	3,235	30,355					56	201	69	516			113	$819
1953	120,522	1,030,068	103	563	117,269	998,977	2,080	27,062					72	323					389	3,154
1954	100,818	906,899	71	382	96,125	803,325	4,502	42,095			10	$142	1	6					109	950
1955	187,338	1,815,588	9	50	181,248	1,740,624	1,054	9,026			5,027	65,868								
1956	147,985	1,505,300			138,579	1,381,897	677	7,220	15	$116	8,707	115,926					7	$86		
Total	1,866,441	12,307,866	429	2,195	1,810,226	11,875,618	12,470	118,222	15	116	13,744	181,936	28,864	124,139	75	556	7	86	611	4,922

[1] For total number and amount of mortgages insured under each section in 1955, 1956, and cumulatively through the end of 1956 see table III-2.
[2] Total new in 1956 includes insurance under Sec. 220 on 57 units and $597,500.
[3] Sec. 2 activity, 1938–50; Sec. 8 activity, 1950–56.
[4] Sec. 203 new includes insurance under Sec. 203 (i): 436 units for $2,592,300 in 1954, 14,557 for $90,853,450 in 1955, and 10,481 for $65,545,450 in 1956.
[5] Total existing includes insurance under Sec. 225 open-end mortgage program: $19,531 for 1955 and $55,351 for 1956.

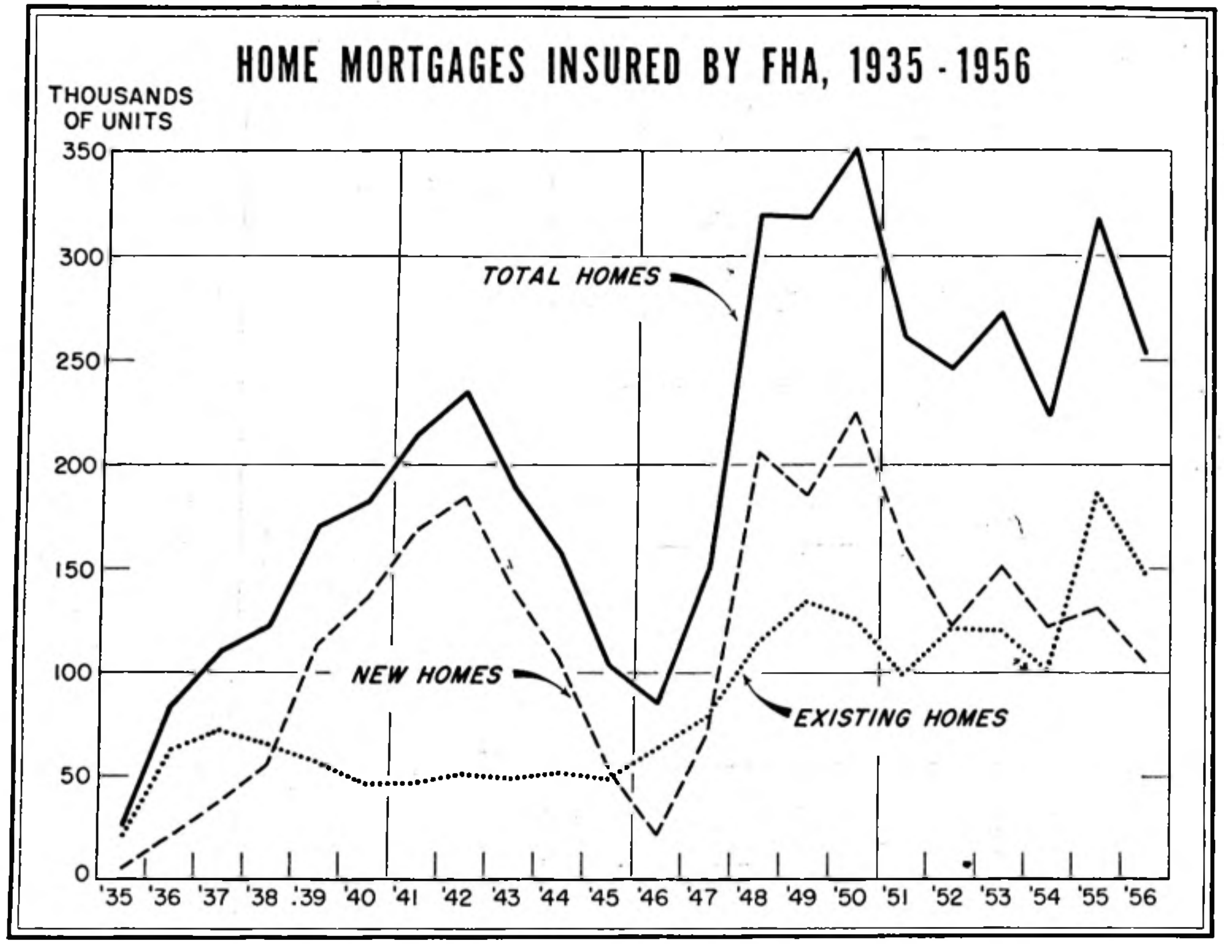


CHART III–6

to 1956. Most of this decline is attributable to commitment mortality, i. e., expirations, which increased from 32 to 41 percent of total closings during the same period. The shift was more pronounced in new-home transactions—the insured-case rate falling from an average of 56 percent during 1950–53 to 41 percent in the 1954–56 period, and expirations increasing from 37 to 50 percent. For existing homes, insurance endorsements were down from 63 percent to 57 percent, while expirations rose from 26 to 31 percent. These data point up the increasing tendency in recent years of builders, realtors, and lenders to apply for FHA insurance in connection with both new- and existing-home transactions primarily for the purpose of obtaining FHA appraisals, financing arrangements, and construction inspections.

Project Mortgage Volume

Authorization for project mortgage insurance in 1956 was provided under the following programs: Title II, Section 207, covering (1) new and rehabilitated rental housing, (2) housing for the elderly,[1] (3) trailer courts or trailer parks, (4) sale of public housing by certain Federal or State agencies, (5) refinanced Section 608 or Section 908 mortgages, and (6) Commissioner-held mortgages assigned and properties acquired under provisions of Titles II, VI, VII, VIII, and IX, upon sale; Section 213 cooperative housing; Section 220 redevelopment housing and Section 221 relocation housing; Title VIII, Section 803, armed services housing; and Title IX, Section 908, defense housing. In addition, insurance of equity financing for rental projects is provided under the Title VII program for yield insurance. With respect to the Title VIII program, authority to insure certain Section 803 military housing (Wherry program) mortgages still exists. The Title IX program has been put on a standby basis and is currently inactive. The purposes of these various programs are explained at the beginning of this report.

Through December 31, 1956, the mortgage insurance provisions of Section 221 of Title II and Title VII had not been utilized.

[1] Provided by the Housing Act of 1956.

TABLE III-6.—*Disposition of home mortgage applications, Sec. 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			
1946	145,500	16.2	37.9	45.9
1948	244,985	19.3	26.3	54.4
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	395,640	6.6	34.9	58.5
1954	357,920	14.6	36.3	49.1
1955	584,779	10.4	39.2	50.4
1956	498,964	7.2	45.7	47.1
	New construction			
1946	51,522	13.5	65.9	20.6
1948	69,271	26.9	31.6	41.5
1950	345,478	9.5	27.2	63.3
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	196,291	13.5	44.0	42.5
1955	281,065	9.5	48.0	42.5
1956	257,098	5.1	55.6	39.3
	Existing construction			
1946	93,978	17.6	22.6	59.8
1948	175,714	16.3	24.2	59.5
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	188,489	8.2	32.0	59.8
1954	161,629	16.0	26.8	57.2
1955	303,714	11.3	31.0	57.7
1956	241,866	9.4	35.2	55.4

[1] Excludes cases reopened after rejection or expiration.

During 1956, project mortgages totaling $130 million covering 11,200 dwelling units were insured by FHA. This represented an increase of 70 percent over 1955 and marked the end of the 5-year decline experienced by this type of operation (chart III–7). Also, the proportion of project mortgage insurance in relation to the aggregate amount of mortgages and loans insured under all FHA programs rose to nearly 4 percent in 1956 as compared to 2 percent for the preceding year. Along with this increase in project mortgage insurance activity there was a corresponding upsurge in the volume of applications received—30,300 dwelling units, or 3 times the 9,400 reported in 1955—and commitments issued for mortgage insurance—18,500 units, or nearly double the 9,700 reported for the previous year. In addition, requests for preapplication appraisals in connection with proposed Section 803 armed services housing projects involving nearly 71,400 dwelling units were received during the year. At the end of 1956 there were 15,800 dwelling units covered by outstanding commitments, 21,800 units under examination in FHA field offices and 49,500 units involved in preapplication appraisals—a total potential of 87,000 dwelling units in these various stages of development. Dwelling units reported started during 1956 rose slightly to 8,600 from 8,000 in the preceding year, while those reported completed—8,100—numbered less than one-half of the 1955 volume. During 1956 a total of 17,200 dwelling units were under construction as compared to 26,700 for 1955, a further reflection of the low volume of project mortgage applications in the preceding year.

Three-fifths ($79 million) of all the project mortgages insured during 1956 were processed under Section 803 (table III–7), of which $71 million covering 5,400 dwelling units was processed under the armed services (Capehart) housing program while $8 million involving 1,000 units was under the military (Wherry) housing program.

Through 1956, Section 803 project mortgage insuring operations reached $753 million which provided 90,100 dwelling units on or near military and atomic energy installations throughout the country. This section, the second ranking project program, has accounted for one-seventh of all project mortgage insurance.

Cooperative housing project mortgage insurance of $36 million covering 3,000 dwelling units in 1956 established Section 213 as the second ranking project program for the year. Some $20 million covered 1,800 dwelling units in management-type cooperative projects including one small project involving the rehabilitation of existing construction; $16 million and 1,300 units were involved in sales-type cooperative project transactions providing for the construction of single-family dwellings which are then released to individual cooperative members who may, if they wish, use the insurance provisions of either Section 213 or Section 203. (The Sec. 213 home mortgage program is discussed elsewhere in this report.) Through the year end, insurance involving $349 million (36,000 units) has been provided for Section 213 cooperative projects. The greater proportion of this insurance ($218 million for 23,000 units) covered management-type project activity while $131 million was utilized to provide 13,000 single-family homes in sales-type projects. Nine of every ten of the cooperative members of these sales-type projects have elected to use the home mortgage insurance provisions of Section 213 after the dissolution of the mortgagor corporations following completion of the projects.

The first Section 220 project mortgages were insured by FHA during 1956 as part of the Government's slum clearance and rehabilitation program. These operations involved insurance of $9 million covering 1,000 dwelling units to be provided by newly constructed projects in certified urban renewal areas. During the year the FHA also issued commitments to insure projects containing an additional 3,600 dwelling units under this program.

The volume of Section 207 insuring operations declined markedly during 1956—$5 million cov-

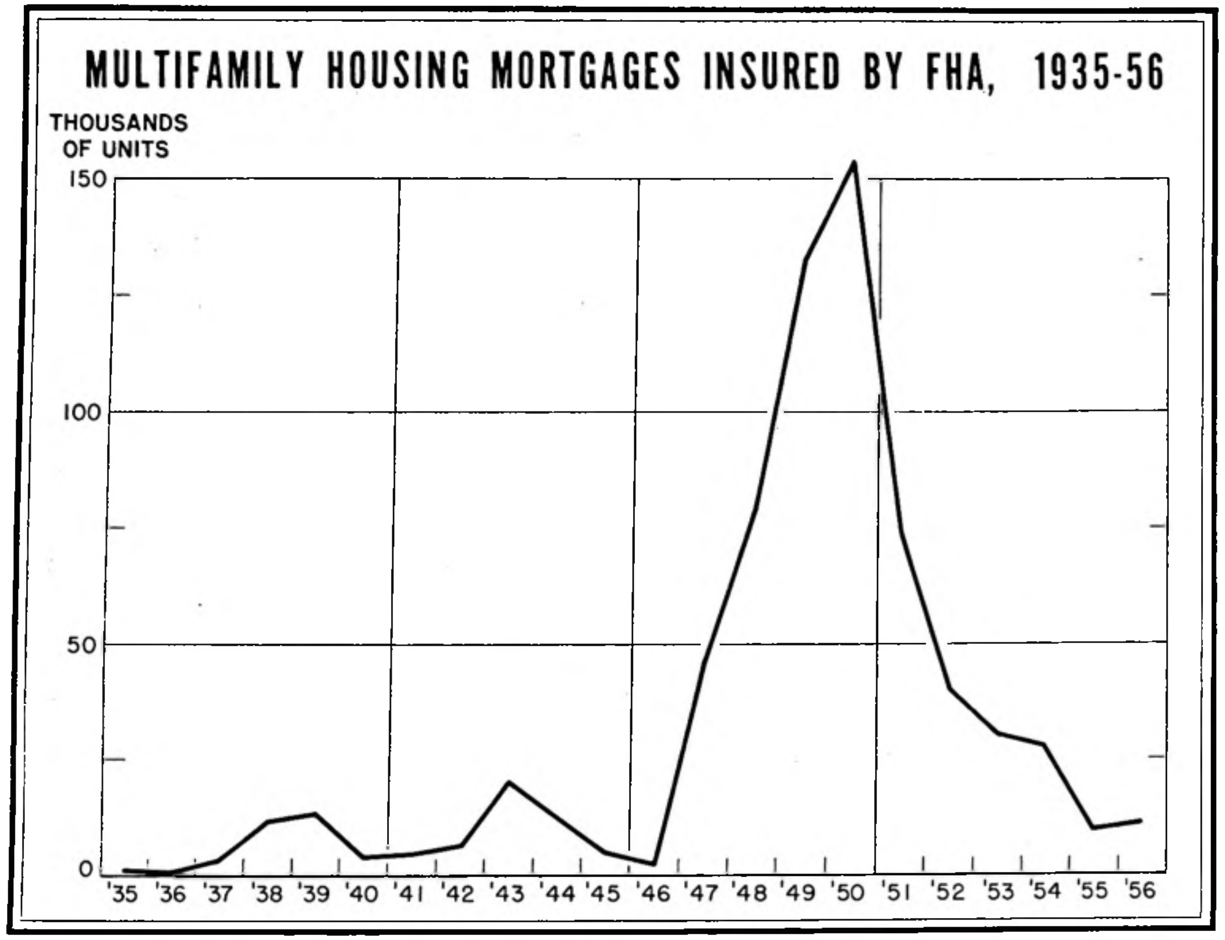


CHART III–7

ering 700 dwelling units as compared to $39 million for the preceding year. The year's operations under this program were marked by the receipt of the first Section 207 applications for mortgage insurance on mobile home courts. They contemplated a total of 523 spaces for mobile homes. One of these applications, involving 200 spaces, resulted in a commitment for mortgage insurance. In addition, one application for 132 dwelling units designed to provide housing for the elderly, a program initiated under the Housing Act of 1956, was received during the year.

The cumulative volume of insurance written under Section 207 through the end of 1956 totaled $453 million, representing slightly less than one-tenth of all project mortgages insured. The bulk of the insurance ($433 million) under this "regular" long-term program had been utilized to provide 76,000 dwelling units in newly constructed projects, while $20 million covering 5,600 units was employed in refinancing transactions, rehabilitation of existing construction, or financing the purchase of existing housing.

Property Improvement Loan Volume

During 1956, short-term character loans financing the modernization and improvement of existing residential properties and the construction of new nonresidential structures were insured by FHA for approved financial institutions operating under regulations authorized by Title I, Section 2, of the National Housing Act. No review of these loans is made by FHA, each individual loan being reported to the Commissioner and accepted by him for insurance upon the certification of the institution that the loan was made in accordance with the regulations. Each financial institution's portfolio of loans is insured up to 10 percent of the aggregate amount of net proceeds insured, with individual claim payments being limited to 90 percent of the calculated principal loss sustained by the lender on each defaulted note.

Table III–8 presents data on this program from 1934 through 1956 and shows that 1,013,086 such loans involving $691,991,502 in net proceeds to the borrowers were insured in 1956. This represented one-fifth of the total dollar volume of insurance written under all FHA programs during the year. Chart III–8 indicates that the number of loans insured during 1956 continued downward from the peak year of 1953, but the total net proceeds reversed this trend and increased by 7 percent over 1955. These circumstances resulted in an average loan of $683, the largest ever reported in the history of this program.

TABLE III-7.—*Multifamily housing mortgages insured by FHA, 1935–56*

[Dollar amounts in thousands]

Year	Grand total[1]		Total new construction		Total existing or refinanced construction		New construction: Sec. 207		Sec. 213 Sales		Sec. 213 Management		Sec. 220	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount	Units	Amount
1935–39	29,777	$114,429	29,777	$114,429			29,777	$114,429						
1940–44	45,751	188,440	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	$2,091				
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	3,681	35,788	6,093	55,913		
1953	30,701	259,194	30,701	259,194			7,175	53,839	1,915	20,926	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		
1955	9,431	76,489	8,639	73,347	792	3,143	4,316	35,916	636	4,855	909	8,099		
1956	11,177	130,247	10,933	129,585	244	662	528	5,070	1,254	16,419	1,719	19,655	1,051	$9,375
Total	688,950	5,088,071	677,438	5,047,350	11,512	40,721	75,685	432,502	13,364	130,550	23,007	217,988	1,051	9,375

Year	New construction—Continued: Sec. 608		Sec. 611		Sec. 803		Sec. 908		Existing or refinanced construction: Sec. 207		Sec. 213 Management		Sec. 608		Sec. 608–610	
	Units	Amount	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			476	2,828	2,801	$6,456
1950	135,076	1,007,906	473	2,877	15,129	123,052							16	133	1,104	1,868
1951	33,799	259,937	966	5,832	25,683	205,653							864	6,194	10	35
1952	3,457	29,634	125	706	17,233	135,842	3,207	$22,186								
1953			145	926	12,181	100,558	3,890	30,497								
1954					9,310	74,764	1,282	9,820								
1955					2,681	22,400	106	923	792	3,143						
1956					6,381	79,065			208	370	36	$292				
Total	463,724	3,428,048	1,984	11,991	90,138	753,410	8,485	63,427	5,611	20,099	36	292	1,050	11,971	3,915	8,360

[1] For total number and amount of mortgages insured under each section in 1955, 1956, and cumulatively through 1956 see table III-2.

TABLE III-8.—*Property improvement loans insured by FHA, 1934–56*

Year	Annual: Number	Annual: Net proceeds (000)	Annual: Average	Cumulative: Number	Cumulative: Net proceeds (000)	Cumulative: Average
1934–39	2,329,648	$821,332	$353	2,329,648	$821,332	$353
1940–44	2,458,920	770,782	313	4,788,568	1,592,115	332
1945–49	5,151,998	2,233,205	433	9,940,566	3,825,320	385
1950	1,447,101	693,761	479	11,387,667	4,519,081	397
1951	1,437,764	707,070	492	12,825,431	5,226,151	407
1952[1]	1,495,741	848,327	567	14,321,172	6,074,478	424
1953[1]	2,244,227	1,331,287	595	16,565,399	7,408,765	447
1954	1,506,480	890,606	591	18,071,879	8,299,372	459
1955	1,024,698	645,645	630	19,096,577	8,945,017	468
1956	1,013,086	691,992	683	20,109,663	9,637,008	479

[1] Since authorization controls limited tabulations of loans in 1952, estimates based on loan reports received indicate that 1,816,881 loans for $1,047,358,000 were originated in 1952 and 1,832,180 loans for $1,092,277,000 were originated in 1953.

Through the end of 1956, the total amount of insurance which had been written under the Title I program was $9.6 billion—or 22 percent of the grand total of $43.3 billion in loans and mortgages insured by FHA since 1934 under all programs combined.

STATE DISTRIBUTION OF FHA INSURANCE

Geographic distribution of FHA's business is influenced not only by population trends and the supply and condition of existing housing, but also by availability of mortgage funds on FHA terms, lenders' policies, modes of financing preferred by borrowers, and character of the housing demand.

Insurance Written During 1956

All programs.—Residential mortgages and property improvement loans in every State, the District of Columbia, Alaska, Hawaii, Puerto Rico, and Guam were financed with FHA insurance during 1956. The relative extent of FHA home, multifamily project, and property improvement loan activity in each State and Territory is

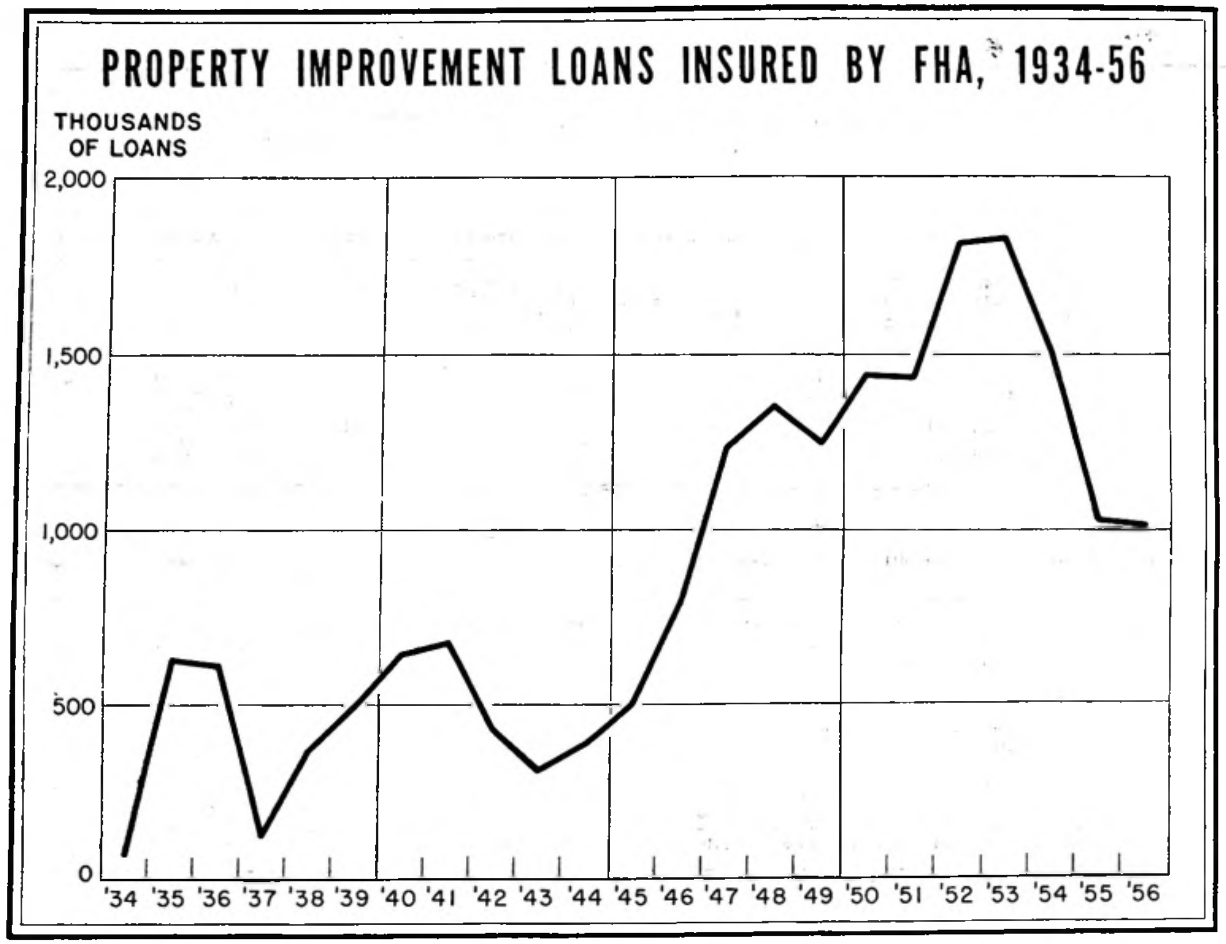


CHART III–8

illustrated by chart III–9 on the basis of the dollar volume of insurance written during the year.

The home mortgage phase of FHA activity predominated in every section of the country except the District of Columbia and North Carolina, accounting for three-fifths or more of the year's business in all other States. Property improvement loans comprised the bulk of the remainder of the FHA-insured amount in most areas. Although multifamily project mortgages were insured in 22 States during the year, these exceeded the amount of property improvement loans only in Nevada, North Carolina, South Carolina, and Virginia. Table III–9 shows the State distribution of the number and amount of loans insured under the FHA home mortgage, project mortgage, and property improvement loan programs during 1956, together with the combined dollar amount insured under all programs.

Home Mortgage Programs.—In 1956 FHA insurance assisted in the financing of home mortgages in every State and Territory. The number of such transactions ranged between 1,000 and 5,000 in most States. In only 7 States, the District of Columbia, and several of the Territories were less than 1,000 mortgages insured during the year. Five States—California, Michigan, New York, Ohio, and Texas—each with more than 10,000 mortgages—accounted for over two-fifths of the national total.

Table III–10 presents data on the State distribution of the FHA new-home transactions in 1956—the number and amount of mortgages and the related number of dwelling units under all programs, and the number of units for individual programs. Corresponding information on existing-home transactions is shown in table III–11. Continuing the trend of recent years, the existing-home volume exceeded the new (frequently to an appreciable extent) in nearly two-thirds of the States. Of the leading States previously mentioned, Michigan and Texas were the only ones having more new-home than existing-home activity, although significantly larger than average volumes of new-home mortgages were insured in Pennsylvania and Florida.

The "regular" Section 203(b) insurance program was utilized more frequently than any other

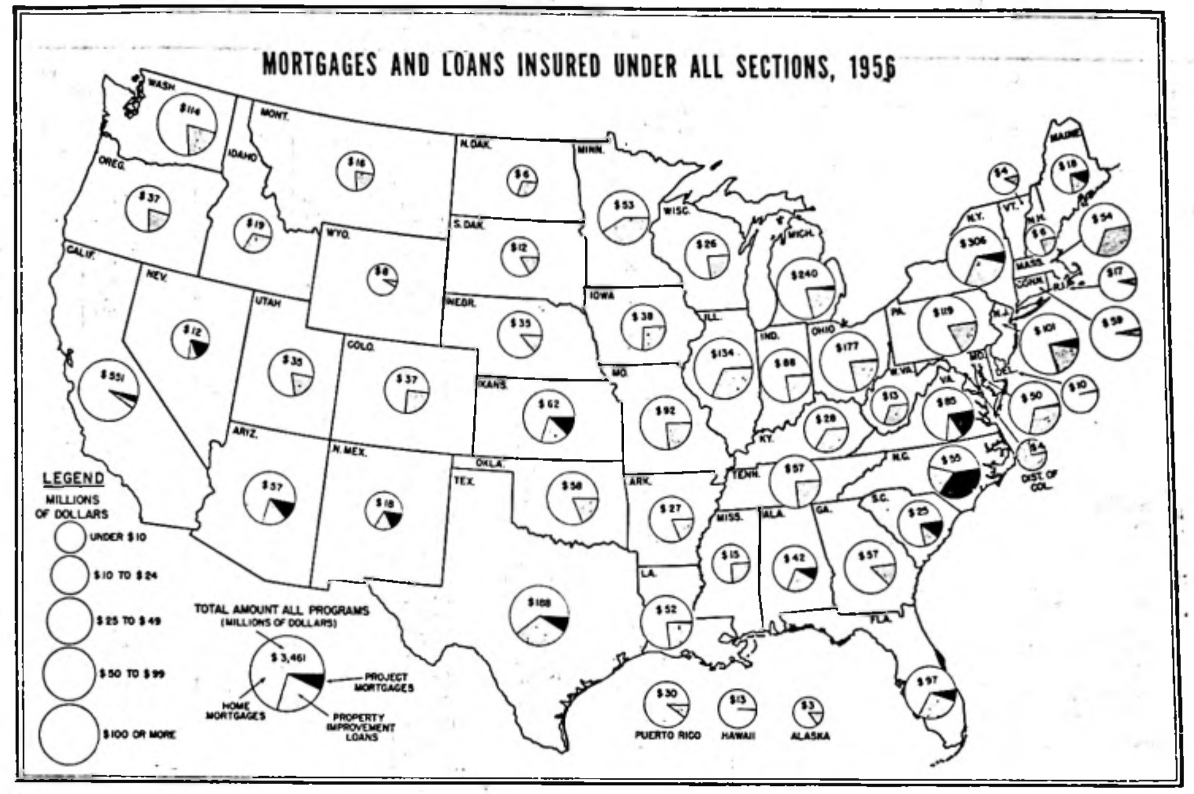


CHART III–9

in every State and Territory except Puerto Rico where the Section 203 (i) moderate-cost, suburban home program was the most popular. This latter type of FHA insurance facilitated financing of home mortgages in three-fourths of the States, with comparatively large volumes reported for New York and Michigan. With the aid of Section 222, career servicemen bought or built homes during 1956 in every State and Territory except the Virgin Islands, most frequently purchasing existing properties. Insurance activity under the Section 220 urban renewal program was limited to properties in Utah and under the Section 221 relocation program to Texas. Mortgages insured under the lapsed Section 903 defense housing program in 1956 were concentrated in only 6 States, while Section 8 mortgages were scattered amongst 22 States and Puerto Rico.

Project Mortgage Programs.—One-half of all the dwelling units securing project mortgages insured in 1956 were contained in projects located in 4 States. Led by New York (1,792 units), each of these States reported totals in excess of 1,000 units and, with the addition of the next 5 ranking States, accounted for four-fifths of all project mortgage insurance during the year. Table III–12 shows the geographic distribution of these project operations for all programs combined and for the individual programs. As shown, only 22 States reported project mortgage insuring activity during 1956.

Property Improvement Program.—Table III–13 presents the distribution of Title I loans insured during 1956 by State location of property. New York with $88 million in net proceeds continued to lead all other States in the total volume of these insured notes. Including Texas ($58 million) and Michigan ($50 million), these three States reported a total of $196 million net proceeds insured, or over one-fourth of the grand total of $692 million.

There was considerable variation in the average size of the loans reported for individual States, ranging from $1,070 in Nevada and $969 in Delaware to a low of $539 in Maryland. It should be noted that these State data, as well as those relating to insured home and project mortgages, pertain to the location of the property involved and do not necessarily reflect the location of the lending institution.

Cumulative Insurance Written, 1934–56

All Programs.—The State distribution of the cumulative volume of FHA insurance written through the end of 1956 on home mortgages, multifamily project mortgages, and property improvement loans is shown in table III–14. In

Table III-9.—*Volume of FHA insured mortgages and loans, by State location of property, 1956*

[Dollar amounts in thousands]

State	Total amount	Home mortgages [1]		Project mortgages [1]		Property improvement loans	
		Number	Amount	Units	Amount	Number	Net proceeds
Alabama	$41,733	2,687	$28,503	270	$3,789	14,074	$9,441
Arizona	56,678	4,239	41,338	751	6,228	12,209	9,112
Arkansas	27,323	2,136	22,162			7,778	5,160
California	550,570	40,932	513,682	983	13,117	33,512	23,771
Colorado	36,986	2,583	27,663			14,070	9,323
Connecticut	58,842	4,836	55,879	32	351	3,061	2,612
Delaware	9,568	850	9,541			28	27
District of Columbia	4,341	75	1,034			5,614	3,307
Florida	96,802	6,353	63,030	700	6,818	37,504	26,953
Georgia	56,973	4,604	49,281			12,380	7,692
Idaho	19,393	1,359	13,473			7,868	5,921
Illinois	134,481	7,827	90,695	13	86	58,432	43,700
Indiana	88,274	6,631	66,759	20	167	35,625	21,348
Iowa	37,684	2,759	27,381			15,881	10,304
Kansas	61,631	4,248	43,428	535	7,390	18,078	10,813
Kentucky	28,041	1,762	18,242			16,922	9,709
Louisiana	52,125	3,523	39,625	90	729	17,261	11,771
Maine	17,514	1,497	12,930	192	1,889	4,505	2,694
Maryland	50,396	3,311	34,474	21	392	28,831	15,530
Massachusetts	53,792	3,541	35,530			29,279	18,262
Michigan	240,208	16,536	185,627	536	5,032	70,974	49,549
Minnesota	52,877	2,720	31,101			35,430	21,776
Mississippi	15,425	1,198	11,608			6,033	3,817
Missouri	92,087	6,379	69,903			38,482	22,184
Montana	15,963	1,159	12,510			3,923	3,454
Nebraska	34,659	2,929	30,192			6,628	4,467
Nevada	11,604	701	8,987	125	1,745	815	872
New Hampshire	5,527	452	4,256			2,280	1,271
New Jersey	100,948	7,289	77,046	432	5,128	20,928	18,774
New Mexico	17,778	1,168	12,267	267	2,633	3,321	2,878
New York	306,480	18,222	199,648	1,792	18,955	101,123	87,876
North Carolina	54,867	2,519	24,255	1,500	20,070	17,015	10,542
North Dakota	6,021	401	4,197			2,582	1,824
Ohio	177,351	11,737	134,353	288	2,535	63,752	40,463
Oklahoma	58,441	4,947	47,184			16,862	11,258
Oregon	36,846	2,955	29,488			9,810	7,359
Pennsylvania	119,304	9,361	95,516	30	292	38,252	23,497
Rhode Island	17,436	1,567	16,448			1,492	988
South Carolina	24,560	1,846	18,565	400	3,021	5,152	2,975
South Dakota	11,646	1,025	9,658			3,011	1,988
Tennessee	57,275	4,344	43,244			24,369	14,032
Texas	187,717	11,964	115,411	1,069	14,175	87,629	58,132
Utah	35,345	2,502	28,264			11,374	7,081
Vermont	4,287	432	3,805			882	482
Virginia	85,488	5,006	60,525	1,125	15,700	10,352	9,257
Washington	113,798	8,560	90,849			32,860	22,949
West Virginia	12,837	815	8,704			6,836	4,133
Wisconsin	26,282	1,839	20,006			8,414	6,276
Wyoming	7,526	662	6,973			788	553
Alaska	2,976	143	2,522			302	454
Hawaii	12,900	1,104	12,716			224	184
Puerto Rico	29,887	4,021	26,817			2,268	3,070
Virgin Islands	32	4	31			2	1
Guam	1,579	91	1,539			19	40
Total [2]	3,461,102	248,351	2,638,864	11,177	130,247	1,013,086	691,092

[1] For volume by sections, see tables III-10, III-11, and III-12.
[2] Based on cases tabulated in 1956, including adjustments not distributed by States, and excluding Sec. 609 and 809.

more than half of the States, the cumulative face amount of FHA business had exceeded $500 million, and in 13 States it was over the $1 billion mark. Only four States and three Territories reported volumes of less than $100 million for the 1934–56 period.

Insurance of 1- to 4-family home mortgages has been the predominant FHA activity in nearly all States and Territories, accounting for more than 60 percent of the total amount in all but 7 States and most of the Territories. Markedly lower than average proportions of home mortgages have been reported for the District of Columbia, Maryland, Massachusetts, New York, and Alaska, where multifamily project and/or property improvement loan operations were proportionately higher than in the rest of the country.

Home Mortgage Programs.—Leading all other States substantially in the cumulative number of FHA home mortgages insured since 1935 are California with 692,900, followed by Michigan (284,900), Texas (263,300), New York (213,800), Ohio (205,800), and Pennsylvania (202,600). Other leading States, each with more than 100,000 home mortgages and arranged in order of volume, were Illinois, Washington, New Jersey, Indiana, Florida, and Missouri. Altogether, the combined total of FHA-insured home mortgages in these 12 States represented over 65 percent of the national total for the 1935–56 period. In most States the cumulative number of FHA-insured home mortgages was between 25,000 and 75,000.

Table III–15 indicates the State distribution of cumulative FHA home mortgage activity under

Table III-10.—*Volume of FHA-insured new-home mortgages, by State location of property, 1956*

[Dollar amounts in thousands]

State	Total			Section			
				203 (i)	203 other	222	Other [1]
	Number	Units	Amount	Units	Units	Units	Units
Alabama	1,249	1,263	$13,344	78	1,145	40	
Arizona	2,633	2,654	27,148	200	2,420	34	
Arkansas	1,170	1,174	12,785	18	903	253	
California	15,506	15,720	183,066	460	14,532	727	1
Colorado	1,668	1,693	17,486	213	1,471	7	2
Connecticut	787	787	9,679		778	5	4
Delaware	391	391	4,482		388	2	1
District of Columbia	3	3	43		2	1	
Florida	4,325	4,330	41,977	852	3,208	245	25
Georgia	1,595	1,597	16,011	214	1,293	86	4
Idaho	372	373	4,405	1	357	15	
Illinois	2,577	2,581	29,235	165	2,356	30	30
Indiana	2,426	2,427	25,607	189	2,215	22	1
Iowa	1,401	1,403	13,717	178	1,209	8	8
Kansas	1,705	1,719	18,106	221	1,352	146	
Kentucky	577	577	6,206	7	548	22	
Louisiana	1,896	1,899	22,059	61	1,656	178	4
Maine	338	342	3,217		334	8	
Maryland	1,676	1,676	16,443	50	1,576	49	1
Massachusetts	854	856	8,947	4	786	65	1
Michigan	9,454	9,473	109,101	1,258	8,173	40	2
Minnesota	862	865	10,039		860	5	
Mississippi	716	720	7,253	75	637	8	
Missouri	1,930	1,938	22,853	42	1,865	31	
Montana	309	314	3,726		313	1	
Nebraska	1,372	1,381	14,626	4	1,258	119	
Nevada	361	362	4,743		352	10	
New Hampshire	151	151	1,471	2	128	21	
New Jersey	2,369	2,370	23,265	468	1,858	43	1
New Mexico	649	650	6,904	1	606	43	
New York	8,175	8,209	90,982	1,362	6,588	94	165
North Carolina	1,718	1,727	16,531	153	1,535	39	
North Dakota	109	109	1,159		109		
Ohio	4,297	4,299	50,286	140	4,022	89	48
Oklahoma	2,697	2,703	27,028	361	2,039	93	210
Oregon	783	797	8,911		787	10	
Pennsylvania	5,044	5,067	54,527	24	4,625	56	362
Rhode Island	491	567	5,627		342	75	150
South Carolina	760	760	7,612	45	682	33	
South Dakota	499	504	5,109	10	466	28	
Tennessee	2,500	2,504	25,740	247	2,231	24	2
Texas	6,047	6,061	62,374	484	5,236	332	9
Utah	1,518	1,529	17,417	4	1,467	1	57
Vermont	111	111	1,129		108	3	
Virginia	1,065	1,065	11,686	52	848	164	1
Washington	2,229	2,255	26,130	12	2,087	138	18
West Virginia	215	215	2,390	7	207		1
Wisconsin	776	783	8,262	112	665	5	1
Wyoming	265	272	2,894		271	1	
Alaska	12	12	279		12		
Hawaii	599	602	6,936		469	133	
Puerto Rico	3,842	3,843	24,665	2,791	986	65	1
Virgin Islands	3	3	25		3		
Guam	82	121	1,411		119	2	
Total [2]	105,159	105,807	1,137,050	10,565	90,483	3,649	1,110

[1] Includes Secs. 8, 220, 221, and 903. Sec. 809 data not available. See table III-5 for United States totals under these sections.
[2] Cases tabulated in 1956.

the several home mortgage sections of the National Housing Act through the end of 1956. By far the largest number of FHA home mortgages in all States and Territories had been insured under the provisions of Section 203 and the next largest volumes under Section 603. Moderate-cost housing had been financed in every State and most Territories with the assistance of insurance under Sections 2 and 8, with the Section 222 servicemen's program displaying comparable widespread geographic distribution. Defense housing under Section 903 was confined almost exclusively to continental United States, with activity occurring in all but 3 States and the District of Columbia. Section 213 home mortgages were, of course, limited to those areas where cooperative organizations had originally constructed homes with financing insured under the multifamily project provisions of Section 213. As is evident in table III–15, there has been a marked tendency in each home mortgage program toward concentration of large segments of the business in certain States.

Project Mortgage Programs.—Projects located in all 48 States, the District of Columbia, Alaska, Hawaii, and Puerto Rico have been covered by FHA-insured mortgage financing from 1935 through 1956. Table III–16 presents the State distribution of these insured projects and shows that New York has accounted for by far the largest proportion (18 percent) of all project dwelling units. New York and the next 4 ranking States—New Jersey (9 percent of total insured units), California (7 percent), Virginia (7 per-

TABLE III-11.—*Volume of FHA-insured existing-home mortgages, by State location of property, 1956*

[Dollar amounts in thousands]

State	Total: Number	Total: Units	Total: Amount	Section: 203 (i)—units	Section: 203 other—units	Section: 213—units	Section: 221—units	Section: 222—units
Alabama	1,438	1,448	$15,159		1,386			62
Arizona	1,606	1,635	14,190	1	1,353	278		3
Arkansas	966	978	9,377	1	870			107
California	31,426	32,341	330,616	5	20,889	258		2,189
Colorado	915	924	10,178	3	801			120
Connecticut	4,049	4,508	46,200		4,291			214
Delaware	459	459	5,059		452			7
District of Columbia	72	76	991		58			18
Florida	2,028	2,037	21,054	14	1,722			301
Georgia	3,009	3,032	33,271	1	2,823			208
Idaho	987	1,002	9,007		995			7
Illinois	5,250	5,364	61,460	15	5,301			45
Indiana	4,205	4,252	41,152	3	4,225			24
Iowa	1,358	1,363	13,661	8	1,332			23
Kansas	2,543	2,548	25,322	1	2,439			108
Kentucky	1,185	1,191	12,036		1,169			22
Louisiana	1,627	1,663	17,567	3	1,578			82
Maine	1,159	1,297	9,714		1,245			52
Maryland	1,635	1,677	18,031	2	1,438	4		233
Massachusetts	2,687	3,104	26,583		2,699			405
Michigan	7,082	7,241	76,526	11	7,208			22
Minnesota	1,858	1,874	21,062		1,832			42
Mississippi	482	484	4,355	2	474			8
Missouri	4,449	4,563	47,050		4,482			81
Montana	850	930	8,784		928			2
Nebraska	1,557	1,564	15,567	6	1,451			107
Nevada	340	348	4,245		326	20		2
New Hampshire	301	319	2,785		259			60
New Jersey	4,920	5,175	53,781	21	4,957			197
New Mexico	519	520	5,363		424	67		20
New York	10,047	11,277	108,666	35	10,935			307
North Carolina	801	804	7,725		773			31
North Dakota	292	302	3,038		295			7
Ohio	7,440	7,802	84,067	4	7,678	18		102
Oklahoma	2,250	2,260	20,156	5	2,228			27
Oregon	2,172	2,191	20,577		2,171			20
Pennsylvania	4,317	4,380	40,988	2	4,279			99
Rhode Island	1,076	1,171	10,821		951			220
South Carolina	1,086	1,088	10,953		752	25		311
South Dakota	526	538	4,519	4	516			18
Tennessee	1,844	1,853	17,504	8	1,823			22
Texas	5,917	5,975	53,037	24	5,777		12	162
Utah	984	1,002	10,847		986			16
Vermont	321	376	2,677		361			15
Virginia	3,941	3,950	48,839		2,621			1,329
Washington	6,331	6,407	64,718		6,090			308
West Virginia	600	603	6,314		602			1
Wisconsin	1,063	1,077	11,744	2	1,055			20
Wyoming	397	441	4,079		435			6
Alaska	131	141	2,212		140			1
Hawaii	505	507	5,781		421			86
Puerto Rico	179	191	2,152	2	188			1
Virgin Islands	1	1	6		1			
Guam	9	9	128		9			
Total[1]	143,192	148,263	1,501,814	183	139,509	670	12	7,889

[1] Cases tabulated in 1956. Sec. 809 data not available.

cent), and Maryland (6 percent)—have reported nearly one-half of all project dwelling units.

Under the individual programs, New York was most active under Section 207 (accounting for one-fifth of these insured units) Section 213 management-type cooperatives (nearly 9 of every 10 units), Section 608—involving nearly one-fifth of this major program—and Section 608–610 public housing sales (15 percent); while California led under Section 213 sales-type cooperatives (57 percent), Section 611 (one-half), and Section 803 (15 percent). The State of Connecticut involved the largest proportion, one-fourth of all insured units, under the Section 908 defense housing program.

Property Improvement Program.—Since the beginning of operations through December 31, 1956, more than $500 million in Title I loans had been insured in each of 6 States—New York, California, Michigan, Illinois, Texas, and Ohio. Table III-17 shows that these States have accounted for approximately one-half of the $9.6 billion insured under ths program. Delaware, Vermont, and Wyoming have reported markedly less activity than most of the other States.

LENDING INSTITUTION ACTIVITY

Origination and investment in FHA-insured mortgages and property improvement loans is limited to those financial institutions which have received FHA approval. Automatic approval is 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 the Federal Deposit Insurance Systems are approved upon application. Other types of institutions are approved if they meet certain qualifications and

TABLE III-12.—*Volume of FHA-insured multifamily housing mortgages, by State location, 1956*

[Dollar amounts in thousands]

State	All sections: Number	All sections: Amount	All sections: Units	Sec. 207: Number	Sec. 207: Units	Sec. 213 Sales: Number	Sec. 213 Sales: Units	Sec. 213 Mngt.: Number	Sec. 213 Mngt.: Units	Sec. 220: Number	Sec. 220: Units	Sec. 803: Number	Sec. 803: Units
Alabama	1	$3,789	270									1	270
Arizona	13	6,228	751			12	251					1	500
Arkansas													
California	26	13,117	983	1	48	23	766	2	169				
Colorado													
Connecticut	2	351	32	2	32								
Delaware													
District of Columbia													
Florida	3	6,818	700	1	200							2	500
Georgia													
Idaho													
Illinois	1	86	13	1	13								
Indiana	1	167	20	1	20								
Iowa													
Kansas	1	7,390	535									1	535
Kentucky													
Louisiana	1	729	90									1	90
Maine	1	1,889	192									1	192
Maryland	1	392	21			1	21						
Massachusetts													
Michigan	4	5,032	536	2	64	1	24	1	448				
Minnesota													
Mississippi													
Missouri													
Montana													
Nebraska													
Nevada	7	1,745	125			7	125						
New Hampshire													
New Jersey	4	5,128	432	2	226			2	206				
New Mexico	4	2,633	267			3	67					1	200
New York	10	18,955	1,792	2	133			5	896	3	763		
North Carolina	6	20,070	1,500									6	1,500
North Dakota													
Ohio	2	2,535	288							2	288		
Oklahoma													
Oregon													
Pennsylvania	1	292	36					1	36				
Rhode Island													
South Carolina	1	3,021	400									1	400
South Dakota													
Tennessee													
Texas	3	14,175	1,069									3	1,069
Utah													
Vermont													
Virginia	2	15,700	1,125									2	1,125
Washington													
West Virginia													
Wisconsin													
Wyoming													
Alaska													
Hawaii													
Puerto Rico													
Total	96	130,247	11,177	12	736	47	1,254	11	1,755	5	1,051	20	6,381

comply with regulations prescribed in connection with such approval. At the close of 1956, there were about 13,400 financial institutions which had FHA approval. Of these, about 9,800 were active in the origination of or investment in FHA-insured obligations.

Mortgage and Loan Financing During 1956

An estimated 5,000 lending institutions financed the nearly $3½ billion in home and multifamily project mortgages and property improvement loans insured by FHA during 1956. As indicated in table III-18, the types of institutions which were most active during the year were national banks (31 percent of the total amount), mortgage companies (26 percent), and State banks (18 percent).

Home mortgages accounted for the major portion of FHA-insured obligations financed in 1956 by each of the different types of institutions except the "All other" group, as is evidenced by the following data:

Percent distribution of face amount

Type of institution	Home mortgages	Multifamily project mortgages	Property improvement loans	Total
National bank	64.5	4.7	30.8	100.0
State bank	55.9	7.9	36.2	100.0
Mortgage company	99.0	.8	.2	100.0
Insurance company	98.0	1.9	.1	100.0
Savings and loan association	81.0		19.0	100.0
Savings bank	86.8	6.9	6.3	100.0
All other	27.9	.2	71.9	100.0

Data for the "All other" group reflect almost exclusive concentration of finance companies in the property improvement loan phase of FHA-insured financing.

Home Mortgage Financing.—Most active in FHA home mortgage origination during 1956

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Table III-13.—*Volume of FHA-insured property improvement loans by State location of property, 1956*

State	Loans insured: Number	Net proceeds (000)	Average	State	Loans insured: Number	Net proceeds (000)	Average
Alabama	14,074	$9,441	$671	New Jersey	20,028	$18,774	$897
Arizona	12,209	9,112	746	New Mexico	3,321	2,878	867
Arkansas	7,778	5,160	663	New York	101,123	87,876	869
California	33,512	23,771	709	North Carolina	17,015	10,542	620
Colorado	14,070	9,323	663	North Dakota	2,582	1,824	706
Connecticut	3,061	2,012	853	Ohio	63,752	40,463	635
Delaware	28	27	969	Oklahoma	16,862	11,258	668
District of Columbia	5,614	3,307	589	Oregon	9,810	7,359	750
Florida	37,504	26,953	719	Pennsylvania	38,252	23,497	614
Georgia	12,380	7,692	621	Rhode Island	1,402	988	662
Idaho	7,868	5,921	752	South Carolina	5,152	2,975	577
Illinois	58,432	43,700	748	South Dakota	3,011	1,988	660
Indiana	35,625	21,348	599	Tennessee	24,032	14,032	576
Iowa	15,881	10,304	649	Texas	87,620	58,132	663
Kansas	18,078	10,813	598	Utah	11,374	7,081	623
Kentucky	16,922	9,799	579	Vermont	882	482	546
Louisiana	17,261	11,771	682	Virginia	16,352	9,257	566
Maine	4,505	2,694	598	Washington	32,860	22,940	698
Maryland	28,831	15,530	539	West Virginia	6,836	4,133	605
Massachusetts	29,279	18,262	624	Wisconsin	8,414	6,276	746
Michigan	70,974	49,549	698	Wyoming	788	553	702
Minnesota	35,430	21,776	615	Alaska	302	454	1,504
Mississippi	6,033	3,817	633	Hawaii	224	184	821
Missouri	38,452	22,184	576	Puerto Rico	2,268	3,070	1,354
Montana	3,923	3,454	880	Virgin Islands	2	1	556
Nebraska	6,628	4,467	674	Guam	19	40	2,105
Nevada	815	872	1,070				
New Hampshire	2,280	1,271	558	Total [1]	1,013,086	691,992	683

[1] Includes adjustments.

Table III-14.—*Volume of FHA-insured mortgages and loans, by State location of property, 1934–56*

[Dollar amounts in thousands]

State	Total amount	Home mortgages [1]		Project mortgages [1]		Property improvement loans	
		Number	Amount	Units	Amount	Number	Net proceeds
Alabama	$514,750	48,035	$315,059	12,282	$76,546	298,205	$123,145
Arizona	529,472	58,831	404,746	5,938	42,943	152,423	81,783
Arkansas	328,814	41,302	256,242	1,712	11,760	134,814	60,812
California	6,024,708	692,899	4,736,576	50,316	376,325	2,201,242	911,807
Colorado	433,452	47,498	324,996	3,141	22,417	181,133	86,038
Connecticut	544,394	49,082	400,743	7,143	55,312	185,403	88,339
Delaware	100,377	8,884	63,364	4,155	29,974	15,258	7,039
District of Columbia	251,737	7,191	55,276	21,102	142,787	106,820	53,674
Florida	1,177,559	124,673	831,808	15,929	112,577	420,414	233,174
Georgia	747,883	70,966	474,745	23,273	159,947	257,961	113,192
Idaho	229,285	23,563	159,176	1,126	9,304	113,295	60,805
Illinois	2,070,742	179,350	1,272,480	22,524	177,258	1,225,050	621,003
Indiana	1,231,574	135,474	868,481	9,070	67,073	689,169	296,019
Iowa	422,213	41,126	278,447	1,806	14,137	281,397	129,629
Kansas	655,790	77,044	529,016	5,295	38,313	203,921	88,461
Kentucky	419,207	39,760	271,110	6,668	49,021	228,998	99,076
Louisiana	660,638	68,514	493,769	9,488	68,394	205,411	98,475
Maine	151,333	14,840	91,480	2,612	21,249	85,907	38,605
Maryland	895,936	61,386	405,308	43,712	297,901	438,597	192,727
Massachusetts	486,940	28,315	203,206	5,326	41,419	520,288	242,315
Michigan	2,824,833	284,860	1,988,704	11,511	84,266	1,602,841	751,863
Minnesota	558,438	40,901	293,401	6,309	46,337	475,834	218,701
Mississippi	238,744	28,905	165,536	2,722	16,962	127,772	56,246
Missouri	1,081,281	108,806	775,433	11,341	81,815	538,363	224,033
Montana	144,376	15,322	106,690	837	6,304	54,003	31,382
Nebraska	349,780	41,067	275,894	2,599	19,687	115,614	54,199
Nevada	149,335	14,017	118,308	1,481	13,970	26,600	17,057
New Hampshire	58,701	5,785	33,956	244	1,672	51,407	23,073
New Jersey	1,808,318	151,417	976,257	59,451	438,525	676,444	393,536
New Mexico	223,610	24,483	171,796	2,730	23,770	45,735	28,044
New York	3,947,576	213,755	1,552,508	127,107	1,046,861	2,187,303	1,348,207
North Carolina	553,167	50,824	337,108	19,405	127,810	188,244	88,249
North Dakota	56,861	4,767	36,460	154	1,143	38,382	19,258
Ohio	2,225,703	205,807	1,521,873	22,378	166,943	1,211,977	536,888
Oklahoma	792,057	98,548	627,533	4,662	34,353	288,318	130,171
Oregon	565,627	60,395	414,237	5,387	39,388	236,559	112,003
Pennsylvania	1,943,100	202,576	1,269,551	25,255	192,510	1,067,753	481,040
Rhode Island	123,116	11,340	84,518	952	7,958	68,507	30,640
South Carolina	310,472	36,796	219,550	7,654	48,340	96,409	42,582
South Dakota	125,694	14,582	95,061	1,231	10,020	38,821	20,613
Tennessee	724,564	77,124	497,848	10,490	63,685	398,489	163,031
Texas	2,447,337	263,344	1,653,541	35,195	247,070	1,154,270	546,726
Utah	390,867	40,135	282,120	1,615	12,906	201,398	95,840
Vermont	40,853	5,111	28,899	193	1,512	22,222	10,441
Virginia	1,092,956	94,116	650,939	46,408	310,019	277,017	131,999
Washington	1,422,283	165,349	1,107,865	10,267	79,781	489,469	234,637
West Virginia	211,608	25,620	158,850	707	3,601	90,248	49,148
Wisconsin	411,566	35,240	253,336	4,120	32,714	264,705	125,516
Wyoming	96,030	13,219	70,830	571	4,451	19,115	11,749
Alaska	92,149	3,075	43,577	3,853	45,765	2,355	2,807
Hawaii	155,575	13,702	128,007	3,151	24,062	3,800	2,847
Puerto Rico	209,715	21,600	140,580	6,253	39,216	33,935	20,919
Canal Zone	4	----	----	----	----	3	4
Virgin Islands	157	17	150	----	----	5	7
Guam	4,004	258	3,600	----	----	312	404
Total [2]	43,254,823	4,192,525	28,529,744	688,950	5,088,071	20,100,663	9,637,008

[1] For volume by sections, see tables III-15 and III-16.
[2] Based on cases tabulated through 1956, including adjustments not distributed by States, and excluding Secs. 609 and 809.

Table III-15.—*Number of FHA-insured home mortgages by State location of property, by section, 1935–56* [1]

State	Sec. 2 and Sec. 8	Sec. 203	Sec. 213	Sec. 220	Sec. 221	Sec. 222	Sec. 603 [2]	Sec. 611	Sec. 903
Alabama	916	36,373	----	----	----	187	9,836	----	723
Arizona	2,672	44,207	2,305	----	----	42	7,132	50	2,333
Arkansas	273	33,090	543	----	----	536	5,377	----	583
California	15,283	531,399	7,101	----	----	3,996	126,012	25	9,083
Colorado	1,995	39,982	----	----	----	230	5,060	----	213
Connecticut	264	41,322	----	----	----	387	7,537	----	472
Delaware	41	6,010	----	----	----	13	2,631	----	189
District of Columbia	1	4,380	----	----	----	30	2,780	----	----
Florida	4,380	91,091	----	----	----	726	26,805	----	1,581
Georgia	1,568	52,377	----	----	----	473	13,350	----	3,198
Idaho	107	22,508	----	----	----	54	527	----	367
Illinois	3,065	151,281	----	----	----	149	21,975	----	2,880
Indiana	1,733	115,319	----	----	----	87	15,823	----	2,512
Iowa	905	36,858	43	----	----	53	2,551	----	716
Kansas	1,854	60,687	----	----	----	353	10,368	----	3,782
Kentucky	292	33,059	70	----	----	97	4,737	----	605
Louisiana	1,056	53,613	314	----	----	409	12,381	----	741
Maine	46	12,848	----	----	----	100	1,290	----	565
Maryland	1,728	43,781	44	----	----	468	14,409	----	956
Massachusetts	650	23,065	----	----	----	630	3,076	----	294
Michigan	7,273	235,258	317	----	----	128	41,334	----	550
Minnesota	401	35,368	----	----	----	81	4,810	----	241
Mississippi	752	23,241	----	----	----	24	4,168	----	720
Missouri	338	100,132	----	----	----	194	7,118	----	1,024
Montana	41	14,786	----	----	----	3	334	----	158
Nebraska	681	33,706	130	----	----	488	5,868	----	194
Nevada	69	10,920	335	----	----	17	1,925	----	751
New Hampshire	165	5,132	----	----	----	101	337	----	50
New Jersey	2,632	130,566	----	----	----	427	17,014	----	778
New Mexico	86	20,615	67	----	----	161	2,624	----	930
New York	9,110	179,337	----	----	----	582	23,699	----	1,027
North Carolina	657	39,674	----	----	----	115	8,820	----	1,549
North Dakota	10	4,468	----	----	----	10	162	----	117
Ohio	1,613	176,137	30	----	----	378	24,786	----	2,863
Oklahoma	1,866	76,662	666	----	----	212	17,741	----	1,401
Oregon	789	52,429	16	----	----	56	6,847	----	258
Pennsylvania	1,211	168,566	----	----	----	262	31,454	----	1,083
Rhode Island	51	9,514	----	----	----	437	1,263	----	75
South Carolina	664	26,869	25	----	----	534	6,378	----	2,326
South Dakota	206	13,615	----	----	----	63	520	----	178
Tennessee	1,131	58,320	324	----	----	78	16,056	----	1,206
Texas	9,553	197,314	103	----	15	812	52,145	----	3,372
Utah	177	31,911	----	57	----	36	7,920	----	34
Vermont	17	4,782	----	----	----	29	283	----	----
Virginia	3,289	66,743	25	----	----	2,636	18,897	----	2,526
Washington	1,873	141,809	----	----	----	741	20,143	----	783
West Virginia	141	24,151	----	----	----	3	1,325	----	----
Wisconsin	327	20,578	----	----	----	35	4,444	----	856
Wyoming	122	11,964	----	----	----	8	1,125	----	----
Alaska	21	3,051	----	----	----	2	1	----	----
Hawaii	6	12,640	----	----	----	330	544	----	272
Puerto Rico	465	16,961	----	----	----	67	4,162	----	5
Virgin Islands	----	15	----	----	----	----	2	----	----
Guam	----	254	----	----	----	4	----	----	----
Total [3]	84,435	3,392,267	12,458	57	15	18,083	628,015	75	57,120

[1] For combined total number and amount of FHA-insured home mortgages, see table III-14. Sec. 809 data not available.
[2] Includes Sec. 603–610.
[3] Cases tabulated through Dec. 31, 1956, including adjustments not distributed by States.

were mortgage companies, financing $876 million or 33 percent, and national banks, financing $681 million or 26 percent of the total. State banks accounted for 13 percent, savings and loan associations and savings banks for about 9 percent each, and insurance companies for over 8 percent. See table III–18 and chart III–10.

Most types of institutions originated smaller volumes of FHA-insured home mortgages in 1956 than in 1955. The largest reductions—dollarwise—were those of insurance companies (down 36 percent) and savings and loan associations (down 33 percent). Savings banks recorded the only gain—7 percent. As a consequence, the insurance company proportion slipped from 11 to 8 percent and that of savings and loan associations from 12 to 9½ percent, while the savings banks' share mounted from 7 to 9 percent. Changes in the lending proportions for the other types of institutions are indicated in table III–19.

The relative participation of the various types of lending institutions in FHA home mortgage financing during 1956 varied from program to program (see table III–18). Although mortgage companies were the leading originators in most of the FHA home mortgage programs, their proportion ranged from 32 percent in the "regular" Section 203 program (captioned Section 203 *Other* in the table) to 67 percent in Section 8. Next to the mortgage companies, the most active lenders under Section 203 (i) were State banks and savings and loan associations; under Section 203 *Other*, national banks and State banks; under Section 213 (individual homes), insurance companies and State banks; and under Section 222, national banks. Sole originators in the developing programs of Section 220 and 221 were State banks and savings and loan associations, respectively.

As indicated by the data in table III–19, mortgage companies and national banks have tended

TABLE III-16.—*Volume of FHA-insured multifamily housing mortgages, by State location, 1935–56*

[Dollar amounts in thousands]

State	All sections			Number of units								
	Number	Amount	Units	Sec. 207	Sec. 213 Sales	Sec. 213 Management	Sec. 220	Sec. 608	Sec. 608–610	Sec. 611	Sec. 803	Sec. 908
Alabama	233	$76, 546	12, 282	674				10, 295			1, 275	38
Arizona	130	42, 943	5, 938	837	2, 375			947		160	1, 619	
Arkansas	54	11, 760	1, 712	211	569			932				
California	1, 096	376, 325	50, 316	5, 013	7, 615	695		21, 575	58	973	13, 303	994
Colorado	71	22, 417	3, 141	251				1, 896		50	680	264
Connecticut	81	55, 312	7, 143	1, 513		84		3, 013			450	2, 083
Delaware	19	29, 974	4, 155	364				3, 771	20			
District of Columbia	180	142, 787	21, 102	2, 065				19, 037				
Florida	340	112, 577	15, 929	524		68		10, 669			4, 668	
Georgia	182	159, 947	23, 273	1, 592		104		18, 882	150	195	2, 150	200
Idaho	10	9, 304	1, 126					571			500	55
Illinois	300	177, 258	22, 524	2, 309		35		17, 012			3, 152	16
Indiana	142	67, 073	9, 070	1, 534				6, 065			510	961
Iowa	31	14, 137	1, 806	172	43			1, 591				
Kansas	88	38, 313	5, 295	332				3, 243	350		1, 358	12
Kentucky	103	49, 021	6, 668	682	70			2, 247			3, 465	204
Louisiana	110	68, 394	9, 488	1, 145	315			7, 071	150	25	782	
Maine	20	21, 249	2, 612					688			1, 024	
Maryland	328	297, 901	43, 712	3, 900	21	182		34, 221	486		4, 704	108
Massachusetts	50	41, 419	5, 326	594				3, 186			1, 502	44
Michigan	273	84, 266	11, 511	2, 201	487	448		7, 214	500		661	
Minnesota	157	46, 337	6, 309	1, 273				5, 036				
Mississippi	44	16, 962	2, 722	12				1, 852			858	
Missouri	164	81, 815	11, 341	1, 782				9, 439			120	
Montana	8	6, 304	837					135			592	110
Nebraska	54	19, 687	2, 599		131	71		1, 786			611	
Nevada	38	13, 970	1, 481		440			240			801	
New Hampshire	7	1, 672	244					244				
New Jersey	585	438, 525	59, 451	4, 978		577		51, 451			1, 983	462
New Mexico	21	23, 770	2, 739		67			277			2, 395	
New York	955	1, 046, 861	127, 107	17, 835		19, 938	763	85, 807	566	556	1, 642	
North Carolina	134	127, 810	19, 405	2, 966				9, 107	85		7, 071	176
North Dakota	9	1, 143	154	16				43				95
Ohio	331	166, 943	22, 378	2, 317	30	76	288	16, 207	10		2, 528	922
Oklahoma	147	34, 353	4, 662	132	667			2, 974			500	389
Oregon	143	39, 388	5, 387	134	16			5, 155				82
Pennsylvania	407	192, 510	25, 255	3, 745		717		19, 474	450		400	469
Rhode Island	12	7, 958	952	36				210			706	
South Carolina	94	48, 340	7, 654	290	25			6, 329		25	985	
South Dakota	14	10, 020	1, 231	82				258			891	
Tennessee	149	63, 685	10, 490	1, 213	324	48		6, 915	250		1, 740	
Texas	460	247, 070	35, 195	5, 519	103			19, 432			10, 141	
Utah	25	12, 906	1, 615	24				737			854	
Vermont	7	1, 512	193	56				137				
Virginia	383	310, 019	46, 408	10, 316	25			29, 672	440		5, 454	501
Washington	127	79, 781	10, 267	498				6, 369			3, 100	300
West Virginia	15	3, 601	797	188				209	400			
Wisconsin	167	32, 714	4, 120	251	41			3, 828				
Wyoming	6	4, 451	571					71			500	
Alaska	34	45, 765	3, 853	1, 496				2, 357				
Hawaii	59	24, 062	3, 151	224				850			2, 077	
Puerto Rico	29	39, 216	6, 253					4, 947			1, 306	
Total	8, 626	5, 088, 071	688, 950	81, 296	13, 364	23, 043	1, 051	465, 674	3, 915	1, 084	90, 138	8, 485

to account for increasing proportions of FHA-insured home mortgage lending since 1950. The insurance company proportion, on the other hand, has been declining steadily, from a postwar peak of 23 percent in 1949 to roughly one-third of that proportion in 1956. Savings banks and savings and loan associations had by 1955 recovered firmly from low levels of participation during the credit control period of the Korean conflict. Although the savings and loan proportion contracted in 1956, the savings bank share rose to its highest mark since the inception of FHA.

Multifamily Housing Mortgage Financing.—In 1956, national banks, as shown in table III-18, accounted for the largest proportion, or 38.5 percent, of project mortgage originations, leading State banks by just one-half of a percentage point. This was the second year in which this type of mortgagee predominated (table III-19), State banks having been the leading originators for the period 1947–54. These two leading types of mortgagees combined to originate three-fourths of all project mortgages in 1956 and increased their proportion of the total from the 69 percent reported for 1955. Savings banks also reported a proportional increase—15 percent compared with 10 percent for the preceding year—while, offsetting this, mortgage companies' share of the total fell from 19 percent to 6 percent. A proportional comparison of total home and total project mortgage originations by type of mortgagee is shown in chart III-10, and table III-18 shows project mortgage originations by program.

Property Improvement Loan Financing.—During 1956, 47 percent of all Title I loans were submitted by national banks, with State banks dropping to second place with 33 percent of the total. This reestablished the pattern (table III-19) that was broken for the first time in 1955 when State banks reported 2 percent more activity than

TABLE III-17.—*Volume of FHA-insured property improvement loans by State location of property, 1934–56*

State	Loans insured			State	Loans insured		
	Number	Net proceeds (000)	Average		Number	Net proceeds (000)	Average
Alabama	298, 205	$123, 145	$413	New Jersey	676, 444	$393, 536	$582
Arizona	152, 423	81, 783	537	New Mexico	45, 735	28, 044	613
Arkansas	134, 814	60, 812	451	New York	2, 187, 303	1, 348, 207	616
California	2, 201, 242	911. 807	414	North Carolina	188, 244	88, 240	469
Colorado	181, 133	86, 038	475	North Dakota	38, 382	19, 258	502
Connecticut	185, 403	88, 339	476	Ohio	1, 211, 977	536, 888	443
Delaware	15, 258	7, 030	461	Oklahoma	288, 318	130, 171	451
District of Columbia	106, 820	53, 674	502	Oregon	236, 559	112, 003	473
Florida	420, 414	233, 174	555	Pennsylvania	1, 067, 753	481, 040	451
Georgia	257, 961	113, 192	439	Rhode Island	68, 507	30, 640	447
Idaho	113, 205	60, 805	537	South Carolina	96, 400	42, 582	442
Illinois	1, 225, 050	621, 003	507	South Dakota	38, 821	20, 613	531
Indiana	689, 160	296, 010	430	Tennessee	398, 480	163, 031	409
Iowa	281, 307	129, 020	461	Texas	1, 154, 270	546, 726	474
Kansas	203, 921	88, 461	434	Utah	201, 398	95, 840	476
Kentucky	228, 998	99, 070	433	Vermont	22, 222	10, 441	470
Louisiana	205, 411	98, 475	479	Virginia	277, 017	131, 999	476
Maine	85, 907	38, 605	449	Washington	489, 469	234, 637	479
Maryland	438, 597	192, 727	439	West Virginia	99, 248	49, 148	495
Massachusetts	520, 288	242, 315	466	Wisconsin	264, 705	125, 516	474
Michigan	1, 662, 841	751, 863	452	Wyoming	19, 115	11, 749	615
Minnesota	475, 834	218, 701	460	Alaska	2, 355	2, 807	1, 192
Mississippi	127, 772	56, 246	440	Hawaii	3, 800	2, 847	749
Missouri	538, 363	224, 033	416	Puerto Rico	33, 935	29, 919	882
Montana	54, 003	31, 382	581	Canal Zone	3	4	1, 160
Nebraska	115, 614	54, 199	469	Virgin Islands	5	7	1, 306
Nevada	26, 606	17, 057	641	Guam	312	404	1, 294
New Hampshire	51, 407	23, 073	449	Total [1]	20, 109, 663	9, 637, 008	479

[1] Includes adjustments.

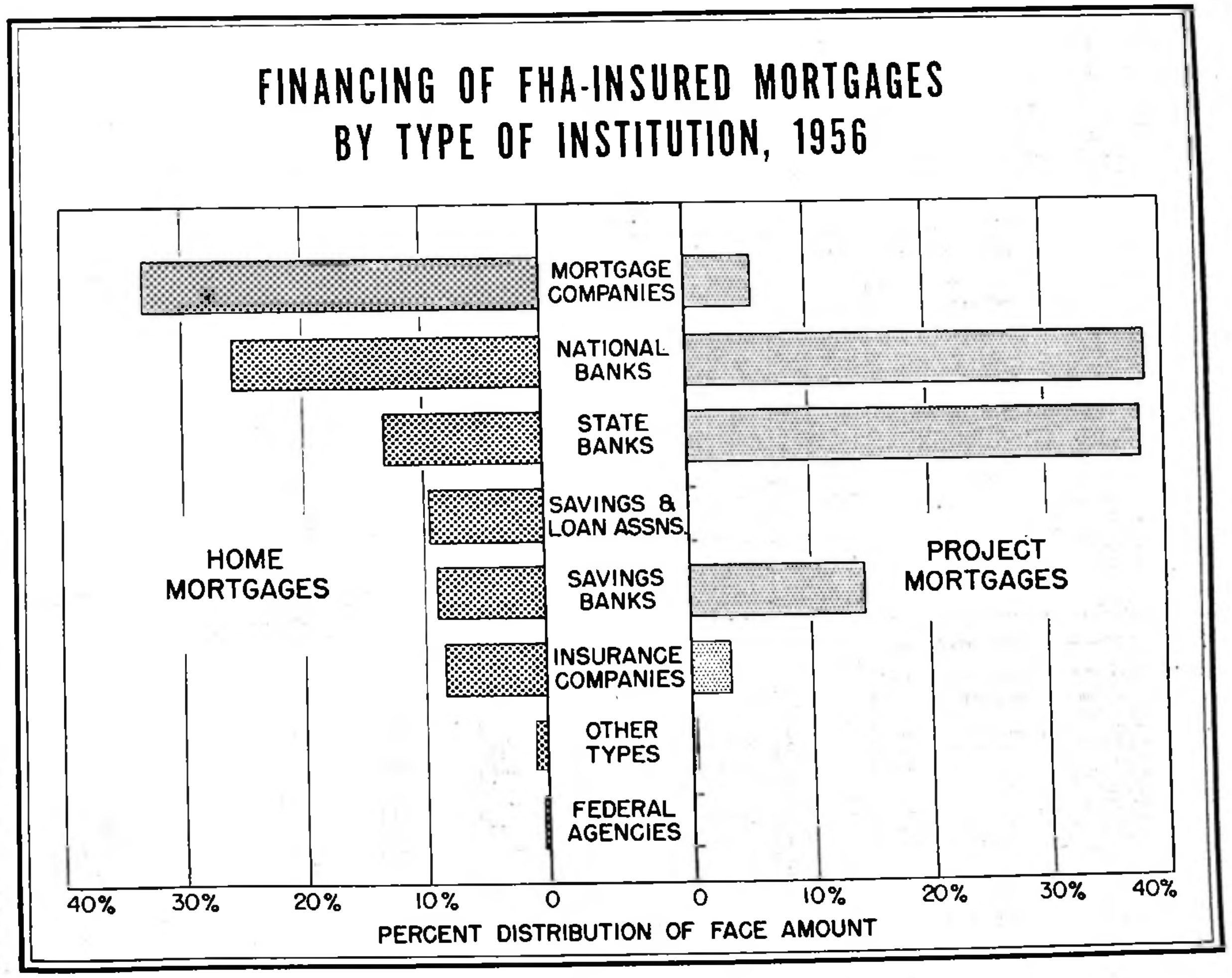

CHART III–10

TABLE III–18.—*Financing of FHA-insured mortgages and loans by type of institution, 1956*

[Dollar amounts in thousands]

Section	National bank	State bank	Mortgage company	Insurance company	Savings and loan association	Savings bank	Federal agency	All other [1]	Total [2]
	Type of institution								
Number of mortgages and loans:									
Home programs:									
Sec. 8	7		94		30	9		1	141
Sec. 203 (i)	1,428	2,206	4,697	227	1,793	339		58	10,748
Sec. 203 (other)	59,459	29,164	71,968	18,360	22,405	20,687	81	2,224	224,348
Sec. 213H	20	105	349	106					670
Sec. 220H		57							57
Sec. 221H					15				15
Sec. 222	3,113	704	4,813	874	1,040	866		128	11,538
Sec. 903	96	404	334						834
Total	64,123	32,640	82,255	19,657	25,283	21,901	81	2,411	248,351
Project programs:									
Sec. 207	3	2	5			1		1	12
Sec. 213 sales	9	17	16	5					47
Sec. 213 management		3	2			6			11
Sec. 220P		2				3			5
Sec. 803	11	8	1						20
Total	23	32	24	5		10		1	95
Property improvement loans: Sec. 2	481,422	329,407	1,477	388	85,150	26,643		88,599	1,013,086
Total all programs	545,568	362,079	83,756	20,050	110,433	48,554	81	91,011	1,261,532
Face amount of mortgages and loans:									
Home programs:									
Sec. 8	$40		$521		$166	$51		$6	$784
Sec. 203 (i)	9,185	$12,839	29,496	$1,470	11,614	2,187		380	67,170
Sec. 203 (other)	630,093	319,945	774,461	204,184	226,137	224,902	$269	22,357	2,402,350
Sec. 213H	266	1,478	3,204	2,194					7,141
Sec. 220H		598							598
Sec. 221H					117				117
Sec. 222	40,484	8,864	65,007	12,168	13,299	11,072		1,659	152,553
Sec. 903	1,418	3,811	2,921						8,150
Total	681,487	347,534	875,611	220,017	251,333	238,211	269	24,402	2,638,864
Project programs: [3]									
Sec. 207	518	3,086	1,145			538		196	5,441
Sec. 213 sales	2,525	6,118	3,308	4,379					16,410
Sec. 213 management		6,381	1,903			11,664			19,947
Sec. 220P		2,577				6,798			9,375
Sec. 803	47,069	31,267	729						79,065
Total	50,112	49,429	7,175	4,336		19,000		196	130,247
Property improvement loans: Sec. 2	325,428	225,363	2,019	220	58,765	17,180		63,008	691,992
Total all programs	1,057,027	622,325	884,804	224,573	310,098	274,400	269	87,606	3,461,102
Percentage distribution of amount:									
Home programs:									
Sec. 8	5.1		66.5		21.2	6.5		0.7	100.0
Sec. 203 (i)	13.7	19.1	43.9	2.1	17.3	3.3		.6	100.0
Sec. 203 (other)	26.2	13.3	32.2	8.6	9.4	9.4	(4)	.9	100.0
Sec. 213H	3.7	20.7	44.9	30.7					100.0
Sec. 220H		100.0							100.0
Sec. 221H					100.0				100.0
Sec. 222	26.5	5.8	42.6	8.0	8.7	7.3		1.1	100.0
Sec. 903	17.4	46.8	35.8						100.0
Total	25.8	13.2	33.2	8.4	9.5	9.0	(4)	.9	100.0
Project programs:									
Sec. 207	9.4	56.3	20.9			9.8		3.6	100.0
Sec. 213 sales	15.4	37.2	20.7	26.7					100.0
Sec. 213 management		32.0	9.5			58.5			100.0
Sec. 220P		27.5				72.5			100.0
Sec. 803	59.5	39.6	.9						100.0
Total	38.5	38.0	5.5	3.3		14.6		.1	100.0
Property improvement loans: Sec. 2	47.0	32.6	.3	(4)	8.5	2.5		9.1	100.0
Total all programs	30.5	18.0	25.6	6.5	9.0	7.9	(4)	2.5	100.0
Number of financing institutions:									
Home programs:									
Sec. 8	3		12		6	4		1	26
Sec. 203 (i)	53	40	137	15	147	13		6	411
Sec. 203 (other)	1,187	1,317	779	318	1,023	280	1	33	4,938
Sec. 213H	1	3	3	1					8
Sec. 220H		1							1
Sec. 221H					1				1
Sec. 222	145	111	335	77	176	113		11	968
Sec. 903	4	2	8						14
Project programs:									
Sec. 207	2	2	5			1		1	11
Sec. 213 sales	3	2	3	2					10
Sec. 213 management		3	1			2			6
Sec. 220P		1				1			2
Sec. 803	6	3	1						10

[1] On this and following lending institution tables, includes industrial banks, finance companies, endowed institutions, private and State benefit funds, etc.
[2] As tabulated in Washington. Excludes Sec. 809. [3] Includes miscellaneous small adjustments due to amendments of mortgages. [4] Less than 0.05 percent.

TABLE III–19.—*Financing of FHA-insured mortgages and loans, by type of institution, selected years*

Program	National bank	State bank	Mortgage company	Insurance company	Savings and loan association	Savings bank	Federal agency	All other	Total
	Percentage distribution of face amount or net proceeds								
Home mortgages:									
1946	24.3	17.7	26.7	15.4	9.8	3.2		2.9	100.0
1950	15.8	13.8	27.7	20.8	10.8	7.6		3.5	100.0
1954	22.0	12.5	35.2	11.8	10.8	5.8		1.9	100.0
1955	22.4	12.7	33.3	11.1	12.3	7.2		1.0	100.0
1956	25.8	13.2	33.2	8.4	9.5	9.0	(1)	.9	100.0
Project mortgages:									
1946	.7	35.3	23.0	39.5	1.5				100.0
1950	23.6	42.4	8.6	8.3	1.1	13.6	0.5	1.9	100.0
1954	23.9	33.7	20.9	4.5	.5	14.5		2.0	100.0
1955	35.5	33.9	19.1		.5	9.8		1.2	100.0
1956	38.5	38.0	5.5	3.3		14.6		.1	100.0
Property improvement loans: [2]									
1950	52.8	29.2	.6		4.6	1.3		11.5	100.0
1954	51.4	30.2		(1)	9.0	2.3		7.1	100.0
1955	38.2	40.5	1.0	(1)	8.7	2.2		9.4	100.0
1956	47.0	32.6	.3		8.5	2.5		9.1	100.0

[1] Less than 0.05 percent.
[2] Based on the 1950 reserve.

was attributable to national banks. Continuing as in the past, these two types of institutions in 1956 insured 8 out of every 10 property improvement loans. Except for savings banks, all other types of institutions were proportionately slightly less active than in 1955.

Mortgages Held in Portfolio

The extent of investment by the various types of financial institutions in FHA-insured home and multifamily project mortgages is shown in table III–20 by the legislative sections under which the insurance was written. As of December 31, 1956, about 9,800 institutions were holding FHA-insured home mortgages and over 300 had investments in multifamily project mortgages. Heaviest investors in FHA mortgages at the end of 1956 were insurance companies with $8.1 billion (original face amount) or over 36 percent of the total, savings banks with $4.7 billion or 21 percent, and national banks with $3.5 billion or 16 percent.

Home mortgage investments of most of the several types of institutions far outweighed the corresponding amounts of their FHA project mortgage portfolios. As between FHA home and project mortgages, however, the proportions held by the different types of institutions varied considerably as indicated in chart III–11. National banks and savings and loan associations, in particular, held substantially larger proportions of home mortgages than project mortgages, while the reverse was true in the case of savings banks, miscellaneous types of institutions, and mortgage companies.

Home Mortgage Holdings.—Financial institution portfolios at the end of 1956 included 2.2 million FHA-insured home mortgages aggregating $17.8 billion in face amount—an increase of 5 percent in number and 10 percent in amount over the previous year. Each of the individual types of institutions, except mortgage companies, increased its holdings of FHA-insured home mortgages during 1956, with the biggest percentage gains (dollarwise) being made by savings banks (17 percent), national banks (13 percent), savings and loan associations (12 percent), and miscellaneous types (12 percent). In each instance, the preponderant portion of the gain represented Section 203 mortgages. Each type of institution also augmented its portfolios of Section 222 and Section 213 home mortgages.

As in each year since 1942, insurance companies again in 1956 were holding the largest share (37 percent) of FHA-insured home mortgages, far in excess of the proportions held by the next ranking institutions—national banks (19 percent) and savings banks (17 percent). The proportions of home mortgages held by the different types of institutions did not change appreciably from 1955—the savings bank share was moderately higher and those of national banks and savings and loan associations up slightly; all of the other types experienced minor declines. The relative ranking of the different types of institutions was the same as in 1955, in fact the same as it has been since 1953. Since 1950, the trend in the financial institution pattern of FHA home mortgage investment has been marked by the diminution in the insurance company and State bank proportions and increases in the savings bank and Federal agency shares, reflecting in the latter case mainly purchases of Section 903 defense housing mortgages by FNMA.

Table III–20 discloses how the investment activity of each type of institution varied in the different FHA home mortgage programs. Heaviest investors in Section 203 and Section 603 mortgages were insurance companies, national banks, and savings banks; in Section 8 mortgages, Federal agencies, savings banks, and savings and loan associations; in Section 213 mortgages, Federal agencies, insurance companies, and miscellaneous

TABLE III-20.—*Holdings of FHA-insured mortgages by type of institution, as of Dec. 31, 1956*

[Dollar amounts in thousands]

Section	Type of institution								
	National bank	State bank	Mortgage company	Insurance company	Savings and loan association	Savings bank	Federal agency	All other	Total [1]
Number of mortgages:									
Home programs:									
Sec. 8	1,917	1,733	346	4,144	8,916	8,901	9,337	722	36,076
Sec. 203	370,385	190,715	34,853	687,011	177,975	318,617	31,429	28,908	1,840,853
Sec. 213H	178	26	243	3,195		838	4,610	2,830	11,920
Sec. 220H		35							35
Sec. 221H	1		11				1		13
Sec. 222	4,192	793	1,955	4,771	1,598	3,056	735	261	17,361
Sec. 603	35,693	22,658	4,215	121,705	15,554	35,351	12,163	4,030	251,369
Sec. 903	897	256	1,144	1,004	474	2,053	43,283	64	49,175
Total	413,263	216,216	42,767	822,730	204,517	368,876	101,558	36,875	2,206,602
Project programs:									
Sec. 207	17	41	15	85	9	170	19	28	384
Sec. 213 sales	9	18	10	2					39
Sec. 213 management	1	15	2	5		87	7	8	125
Sec. 220P		2				3			5
Sec. 608	253	345	259	3,238	51	1,699	9	286	6,140
Sec. 803	11	20	13	72		75	56	35	282
Sec. 908	2	7		10	2	16	39	2	78
Total	293	448	299	3,412	62	2,050	130	350	7,053
Total homes and projects	413,556	216,664	43,066	826,142	204,579	370,926	101,688	37,234	2,213,855
Face amount of mortgage:									
Home programs:									
Sec. 8	$9,354	$8,811	$1,895	$21,906	$47,704	$47,967	$51,716	$3,764	$193,118
Sec. 203 [2]	3,074,209	1,544,738	330,559	5,623,065	1,446,848	2,687,254	255,930	218,777	15,181,379
Sec. 213H	2,042	209	2,066	32,611		7,246	30,369	20,401	112,944
Sec. 220H		370							370
Sec. 221H	7		86				7		100
Sec. 222	53,802	10,302	26,324	65,064	19,961	40,621	8,537	3,558	228,170
Sec. 603 [3]	233,966	141,859	27,979	817,537	98,687	252,590	76,081	25,113	1,673,819
Sec. 903	8,088	2,378	9,938	8,425	3,913	19,015	395,383	546	447,685
Total	3,381,468	1,708,667	398,847	6,568,607	1,617,114	3,054,690	827,024	281,159	[4] 17,837,585
Project programs:									
Sec. 207	6,478	43,803	6,828	47,516	2,414	140,141	21,161	12,441	280,771
Sec. 213 sales	2,525	6,317	2,298	2,185					13,325
Sec. 213 management	1,051	28,857	1,903	7,933		156,245	3,332	17,475	216,796
Sec. 220P		2,577				6,708			9,375
Sec. 608 [3]	36,597	169,249	202,457	1,222,020	11,262	1,121,245	16,835	230,932	3,010,597
Sec. 803	46,133	61,029	26,743	218,269		157,623	124,568	105,276	739,642
Sec. 908	717	5,702		7,498	219	14,727	19,972	1,349	50,183
Total	93,501	317,534	240,228	1,505,422	13,895	1,596,779	185,858	370,473	4,329,689
Total homes and projects	3,474,969	2,026,202	639,075	8,074,029	1,631,008	4,651,478	1,012,882	657,632	22,167,274
Percentage distribution of amount:									
Home programs:									
Sec. 8	4.8	4.6	1.0	11.4	24.7	24.8	26.8	1.9	100.0
Sec. 203	20.2	10.2	2.2	37.1	9.5	17.7	1.7	1.4	100.0
Sec. 213H	1.8	.2	1.8	28.9		6.4	34.9	26.0	100.0
Sec. 220H		100.0							100.0
Sec. 221H	7.0		85.0				7.4		100.0
Sec. 222	23.6	4.5	11.5	28.5	8.8	17.8	3.7	1.6	100.0
Sec. 603	14.0	8.5	1.7	48.8	5.9	15.1	4.5	1.5	100.0
Sec. 903	1.8	.5	2.2	1.9	.9	4.3	88.3	.1	100.0
Total	19.0	9.6	2.2	36.8	9.1	17.1	4.6	1.6	100.0
Project programs:									
Sec. 207	2.3	15.6	2.4	16.9	.9	49.9	7.6	4.4	100.0
Sec. 213 sales	19.0	47.4	17.2	16.4					100.0
Sec. 213 management	.5	13.3	.9	3.6		72.1	1.5	8.1	100.0
Sec. 220P		27.5				72.5			100.0
Sec. 608	1.2	5.6	6.7	40.5	.4	37.1	.6	7.9	100.0
Sec. 803	6.2	8.3	3.6	29.5		21.3	16.9	14.2	100.0
Sec. 908	1.4	11.4		14.9	.4	29.4	39.8	2.7	100.0
Total	2.2	7.3	5.5	34.8	.3	36.9	4.3	8.7	100.0
Total homes and projects	15.7	9.1	2.9	36.4	7.3	21.0	4.6	3.0	100.0
Number of holding institutions:									
Home programs:									
Sec. 8	136	176	73	83	271	85	2	16	842
Sec. 203	2,573	3,342	850	619	1,842	384	4	188	9,802
Sec. 213H	3	4	7	5		8	1	3	31
Sec. 220H		1							1
Sec. 221H	1		3				1		5
Sec. 222	211	153	269	158	261	189	1	22	1,264
Sec. 603	777	1,024	141	255	610	183	2	47	3,039
Sec. 903	29	19	45	19	26	35	1	6	180

See footnotes at end of table.

TABLE III-20.—*Holdings of FHA-insured mortgages by type of institution, as of Dec. 31, 1956*—Continued

Section	Type of institution								
	National bank	State bank	Mortgage company	Insurance company	Savings and loan association	Savings bank	Federal agency	All other	Total [1]
Number of holding institutions—Continued									
Project programs:									
Sec. 207	8	13	10	30	8	33	1	9	112
Sec. 213 sales	3	3	3	1					10
Sec. 213 management	1	5	1	5		15	1	4	32
Sec. 220P		1				1			2
Sec. 608	35	43	20	110	24	83	1	18	334
Sec. 803	8	8	5	6		17	1	6	51
Sec. 908	2	3		5	1	8	1	2	22

[1] Based on tabulations of audited cases.
[2] Includes Sec. 203 (i).
[3] Includes related Sec. 610 mortgages.
[4] Excludes Sec. 611 and Sec. 809 home mortgages.

types; in Section 222 mortgages, insurance companies and national banks; and in Section 903 mortgages, Federal agencies, which held 88 percent of the total amount.

Multifamily Housing Mortgage Holdings.—The proportional share of project mortgage holdings (based on original face amounts) for each type of mortgagee did not vary to any appreciable extent during 1956. Savings banks (37 percent) and insurance companies (35 percent) together held nearly three-fourths of all project mortgages in their portfolios. The slight increase in Federal agency holdings resulted mostly from the purchase by FNMA of Section 803 insured mortgages, increasing their portfolio under this type of operation from $109.7 million at the end of 1955

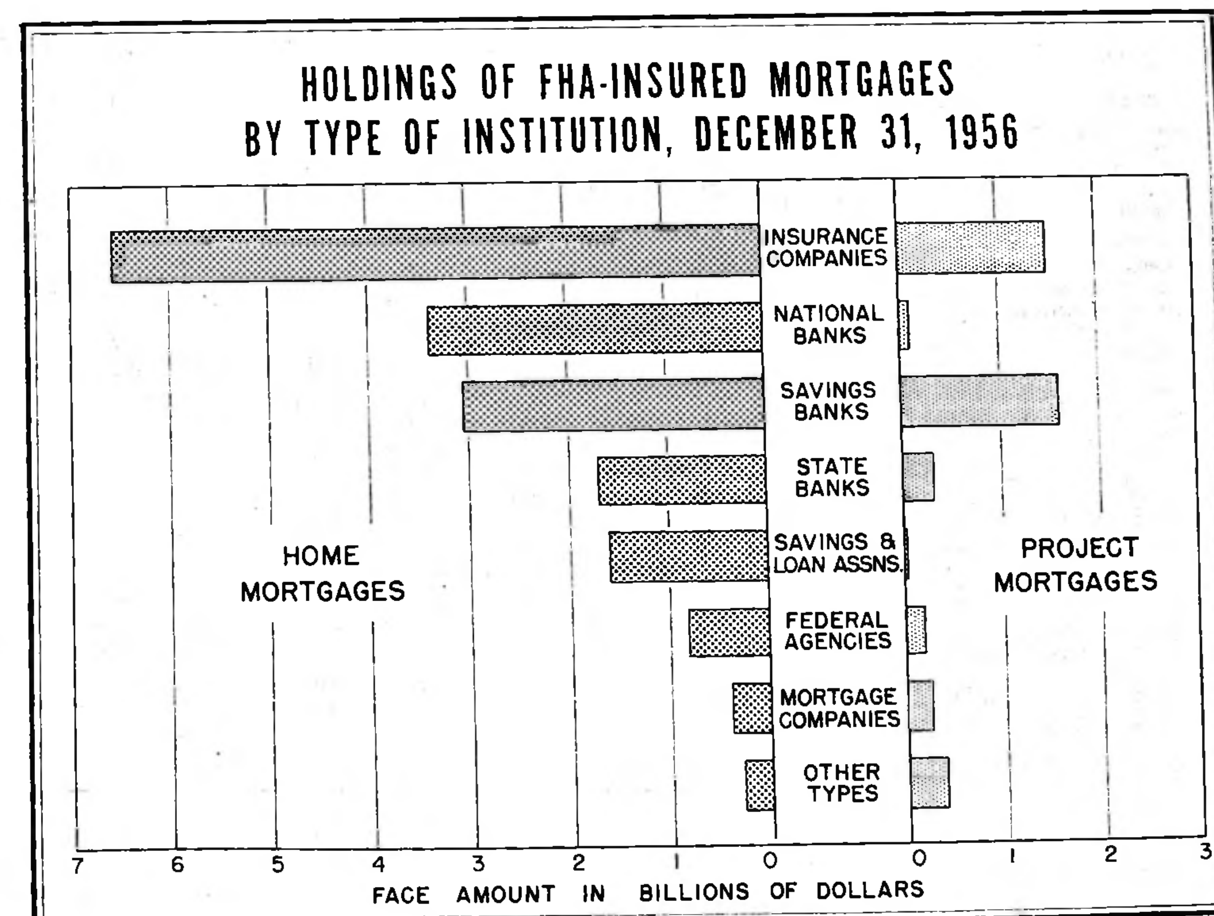

CHART III-11

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TABLE III–21.—*Purchases of FHA-insured mortgages and loans by type of institution, 1956*

[Dollar amounts in thousands]

Section	National bank	State bank	Mortgage company	Insurance company	Savings and loan association	Savings bank	Federal agency	All other	Total
	Type of institution								
Number of mortgages and loans:									
Home programs:									
Sec. 8	49	11	57	166	145	613	155	67	1,263
Sec. 203	9,673	6,277	2,266	66,170	3,645	36,760	8,724	4,260	137,775
Sec. 213H	145	16		44		43	267	546	1,061
Sec. 221H	1						1		2
Sec. 222	162	151	82	2,839	156	1,551	717	144	5,802
Sec. 603	1,164	1,178	29	330	315	469		120	3,605
Sec. 903	45	4	8	14		47	1,864		1,982
Total	11,239	7,637	2,442	69,563	4,261	39,483	11,728	5,137	151,490
Project programs:									
Sec. 207	4	2	9	8		18		8	49
Sec. 213 Management				2		1		1	4
Sec. 608		11	2	9		28		13	63
Sec. 803		1	3			2	9	2	17
Sec. 908							2		2
Total	4	14	14	19		49	11	24	135
Property improvement loans: Sec. 2	195,428	23,191			330			53	219,002
Total all programs	206,671	30,842	2,456	69,582	4,591	39,532	11,739	5,214	370,627
Face amount of mortgages and loans:									
Home programs:									
Sec. 8	$243	$59	$321	$941	$833	$3,454	$878	$378	$7,106
Sec. 203	86,257	57,107	19,626	693,045	31,703	360,606	81,126	36,082	1,366,540
Sec. 213H	1,629	138		582		314	2,429	5,741	10,833
Sec. 221H	7						7		14
Sec. 222	2,190	2,091	910	38,463	1,770	21,342	8,334	1,840	76,939
Sec. 603	7,313	8,695	120	2,088	2,422	3,275		911	24,823
Sec. 903	355	32	63	118		435	18,681		19,684
Total [1]	97,994	68,122	21,040	735,236	36,817	389,425	111,455	45,851	1,505,940
Project programs:									
Sec. 207	1,627	2,177	3,954	7,394		27,480		3,742	46,373
Sec. 213 Management				5,689		723		199	6,610
Sec. 608		5,257	501	7,113		22,428		10,356	45,656
Sec. 803		990	5,139			6,119	17,707	7,047	37,003
Sec. 908							1,491		1,491
Total	1,627	8,425	9,594	20,196		56,750	19,199	21,343	137,134
Property improvement loans: Sec. 2	100,150	14,925			213			19	115,307
Total all programs	199,771	91,472	30,634	755,432	37,030	446,175	130,654	67,213	1,758,380
Percentage distribution of amount:									
Home programs:									
Sec. 8	3.4	0.8	4.5	13.3	11.7	48.6	12.4	5.3	100.0
Sec. 203	6.3	4.2	1.4	50.8	2.3	26.4	5.9	2.7	100.0
Sec. 213H	15.0	1.3		5.4		2.9	22.4	53.0	100.0
Sec. 221H	48.4						51.6		100.0
Sec. 222	2.9	2.7	1.2	50.0	2.3	27.7	10.8	2.4	100.0
Sec. 603	29.5	35.0	.5	8.4	9.7	13.2		3.7	100.0
Sec. 903	1.8	.2	.3	.6		2.2	94.9		100.0
Total	6.5	4.5	1.4	48.8	2.4	25.9	7.4	3.1	100.0
Project programs:									
Sec. 207	3.5	4.7	8.5	15.9		59.3		8.1	100.0
Sec. 213 Management				86.1		10.9		3.0	100.0
Sec. 608		11.5	1.1	15.6		49.1		22.7	100.0
Sec. 803		2.7	13.9			16.5	47.9	19.0	100.0
Sec. 908							100.0		100.0
Total	1.2	6.1	7.0	14.7		41.4	14.0	15.6	100.0
Property improvement loans: Sec. 2	86.9	12.9			.2			(2)	100.0
Total all programs	11.4	5.2	1.7	43.0	2.1	25.4	7.4	3.8	100.0
Number of Purchasing Institutions:									
Home programs:									
Sec. 8	11	9	12	19	24	29	1	5	110
Sec. 203	378	402	148	263	256	194	1	62	1,704
Sec. 213H	1	1		1		1	1	1	6
Sec. 221H	1						1		2
Sec. 222	42	29	22	107	24	92	1	14	331
Sec. 603	40	33	6	12	15	13		4	123
Sec. 903	4	2	3	2		6	1		18
Project programs:									
Sec. 207	2	2	3	6		10		2	25
Sec. 213 Management				2		1		1	4
Sec. 608		6	1	2		5		3	17
Sec. 803		1	3			2	1	2	9
Sec. 908							1		1
Property improvement loans: Sec. 2	54	42			6			2	104

[1] Excludes Sec. 611 and Sec. 809 home mortgages, if any.

[2] Less than 0.05 percent.

to $124.6 million. The 6 percent mortgage company holdings represent, for the most part, the activity of the Institutional Securities Corp., organized and sponsored jointly by the savings banks of New York State, which held more than $9 of every $10 reported by this type of mortgagee. It is also of interest that the slight proportional gain effected by "All other" mortgagees was, to a large extent, due to investments of retirement systems in multifamily housing mortgages.

A graphic presentation of relative project mortgage holdings, as well as their comparison to home mortgage holdings, by type of institution, is presented in chart III–11. Project mortgages represented about one-fifth of the aggregate volume of FHA-insured mortgages held in the portfolios of all approved financial institutions.

Mortgages and Loans Purchased or Sold During 1956

During 1956 financial institutions purchased or sold nearly 371,000 FHA-insured obligations aggregating $1.8 billion in original face amount. This represented an increase of 12 percent in number but only 3 percent in amount over the volume of transfers in 1955, reflecting a decline in the volume of transfers of large project mortgages. Table III–21 shows the volume of purchases made by the various types of institutions during 1956, and corresponding data on sales activity are presented in table III–22. It should be noted that these data include any resales reported during the year for individual obligations.

Home mortgages accounted for 85 percent of the total amount of FHA mortgage and loan transfers, multifamily project mortgages for 8 percent, and property improvement loans for 7 percent. The home mortgage segment had increased from 79 percent in 1955, the project mortgages decreased from 14 percent, and the property improvement share remained the same. Purchasing the largest amount of FHA-insured obligations of all types during 1956 were insurance companies and savings banks while mortgage companies were the chief sellers, paralleling corresponding ranking in home mortgage transfers.

Purchases and Sales of Home Mortgages.—Transfers of FHA-insured home mortgages during 1956 numbered 371,000—only 1 percent more than in 1955. Reflecting a higher amount per mortgage, the aggregate amount of these transfers, however, increased 12 percent to $1,506 million. All but 9 percent of this amount was in Section 203 mortgages, with 5 percent attributable to Section 222 and 2 percent to Section 603.

Most active buyers of FHA home mortgages in 1956 (as during most of the postwar period) were insurance companies, accounting for $735 million or 49 percent of the total, and savings banks, with $389 million or 26 percent. Next most active, but with substantially lower volumes of purchases, were Federal agencies and national banks (see table III–21).

Insurance companies accelerated their FHA home mortgage purchase activity during 1956 by 28 percent (dollarwise), as did savings banks (up 20 percent) and miscellaneous types of institutions (up 54 percent). Purchase volumes of the other types of institutions were lower than in 1955—State banks dropping by 41 percent, national banks by 24 percent, mortgage companies by 6 percent, and Federal agencies by 3 percent. As a result, significant changes occurred from 1955 to 1956 in the proportions of total amount of purchases attributable to certain types of institutions, namely increases for the insurance companies and savings banks, and decreases for State banks and national banks.

As indicated in Table III–21, the relative purchase activity of the different types of institutions varied in the different home mortgage programs. Heaviest buyers of Section 8 mortgages were savings banks; of Section 203 mortgages, insurance companies; of Section 213 home mortgages, miscellaneous types (predominantly investment companies); of Section 221 home mortgages, FNMA; of Section 222 mortgages, insurance companies; of Section 603, commercial (national and State) banks; and of Section 903, FNMA.

In their role as "retailers" of mortgage funds, mortgage companies in 1956 continued and augmented their predominance in FHA home mortgage sales. As is generally known, these institutions originate mortgages primarily for resale to permanent investors such as insurance companies and savings banks. Mortgage company sales of FHA mortgages in 1956 increased by one-fourth to over $967 million, or just under 65 percent of the total amount. Ranking next, but with only 12 and 13 percent, respectively, were national and State banks. With the exception of mortgage companies and national banks, all other types of institutions had lower sales volumes in 1956 than in the previous year. Reflecting tightness in the mortgage money market, FNMA sales plunged nearly 90 percent to less than $2 million.

Mortgage companies' predominance in FHA home mortgage sales during 1956 pervaded most of the individual home mortgage programs. The only exceptions were Secton 213, where miscellaneous types of institutions accounted for 53 percent, and Section 603, where 57 percent of total sales were made by national banks.

Purchases and Sales of Multifamily Housing Mortgages.—The decline of project mortgage transfers in the secondary market continued during 1956, with the volume for the year falling to $137 million—only three-fifths that of the previous year and one-sixth of the peak year of record, 1951. (Data relative to the transfer of project mortgages between financial institutions were initiated in 1950.) Except Section 207, which increased 19 percent to $46 million, all other

TABLE III–22.—*Sales of FHA-insured mortgages and loans by type of institution, 1956*

[Dollar Amounts in Thousands]

Section	Type of institution: National bank	State bank	Mortgage company	Insurance company	Savings and loan association	Savings bank	Federal agency	All other	Total
Number of mortgages and loans:									
Home programs:									
Sec. 8	308	43	761	2	45	55	29	20	1,263
Sec. 203	16,501	19,066	87,710	5,833	3,997	1,647	215	2,806	137,775
Sec. 213H	73	43	254	145				546	1,061
Sec. 221H			2						2
Sec. 222	248	433	4,637	159	226	7		92	5,802
Sec. 603	2,042	465	43	182	352	185	11	325	3,605
Sec. 903	200	551	1,225				5	1	1,982
Total	19,372	20,601	94,632	6,321	4,620	1,894	260	3,790	151,490
Project programs:									
Sec. 207	12	18	13	2		4			49
Sec. 213 management		3	1						4
Sec. 608	2	5	13	3		40			63
Sec. 803	4	6	4			3			17
Sec. 908	2								2
Total	20	32	31	5		47			135
Property improvement loans: Sec. 2	163,723	23,478	25,796	15	2,920	6		3,064	219,002
Total all programs	183,115	44,111	120,459	6,341	7,540	1,947	260	6,854	370,627
Face amount of mortgages and loans:									
Home programs:									
Sec. 8	$1,712	$242	$4,296	$11	$247	$312	$175	$111	$7,106
Sec. 203	155,423	182,590	886,604	60,473	38,837	14,467	1,468	20,587	1,366,540
Sec. 213H	779	554	2,129	1,629				5,741	10,833
Sec. 221H			14						14
Sec. 222	3,306	5,436	61,886	2,063	3,063	96		1,088	76,939
Sec. 603	14,086	3,105	205	859	3,083	1,202	67	2,216	24,823
Sec. 903	2,478	5,089	12,065				45	8	19,684
Total [1]	177,784	197,017	967,290	65,036	45,229	16,078	1,755	35,751	1,505,940
Project programs:									
Sec. 207	9,401	29,991	4,987	463		1,531			46,373
Sec. 213 management		5,031	1,579						6,610
Sec. 608	1,302	2,998	5,384	1,507		34,465			45,656
Sec. 803	9,111	14,080	6,154			7,658			37,003
Sec. 908	1,491								1,491
Total	21,306	52,100	18,103	1,970		43,654			137,134
Property improvement loans: Sec. 2	79,719	14,634	16,671	10	2,533	3		1,737	115,307
Total all programs	278,809	263,752	1,002,064	67,016	47,762	59,734	1,755	37,488	1,758,380
Percentage distribution of amount:									
Home programs:									
Sec. 8	24.1	3.4	60.4	0.1	3.5	4.4	2.5	1.6	100.0
Sec. 203	11.4	13.4	64.9	4.4	2.8	1.1	.1	1.9	100.0
Sec. 213H	7.2	5.1	19.7	15.0				53.0	100.0
Sec. 221H			100.0						100.0
Sec. 222	4.3	7.1	80.4	2.7	4.0	.1		1.4	100.0
Sec. 603	56.8	12.5	.8	3.5	12.4	4.8	.3	8.9	100.0
Sec. 903	12.6	25.9	61.3				.2	(2)	100.0
Total	11.8	13.1	64.2	4.3	3.0	1.1	.1	2.4	100.0
Project programs:									
Sec. 207	20.3	64.7	10.7	1.0		3.3			100.0
Sec. 213 management		76.1	23.9						100.0
Sec. 608	2.8	6.6	11.8	3.3		75.5			100.0
Sec. 803	24.6	38.1	16.6			20.7			100.0
Sec. 908	100.0								100.0
Total	15.6	38.0	13.2	1.4		31.8			100.0
Property improvement loans: Sec. 2	69.1	12.7	14.5	(2)	2.2	(2)		1.5	100.0
Total all programs	15.9	15.0	57.0	3.8	2.7	3.4	.1	2.1	100.0
Number of selling institutions:									
Home programs:									
Sec. 8	5	12	53	1	9	4	1	4	89
Sec. 203	449	465	766	231	172	51	1	32	2,167
Sec. 213H	2	2	3	1				1	9
Sec. 221H			2						2
Sec. 222	53	64	344	45	16	4		8	534
Sec. 603	45	36	6	18	14	9	1	3	132
Sec. 903	4	11	18				1	1	35
Project programs:									
Sec. 207	6	11	7	1		2			27
Sec. 213 management		3	1						4
Sec. 608	2	2	2	2		10			18
Sec. 803	2	4	3			3			12
Sec. 908	2								2
Property improvement loans: Sec. 2	70	55	7	1	7	1		6	147

[1] Excludes Sec. 611 and Sec. 809 home mortgages, if any. [2] Less than 0.05 percent.

programs dropped sharply—Section 608 decreased by one-half and Section 803 nearly three-fifths. These two programs combined accounted for three-fourths of all project mortgage transfers during 1955.

The leading purchasers of FHA-insured project mortgages in 1956 were savings banks (41 percent), which, except for 1955 when FNMA accounted for the largest share, have always predominated. Insurance companies ranked second in 1956, though dropping proportionally to 15 percent of the total from 27 percent in 1955, and Federal agencies (FNMA) fell to 14 percent of the 1956 total as compared to 31 percent previously. As in 1955, FNMA purchases were principally mortgages insured under Section 803. A substantial proportional gain of nearly 12 percentage points was noted for miscellaneous-type institutions which accounted for 16 percent of total purchases during 1956 (table III–21).

The number and original principal amount of FHA-insured project mortgages sold during 1956 are shown in table III–22 by type of lending institution. State banks with 38 percent of the total led in sales, as has been the case during the period since 1950. They were also the leading originators during this same period, except in 1955 and 1956 when they ranked second in the volume of project mortgages financed.

Savings banks (32 percent) ranked second in sales for the year 1956, continuing the 1955 departure from an established trend. Previously, savings banks had sold only minor proportions of the total, but, due to their large share of purchases, the portfolios of these institutions have changed relatively little over the past 5 years, with holdings involving approximately one-third of the original face amount of all project mortgages with insurance in force.

Purchases and Sales of Property Improvement Loans.—Data on the secondary market activity of Title I loans are presented for the second year in tables III–21 and III–22. Only slightly over $115 million of insured notes were involved in these transactions in 1956, with national banks ($100 million) and State banks ($15 million) accounting for practically all of the purchases. These two types of institutions were the most active in sales, accounting for 8 out of every 10 transactions. Seven mortgage companies sold $17 million of insured notes but made no purchases.

TERMINATIONS, DEFAULTS, AND CLAIMS PAID

This part of the report presents information on terminations of FHA mortgage insurance contracts, on the default status of FHA-insured home and multifamily project mortgages, and on claims paid on defaulted Title I property improvement loans. Through December 31, 1956, terminated FHA insurance amounted to over $18.8 billion or 43 percent of the cumulative face amount written to that date. Included were over $10.3 billion in home mortgages, $0.8 billion in multifamily project mortgages, and $7.7 billion on property improvement loans (see table III–3). In 1956 alone, over $2.3 billion of FHA insurance contracts were terminated—$1.2 billion in home mortgages, over $0.1 billion in multifamily project mortgages, and over $1.0 billion in Title I property improvement loans.

Terminations of Home and Project Mortgages by Type

FHA insurance contracts had been terminated by the close of 1956 on over 1.9 million home mortgages totaling $10.3 billion in original face amount. Remaining in force with FHA insurance at that date were some 2.2 million home mortgages with aggregate face amounts of $18.1 billion—approximately equal to the amount of home mortgage insurance written in the last 8 years.

FHA mortgage insurance contracts terminate under the following circumstances:

1. The loan is paid off 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 (1) transfer title to FHA in exchange for debentures and a certificate of claim (for those foreclosure expenses not covered by the debentures), or (2) "withdraw" from the FHA insurance contract and forego the insurance privileges in order to be free to market the property. (Also classified as "withdrawals" are cases where the mortgage is foreclosed and the property is purchased by a party other than the mortgagee.)

About 46 percent of all FHA-insured *home* mortgages had been terminated by the end of 1956. By programs, the proportions of terminations ranged from $\frac{8}{10}$ of 1 percent under Section 222 to 60 percent under Section 603, with 45 percent terminated under Section 203, 14 percent under Section 903, 6 percent under Section 8, and 3 percent under Section 213.

As shown in table III–23, prepayment was the reason for nearly all terminations of FHA home mortgage insurance contracts through the end of 1956—80 percent representing prepayments in full and nearly 17 percent prepayments by supersession. This preponderance of prepayments is evi-

TABLE III-23.—*Termination of FHA-insured home mortgages, by type, 1935–56*

[Dollar amounts in thousands]

	Total[1]		Sec. 8		Sec. 203		Sec. 213		Sec. 220	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mortgages insured	4, 150, 061	$28, 431, 425	38, 332	$204, 326	3, 395, 858	$23, 690, 904	12, 470	$118, 222	57	$598
Mortgages terminated:										
Prepaid in full	1, 543, 736	8, 224, 187	1, 475	7, 132	1, 260, 297	6, 729, 518	234	2, 140		
Prepaid by supersession	324, 403	1, 827, 698	485	2, 366	240, 686	1, 390, 729	40	300		
Matured loans	19, 185	62, 759			19, 174	62, 707				
Properties acquired by mortgagee:										
Transferred to FHA	25, 521	177, 127	269	1, 437	7, 769	50, 441	80	577		
Retained by mortgagee	6, 922	42, 111	25	124	4, 634	28, 321	1	7		
Other terminations	695	3, 298	2	9	547	2, 676				
Total terminations	1, 920, 462	10, 337, 179	2, 256	11, 068	1, 533, 107	8, 264, 392	355	3, 030		
Mortgages in force	2, 229, 599	18, 094, 247	36, 076	193, 258	1, 862, 751	15, 426, 512	12, 115	115, 192	57	598

	Sec. 221		Sec. 222		Sec. 603		Sec. 603–610		Sec. 611		Sec. 809		Sec. 903	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mortgages insured	16	$124	18, 102	$238, 242	624, 653	$3, 645, 217	3, 363	$16, 109	75	$556	12	$152	57, 123	$516, 976
Mortgages terminated:														
Prepaid in full			110	1, 408	279, 425	1, 468, 214	695	2, 821	5	37			1, 495	12, 917
Prepaid by supersession			36	455	82, 571	429, 552	163	666	2	15			420	3, 609
Matured loans					11	52								
Properties acquired by mortgagee:														
Transferred to FHA					11, 362	71, 893	13	46					6, 028	52, 733
Retained by mortgagee					2, 260	13, 648	1	3					1	8
Other terminations					146	612								
Total terminations			146	1, 863	375, 775	1, 983, 971	872	3, 536	7	52			7, 944	69, 267
Mortgages in force	16	124	17, 956	236, 379	248, 878	1, 661, 246	2, 491	12, 573	68	504	12	152	49, 179	447, 710

[1] Excludes Sec. 2 home mortgages and Sec. 225 open-end increases.

dent in all of the individual home mortgage programs, except Section 903 where foreclosures prevailed.

For all home mortgage programs combined, foreclosures have been the source of only 1.7 percent of the terminations, including 1.3 percent in which the properties were transferred to FHA by the mortgagees in exchange for debentures. The bulk of foreclosures through 1956 had occurred under Section 603 (42 percent) and Section 203 (38 percent), but these constituted, respectively, only 4 percent of the total terminations under Section 603 only eight-tenths of 1 percent of the Section 203 total. Although only 1 percent of the FHA home mortgages had been insured under Section 903, this section accounted for 19 percent of the foreclosure terminations.

In 6,900, or one-fifth of the foreclosure terminations, mortgagees relinquished their insurance privileges and did not transfer the properties to the FHA in exchange for debentures, presumably because the properties could be disposed of more profitably in the sales market. Most of these "withdrawals"—over 2 of every 3—stemmed from Section 203 contracts and almost another third from Section 603.

Table III–24 shows the disposition of the 25,500 home properties transferred to FHA under terms of the insurance contracts through December 31,

TABLE III-24.—*Disposition of FHA-acquired home properties, Dec. 31, 1956*

Section	Total number acquired	Number of properties sold				Number of properties on hand
		Total	Sold for all cash	Sold for cash and notes[1]	Sold for notes only	
8	269	190	5	184	1	79
203	7, 769	6, 307	953	5, 337	17	1, 462
213	80	35	3	32		45
603[2]	11, 375	10, 709	2, 435	8, 140	134	666
903	6, 028	1, 449	215	1, 234		4, 579
Total	25, 521	18, 690	3, 611	14, 927	152	6, 831

[1] Or contracts of deed.
[2] Includes Sec. 603–610 cases.

1956. About three-fourths of these had been sold, including about one-seventh sold for cash and roughly three-fifths sold for cash and notes. Of the 12,800 notes taken in connection with the sale of these properties (some covering more than one property), 3,300 or one-fourth had been paid in full, and over 2,500, or one-fifth, had been sold by FHA either outright or with FHA insurance coverage. Of the total properties acquired by FHA through the end of 1956, about 45 percent were originally from Section 603 transactions, 30 percent from Section 203, and 24 percent from Section 903. All but one-fifth of the Section 203-acquired properties and all but 6 percent of the

Section 603 properties had been sold. Reflecting the recency of Section 903 acquisitions and in some instances the location of the properties, three-fourths of these properties were still on hand at the year end. More detailed information on FHA financial experience with acquired properties is presented in Section 5 of this report.

Through 1956, 1,581 *project* mortgages involving original face amounts of $762 million had resulted in terminated FHA mortgage insurance contracts. This was nearly one-seventh of all project mortgages insured. It left 7,045 projects with original face amounts of $4,326 million with insurance in force at the year end.

As shown in table III–25, the bulk of these terminations were those prepaid prior to the maturity of the obligation which had accounted for more than three-fifths of the amount of all project terminations. These terminations include prepayments in full ($456 million) and prepayments by supersession with another insured mortgage ($17 million). Default on the part of mortgagors accounted for practically all of the remaining terminations. Termination as a result of default occurs when the mortgagee, in exchange for FHA debentures, assigns the mortgage to FHA without foreclosing, or forecloses and transfers title to the property to FHA. Also, the mortgagee may foreclose, withdraw from the mortgage insurance contract, and retain title to the property. By the end of 1956, 540 project mortgages had been terminated as a result of default—337 with property titles transferred to FHA, 194 assigned to FHA without foreclosure, and titles to 9 properties retained by mortgagees. The remaining terminations involved less than one-half of 1 percent of the total amount of all project mortgage terminations and to date no project mortgage has been terminated through maturity of the obligation.

During 1956, 162 project mortgages were terminated—97 prepayments in full and 65 default terminations. For the most part these were attributable to the high-volume Section 608 program in which 75 mortgages were prepaid in full and 53 were terminated as a result of default on the part of mortgagors. The remaining prepayments occurred under Section 207 (7), Section 213 (12—sales-type cooperative projects in which the properties are released from the lien of the blanket mortgage and conveyed to individual members of the cooperative, thus dissolving the mortgagor corporation originally organized for the purpose

TABLE III-25.—*Termination of FHA-insured multifamily housing mortgages, by type, 1935–56*

[Dollar amounts in thousands]

Disposition	Total		Sec. 207		Sec. 213 Sales		Sec. 213 Management		Sec. 220	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mortgages insured	8, 626	$5, 088, 071	777	$452, 661	237	$130, 550	128	$218, 280	5	$9, 375
Mortgage insurance terminated:										
Prepayments in full	997	455, 545	329	132, 906	195	115, 032	2	785		
Prepayments by supersession	30	17, 310	13	8, 032						
Matured loans										
Default terminations:										
Mortgages assigned by mortgagee:										
Mortgage held or sold by FHA	194	132, 419	8	8, 784	2	1, 974	1	700		
Title acquired by FHA	159	57, 950	4	1, 506	1	219				
Titles acquired by mortgagee:										
Property transferred to FHA	178	94, 985	23	18, 317						
Property retained by mortgagee	9	1, 639	7	1, 407						
Other terminations	14	2, 598	9	938						
Total terminations	1, 581	762, 446	393	171, 890	198	117, 225	3	1, 485		
Mortgages in force, Dec. 31, 1956	7, 045	4, 325, 625	384	280, 771	39	13, 325	125	216, 796	5	9, 375

Disposition	Sec. 608		Sec. 608–610		Sec. 611		Sec. 803		Sec. 908	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Mortgages insured	7, 045	$3, 440, 018	23	$8, 360	25	$11, 991	289	$753, 410	97	$63, 427
Mortgage insurance terminated:										
Prepayments in full	437	192, 973	9	1, 859	25	11, 991				
Prepayments by supersession	17	9, 278								
Matured loans										
Default terminations:										
Mortgages assigned by mortgagee:										
Mortgage held or sold by FHA	165	102, 620					4	7, 747	14	10, 594
Title acquired by FHA	149	50, 048					1	4, 050	4	2, 127
Titles acquired by mortgagee:										
Property transferred to FHA	151	73, 912	1	263			2	1, 971	1	523
Property retained by mortgagee	2	232								
Other terminations	5	1, 660								
Total terminations	926	430, 724	10	2, 121	25	11, 991	7	13, 768	19	13, 243
Mortgages in force Dec. 31, 1956	6, 119	3, 009, 295	13	6, 238			282	739, 642	78	50, 183

of constructing single-family dwellings for members), and Section 608–610 (3). Default terminations also occurred under Section 207 (2), Section 213 (1—management-type cooperative), Section 803 (2), and Section 908 (7).

The disposition of projects and mortgage notes acquired by FHA is shown in table III-26. While 62 projects were acquired by FHA during 1956, the inventory of properties on hand increased by only 3 projects—149 as compared to 146 a year ago. By the end of 1956, 188 acquired projects had been sold by FHA, thus disposing of about three-fifths of all units in acquired projects. Of the 353 mortgage notes assigned to FHA without foreclosure, 190 remained on hand as of December 31, 1956, 4 had been sold or paid off, and the remaining 159 had been foreclosed upon with FHA acquiring title to the property.

Terminations of Home and Project Mortgages by Years

Table III-27 shows the yearly trend in the number of total FHA *home* mortgage terminations, foreclosures, and FHA property acquisitions for the years 1950–56, together with the corresponding cumulatives and the percentage relationships to the number of mortgages insured. Reversing a 3-year uptrend, FHA home mortgage terminations in 1956 decreased 10 percent to about 159,500, principally as a result of a 12 percent reduction in the volume of prepayments. The downturn mirrored declines in the number of terminations under Section 203 (down 8 percent) and Section 603 (down 24 percent). All other sections—accounting for only 3 percent of total terminations—registered higher volumes in 1956. Reflecting a continuing high rate of residential sales, prepayments produced all but 6 percent of the FHA home mortgage terminations in 1956 and predominated in each of the individual home mortgage programs except Section 903.

Mortgagees actually foreclosed in 1956 nearly 5,300 FHA-insured home mortgages (including 700 properties held by mortgages at the year end pending expiration of a redemption period or decision on transfer to FHA)—31 percent more than in 1955 and the largest yearly number on record. About 2,600 or one-half of these foreclosures occurred under Section 903 (14 percent more than in 1955) and almost 2,100 or two-fifths under Section 203 (nearly twice as many as in 1955). Nearly half of the Section 203 foreclosures were concentrated in six localities in the continental United States and Alaska, where special marketing problems developed. Relatively minor increases in the volume of foreclosures are also noted in all other home mortgage programs, except Section 603 where foreclosures declined 36 percent under the 1955 level.

The ratio of cumulative FHA home mortgage foreclosures to insurance written edged up in 1956

TABLE III-26.—*Disposition of FHA-acquired multifamily housing properties and mortgages, Dec. 31, 1956*

Section	FHA-acquired multifamily housing properties [1]					
	Total	Properties sold by FHA				On hand
		Total	With reinsurance	Without reinsurance	With mortgage held by FHA	
Number of projects:						
Sec. 207	27	22	7	5	10	5
Sec. 213 sales	1					1
Sec. 608	300	165	2	24	139	135
Sec. 608–610	1	1		1		
Sec. 803	3					3
Sec. 908	5					5
Total	337	188	9	30	149	149
Number of units:						
Sec. 207	4,189	3,464	1,491	804	1,169	725
Sec. 213 sales	26					26
Sec. 608	17,866	10,352	794	1,212	8,346	7,514
Sec. 608–610	150	150		150		
Sec. 803	755					755
Sec. 908	352					352
Total	23,338	13,966	2,285	2,166	9,515	9,372

Section	Mortgage notes assigned to FHA						
	Total	Mortgage note disposition					On hand
		Total	Sold with reinsurance	Sold without reinsurance	Paid off	Foreclosed with property acquired by FHA	
Number of projects:							
Sec. 207	12	5	1			4	7
Sec. 213 sales	3	2		1		1	1
Sec. 213 management	1						1
Sec. 608	314	151		1	1	149	163
Sec. 803	5	1				1	4
Sec. 908	18	4				4	14
Total	353	163	1	2	1	159	190
Number of units:							
Sec. 207	1,762	1,278	1,102			176	484
Sec. 213 sales	211	170		144		26	41
Sec. 213 management	70						70
Sec. 608	20,897	7,020		42	16	6,962	13,877
Sec. 803	1,419	500				500	919
Sec. 908	1,717	274				274	1,443
Total	26,076	9,242	1,102	186	16	7,938	16,834

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

for the third consecutive year. It is noteworthy that even after these increases, which brought the December 1956 ratio to the highest year-end figure on record, the ratio was only eight-tenths of 1 percent (see table III-27, sixth column). Most of the increase has stemmed from the previously mentioned increase in foreclosures under Section 903 (from 6 percent to over 10½ percent), and under Section 203 (from one-third to two-fifths of 1 percent). Section 8 and Section 213 foreclosure ratios were up to nearly 1 percent as of the end of 1956. The Section 603 ratio remained essentially near the 2 percent mark.

Reacting to the higher foreclosures volume, the

TABLE III-27.—*Terminations of FHA-insured home mortgages, by years, 1950–56*

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: [2]									
1950	131,833	1,116,705	42.50	2,610	16,301	0.62	1,860	12,707	0.48
1951	109,795	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	1,583,258	44.09	3,415	23,849	.60	1,573	17,048	.47
1955	177,746	1,761,004	45.13	4,021	27,870	.71	3,796	20,844	.53
1956	159,458	1,920,462	46.28	5,268	33,138	.80	4,677	25,521	.61
Sec. 8:									
1951	2	2	.03						
1952	80	91	.75	5	5	.04	2	2	.02
1953	103	284	1.71	64	69	.42	55	57	.34
1954	283	567	1.75	45	114	.35	25	82	.25
1955	754	1,321	3.46	79	193	.51	46	128	.34
1956	935	2,256	5.89	174	367	.96	141	269	.70
Sec. 203:									
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	1,255,087	43.79	1,131	9,640	.34	427	5,712	.20
1955	144,937	1,400,024	44.29	1,096	10,736	.34	485	6,197	.20
1956	133,083	1,533,107	45.15	2,089	12,825	.38	1,572	7,769	.23
Sec. 213:									
1952	1	1	.03						
1953	10	11	.18						
1954	22	33	.31	4	4	.04	3	3	.03
1955	106	139	1.18	46	50	.42	14	17	.14
1956	216	355	2.85	62	112	.90	63	80	.64
Sec. 222:									
1955	13	13	.20						
1956	133	146	.81	1	1	.01			
Sec. 603: [3]									
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	47.99	305	11,834	1.88	412	10,130	1.61
1954	25,113	326,518	51.99	1,114	12,948	2.06	427	10,557	1.68
1955	28,496	355,014	56.53	492	13,440	2.14	717	11,274	1.80
1956	21,633	376,647	59.97	317	13,757	2.19	101	11,375	1.81
Sec. 903:									
1953	161	161	.45	22	22	.06	3	3	.01
1954	889	1,050	1.96	1,121	1,143	2.13	691	694	1.29
1955	3,438	4,488	7.97	2,308	3,451	6.13	2,534	3,228	5.73
1956	3,456	7,944	13.91	2,625	6,076	10.64	2,800	6,028	10.55

[1] Includes terminations with titles transferred to FHA or retained by mortgagee; also foreclosed properties held by mortgagees pending redemption period or final disposition—73 under Sec. 8, 422 under Sec. 203, 31 under Sec. 213, 1 under Sec. 222, 121 under Sec. 603, and 47 under Sec. 903.
[2] Includes Sec. 611 home cases.
[3] Includes Sec. 603–610 cases.

number of home properties transferred to FHA in exchange for debentures during 1956 increased by about one-fourth to nearly 4,700—the largest yearly number ever recorded. Nearly three-fifths stemmed from Section 903 transactions and another third from Section 203. FHA acquisitions under Section 903 were 10 percent higher than in 1955, while those under Section 203 increased more than twofold. Higher acquisition volumes were also reported under Sections 8 and 213. In contrast, Section 603 acquisitions declined to less than one-seventh of the number in the previous year.

Depicted in chart III-12 are the trends in the yearly rates of total FHA home mortgage terminations as well as in terminations caused by prepayments, foreclosures, and home property acquisitions by FHA. These rates represent the percentage relationship between the yearly volumes of the specified items and the average number of mortgages in force during the year.

Illustrating the predominance of prepayments in the trend of FHA home mortgage terminations, the rate for total terminations declined in 1956 in line with the decrease in prepayments. The peak in the prepayment rate (and consequently in terminations) came during the early postwar years when mortgage obligations were paid off by home owners through accumulated savings, refinancing, or sale of properties to new owners. While the number of terminations in the earlier peak years of 1946 and 1947 was only about 3 percent higher than in the period 1955–56, the substantially lower insurance-in-force base for the earlier years produced higher termination and prepayment rates. Although the foreclosure rate was up somewhat in 1956, these cases represented less than one-fourth

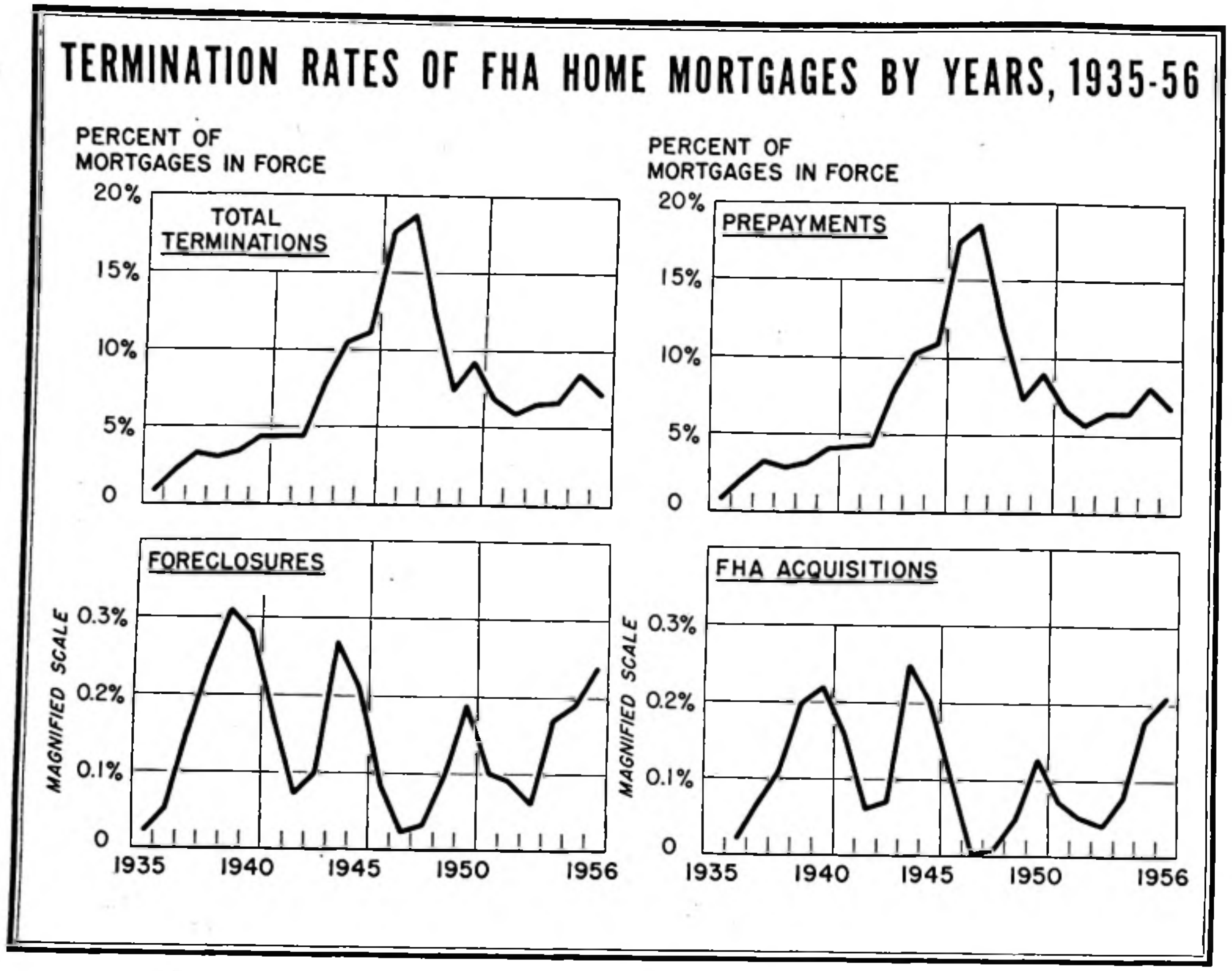

CHART III–12

of 1 percent of the average number of insured mortgages in force during the year. Even in the peak years of foreclosure activity, foreclosures had only a limited influence on total terminations. As expected, FHA property acquisitions paralleled foreclosures, with a rate consistently somewhat lower than that of foreclosures. It should be noted that the foreclosure and acquisition rates apparently show substantially greater variations than do total terminations and prepayments because of the fact that they are plotted on a magnified scale. Foreclosure rates react not only to economic conditions (as evidenced by the peaks following the 1937–38 recession and the 1948–49 inventory adjustment) but may also rise following the peak of activity in a temporary special-purpose program, as in 1944 when foreclosures of Section 603 war housing increased following the peak years of activity under that program, and in 1954–56 following the high insurance volume under the Section 903 defense housing program. The rise in the curve depicting FHA property acquisitions during 1956 (from 0.18 to 0.21 of 1 percent) reflects the previously discussed increases in foreclosures of Section 203 and Section 903 mortgages in the last 2 years.

The trend of *multifamily* housing mortgage contract terminations for the years from 1950 through 1956 is shown in table III–28. As has been noted, mortgages covering projects containing nearly one-fifth of all dwelling units insured to date had been terminated—6 percent as a result of default on the part of mortgagors.

The rising trend in the project termination ratio for all programs combined from 1950 through 1956 is largely attributable to the marked decline in the volume of project mortgage insurance written during this same period. Though the bulk (67 percent) of dwelling units covered by terminated project mortgages through 1956 involved those prepaid prior to maturity, default terminations now account for one-third of the total.

The ratio of cumulative Section 207 terminations declined to 53 percent in 1956 as compared to 81 percent in 1950—a result of the increased mortgage insurance activity under the program during this period. For those terminations re-

TABLE III-28.—*Termination of FHA-insured multifamily housing mortgages, by years, 1950–56*

Year	Total terminations: Number for the period: Number of mortgages	Total terminations: Number for the period: Number of units	Total terminations: Cumulative through end of year: Number of mortgages	Total terminations: Cumulative: Dwelling units: Number	Total terminations: Cumulative: Dwelling units: Percent of total insured	Default terminations[1]: Number for the period: Number of mortgages	Default terminations[1]: Number for the period: Number of units	Default terminations[1]: Cumulative through end of year: Number of mortgages	Default terminations[1]: Cumulative: Dwelling units: Number	Default terminations[1]: Cumulative: Dwelling units: Percent of total insured
Total:[2]										
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	90	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	1,120	95,241	14.25	76	5,548	377	27,416	4.10
1955	290	16,991	1,410	112,232	16.56	98	6,909	475	34,325	5.06
1956	162	16,022	1,581	[3] 128,254	18.62	65	7,536	540	41,861	6.08
Sec. 207:										
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	61.68	3	159	29	4,662	7.28
1954	12	1,136	364	40,616	53.83	1	214	30	4,876	6.46
1955	20	1,710	384	42,326	52.54	10	887	40	5,763	7.15
1956	9	763	393	[3] 43,089	53.00	2	360	42	6,123	7.53
Sec. 213 Sales:										
1951	9	268	9	268	3.24	------	------	------	------	------
1952	10	1,794	19	2,062	11.42	1	144	1	144	.80
1953	23	4,028	42	6,090	23.76	2	67	3	211	.82
1954	55	2,874	97	8,964	78.12	------	------	3	211	1.84
1955	89	3,020	186	11,993	90.03	------	------	3	211	1.74
1956	12	420	198	12,413	92.88	------	------	3	211	1.58
Sec. 213 management:										
1954	1	12	1	12	.06	------	------	------	------	------
1955	1	44	2	56	.26	------	------	------	------	------
1956	1	70	3	126	.55	1	70	1	70	.30
Sec. 608:										
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	42,472	9.12	70	5,026	339	22,021	4.73
1955	165	10,300	798	52,772	11.33	75	4,209	414	26,230	5.63
1956	128	13,223	926	[3] 65,995	14.17	53	5,608	467	31,838	6.84
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	------	------	------	------	------
1955	1	150	7	1,130	28.86	1	150	1	150	3.83
1956	3	48	10	1,178	30.09	------	------	1	150	3.83
Sec. 803:										
1954	1	55	1	55	.07	1	55	1	55	.07
1955	4	1,069	5	1,124	1.34	4	1,069	5	1,124	1.34
1956	2	550	7	1,674	1.86	2	550	7	1,674	1.86
Sec. 908:										
1954	4	253	4	253	3.02	4	253	4	253	3.02
1955	8	594	12	847	9.98	8	594	12	847	9.98
1956	7	948	19	1,795	21.15	7	948	19	1,795	21.15

[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 Sec. 207, and 2 for 37 units under Sec. 608.

[2] Includes Sec. 611.

[3] Includes terminated contracts superseded by new FHA insurance contracts covering the same properties, numbering 13 for 2,035 units under Sec. 207, and 17 for 1,486 units under Sec. 608.

ported under Section 207, 95 percent involved mortgages insured under the prewar provisions of the section. Virtually all of these prewar projects have been terminated.

Slightly over half of all project terminations through 1956 were attributable to operations under the high-volume Section 608 program. Through 1953 the Section 207 program had accounted for the major proportion of all terminations; since that time Section 608 terminations have predominated, though still involving through 1956 only one-seventh of all units insured under this program. Default terminations have accounted for nearly one-half of all Section 608 terminations, resulting for the most part from mortgages insured under the postwar provisions of this section.

The high rate of termination under the Section 213 sales-type cooperative program is inherent in the operation of that program, resulting from prepayments in full which occur soon after insurance with the release to the cooperators of the individual homes from the blanket mortgages which were, in effect, construction loans.

Section 611 is the only program for which all insured mortgages have been terminated. However, the volume of operations under this program represented less than three-tenths of 1 percent of all dwelling units covered by project mortgage insurance.

Terminated insurance contracts under the Section 908 defense housing program rose to 21 percent at the end of 1956—all resulting from default on the part of mortgagors. While reporting a relatively high termination ratio, this program involved only a minor proportion of the total FHA project mortgage insurance.

Defaults of Home and Project Mortgages by Years

Defaults of FHA-insured *home* mortgages continued downward during 1956, declining by one-fifth to less than 12,000 at the year-end—the lowest number in 33 months. These represented only about 5 of every 1,000 FHA-insured home mortgages in force at the year end, compared with 7 of every 1,000 at the end of 1955.

Table III-29 presents data on the trend of FHA home mortgage defaults at the end of each year from 1950 to 1956—the trend of total defaults, of those defaults where foreclosure was in process, and of the "mortgagee inventory" (i. e. completed foreclosure transactions on which FHA insurance was still in force pending expiration of redemption periods or mortgagees' decisions concerning disposition of the property).

Most (two-thirds) of the FHA-insured home mortgages in default at the close of 1956 were insured under Section 203, nearly one-sixth under Section 903, and one-ninth under Section 603.

TABLE III-29.—*Default status of FHA-insured home mortgages, by years, 1950–56*

As of year end	Mortgages in force	Defaults and potential FHA acquisitions: Total defaults: Number	Total defaults: Percent of in force	Foreclosures in process: Number	Foreclosures in process: Percent of in force	Mortgagee inventory [1]: Number	Mortgagee inventory [1]: Percent of in force
Total: [2]							
1950	1,511,402	17,058	1.13	1,167	0.08	950	0.06
1951	1,654,276	18,007	1.09	890	.05	607	.04
1952	1,787,568	10,562	.59	640	.04	513	.03
1953	1,925,485	10,778	.56	822	.04	299	.02
1954	2,007,812	16,231	.81	1,091	.05	1,371	.07
1955	2,140,936	14,988	.70	2,755	.13	807	.04
1956	2,229,599	11,973	.54	1,731	.08	695	.03
Sec. 8:							
1950	209	------	------	------	------	------	------
1951	6,386	7	.11	1	.02	------	------
1952	12,112	87	.72	5	.04	3	.02
1953	16,298	90	.55	12	.07	8	.05
1954	31,912	207	.65	19	.06	21	.07
1955	36,872	418	1.13	47	.13	49	.13
1956	36,076	533	1.48	75	.21	73	.20
Sec. 203:							
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	8,968	.56	681	.04	387	.02
1955	1,760,905	8,866	.50	1,515	.09	430	.02
1956	1,862,751	7,985	.43	830	.04	422	.02
Sec. 213:							
1951	313	------	------	------	------	------	------
1952	3,547	------	------	------	------	------	------
1953	6,226	40	.64	3	.05	------	------
1954	10,706	84	.78	16	.15	1	.01
1955	11,654	133	1.14	12	.10	33	.28
1956	12,115	145	1.20	27	.22	31	.26
Sec. 222:							
1954	10	------	------	------	------	------	------
1955	6,632	1	.02	------	------	------	------
1956	17,956	18	.10	1	.01	1	.01
Sec. 603: [3]							
1950	391,226	7,578	1.94	605	.17	644	.16
1951	367,656	6,913	1.88	383	.10	382	.10
1952	347,962	3,317	.95	203	.06	334	.10
1953	326,609	2,309	.71	178	.05	62	.02
1954	301,408	2,810	.93	190	.06	513	.17
1955	273,002	1,739	.64	200	.07	72	.03
1956	251,369	1,362	.54	96	.04	121	.05
Sec. 903:							
1952	12,510	17	.14	------	------	------	------
1953	35,305	1,602	4.54	118	.33	19	.05
1954	52,544	4,164	7.92	185	.35	449	.85
1955	51,801	3,831	7.40	981	1.89	223	.43
1956	49,179	1,930	3.92	702	1.43	47	.10

[1] Titles to foreclosed properties subject to redemption or held by mortgagees pending final disposition.
[2] Includes Secs. 220, 221, 611 and 609. [3] Includes Sec. 603-610 cases.

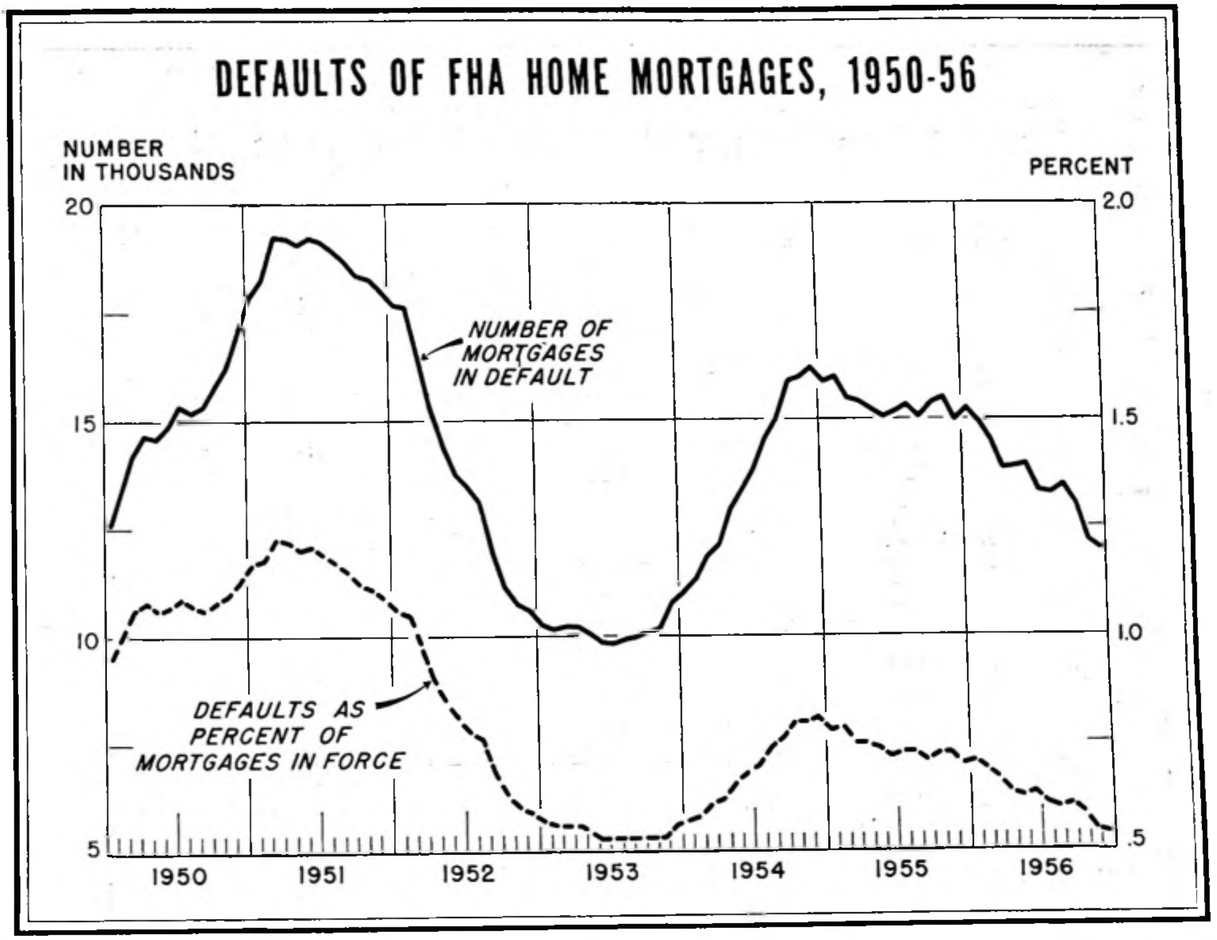

CHART III–13

Section 903, however, had by far the highest default ratio—39 of each 1,000 cases—compared with only 4 per 1,000 under Section 203 and about 5 per 1,000 under Section 603. As indicated in Table III-29, the volume of defaults and the default ratios for these sections were at their lowest year-end levels in the last 3 years.

FHA home mortgages in process of foreclosure at the end of 1956 represented only one-seventh of total defaults and about 8/100 of 1 percent of the total insured mortgages in force. Transactions in the "mortgagee inventory" status represented only 6 percent of the total defaults and only 3/100 of 1 percent of the total in force.

Chart III-13 indicates the monthly trend of FHA home mortgages in default during the period 1950–56, the top line depicting the number in default and the lower line the ratio of defaults to mortgages in force. The chart indicates that the current downtrend in defaults, which began in early 1955, was accelerated during 1956. Primarily, this reflected the shift from default to termination category of the considerable number of FHA home mortgages foreclosed during the 2-year period with consequent termination of FHA insurance contracts. Another factor tending to influence the decline in defaults was the sustained high level of employment and personal income during 1955 and 1956 in most sections of the country, enabling mortgagors to keep mortgage payments current and to cure minor delinquencies.

The default status of *project* mortgages covered by insurance in force at each year end since 1950 is presented in table III-30. As of December 31, 1956, there were 7,045 project mortgages in force—52 of which were reported in default. Dwelling units securing these defaulted mortgages involved little more than 1 percent of all those currently insured—a marked decline from the highest year-end ratio (2.82 percent) reported as of the end of 1955. Chart III-14 depicts the return in 1956 of the project default ratio to the level which has generally prevailed in recent years, ranging from eight-tenths of 1 percent to 1½ percent. Defaulted project mortgages together with cumulative FHA acquisitions (mortgage notes and property titles transferred to FHA) accounted for 7 percent of units covered by insurance written through 1956.

TABLE III-30.—*Status of FHA-insured multifamily housing mortgages in force, by years, 1950–56*

Year	Insured mortgages in force		Insured mortgages in default			Mortgage notes being assigned to FHA			Projects being acquired by mortgagee		
	Number of mortgages	Number of units	Number of mortgages	Number of units	Percent of units in force	Number of mortgages	Number of units	Percent of units in force	Number of mortgages	Number of units	Percent of units in force
Total:[1]											
1950	6,673	443,106	113	6,495	1.47	12	212	0.05	36	1,933	0.44
1951	7,008	506,877	76	6,471	1.28	4	193	.04	8	916	.18
1952	7,149	538,395	70	5,585	1.04	2	208	.04	17	526	.10
1953	7,225	556,837	52	5,154	.93	6	446	.08	9	655	.12
1954	7,321	573,101	90	6,959	1.21	12	962	.17	21	1,314	.23
1955	7,112	565,541	80	15,966	2.82	11	1,242	.22	12	1,044	.18
1956	7,045	560,696	52	6,962	1.24	2	224	.04	9	485	.09
Sec. 207:											
1950	76	8,650	1	800	9.25						
1951	136	13,013									
1952	193	18,323	2	42	.23						
1953	266	24,530	1	214	.87				1	214	.87
1954	354	34,836	7	886	2.54	1	104	.30	2	150	.43
1955	381	38,234	8	2,532	6.62	1	299	.78	2	538	1.41
1956	384	38,207									
Sec. 213 sales:											
1950	6	285									
1951	11	1,945									
1952	24	3,832									
1953	12	1,719									
1954	76	2,510	1	274	10.92						
1955	4	117									
1956	39	951									
Sec. 213 management:											
1951	21	6,067									
1952	57	12,160									
1953	91	17,824									
1954	109	20,367									
1955	115	21,232	6	1,235	5.82						
1956	125	22,917	1	22	.10				1	22	.10
Sec. 220:											
1956	5	1,051									
Sec. 608:											
1950	6,510	413,909	112	5,695	1.38	12	212	.05	36	1,933	.47
1951	6,678	439,404	76	6,471	1.47	4	193	.04	8	916	.21
1952	6,630	437,749	67	5,524	1.26	2	208	.05	17	526	.12
1953	6,522	430,555	43	4,191	.97	6	446	.10	4	201	.07
1954	6,412	423,211	65	3,875	.92	8	616	.15	14	814	.19
1955	6,247	412,902	44	7,177	1.74	7	373	.09	5	156	.04
1956	6,119	399,679	38	5,689	1.42	1	24	.01	3	192	.05
Sec. 608–610:											
1950	18	2,945									
1951	19	2,955									
1952	18	2,945									
1953	18	2,945									
1954	17	2,935	1	150	5.11	1	150	5.11			
1955	16	2,785									
1956	13	2,737									
Sec. 803:											
1950	56	16,669									
1951	128	42,352									
1952	186	59,585									
1953	230	71,766									
1954	259	81,021	4	708	.87				1	200	.25
1955	261	82,633	14	4,212	5.10	1	350	.42	1	200	.24
1956	282	88,464	7	968	1.09	1	200	.23	2	199	.22
Sec. 908:											
1952	36	3,207									
1953	80	7,097	8	749	10.55				4	150	2.11
1954	92	8,126	12	1,066	13.12	2	92	1.13	4	150	1.85
1955	85	7,638	8	810	10.60	2	220	2.88	4	150	1.96
1956	78	6,690	6	283	4.23				3	72	1.08

[1] Includes Sec. 611.

Though acquisitions of mortgages and properties by FHA tend to decrease the default ratio, a review of those project mortgages reported in default at the end of 1955 reveals that the largest proportion (accounting for three-fifths of the dwelling units involved) returned to good standing in 1956 while one-fifth still remained in default at December 31, 1956. Practically all of the remaining units were in projects for which mortgage notes or property titles were transferred to FHA during the year. Of the new project mortgage defaults reported during 1956, there were mortgages secured by some 4,600 dwelling units in which either the mortgage note or the property title had been transferred to FHA by the year end.

The greater proportion of defaults as of December 31, 1956 were under Section 608, a reflection of

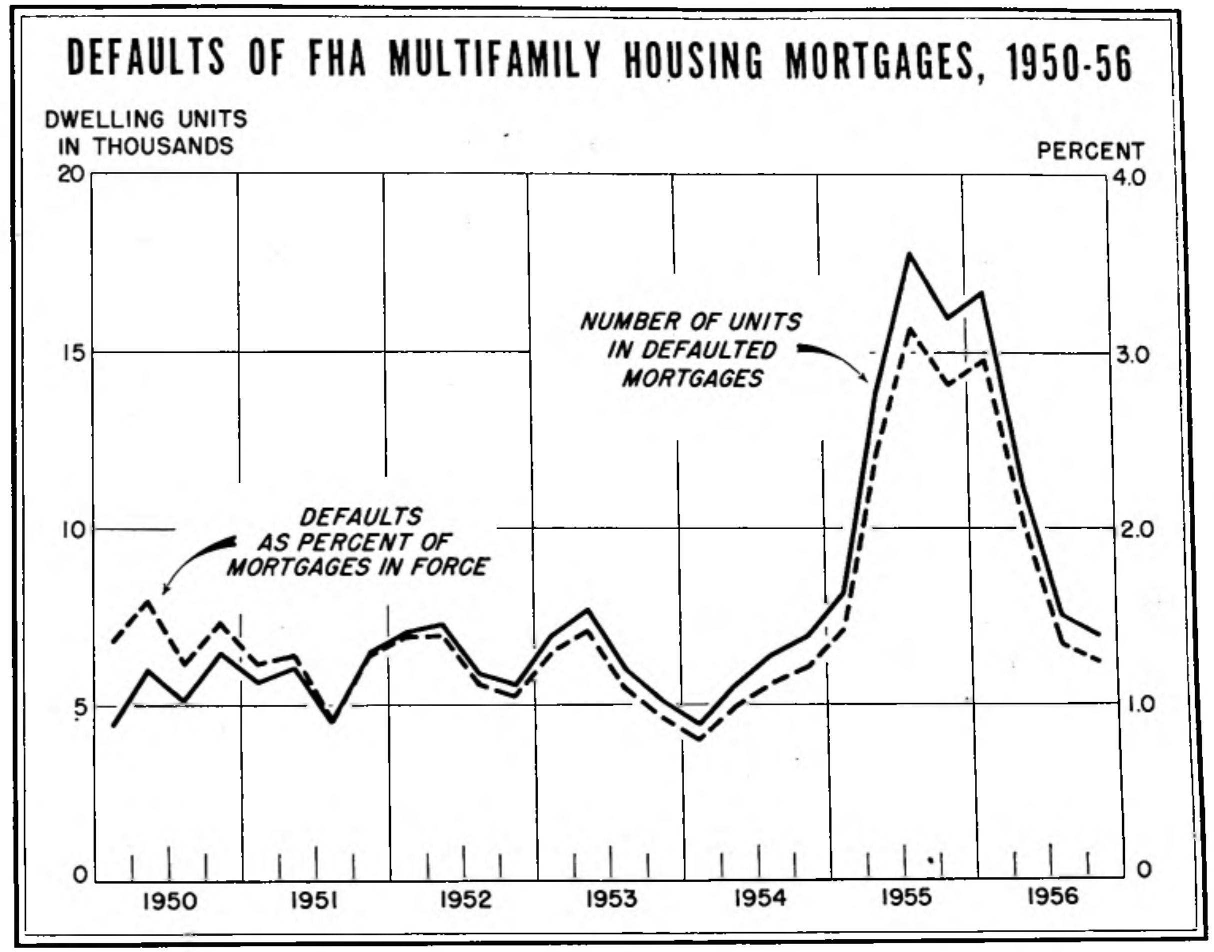

CHART III–14

the large volume of operations under this program, which still accounted for 7 of every 10 project units covered by insurance in force at the year end. The default ratio since 1950 has remained fairly constant, ranging from nine-tenths of 1 percent to 1.7 percent, with defaults at the end of 1956 involving only 1.4 percent of the insurance in force under this program. The marked decreases from December 1955 in the default ratios for Section 207, Section 803, and Section 213 management-type projects were occasioned by the return to good standing during 1956 of almost all of the mortgage defaults reported as of December 31, 1955 under these programs. The Section 908 defense housing program default ratio decrease, however, resulted solely from the acquisition by FHA of mortgage notes and property titles in connection with these defaulted projects.

Terminations and Defaults by States

Table III–31 indicates the termination and default status of FHA *home* mortgages in each State and Territory at December 31, 1956. The first four columns show, respectively, the cumulative total number of mortgages insured, the percent of those terminated, the percent foreclosed, and the percent of insured cases which were terminated with transfer of properties to the FHA after foreclosure. The number of insured mortgages in force at the year end is shown in the fifth column. Data in the last four columns disclose the FHA home mortgage default situation at the end of 1956 in each State—specifically, the total delinquency ratio, the percent of insured cases in process of foreclosure, the percent on which foreclosures have been completed with properties being held by mortgagees pending decision on final disposition, and the number of FHA-insured home mortgages in good standing at the year end.

FHA home mortgage termination rates were lowest in Puerto Rico, the Virgin Islands, and Guam, where the majority of insured cases are of relatively recent origin, and highest in Vermont and Illinois. Between 40 and 60 percent of the insured cases had been terminated in the majority of the States, between 30 and 40 percent in 8 States and 2 Territories, and 20 to 30 percent in 2 States.

TABLE III–31.—*Terminations and default status of FHA-insured home mortgages, by States, as of Dec. 31, 1956*

State	Total mortgages insured, 1935–56	Terminations, 1935–56: Total	Terminations, 1935–56: Foreclosures [1]	Terminations, 1935–56: FHA acquisitions	Insured mortgages in force Dec. 31, 1956	Defaults as of Dec. 31, 1956: Total	Defaults as of Dec. 31, 1956: Foreclosures in process	Defaults as of Dec. 31, 1956: Mortgagee inventory [2]	Insured mortgages in good standing Dec. 31, 1956
		As percent of insured				As percent of in force			
Alabama	47,774	42.77	1.80	1.60	27,342	0.42	0.01	0.01	27,228
Arizona	57,420	25.67	2.18	1.96	42,683	.74	.11	.10	42,360
Arkansas	41,231	38.65	1.79	1.44	25,204	.89	.29	.04	25,060
California	677,974	50.09	.25	.15	338,405	.50	.05	.01	336,724
Colorado	46,699	45.99	.43	.33	25,224	.24	.02	.02	25,163
Connecticut	49,878	43.14	3.38	3.21	28,362	.37	.02	.01	28,256
Delaware	8,844	51.37	.60	.20	4,301	.28	.02	.02	4,289
District of Columbia	7,190	60.07	.21	------	2,871	.66	.07	.07	2,852
Florida	123,950	30.66	.65	.45	85,950	.37	.02	.02	85,633
Georgia	70,722	39.93	2.09	1.85	42,485	.63	.04	.10	42,218
Idaho	23,469	45.51	.33	.24	12,789	.41	.05	.01	12,737
Illinois	177,733	60.48	.21	.09	70,243	.33	.04	.06	70,013
Indiana	135,242	48.37	.44	.28	69,821	.64	.20	.01	69,377
Iowa	41,046	48.42	.49	.39	21,170	.69	.02	.04	21,024
Kansas	76,916	41.55	1.41	1.14	44,958	.48	.03	.09	44,744
Kentucky	39,640	46.03	.30	.18	21,395	.25	.01	(3)	21,342
Louisiana	68,056	40.16	1.65	1.40	40,725	.52	.04	.03	40,513
Maine	14,833	46.57	1.17	.69	7,925	4.58	.11	------	7,502
Maryland	60,168	53.18	2.28	2.05	28,172	.29	.01	.01	28,090
Massachusetts	27,990	49.96	2.19	1.76	14,005	.81	.13	.04	13,802
Michigan	283,062	45.23	.63	.33	155,034	.25	.02	.03	154,644
Minnesota	40,567	53.95	.86	.67	18,680	.48	.02	.05	18,591
Mississippi	28,691	39.20	.57	.40	17,445	.53	.04	.03	17,353
Missouri	108,601	47.84	.43	.37	56,651	.26	------	------	56,505
Montana	15,297	48.33	.10	.03	7,903	.18	.01	------	7,880
Nebraska	41,063	48.56	.53	.29	21,122	.50	.12	.01	20,997
Nevada	13,950	30.23	1.07	1.03	9,733	.53	.03	.01	9,681
New Hampshire	5,739	58.83	2.74	1.64	2,363	4.40	.08	------	2,259
New Jersey	149,380	55.03	1.04	.71	67,176	1.24	.58	.02	66,346
New Mexico	24,438	28.35	.11	.03	17,510	.26	.07	.03	17,465
New York	208,362	42.38	.96	.63	120,066	.70	.06	.02	119,226
North Carolina	50,305	37.67	.71	.53	31,357	.50	.03	.04	31,199
North Dakota	4,759	40.85	.27	.11	2,815	1.56	.32	.14	2,771
Ohio	204,937	53.42	.66	.56	95,466	.66	.25	.04	94,837
Oklahoma	98,361	40.61	.92	.79	58,419	.36	.09	.04	58,206
Oregon	59,762	41.47	.54	.28	34,977	.86	.07	.28	34,675
Pennsylvania	201,825	55.47	.23	.08	89,867	.57	.01	.01	89,353
Rhode Island	11,315	43.48	1.35	1.00	6,395	1.03	.03	------	6,320
South Carolina	36,269	38.51	4.11	3.84	22,302	1.74	.28	.07	21,915
South Dakota	14,575	47.07	.23	.10	7,715	.74	.23	.06	7,658
Tennessee	77,046	40.05	.63	.48	46,189	.31	.01	.01	46,047
Texas	258,839	35.72	1.04	.85	166,376	.34	.02	.03	165,808
Utah	40,060	49.59	1.12	1.01	20,104	.51	(3)	(3)	20,091
Vermont	5,100	61.37	1.45	.86	1,070	2.03	.05	.15	1,030
Virginia	90,994	41.81	1.47	1.34	52,949	.24	.01	.01	52,821
Washington	163,859	51.50	.43	.24	79,470	.60	.03	.06	78,995
West Virginia	25,599	54.30	1.29	1.16	11,700	.32	.03	------	11,663
Wisconsin	34,973	59.53	.62	.48	14,152	.76	.03	.04	14,045
Wyoming	13,125	55.37	.16	.11	5,858	.27	.10	------	5,842
Alaska	3,054	30.58	8.51	8.48	2,120	4.06	1.84	------	2,034
Hawaii	13,792	31.62	.04	.02	9,431	.71	------	------	9,364
Puerto Rico	21,660	16.20	.23	.12	18,152	.45	.06	.03	18,070
Virgin Islands	17	5.88	------	------	16	------	------	------	16
Guam	258	4.26	------	------	247	------	------	------	247
Total [4]	4,146,410	46.32	.80	.62	2,225,948	.54	.08	.03	2,213,975

[1] Includes terminations with titles transferred to FHA or retained by mortgagees; and foreclosed properties in mortgagee inventory.
[2] Titles to foreclosed properties subject to redemption or held by mortgagees pending final disposition.
[3] Less than 0.005 percent.
[4] Cases tabulated in Washington through Dec. 31, 1956, excluding Title I, Sec. 2, homes.

Prepayment was the major reason for termination of FHA-insured home mortgages in all sections of the Nation. Foreclosures in most States and Territories affected less than 8 of each 1,000 FHA-insured home mortgages and in one-third of the States less than 5 per 1,000 cases. Foreclosure rates were between 10 and 20 cases per 1,000 in about one-fourth of the States and between 20 and 40 per 1,000 in 6 States. Higher rates were reported only in South Carolina (41 per 1,000) and Alaska (85 per 1,000).

Property transfers to FHA following foreclosure were at moderately lower levels. In nearly half of the States, less than 5 of each 1,000 insured home mortgages were terminated with FHA acquisition of the properties and in two-thirds of the States the number was less than 10 per 1,000. Acquisition rates ranged from 10 to 20 per 1,000 cases in over one-fourth of the States but exceeded 20 per 1,000 in only 3 States and Alaska (85 per 1,000). In most of the States where foreclosure and acquisition rates exceeded 10 per 1,000, the bulk of the foreclosed and acquired cases had been insured under Section 603 or Section 903.

At the close of 1956, there were delinquent FHA-insured home mortgages in every State and Territory except the Virgin Islands and Guam. In most States and Territories, however, the default rate was less than 10 per 1,000 (between 2 and 5 per 1,000 in 20 States and from 5 to 10 per 1,000 in 20 States). Default rates exceeded 10 per 1,000 only in 7 States and Alaska. Most of the defaulted mortgages in these latter places were insured under Section 203 or Section 903.

Included in the total default category were cases in process of foreclosure and those where foreclosure had been completed with property being held by mortgagees pending decision on final disposition. Home mortgage foreclosures in process involved less than 1 of every 1,000 insured cases in the majority of the States and in 12 States from 1 to 6 per 1,000. Only in Alaska were more than 10 of each 1,000 cases in this stage.

Properties being held by mortgagees after foreclosure accounted for less than one of every 1,000 FHA-insured cases in the majority of the States, with Oregon reporting the highest rate of 3 per 1,000.

The geographical distributions of dwelling units involved in terminated *project* mortgage insurance (total and those resulting from default on the part of the mortgagors) and insured mortgages in default (total and those considered potential acquisitions by FHA) are shown in table III–32.

Through the end of 1956 only 2 States—Mon-

TABLE III–32.—*Terminations and default status of FHA-insured multifamily housing mortgages, by State location, as of Dec. 31, 1956*

State	Total units covered by insurance, 1935–56	Units in terminated mortgages, 1935–56: 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, 1956	Units in default as of Dec. 31, 1956: Total	Units in default as of Dec. 31, 1956: Potential acquisitions [3]	Units covered by insured mortgages in good standing Dec. 31, 1956
		As percent of insured units					As percent of units in force		
Alabama	12,282	14.81	8.59	2.63	5.85	10,463	0.57	------	10,403
Arizona	5,938	43.99	2.88	1.21	1.67	3,326	------	------	3,326
Arkansas	1,712	71.85	26.81	2.80	24.01	482	------	------	482
California	50,316	26.21	4.31	1.60	.52	37,129	.52	------	36,935
Colorado	3,141	18.24	------	------	------	2,568	3.74	------	2,472
Connecticut	7,143	15.74	1.06	1.06	------	6,019	------	------	6,019
Delaware	4,155	4.72	.96	.96	------	3,959	------	------	3,959
District of Columbia	21,102	31.18	5.26	2.00	3.20	14,522	.56	0.15	14,440
Florida	15,920	20.05	17.62	5.35	12.27	12,736	------	------	12,736
Georgia	23,273	11.90	6.94	5.45	1.43	20,482	2.02	.61	20,069
Idaho	1,126	46.63	46.63	19.45	27.18	601	------	------	601
Illinois	22,524	26.90	.21	------	.21	16,464	------	------	16,464
Indiana	9,070	16.54	9.02	6.81	2.21	7,570	.78	.78	7,511
Iowa	1,800	9.91	------	------	------	1,627	1.35	------	1,605
Kansas	5,205	18.00	7.74	3.25	4.31	4,342	4.51	------	4,146
Kentucky	6,668	21.42	15.79	1.14	14.65	5,240	------	------	5,240
Louisiana	9,488	49.41	37.96	13.24	24.73	4,800	.33	------	4,784
Maine	2,612	9.92	6.85	------	6.85	2,353	8.50	------	2,153
Maryland	43,712	15.07	1.69	.36	1.32	37,126	.14	------	37,074
Massachusetts	5,326	18.49	13.39	------	13.39	4,341	7.10	------	4,033
Michigan	11,511	20.81	1.25	------	------	9,116	------	------	9,116
Minnesota	6,309	22.78	11.60	2.69	8.75	4,872	------	------	4,872
Mississippi	2,722	15.10	14.66	.59	14.07	2,311	12.64	------	2,019
Missouri	11,341	24.12	10.23	------	10.14	8,605	------	------	8,605
Montana	837	------	------	------	------	837	------	------	837
Nebraska	2,599	13.01	------	------	------	2,261	------	------	2,261
Nevada	1,481	21.27	------	------	------	1,166	------	------	1,166
New Hampshire	244	72.13	67.21	------	67.21	68	------	------	68
New Jersey	59,451	17.87	6.51	4.70	1.69	48,829	.45	.05	48,609
New Mexico	2,739	------	------	------	------	2,739	------	------	2,739
New York	127,107	10.81	1.97	.60	1.11	113,366	2.42	.05	110,626
North Carolina	19,405	11.25	4.11	------	4.11	17,221	.29	------	17,171
North Dakota	154	12.90	12.99	12.99	------	134	------	------	134
Ohio	22,378	17.91	1.89	1.79	.11	18,371	------	------	18,371
Oklahoma	4,662	44.32	26.28	13.21	13.06	2,596	5.66	2.77	2,449
Oregon	5,387	16.80	8.07	8.07	------	4,482	6.02	------	4,212
Pennsylvania	25,255	19.85	3.26	2.61	.65	20,241	1.42	.99	19,953
Rhode Island	952	3.78	------	------	------	916	------	------	916
South Carolina	7,054	24.08	20.19	6.96	13.22	5,811	4.72	------	5,537
South Dakota	1,231	3.74	------	------	------	1,185	------	------	1,185
Tennessee	10,490	12.46	1.99	------	1.99	9,183	.87	------	9,103
Texas	35,105	14.81	8.97	.65	8.28	29,984	2.25	.27	29,310
Utah	1,615	23.28	23.28	23.28	------	1,239	------	------	1,239
Vermont	103	20.02	22.80	------	22.80	137	11.68	------	121
Virginia	40,408	22.88	5.15	.45	4.70	35,789	------	------	35,789
Washington	10,267	28.74	15.16	9.76	5.30	7,316	------	------	7,316
West Virginia	707	31.49	9.66	4.02	5.65	546	------	------	546
Wisconsin	4,120	9.90	1.00	1.00	------	3,712	------	------	3,712
Wyoming	571	5.78	------	------	------	538	------	------	538
Alaska	3,853	13.83	13.83	11.63	2.21	3,320	4.19	------	3,181
Hawaii	3,151	5.17	------	------	------	2,988	------	------	2,988
Puerto Rico	6,253	25.36	25.36	25.36	------	4,667	1.59	1.59	4,593
Total	688,950	18.62	6.08	2.44	3.39	560,696	1.24	.13	553,734

[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.

tana and New Mexico—had not reported terminated project mortgage insurance. At least one-fourth of all insured units in 11 States, the District of Columbia, and Puerto Rico had been terminated by the year end, with the highest ratio, 72 percent, shown for Arkansas and New Hampshire, comparatively low-volume States. Only 9 States and Hawaii have reported less than 10 percent of their total insured project units as terminated to date.

Default terminations have occured in all but 9 States and Hawaii while all terminations reported for 3 States, Alaska, and Puerto Rico were the result of default on the part of mortgagors. Though default terminations involve but 6 percent of all insured units, 16 States, Alaska, and Puerto Rico have reported more than 10 percent of their respective totals in this category—the highest ratio shown being for New Hampshire (67 percent) which, due to an extremely low State volume, resulted solely from the experience of 1 project. Through 1956, less than 3½ percent of all insured units were contained in projects which were transfered to FHA.

Insured-mortgage defaults were reported in 22 States, the District of Columbia, Alaska, and Puerto Rico at the end of 1956. These defaulted mortgages involve little more than 1 percent of all currently insured project dwelling units, as compared to nearly 3 percent at the end of 1955 (28 States and the District of Columbia). As of December 31, 1956, only one-eighth of 1 percent of all insured units were involved in defaults that were considered potential FHA acquisitions.

Claims Paid on Property Improvement Loans

Table III-33 shows that 1956 was the fifth straight year in which the average volume of Title I loans outstanding exceeded $1 billion. The 1956 average of $1 billion was 12 percent lower than that reported for 1955 ($1.2 billion) and 28 percent below the peak year of 1954 when loans outstanding reached $1.4 billion. During 1956, payments on claims declined by $5.4 million or 31 percent from the previous year. This was reflected in the ratio of claims paid to average net proceeds outstanding, which declined to 1.19 percent from its 1955 level of 1.50 percent.

Trend.—The trends of insurance outstanding and claims paid are presented graphically in Chart III-15, which shows that, with allowance for a 1-year lag, the volume of claims generally followed the trend established by insurance outstanding from 1935 through 1950. From 1950 through 1952 while the volume of insurance continued to rise, claims were dropping—primarily due to the relative prosperity prevailing during the Korean crisis. Beginning in 1953 the original pattern was reestablished, though without the one-year lag, and continued through 1956, although the ratio of claims paid to insurance outstanding has varied considerably from year to year.

From 1934 through 1956, FHA had paid claims on less than 600,000 of the 20 million loans insured. Claim payments to financial institutions on these loans have amounted to $200 million, or 2.06 percent of the $9.6 billion of notes insured. Of this $200 million in claims FHA has recovered nearly $86 million, with an additional $20 million expected to be collected. This will reduce the claim loss ratio to less than 1 percent. During 1956, FHA recovered nearly $9.4 million on claims paid lenders on defaulted notes, establishing a new high for any one year.

All claims and operating costs 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 1939 when insurance premiums were first authorized under this program. Between July 1, 1939 and July 1, 1944, a portion of the insurance claims was paid from income and recoveries and the remainder from funds advanced by the Federal Government. These advances, totaling $8.3 million, were repaid to the Treasury in 1953. As of December 31, 1956 this program had built up an insurance reserve of $57 million.

State Distribution.—The number and amount of claims paid on insured property improvement loans in States for the year 1956 and cumulatively

TABLE III-33.—*Property improvement loans outstanding and claims paid by FHA, 1934–56*

[Dollar amounts in thousands]

Year	Average net proceeds of loans outstanding	Annual amount of claims paid	Claims paid as percent of loans outstanding
1934	$12,008		
1935	93,582	$447	0.48
1936	253,218	5,885	2.32
1937	224,861	6,891	3.06
1938	144,449	6,016	4.17
1939	199,347	4,649	2.33
1940	253,676	6,115	2.41
1941	303,149	7,071	2.33
1942	265,583	6,998	2.64
1943	155,667	3,588	2.30
1944	115,153	1,670	1.45
1945	140,247	1,524	1.09
1946	$262,370	$2,434	0.93
1947	501,171	5,830	1.16
1948	748,438	14,346	1.92
1949	803,293	17,494	2.18
1950	889,433	18,148	2.04
1951	959,394	12,086	1.26
1952	1,130,827	11,524	1.02
1953	1,377,079	14,995	1.09
1954	1,436,558	21,047	1.47
1955	1,175,070	17,648	1.50
1956	1,029,307	12,242	1.19

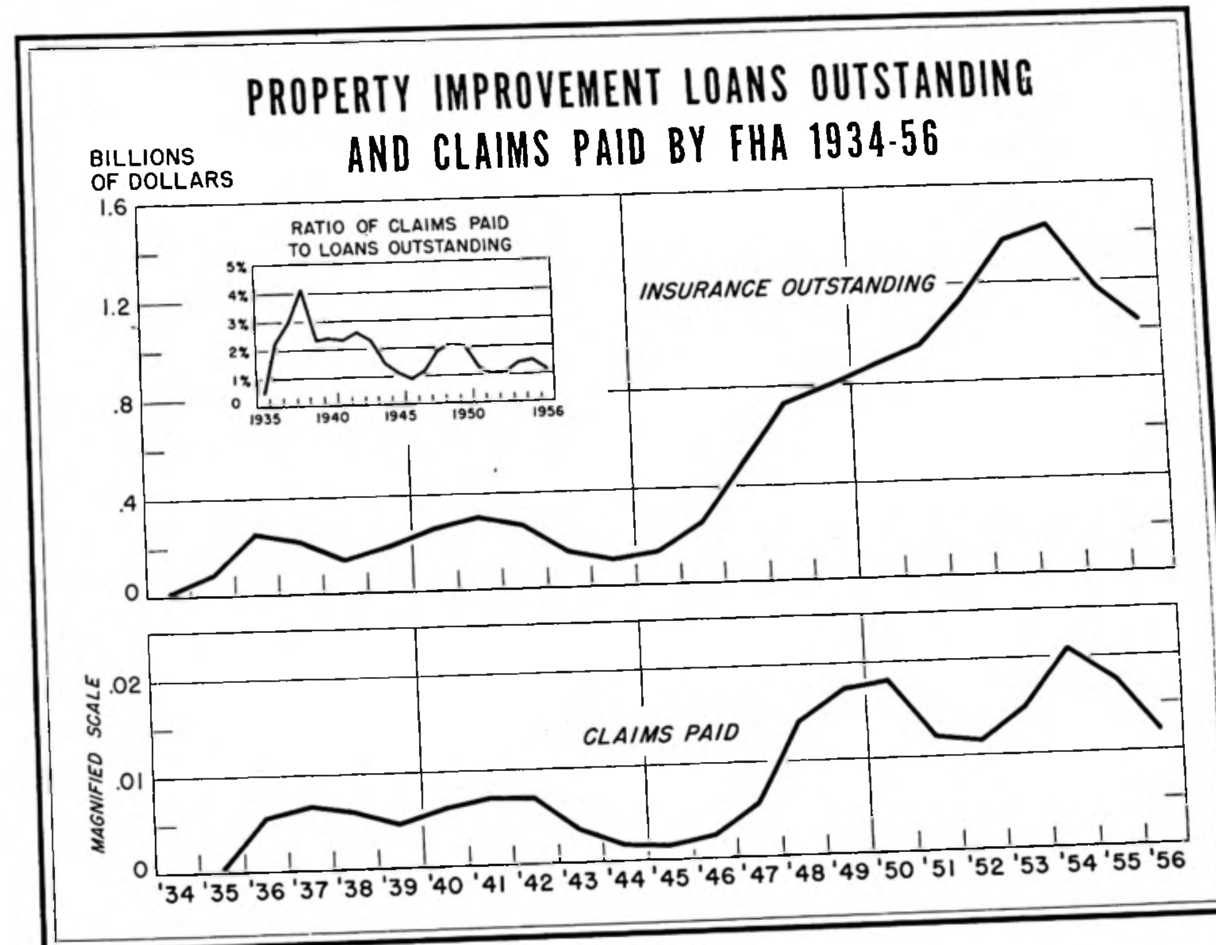

CHART III-15

since 1934 are shown in table III-34. In 1956, New York with 3,817 defaulted notes involving unpaid proceeds of $2 million led all States in volume of claims. Texas with 3,144 notes with $0.9 million in proceeds had the second largest number and dollar volume of claims. Including Michigan ($0.8 million), Illinois ($0.7 million), California ($0.7 million), and New Jersey ($0.5 million), the six leading States accounted for nearly one-half of the dollar volume of all claims paid during the year.

Claims paid from 1934 through 1956 in New York amounted to $28 million—over 25 percent more than the $22 million paid in California. In number of claims paid, California had 65,565 defaulted loans approved for claim payments in comparison to the 63,537 in New York. This was reflected in the average amount of claims, California reporting $335 in comparison with $435 in New York. Over the entire history of Title I, Minnesota (1.54 percent), Illinois (1.59 percent), and Washington (1.69 percent) have reported the lowest ratios of claims paid to loans insured. In contrast, Vermont (6.03 percent), Mississippi (3.62 percent), and New Hampshire (3.51 percent) have the least favorable ratios.

Financing Institutions.—Of the 7,800 approved Title I financial institutions eligible for insurance under the 1950 reserve, about 3,300 were active in 1956. Table III-35 permits a comparison of claims paid during 1956 and total claims paid, by type of institution, with total insurance written under the 1950 reserve. Claims paid in 1956 under this reserve amounted to $12.2 million, $5.4 million less than in 1955—primarily a reflection of a decline of $51 in the average claim payment. National banks and State banks received over 75 percent of the claim payments during the year.

TABLE III-34.—*Claims paid on FHA property improvement loans, by State location, 1956 and 1934–56*

State	Claims paid, 1956			Claims paid, 1934–56			Percent of claims paid to loans insured
	Number	Amount	Average	Number	Amount	Average	
Alabama	511	$145,739	$285	10,308	$2,696,646	$262	2.19
Arizona	464	179,087	386	4,040	1,638,383	406	2.00
Arkansas	302	108,499	359	6,343	1,854,613	292	3.05
California	2,238	685,607	306	65,565	21,982,403	335	2.41
Colorado	356	163,552	459	4,060	1,534,522	378	1.78
Connecticut	106	49,953	471	5,934	2,145,203	362	2.43
Delaware	8	2,850	356	665	241,895	364	3.44
District of Columbia	330	131,806	390	4,128	1,334,153	323	2.49
Florida	857	345,828	404	14,139	5,161,056	365	2.21
Georgia	535	147,939	277	10,058	2,968,580	295	2.62
Idaho	216	123,600	572	3,619	1,528,560	422	2.51
Illinois	1,584	710,190	448	28,215	9,847,057	349	1.59
Indiana	987	346,838	351	21,465	6,168,258	287	2.08
Iowa	480	197,394	411	7,747	2,694,742	348	2.08
Kansas	528	185,984	352	5,911	1,712,251	290	1.94
Kentucky	370	127,105	344	6,393	2,031,118	318	2.05
Louisiana	500	208,153	416	6,662	1,772,560	266	1.80
Maine	143	41,394	289	3,448	1,127,808	327	2.92
Maryland	1,083	313,741	290	12,316	3,632,813	205	1.88
Massachusetts	646	249,765	387	16,149	5,514,007	341	2.28
Michigan	2,193	791,952	361	46,994	14,681,096	312	1.95
Minnesota	604	229,180	379	9,665	3,375,564	349	1.54
Mississippi	387	102,940	266	7,892	2,034,024	258	3.62
Missouri	815	288,589	354	14,840	4,271,480	288	1.91
Montana	69	56,698	822	1,496	644,028	431	2.05
Nebraska	163	66,825	410	2,989	1,011,988	330	1.87
Nevada	64	37,215	581	671	378,282	564	2.22
New Hampshire	95	29,111	306	2,466	810,421	326	3.51
New Jersey	1,109	513,097	463	26,864	9,279,769	345	2.36
New Mexico	96	41,935	437	1,501	593,966	396	2.12
New York	3,817	1,986,134	520	63,537	27,625,291	435	2.05
North Carolina	348	126,437	363	6,367	1,875,251	295	2.12
North Dakota	102	46,994	461	1,505	547,059	363	2.84
Ohio	1,265	479,371	379	28,282	9,488,501	335	1.77
Oklahoma	472	176,627	374	7,736	2,236,540	289	1.72
Oregon	252	116,560	463	7,157	2,569,235	359	2.29
Pennsylvania	1,340	497,134	371	33,361	10,515,532	315	2.19
Rhode Island	32	10,087	315	1,766	559,383	317	1.83
South Carolina	208	73,271	352	4,067	1,129,853	278	2.65
South Dakota	102	56,758	556	1,201	496,403	413	2.41
Tennessee	483	136,832	283	10,350	3,032,597	293	1.86
Texas	3,144	938,904	299	34,547	9,287,853	269	1.70
Utah	371	237,034	639	4,819	2,135,979	443	2.23
Vermont	46	17,729	385	1,664	629,946	370	6.03
Virginia	614	207,168	337	7,492	2,526,019	337	1.91
Washington	647	296,844	459	12,214	3,975,494	325	1.69
West Virginia	124	39,609	319	3,136	1,219,458	389	2.48
Wisconsin	258	117,374	455	6,961	2,498,649	359	1.99
Wyoming	43	29,290	681	567	299,513	528	2.55
Alaska	6	4,717	786	77	49,137	638	1.75
Hawaii	3	769	256	24	12,827	534	.45
Puerto Rico	36	23,409	650	4,462	1,302,642	292	4.35
Canal Zone	----	----	----	----	----	----	----
Virgin Islands	----	----	----	----	----	----	----
Guam	----	----	----	3	1,347	449	.33
Total[1]	31,552	12,241,718	388	594,141	198,048,485	334	2.06

[1] Includes adjustments.

TABLE III-35.—*Claims paid on FHA-insured property improvement loans by type of institution 1956 and 1950 reserve and insurance written under 1950 reserve*

Type of institution	Claims paid			
	Number	Amount (000)	Percent of amount	Average claim
Claims paid, 1956:				
National bank	15,402	$5,751	47.0	$373
State bank	9,049	3,618	29.6	400
Mortgage company	117	53	.4	453
Insurance company	2	1	(1)	500
Savings and loan association	3,465	1,465	12.0	423
Savings bank	418	150	1.2	359
Federal agency	3	1	(1)	333
All other	3,096	1,203	9.8	389
Total	31,552	12,242	100.0	388
Claims paid to date, 1950 reserve:				
National bank	98,884	41,135	52.9	416
State bank	48,735	20,962	27.0	430
Mortgage company	550	294	.4	535
Insurance company	3	2	(1)	667
Savings and loan association	13,167	6,209	8.0	472
Savings bank	2,289	955	1.2	417
Federal agency	3	1	(1)	333
All other	17,694	8,197	10.5	463
Total	181,325	77,755	100.0	429
Insurance written under 1950 reserve:				
National bank	5,048,857	2,821,861	50.0	559
State bank	3,059,649	1,763,771	31.3	576
Mortgage company	32,873	24,314	.4	740
Insurance company	338	216	(1)	639
Savings and loan association	676,502	402,531	7.1	595
Savings bank	183,306	100,373	1.8	548
Federal agency	----	----	----	----
All other	804,271	525,892	9.4	654
Total	9,805,796	5,638,958	100.0	575

[1] Less than 0.05 percent.

The eight types of institution classifications presented in table III-35 on insurance written and claims paid to date under the 1950 reserve have been consolidated into five major categories for chart III-16. National banks (50 percent) and State banks (33 percent) have financed the bulk of property improvement loans under this reserve, with finance companies and savings and loan associations accounting for practically all the remainder. National banks and savings and loan associations each have experienced a cumulative claim ratio of about 1.5 percent under this reserve, with finance companies reporting a ratio only one-tenth of 1 percent higher. State banks had a ratio of nearly 1.2 percent. The claim ratio for all other lenders (accounting for only one-half of 1 percent of the loans insured) was slightly less than 1 percent.

Payments Received Prior to Default.—The distribution of the number of payments made by borrowers prior to default on loans involving claim payments in 1956 is shown in table III-36, and the distributions of the total number and amount of claim payments involved are shown in chart III-17. Over one-third of the total claims paid in 1956, accounting for 55 percent of the dollar volume, involved notes that defaulted before the end of the first year with an average claim of $593 compared to the $388 average for all claims.

Over 8 of every 10 defaulted loans originally called for payment in 36 months. The median default date for these loans was between the 18th and 19th month, with the resultant claims averaging $393.

Chart III-17 indicates that 4 percent of the loans resulting in claims, representing 8 percent of the total dollar volume, were cases in which the borrower made no payments. Roughly one-fifth of the number and $1 out of $3 paid on claims were on notes which defaulted in the first 5 months of the loan term.

TABLE III-36.—*Number of payments received prior to default by term of property improvement loans, 1956*

Number of payments received prior to default	Term of defaulted loan—percentage distribution					Percentage distribution		Average claim paid
	6–11 months	12–23 months	24–35 months	36 months	37 or more months	Total number	Total amount	
0	16.2	9.8	6.2	3.5	7.4	4.2	8.2	$760
1 to 5	80.4	34.9	20.2	11.8	15.9	14.2	23.1	631
6 to 11	3.4	38.7	23.7	15.3	14.0	17.3	23.3	521
12 to 17	----	16.5	24.3	17.6	10.7	18.1	19.7	421
18 to 23	----	.1	19.1	17.9	8.5	17.0	13.7	312
24 to 29	----	----	6.1	17.8	10.2	15.5	8.3	206
30 to 35	----	----	.4	15.9	9.9	13.3	3.1	90
36 or more	----	----	----	.2	23.4	.4	.6	570
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	388
Percent of total	.5	4.6	11.2	82.6	1.1	100.0	----	----
Median	2.7	6.8	12.0	18.6	19.4	16.7	----	----

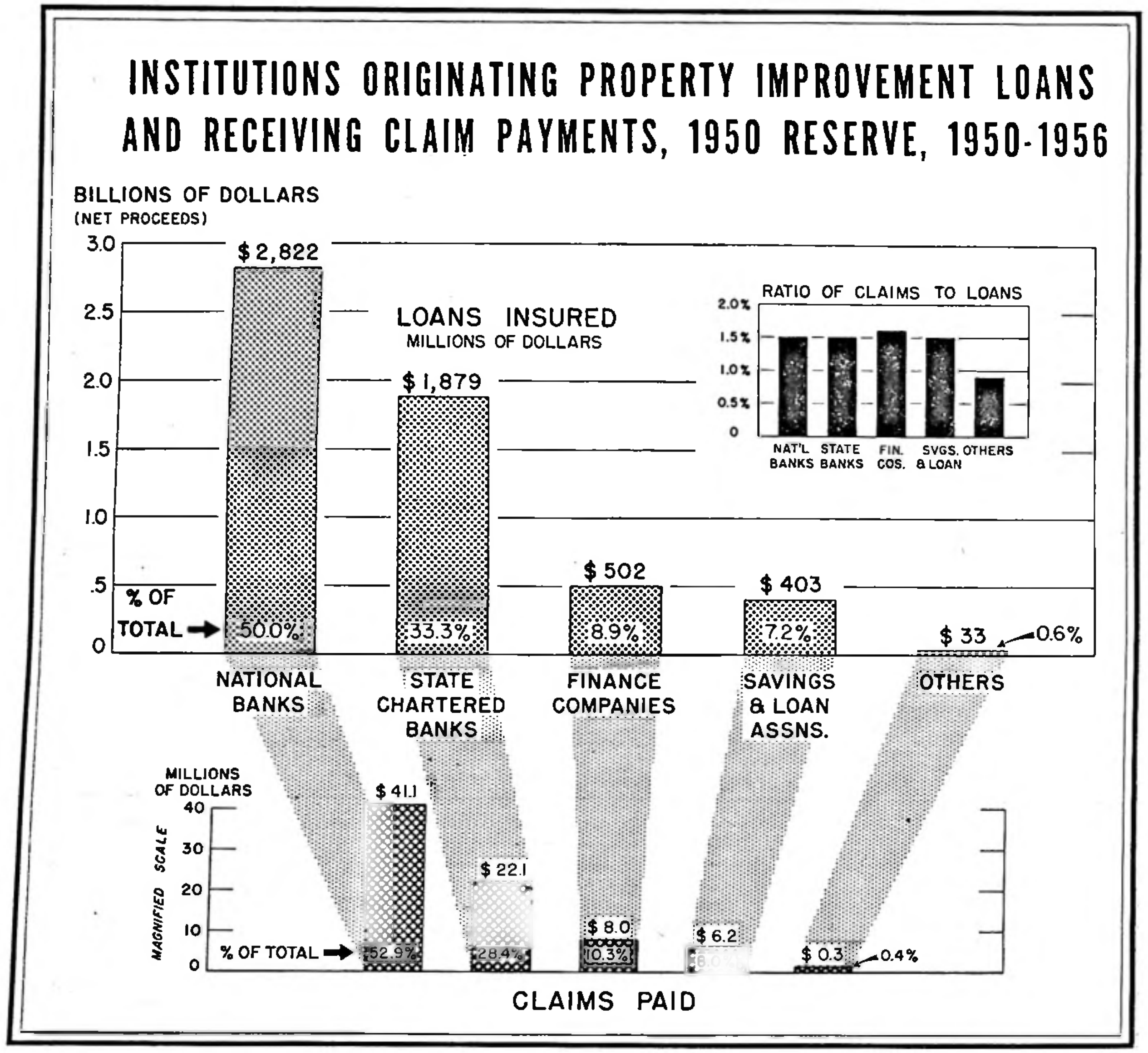

CHART III-16

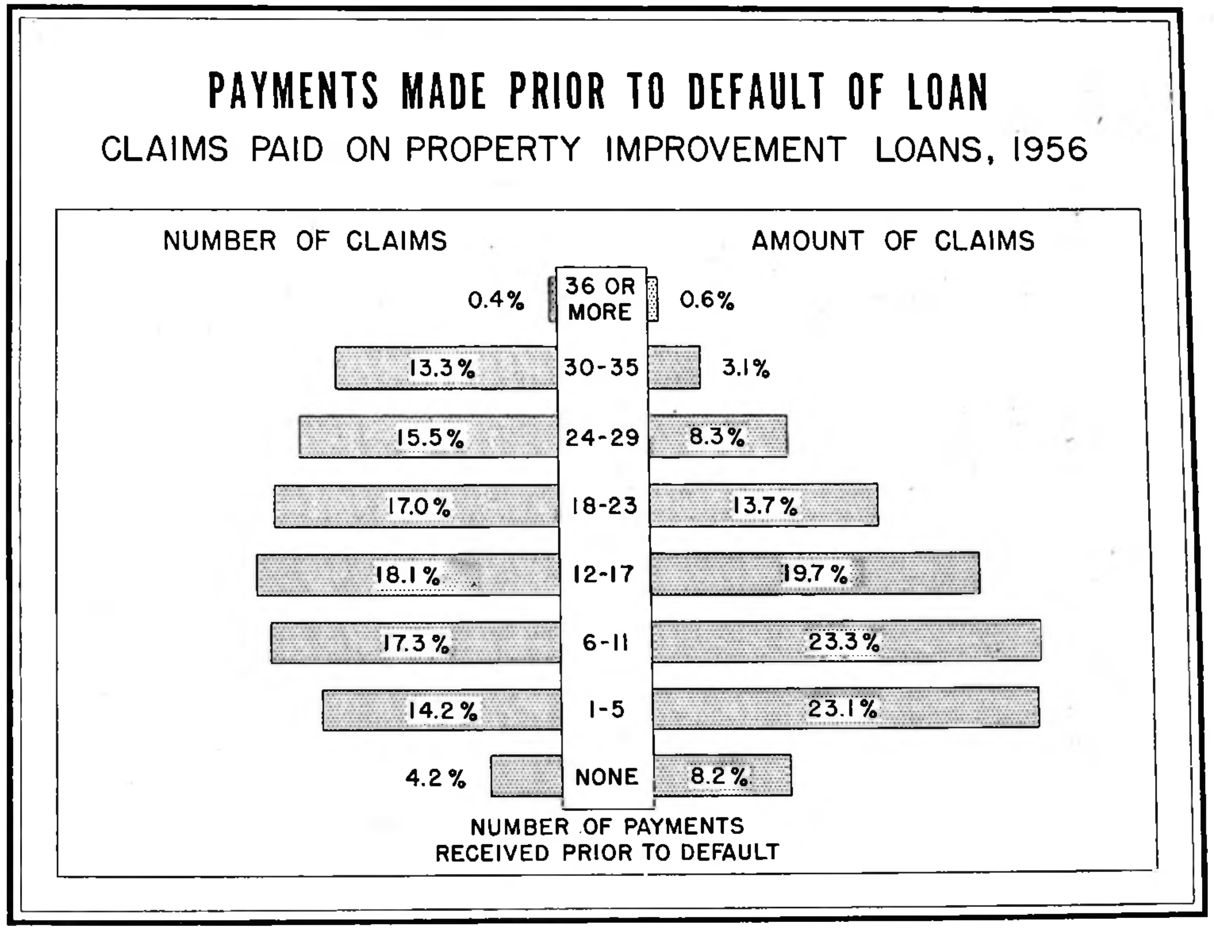

CHART III-17

Characteristics of Mortgage and Loan Transactions Insured by FHA in 1956

This section of the report presents statistical analyses of the principal features of the transactions—home, multifamily project, and property improvement—insured by FHA during 1956.

SECTION 203 HOME MORTGAGE TRANSACTIONS

During 1956, about 1.1 million new privately-financed dwelling units were started in the nonfarm areas of the Nation. Construction and sale of most of these units was made possible by funds advanced by privately owned financial institutions. Over 189,300 units, or about 17 percent of the total, were in structures approved for FHA mortgage insurance before construction started and were subject to FHA compliance inspections in the course of construction. Of these, 182,400 or all but 4 percent were in 1- to 4-family homes approved under the provisions of Section 203. The remainder were in large scale rental and cooperative projects, or were built under miscellaneous small-homes programs.

Under Section 203, completions during 1956 totaled almost 199,100 units, including some approved and started in 1955, while the total number of transactions insured involved 101,500 new units and an additional 138,600 units in existing properties. The total of some 240,000 new or existing units represented about 95 percent of the total number of units in FHA home mortgage transactions insured during the year.

Since Section 203 is the major long-term home-mortgage insurance program, the following analysis of the characteristics of the insured home mortgages, the properties securing them, and the mortgagors buying them for their own occupancy, deals exclusively with this program.

This year, the tables in this section of the report have been limited to an analysis of national FHA activity. For the benefit of those interested in FHA-insured mortgage characteristics by States and standard metropolitan areas, tables similar to those published in the 1955 report are available, on request, from the Division of Research and Statistics, Federal Housing Administration, Washington 25, D. C.

Table III–37 shows that in 1956, as in previous years, almost all (99.6 percent) of the new Section 203 mortgages and a slightly smaller share (96.8 percent) of the existing-home mortgages were secured by single-family homes. Of the 2- to 4-family transactions, approximately one-twelfth of the new 2-family homes and virtually all of the 3- and 4-family transactions involved rental properties.

As shown in the following table, over 98 percent of the new single-family homes and practically all (99.5 percent) of the existing dwellings were owner-occupied at the time of mortgage insurance.

Type of mortgagor	New homes				Existing homes			
	1956	1955	1954	1953	1956	1955	1954	1953
Owner-occupant	98.1	98.2	93.8	96.3	99.5	99.5	98.8	98.9
Landlord	.3	.7	3.7	1.2	.5	.5	1.2	1.1
Builder	1.6	1.1	2.5	2.5	(1)	(1)	(1)	(1)
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1 Less than 0.05 percent.

Landlords building single-family homes accounted for only a fractional share of the new-home cases while builders were the initial mortgagors in 1.6 percent of the new-home transactions. Compared with 1955, the proportion of builders who were designated mortgagors in new-home transactions increased, while the proportion of landlord owners declined. There was no change from 1955 in the distribution of mortgagors for existing-home transactions.

It may be noted from the following table that only 1 out of 8 mortgages secured by new homes involved construction of a house by or for the mortgagor on his own lot. The bulk of the new-home mortgage transactions involved the purchase of a dwelling constructed by a commercial builder. The pattern of transaction is somewhat different for existing-home buyers. Nine out of every ten existing-home mortgages were used to finance the acquisition of a home, while the largest proportion of the remainder (8 percent of the total) involved the refinancing of an existing loan. Only a very small share of the total cases insured covered the financing of improvements.

1-Family amenity income cases

Purpose of loan	New homes				Existing homes			
	1956	1955	1954	1953	1956	1955	1954	1953
Financing new construction	12.7	12.4	17.0	15.1	1.6	1.5	2.1	2.7
Financing purchase	87.3	87.6	83.0	84.9	89.8	86.7	83.9	85.5
Refinancing existing loan	(1)	(1)	(1)	(1)	8.1	11.2	13.0	10.9
Financing improvements	(1)	(1)	(1)	(1)	.5	.6	1.0	.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1 Not applicable.

Trends of Typical Section 203 Home Mortgage Transactions

Medians and averages (arithmetic means) of the principal characteristics of Section 203 new- and existing-home transactions insured during 1956 may be compared with those of selected earlier years by referring to table III–38. For purposes of discussion, "typical" transactions are generally delineated in terms of the median values of the individual distributions.

During 1956, there was a continuation in the development of the upward trend in the size of most of the items which comprise the characteristics of home-mortgage transactions. Although marked increases can be noted for both new-home and existing-home transactions, in most instances the typical new-home changes were about twice as large as those for similar changes for existing homes.

The typical new-home transaction insured in 1956 involved a mortgage of $11,010—representing about 87 percent of the property value and scheduled to be repaid over a period of more than 25 years at a monthly rate of $81.70, including payments for property taxes and hazard and FHA insurance in addition to payments for interest and principal. The typical mortgage was secured by a single-family dwelling appraised by FHA at $13,203, of which 14 percent or $1,887 represented the land market price. The house was a 1-family structure containing 1,064 square feet (exclusive of space in basement, attic, or garage) and providing 5½ rooms of which 3 were bedrooms. Seven out of every ten of these new homes insured in 1956 had garage facilities.

The typical new-home occupant mortgagor had an annual income of $6,054, of which about $104.60 a month was required for estimated housing expense (monthly mortgage payment plus cost of household operation and property maintenance and repair). The average housing expense-income ratio for these mortgagors was just under one-fifth.

Compared with the typical new-home mortgage insured in 1955, the 1956 mortgage amount and monthly mortgage payment were one-tenth higher, while the average term of the mortgage declined fractionally and the loan-value ratio was down by two percentage points. The typical property value increased by 12 percent and the typical land price by 16 percent, which in turn is reflected in a seven-tenths percentage point increase over 1955 in the relationship of the land price to total value. The structures increased by about 4 percent in calculated area and 2 percent in room count. There was no charge in the number of bedrooms, but an additional 3 percent of the new-home properties had some form of garage facilities. Table III–38 also indicates a slight decrease in the housing expense–income ratio, reflecting the 10 percent rise in the typical mortgagor's income compared with an increase of 9 percent in the monthly housing expense.

In the typical existing-home transaction insured in 1956, the amount of mortgage was $10,013, its term 22.5 years, the total monthly payment $78.67 (including property taxes and hazard and FHA premiums in addition to debt service) and the ratio of loan to value 83 percent. The property had an FHA-estimated value of $12,261 of which 15 percent or $1,931 represented the land market price.

TABLE III–37.—*Structures and dwelling units, 1- to 4-family homes, Sec. 203, selected years*

Units per structure	New homes					Existing homes				
	1956	1955	1954	1950	1946	1956	1955	1954	1950	1946
	Structures—percentage distributions									
1	99.6	99.3	98.1	99.0	98.7	96.8	96.9	96.2	95.5	93.6
2	.3	.5	1.6	.9	1.0	2.8	2.8	3.2	4.1	5.8
3	(1)	.1	.1	(1)	.1	.3	.2	.3	.2	.3
4	.1	.1	.2	.1	.2	.1	.1	.3	.2	.3
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	99.1	98.2	95.9	97.7	96.9	93.4	93.5	91.9	90.1	87.4
2	.5	.9	3.1	1.8	2.1	5.4	5.3	6.1	7.8	10.9
3	.1	.3	.3	.1	.2	.7	.7	1.0	.7	.7
4	.3	.6	.7	.4	.8	.5	.5	1.0	1.4	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1.000
Average	1.01	1.01	1.02	1.01	1.02	1.04	1.04	1.05	1.06	1.07

1 Less than 0.05 percent.

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TABLE III–38.—*Characteristics of 1-family home transactions, Sec. 203, selected years*

Median [1]	1956	1955	1954	1952	1950	1948	1946
NEW HOMES							
Mortgage:							
Amount	$11,010	$10,034	$8,862	$8,273	$7,101	$7,058	$5,504
Term in years [2]	25.5	25.0	22.9	21.7	24.1	20.1	21.0
Loan-value ratio (percent)	86.7	88.5	85.3	83.7	88.0	81.0	87.0
Total monthly payment [3]	$81.70	$74.32	$68.62	$64.16	$54.31	$58.08	$40.18
Property:							
FHA-estimated value	$13,203	$11,742	$10,678	$10,022	$8,286	$8,721	$6,558
Market price of site [2]	$1,887	$1,626	$1,456	$1,227	$1,035	$1,049	$761
Site-value ratio (percent) [2]	14.1	13.4	13.1	12.0	12.0	11.7	11.5
Percent with garages [2]	72.8	69.8	66.0	53.4	48.7	55.1	58.1
Structure:							
Calculated area (square feet)	1,064	1,022	961	923	838	912	(4)
Number of rooms	5.7	5.6	5.4	5.3	4.9	5.4	5.5
Number of bedrooms	3.4	3.4	3.3	3.1	(4)	(4)	(4)
Mortgagor: [3]							
Annual effective income	$6,054	$5,484	$5,139	$4,811	$3,861	$4,000	$3,313
Monthly housing expense	$104.60	$96.03	$88.91	$83.16	$75.41	$78.64	$62.85
Expense-income ratio (percent) [2]	19.5	19.7	19.6	19.6	21.7	21.7	20.9
EXISTING HOMES							
Mortgage:							
Amount	$10,013	$9,603	$9,030	$8,047	$6,801	$5,969	$4,697
Term in years [2]	22.5	22.7	20.1	19.7	20.2	19.3	18.9
Loan-value ratio (percent)	83.0	84.8	78.5	77.9	77.8	77.9	78.4
Total monthly payment [3]	$78.67	$74.81	$74.34	$65.08	$56.65	$49.70	$40.83
Property:							
FHA-estimated value	$12,261	$11,555	$11,549	$10,289	$8,865	$7,579	$5,934
Market price of site [2]	$1,931	$1,707	$1,591	$1,296	$1,150	$970	$833
Site-value ratio (percent) [2]	15.1	14.2	13.3	12.3	12.4	12.0	13.3
Percent with garages [2]	81.1	79.9	79.6	70.7	70.6	70.5	83.4
Structure:							
Calculated area (square feet)	1,060	1,030	1,035	992	1,006	972	(4)
Number of rooms	5.7	5.6	5.6	5.5	5.6	5.6	5.9
Number of bedrooms	3.2	3.1	3.1	3.1	(4)	(4)	(4)
Mortgagor: [3]							
Annual effective income	$6,033	$5,669	$5,696	$4,938	$4,274	$3,731	$3,101
Monthly housing expense	$102.16	$97.49	$97.41	$86.63	$78.99	$71.00	$58.11
Expense-income ratio (percent) [2]	19.2	19.4	19.4	19.4	20.3	20.4	20.3

[1] Throughout this report, medians are computed on the assumption that distribution of all characteristics are represented by continuous data within groups. For definition of sample and terms see p. 100.
[2] Average (arithmetic mean).
[3] Throughout this report, data relating to monthly mortgage payment, mortgagor's income, and housing expense are based on 1-family occupant cases only.
[4] Not available.

The typical existing single-family house contained 5½ rooms, including 3 bedrooms, and a calculated area of 1,060 square feet. In about 4 out of 5 of these existing homes some auto shelter was provided. The prospective monthly housing expense (monthly mortgage payment plus cost of household operation and property maintenance) was estimated at $102.16. The annual effective income of a typical existing-home buyer was $6,033. For these home buyers the average housing expense-income ratio was 19.2 percent.

While most of the characteristics of existing-home transactions were above their 1955 levels, the most significant changes were a 13 percent rise in average land price accompanied by a 6 percent increase in the FHA estimate of property value. Small declines in the duration of the typical mortgage as well as the ratio of loan-to-value were also evident. In addition, the critical income-expense ration was down slightly.

Chart III–18, which is plotted on a semi-logarithmic scale in order to reflect relative changes, portrays the postwar trend of selected characteristics of typical new- and existing-home cases.

Property values, mortgage amounts, mortgagor incomes, and land prices reported for FHA home-mortgage transactions insured under Section 203 continued to rise during 1956. As indicated by chart III–18, the new- and existing-home curves depicting these items exhibited sharper increases than during 1955 with the exception of mortgage amounts which advanced at a lower rate due to the credit restrictions on the loan-value ratios which applied to most of the cases insured in 1956. Despite these regulations, the uptrend of the FHA mortgage amount (10 percent for new homes and 4 percent for existing homes) was at a somewhat higher rate than the 3 percent rise in the average amount reported for total nonfarm mortgage recordings of $20,000 or less from 1955 to 1956. It should be noted that the increase in the average mortgage recorded may have been minimized to some extent by an increased use of second mortgages in connection with conventionally financed transactions. During the same period, the 5-percent increase in the average amount of mortgages guaranteed by the Veterans' Administration almost paralleled that of FHA.

The rise in the median value of FHA new homes was attributable to several factors. First, there is a definite trend toward building more spacious homes, as indicated by the increased area and room count. Secondly, construction costs continued to advance, as reflected in the record levels of the Boeckh construction cost index as well as in the average earnings of building workers and the average construction cost for new private 1-family houses started as estimated by the Bureau of

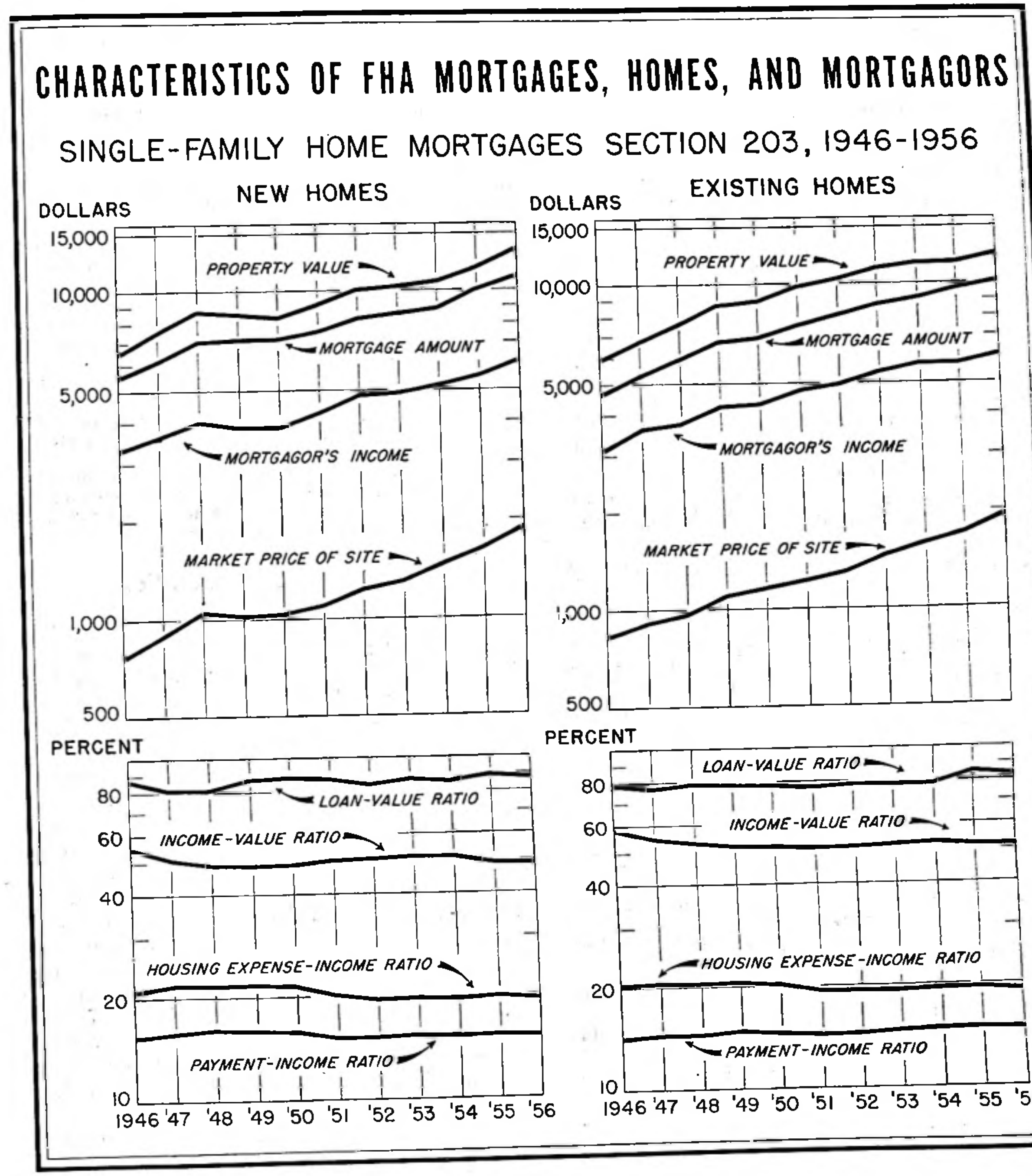

CHART III–18

Labor Statistics. A third contributing factor was the rapidly rising level of land prices and site development costs. Another consideration is the relatively larger advantage, in terms of higher insurable loan-value ratios, accruing to new homes in the value range from about $11,500 to $17,000 under the provisions of the 1954 legislation.

However, in the case of the existing-home mortgages insured by FHA during 1956, the mortgage amount increased 4 percent, only slightly more than the increase in the average amount of mortgages of $20,000 or less recorded during the year. The relatively smaller change in the typical FHA value for existing homes reflects the constancy in the size of the structures as well as the greater general stability in existing-home prices.

In the decade since World War II, which is depicted in chart III–18, land prices have more than doubled and property values have reached a level about twice as high as was reported in 1946, while the 1956 median income of new-home mortgagors was 83 percent higher and that of existing-home owners was 95 percent above the first post-war year. Major factors in the uptrend in land prices, property values, and home buyers' incomes have been the scarcity of suitable building sites and resultant high development costs, the demand for larger and better-equipped homes, the availability of mortgage funds, and the general inflation of prices and concurrent rise in personal income that have characterized the post-war period.

The mortgage amount trend, also shown in chart III–18, has kept pace with the increase in property values, reflecting the upward revision in Section 203 maximum insurable amounts authorized by Congress in recognition of the rising construction and property costs, as well as the increases in the maximum permissible loan-value ratio.

The lower portion of chart III–18 shows the trends of the ratios of mortgage amount to property value, mortgagor's income to property value, mortgage payment to income, and housing expense to income. Perhaps the most interesting characteristic of these ratios is their marked stability, which is demonstrated more clearly by the data in table III–38.

Technical Notes

Size of Sample.—Data presented in this section of the report are based on 29,800 new-home and 44,000 existing-home cases. These cases represent a 40-percent sample of the cases insured under Section 203(b) during the first 10 months of 1956, selected on the basis of case number in order to assure random distribution.

Definition of Terms.—Throughout this report the use of technical terms is in keeping with the following definitions established for use in the FHA underwriting system in the appraisal of properties and the evaluation of mortgage risk:

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, finished spaces in attics, and areas with ceiling heights of less than 5 feet are excluded.

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

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

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

Property Value is the FHA-estimated 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.

Prospective Monthly Housing Expense includes total monthly mortgage payment for the first year and the FHA-estimated cost of monthly maintenance and repair, and heating and utility expenses.

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

Replacement Cost of Property is the FHA-estimated cost of the building (in new condition) and other physical improvements, market price of site, and miscellaneous allowable costs for the typical owner.

Sale Price is the price stated in the sale agreement, adjusted to exclude any portion of closing costs, prepayable expenses, or costs of non-real-estate items which the agreement indicates will be assumed by the seller.

Taxes and Assessments include property taxes and any continuing non-prepayable special assessments, as estimated by FHA.

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

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.

Mortgage Characteristics

Amount of Mortgage Distribution.—Chart III–19 shows that 3 out of every 5 new and existing single-family home mortgages insured in 1956 were for amounts between $8,000 and $11,999. In addition, more than one-third of the new-home mortgages were insured for $12,000 or more while about one-fifth of the existing-home mortgages were in that category. A further indication of the larger proportion of new-home mortgages in the higher amount groups may be noted in the variation of almost $1,000 between the typical mortgage for new homes of $11,010 and the $10,013 reported for existing homes. These data reflect the more favorable terms of financing available for new-home transactions as compared with existing homes, which were in effect prior to the enactment of legislation approved August 7, 1956. Under the new law, the financing terms available for existing properties (other than those completed less than one year) became identical to those on new homes.

On the average, the new-home mortgages insured in 1956 amounted to $11,149 or 8 percent above 1955, while existing-home mortgages averaged $10,238, representing a 3½ percent increase. As indicated in table III–39, these higher levels of mortgage amounts resulted from a general increase in the proportion of new and existing homes securing mortgages of $10,000 or more. Only 6 percent of the new-home mortgages were less than $8,000, while 17 percent of the existing-home transactions fell in this category. In recent years there have been significant changes in the distributions of both new-home and existing-home

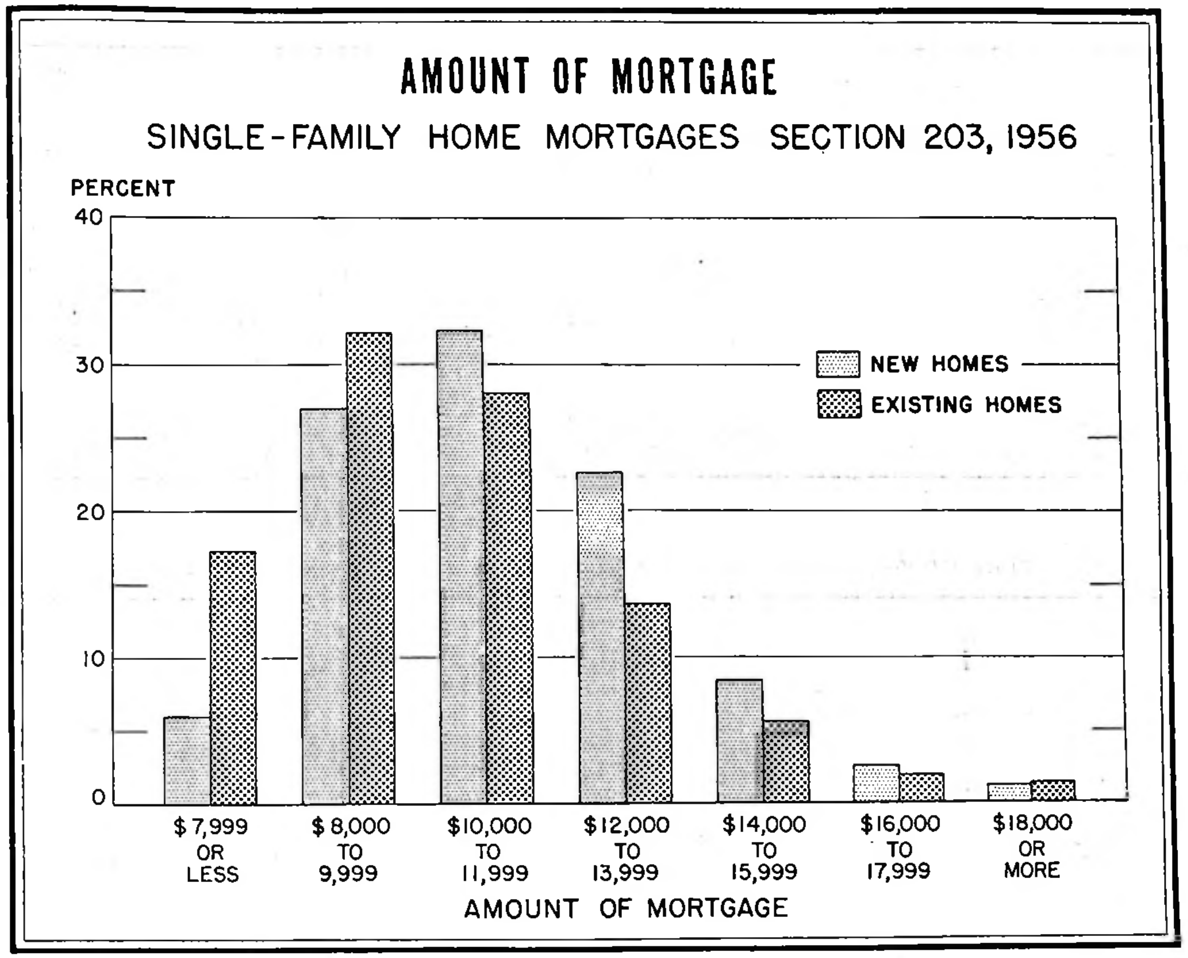

CHART III–19

mortgages. For example, in the 10-year period covered by table III–39 both the average and median amounts doubled, and the relative proportion of mortgages in the $12,000 or more category increased from an insignificant fraction to almost 35 percent for new homes and 23 percent for existing homes.

Term of Mortgage in Years.—Mortgages insured by FHA under Section 203 may have terms as long as 30 years, or three-fourths of the remaining economic life, whichever is less, and are written for durations of 10, 15, 20, 25, or 30 years.

The following table indicates the distribution by term of mortgages insured in 1956 and 1955. It is of interest to note that the only significant change in the distribution pattern was the increase in the relative number of 25-year mortgages while 30-year obligations declined. This shift reflects the credit restrictions imposed by FHA on July 30, 1955, when the maximum term for home mortgages was reduced from 30 years to 25 years, as well as the more conservative attitude of lenders in a tight-money market.

Term of mortgage in years	New homes — Percentage distribution		Existing homes — Percentage distribution	
	1956	1955	1956	1955
10	0.1	0.1	0.5	0.4
15	.8	.7	5.5	4.9
20	12.7	13.7	41.1	42.1
25	62.2	58.4	49.3	45.2
30	24.2	27.1	3.6	7.4
Total	100.0	100.0	100.0	100.0
Average	25.5	25.6	22.5	22.7
Median	27.9	28.0	25.3	25.3

As indicated by table III–40, most of the Section 203 cases insured during 1956 were for terms of 25 years. This group included more than three-fifths of the new-home cases and approximately one-half of the existing-home transactions. These 25-year mortgages constituted the majority of the new-home cases insured in every mortgage amount class from $6,000 to $19,999. Although

TABLE III-39.—*Amount of mortgage, 1-family homes, Sec. 203, selected years*

Amount of mortgage	New homes—percentage distribution					Existing homes—percentage distribution				
	1956	1955	1954	1950	1940	1956	1955	1954	1950	1946
Less than $4,000	0.1	0.1	0.1	0.4	8.3	0.1	0.3	0.4	4.4	27.8
$4,000 to $4,999	.1	.1	.1	1.1	22.6	.5	.7	1.1	8.3	29.0
$5,000 to $5,999	.5	.6	.7	9.0	31.4	1.8	2.3	3.6	16.3	21.3
$6,000 to $6,999	1.3	2.4	5.2	33.0	25.0	4.7	6.0	9.5	22.0	11.0
$7,000 to $7,999	4.0	9.0	23.3	28.5	9.5	10.2	11.8	15.8	18.6	4.7
$8,000 to $8,999	11.9	17.9	22.8	16.0	2.4	15.2	18.0	18.5	13.0	2.7
$9,000 to $9,999	15.1	18.5	22.8	8.3	.4	17.0	17.0	16.0	7.2	1.2
$10,000 to $10,999	16.7	16.7	10.6	1.9	.2	16.1	14.5	12.7	4.5	1.1
$11,000 to $11,999	15.6	13.0	6.1	.8	.2	11.9	10.6	7.4	1.9	.2
$12,000 to $12,999	13.6	9.2	3.9	.5	(1)	8.2	7.1	6.0	1.7	.4
$13,000 to $13,999	9.0	6.0	1.8	.2	----------	5.4	4.1	3.2	.7	.1
$14,000 to $14,999	5.4	3.0	1.1	.1	----------	3.3	2.9	2.6	.7	.2
$15,000 to $16,999	4.6	2.6	1.1	.2	----------	3.4	2.8	2.9	.7	.3
$17,000 to $19,999	1.8	.7	.3	----------	----------	1.8	1.5	.2	----------	(1)
$20,000	.3	.2	.1	----------	----------	.4	.4	.1	----------	----------
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	$11,149	$10,305	$9,143	$7,307	$5,548	$10,238	$9,898	$9,283	$7,102	$4,929
Median	$11,010	$10,034	$8,862	$7,101	$5,504	$10,013	$9,603	$9,030	$6,801	$4,697

[1] Less than 0.05 percent.

TABLE III-40.—*Term of mortgage by amount of mortgage, 1-family homes, Sec. 203, 1956*

Amount of mortgage	Percentage distribution	Median term in years	Term of mortgage—percentage distributions					Total
			10 years	15 years	20 years	25 years	30 years	
NEW HOMES								
Less than $5,000	0.2	20.7	22.0	24.4	26.8	19.5	7.3	100.0
$5,000 to $5,999	.5	26.3	3.8	10.1	26.0	38.6	21.5	100.0
$6,000 to $6,999	1.3	26.2	1.0	4.5	33.0	46.2	15.3	100.0
$7,000 to $7,999	4.0	26.8	.5	2.1	25.8	59.8	11.8	100.0
$8,000 to $8,999	11.9	27.1	(1)	.9	20.9	66.6	11.6	100.0
$9,000 to $9,999	15.1	27.5	.1	.8	15.5	66.0	17.6	100.0
$10,000 to $10,999	16.7	27.9	(1)	.7	12.2	64.8	22.3	100.0
$11,000 to $11,999	15.6	28.1	.1	.4	9.3	64.2	26.0	100.0
$12,000 to $12,999	13.6	28.6	.1	.4	7.8	57.9	33.8	100.0
$13,000 to $13,999	9.0	28.7	(1)	.4	6.8	57.3	35.5	100.0
$14,000 to $14,999	5.4	28.5	----------	.4	8.5	59.1	32.0	100.0
$15,000 to $16,999	4.6	28.4	----------	.4	7.8	61.0	30.8	100.0
$17,000 to $19,999	1.8	28.4	.2	1.3	10.1	56.0	32.4	100.0
$20,000	.3	28.2	----------	1.1	19.8	45.8	33.3	100.0
Total	100.0	27.9	.1	.8	12.7	62.2	24.2	100.0
Median mortgage	$11,010	----------	$7,500	$9,583	$9,938	$10,917	$11,884	----------
EXISTING HOMES								
Less than $5,000	0.6	18.6	22.8	37.7	36.2	2.9	0.4	100.0
$5,000 to $5,999	1.8	21.6	3.0	28.5	54.5	12.7	.4	100.0
$6,000 to $6,999	4.7	22.5	1.2	19.5	57.5	21.6	.2	100.0
$7,000 to $7,999	10.2	23.6	.4	11.1	53.3	34.3	.9	100.0
$8,000 to $8,999	15.2	24.6	.2	6.3	47.4	44.0	2.1	100.0
$9,000 to $9,999	17.0	25.3	.2	3.7	42.6	51.3	2.2	100.0
$10,000 to $10,999	16.1	25.8	.2	2.6	38.3	54.9	4.0	100.0
$11,000 to $11,999	11.9	26.3	.1	2.2	31.8	59.8	6.1	100.0
$12,000 to $12,999	8.2	26.3	.2	1.8	31.8	60.0	6.2	100.0
$13,000 to $13,999	5.4	26.3	.1	1.6	32.7	58.5	7.1	100.0
$14,000 to $14,999	3.3	26.3	.1	1.8	32.8	59.3	6.0	100.0
$15,000 to $16,999	3.4	26.1	.2	1.7	35.4	57.2	5.5	100.0
$17,000 to $19,999	1.8	26.3	.1	2.1	32.9	58.0	6.9	100.0
$20,000	.4	25.2	----------	4.2	44.2	46.7	4.9	100.0
Total	100.0	25.3	.5	5.5	41.1	49.3	3.6	100.0
Median mortgage	$10,013	----------	$6,203	$7,951	$9,492	$10,454	$11,416	----------

[1] Less than 0.05 percent.

the distribution for existing-home mortgages was less concentrated, more than half of the transactions with mortgages ranging from $9,000 to $19,999 involved 25-year terms.

Most of the remaining existing-home mortgages were to be paid off in 20 years. The maximum term of 30 years was used in 1 out of every 4 new-home transactions but in only 4 percent of the existing-home cases, possibly reflecting estimates of shorter economic life.

Total Monthly Mortgage Payment Distribution.—More than three-fourths of the estimated monthly housing expense for an FHA insured home buyer consists of the mortgage payment which covers interest and amortization of principal as well as installments for property taxes, special assessments, hazard and FHA insurance premiums, and ground rent, if any. A distribution of the total monthly mortgage payments during 1956 is depicted on chart III-20, while

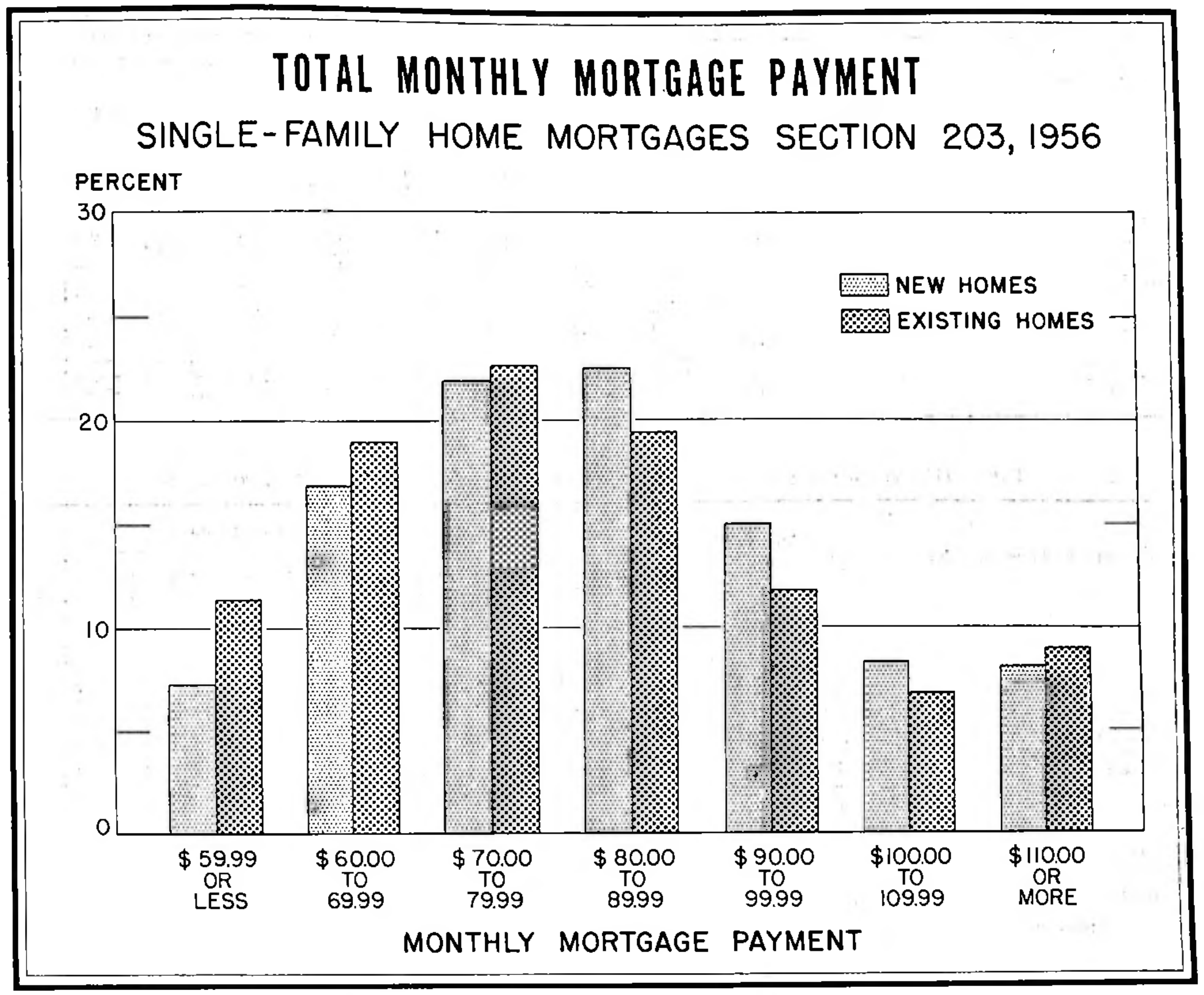

CHART III-20

table III-41 shows the percentage distributions for 1956 and selected prior years. Reflecting the shorter durations and the higher amounts of the mortgages insured in 1956, both new and existing transactions required higher monthly payments. The distribution of monthly mortgage payment pictured in chart III-20 shows that relatively more new-home transactions required monthly payments of $80 or more, while payments of less than $80 were relatively more frequent for existing-home cases. The stipulated monthly mortgage payment for a typical new-home buyer was $81.70, about one-tenth higher than in 1955. The typical payment for an existing-home transaction insured under Section 203 was $78.67—an increase over the preceding year of slightly more than 5 percent.

During 1956, about three-fourths of both the new- and existing-home transactions involved monthly mortgage payments of $60 to $99. Mortgage payments on new homes ranged somewhat higher than those for existing homes, with 38 percent between $80 and $99 as compared with only 31 percent for existing-home transactions. Payments of $100 or more were required in about 1 out of every 6 transactions. Only 1 percent of the new-home buyers and 2 percent of the existing-home buyers contracted to make payments of less than $50.

Ratio of Loan to Value.—The bulk of the mortgages included in the sample for the first 10 months of 1956 were processed under the credit control regulations of July 30, 1955. These regulations reduced the maximum permissible loan-value ratios by 2 percentage points to 93 percent for new homes and 88 percent for existing homes for the first $9,000 of appraised value, plus 73 percent of the additional value up to the maximum $20,000 mortgage amount for 1- and 2-family properties.[1] In Alaska, Hawaii, and Guam the specified amounts could be as much as 50 percent

[1] For nonoccupant mortgagors the maximum ratio is 85 percent of the amount computed for owner-occupant cases.

TABLE III-41.—*Total monthly mortgage payment, 1-family homes, Sec. 203, selected years*

Total monthly mortgage payment	New homes—percentage distributions					Existing homes—percentage distributions				
	1956	1955	1954	1950	1946	1956	1955	1954	1950	1946
Less than $30	0.1	0.1	0.1	0.2	5.4	0.1	0.2	0.2	2.3	14.5
$30 to $39	.1	.2	.1	4.0	25.0	.2	.5	.7	7.7	34.3
$40 to $49	.9	2.1	3.3	29.8	31.1	2.0	3.2	4.3	21.8	20.9
$50 to $59	6.2	12.8	20.5	35.2	27.1	0.1	12.5	13.8	27.2	12.8
$60 to $69	16.9	24.6	30.0	20.4	9.0	19.0	22.3	21.5	19.3	5.7
$70 to $79	21.9	23.5	23.3	7.2	1.8	22.6	23.3	21.3	10.2	2.8
$80 to $89	22.5	18.0	11.5	1.7	.3	19.4	16.5	15.3	5.3	1.2
$90 to $99	15.0	10.1	6.0	.7	.2	11.8	9.5	9.4	2.6	.6
$100 to $109	8.3	4.6	2.8	.4	.1	0.8	5.2	5.9	1.0	.4
$110 to $119	4.2	2.2	1.3	.2		3.8	3.0	3.6	.9	.4
$120 to $129	1.9	.9	.6	.1		2.3	1.6	2.2	.6	.1
$130 or more	2.0	.9	.5	.1		2.9	2.2	1.8	.5	.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	$83.00	$76.08	$71.36	$55.38	$46.06	$81.24	$77.15	$77.10	$58.94	$43.25
Median	$81.70	$74.32	$68.62	$54.31	$46.18	$78.67	$74.81	$74.34	$56.65	$40.83

TABLE III-42.—*Ratio of loan to value by property value, 1-family homes, Sec. 203, 1956*

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	0.1	93.3					3.4		3.4	93.2	100.0
$7,000 to $7,999	1.4	93.1			0.7	1.0	2.2	3.9	6.3	85.9	100.0
$8,000 to $8,999	3.9	93.0	0.2	0.3	.7	1.7	3.7	3.3	8.1	82.0	100.0
$9,000 to $9,999	9.4	92.8	.3	.2	.4	.6	2.5	4.0	13.7	78.3	100.0
$10,000 to $10,999	10.4	90.7	.4	.3	1.1	1.4	5.9	6.2	37.0	47.7	100.0
$11,000 to $11,999	10.5	88.2	.5	.5	1.8	2.8	6.2	9.0	67.1	12.1	100.0
$12,000 to $12,999	11.4	87.5	.8	.9	2.4	4.0	6.7	13.8	71.4		100.0
$13,000 to $13,999	12.5	86.8	.6	1.1	3.8	6.5	7.4	21.6	59.0		100.0
$14,000 to $14,999	10.8	84.9	1.1	1.1	4.4	6.9	9.0	35.1	42.4		100.0
$15,000 to $15,999	9.3	83.4	1.7	1.5	5.7	8.6	12.0	42.4	28.1		100.0
$16,000 to $17,999	11.5	82.7	1.4	2.4	7.6	8.3	10.9	56.3	13.1		100.0
$18,000 to $19,999	5.2	82.1	2.0	2.3	7.8	8.3	15.9	63.7			100.0
$20,000 or more	3.6	80.1	2.2	3.9	10.2	12.1	26.2	45.4			100.0
Total	100.0	86.7	.9	1.1	3.8	5.2	8.5	25.6	36.8	18.1	100.0
EXISTING HOMES											
Less than $7,000	1.5	87.4	.6	.3	5.0	4.0	9.1	16.1	52.3	12.6	100.0
$7,000 to $7,999	3.4	88.2	.5	.9	3.1	4.2	7.3	11.3	50.8	21.9	100.0
$8,000 to $8,999	7.0	88.6	.3	.5	2.4	3.2	6.5	13.1	45.8	28.2	100.0
$9,000 to $9,999	10.7	88.3	.5	.5	2.9	3.4	6.6	14.4	46.8	24.9	100.0
$10,000 to $10,999	11.7	86.1	.4	.7	3.8	3.9	10.6	29.8	44.0	6.8	100.0
$11,000 to $11,999	11.2	83.6	.3	.9	3.8	5.4	11.7	54.1	23.1	.7	100.0
$12,000 to $12,999	11.7	82.8	.5	1.1	5.6	7.0	15.5	55.5	14.8		100.0
$13,000 to $13,999	10.2	82.2	1.0	1.4	7.1	7.7	18.9	50.7	7.2		100.0
$14,000 to $14,999	8.5	82.0	.6	1.4	7.1	9.7	19.0	60.0	2.2		100.0
$15,000 to $15,999	6.7	81.4	.7	1.9	9.0	9.3	25.4	52.7	1.0		100.0
$16,000 to $17,999	8.5	79.6	1.2	2.3	10.2	11.9	34.3	30.4	.7		100.0
$18,000 to $19,999	4.3	77.9	1.0	2.8	9.5	12.6	63.0	11.1			100.0
$20,000 or more	4.6	77.4	2.1	3.3	12.4	15.1	61.9	5.2			100.0
Total	100.0	83.0	.7	1.3	6.0	7.2	19.6	37.6	21.2	6.4	100.0

more because of the higher construction costs in these areas.

Table III-42, which shows the percentage distributions of loan-value ratios for various value groups as well as the median loan-value ratio, indicates that, although the majority of the mortgages insured under the provisions of Section 203 were at or near the maximum amounts permitted under the prevailing administrative rules, significant proportions of the insured cases had less than maximum mortgages. In the distribution for new homes, the median loan-value ratio as well as the largest share of cases fell in the highest group permissible in practically all value classes. Nevertheless, in the $8,000 value range, for example, where 93 percent mortgages were insurable for new homes, 18 percent of the cases had loan-value ratios of 90 percent or less. Likewise, in the $12,000 range where a maximum loan-value ratio of 87 percent was permitted during 1956 for new homes, 28.6 percent of all cases insured had ratios of 85 percent or less.

For existing homes, the loan-value ratios tended to be still more widely distributed although the median loan-value ratios remained close to the permissible maxima. This pattern of distribution is probably due to the more conservative attitude of lenders on existing properties and the inclusion of refinancing transactions.

Compared with 1955, there were significant

TABLE III-43.—*Ratio of loan to value, 1-family homes, Sec. 203, selected years*

Ratio of loan to value (percent)	New homes—percentage distributions					Existing homes—percentage distributions				
	1956	1955	1954	1950	1946	1956	1955	1954	1950	1946
50 or less	0.9	0.8	0.8	0.6	0.6	0.7	0.6	1.1	2.1	1.3
51 to 55	.3	.4	.4	.4	.8	.5	.4	.8	1.4	.9
56 to 60	.8	.7	.7	.5	.8	.8	.9	1.6	2.2	1.2
61 to 65	1.3	1.2	1.4	.9	1.3	1.6	1.5	2.8	3.7	2.8
66 to 70	2.5	2.1	2.0	1.0	3.3	4.4	4.3	7.7	8.8	5.8
71 to 75	5.2	4.1	5.1	3.2	4.8	7.2	5.9	9.8	13.5	8.8
76 to 80	8.5	9.5	28.8	8.8	11.8	19.6	13.2	52.2	51.5	60.7
81 to 85	25.6	14.2	11.8	10.9	14.1	37.6	30.2	7.3	4.4	3.6
86 to 90	36.8	33.7	25.6	57.1	62.5	21.2	32.1	10.8	9.8	14.9
91 to 95	18.1	33.3	22.8	16.0		6.4	10.9	5.9	2.6	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	83.2	85.0	82.2	85.0	84.1	80.3	82.2	77.8	76.4	78.6
Median	86.7	88.5	85.3	88.0	87.0	83.0	84.8	78.5	77.8	78.4

changes in the percentage distributions of loan-value ratios which were due not only to the restraining effect of the credit restrictions but equally attributable to the higher value of homes being insured, which by formula automatically reduces the maximum permitted ratio of the mortgage to the appraised value. As a consequence, the average loan-value ratio for new homes declined from 85 percent in 1955 to slightly more than 83 percent in 1956 and decreased from about 82 percent to 80 percent for existing homes.

In the new-home distribution shown in table III-43 the biggest shift was the contraction of the 91 to 95 percent loan-value group from one-third of the total recorded in 1955 to only 18 percent in 1956, accompanied by a corresponding rise in the 81 to 85 percent and the 86 to 90 percent intervals. During 1956, the proportion of existing-home mortgages insured with loan-value ratios of 91 to 95 percent declined significantly, but the major change occurred in the 86 to 90 percent grouping, which fell 11 percentage points from 32 percent of the total number in 1955 to 21 percent. Most of this contraction was accounted for by the increase noted in the next lower intervals, 76 to 80 percent and 81 to 85 percent, respectively.

Property Value Characteristics

An important part of the FHA underwriting procedure is the determination of an estimate of value for each property proposed as security in an application for mortgage insurance. In the preparation of the estimate, consideration is given to such items as the estimated replacement cost of the property, its rental value, sale prices of comparable houses, neighborhood, market price of site, materials and quality of construction, the size of the house, and garage capacity. The following pages are devoted to an analysis of some of the interrelationships of the significant characteristics of properties involved in Section 203 insured mortgage transactions during 1956.

Property Value Distribution.—Nearly two-thirds of the homes securing mortgages insured during 1956 were valued by FHA appraisers between $9,000 and $14,999. New homes, with more attractive financing terms than were available for existing properties during most of the period covered by the sample, ranged slightly higher than existing home in the distribution of values. In the higher value brackets—$13,000 or more—new properties were relatively more frequent than existing properties (chart III-21 and table III-44). In contrast, existing homes were more prevalent in the lower valuation groups, although these properties were almost evenly distributed in the range from $9,000 to $13,999. In the highest and lowest value brackets, less than 2 percent of the new and 5 percent of the existing homes were valued at less than $8,000 and only about 9 percent of all valuations were for $18,000 or more.

Compared with 1955, both new- and existing-home values exhibited a general upward movement reflecting a continuation of the rising prices of land and building costs. FHA property values for new homes were, on the average, almost 11 percent higher than in 1955. In contrast, the existing-home increase averaged less than 6 percent, or about half the gain shown for new homes. As table III-44 discloses, the upward trend in new-home values was primarily apparent in the increased proportion of cases with appraisals of $13,000 or more. Concurrent decreases were evident in all new-home valuation groups below $13,000. No such relatively large changes took place in the distribution of existing-home valuations, although the same general upward shift in values was apparent.

Comprehensive summaries of selected characteristics of Section 203 cases insured in 1956 are presented by value groups in table III-45 (transaction characteristics), table III-46 (property characteristics), and table III-47 (financial characteristics). These data not only reveal the relationships between property value and selected other items, but also indicate the nature of the property and the financial requirements necessary to acquire property in the particular value class.

Selecting the $13,000 value range as an example, since the average new-home valuation was $13,399 during 1956, it is indicated in table III-45

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Table III-44.—*Property value, 1-family homes, Sec. 203, selected years*

FHA estimate of property value	New homes—percentage distributions					Existing homes—percentage distributions				
	1956	1955	1954	1950	1946	1956	1955	1954	1950	1940
Less than $4,000	----	----	----	(1)	2.3	(1)	----	(1)	1.2	9.0
$4,000 to $4,999	----	----	----	0.4	10.0	0.1	----	0.2	1.4	16.8
$5,000 to $5,999	----	(1)	(1)	1.6	20.3	.3	0.6	.4	4.2	24.6
$6,000 to $6,999	0.1	0.4	0.6	18.3	27.8	1.1	1.9	2.0	10.7	20.3
$7,000 to $7,999	1.4	3.0	6.0	20.8	22.4	3.4	4.9	5.5	15.8	12.1
$8,000 to $8,999	3.9	10.0	18.8	22.5	11.1	7.0	10.1	10.1	17.1	7.0
$9,000 to $9,999	9.4	14.2	15.7	15.9	3.4	10.7	12.2	11.1	14.5	3.4
$10,000 to $10,999	10.4	12.3	12.4	10.0	1.5	11.7	12.7	12.6	11.3	2.5
$11,000 to $11,999	10.5	12.3	12.8	4.7	.5	11.2	11.6	12.1	7.6	1.1
$12,000 to $12,999	11.4	11.9	10.1	2.3	.3	11.7	11.2	11.8	5.7	1.2
$13,000 to $13,999	12.5	9.9	7.8	1.4	.2	10.2	9.3	9.1	3.3	.5
$14,000 to $14,999	10.8	8.2	5.5	.7	.1	8.5	7.1	6.6	2.0	.3
$15,000 to $15,999	9.3	6.3	3.8	.5	.1	6.7	5.2	5.8	1.7	.4
$16,000 to $17,999	11.5	7.1	3.8	.5	(1)	8.5	6.6	7.0	1.9	.3
$18,000 to $19,999	5.2	2.6	1.4	.2	----	4.3	3.2	3.1	.9	.2
$20,000 or more	3.6	1.8	1.3	.2	----	4.6	3.4	2.6	.7	.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average value	$13,399	$12,118	$11,120	$8,594	$6,597	$12,756	$12,047	$11,934	$9,298	$6,269
Median value	$13,203	$11,742	$10,678	$8,286	$6,558	$12,261	$11,555	$11,549	$8,865	$5,934

[1] Less than 0.05 percent.

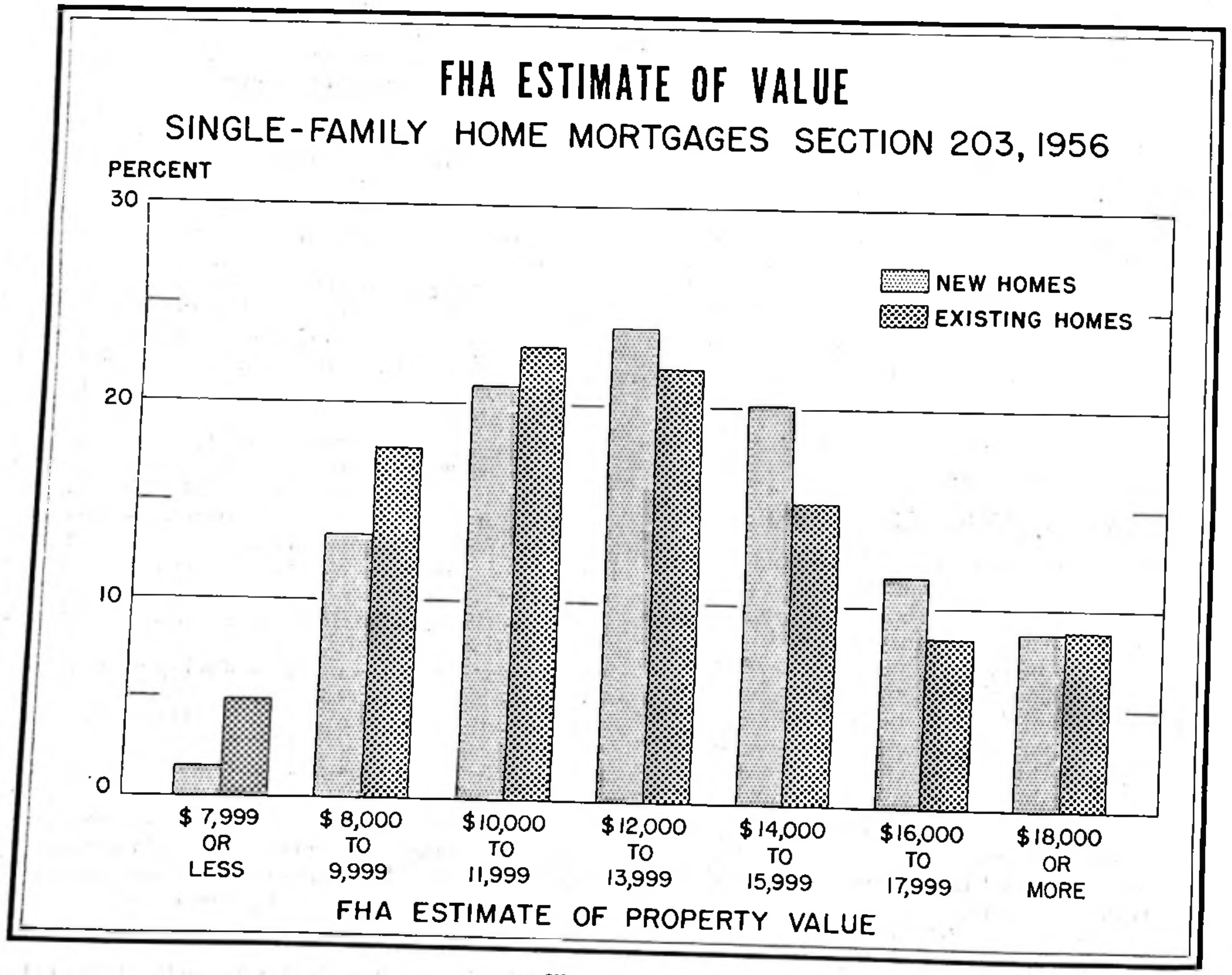

CHART III-21

that these properties had an average FHA estimated value of $13,432 secured by mortgages averaging $11,210 or about 84 percent of property value; that the mortgagors had an average annual income of $6,359, and that, for the great majority of cases which were purchase transactions, the buyers paid an average sale price of $13,599 which together with closing costs of $277 brought the average total requirement for the transaction (exclusive of prepayable expenses) to $13,876. Of this amount, 19 percent represented the buyer's initial investment (downpayment plus incidental costs). The replacement cost of these properties, as shown in table III-46, averaged $13,816 or 3 percent more than the FHA appraised value. Both replacement cost and property value included an average site cost of $1,866, which was almost 14 percent of the average property value. The structures had an average calculated area of 1,098 square feet and contained 5 rooms of which 3 were bedrooms. Three out of four of these homes were provided with some garage facilities.

Transaction Characteristics.—It should be noted that the total requirement and sale price data are based on purchase-type transactions only and therefore have a slightly different basis than the property value and mortgage amount data which are based on all types of single-family transactions. These include, in addition to purchases, new homes built by or for owners on their own lots, 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 purchase transactions predominate for both new and existing homes, varying proportions of these transactions are included in the different valuation groups, and this sometimes results in relationships between the averages of FHA valuation and sale price or total requirements which diverge from a normal pattern.

Comparing the new- and existing-home averages for the various characteristics by value classes (table III-45), it is interesting to note that for the most part sale prices and incidental closing costs (and hence total requirements) and mortgagors' annual income for existing-home transactions were higher than for new, while mortgage amounts and loan-value ratios for new homes were always greater than for existing-home transactions. Incidental closing costs for existing homes were higher than for new-home transactions because of the many instances in which costs of planned or required minor repairs and improvements are included along with the customary items. The higher incomes of existing-home buyers in comparable value ranges probably is an indication of the more stringent downpayment requirements as well as the necessity of buyers' being able to meet the comparatively larger monthly payments and total housing expenses.

Property Characteristics.—As shown in table III-46, the FHA estimate of the replacement cost

Table III-45.—*Transaction characteristics by property value, 1-family homes, Sec. 203, 1956*

FHA estimate of property value	Percentage distribution	Average						Ratio of loan to property value
		Property value	Total requirements [1]	Sale price [1]	Closing costs [1 2]	Amount of mortgage	Mortgagor's annual income	
NEW HOMES								
Less then $7,000	0.1	$6,548	$6,761	$6,601	$160	$6,138	$4,119	93.7
$7,000 to $7,999	1.4	7,574	7,509	7,310	199	6,757	4,625	89.2
$8,000 to $8,999	3.9	8,528	8,703	8,486	217	7,766	4,687	91.1
$9,000 to $9,999	9.4	9,445	9,683	9,456	227	8,583	5,115	90.9
$10,000 to $10,999	10.4	10,422	10,725	10,478	247	9,220	5,405	88.5
$11,000 to $11,999	10.5	11,436	11,780	11,526	254	9,885	5,780	86.4
$12,000 to $12,999	11.4	12,423	12,814	12,545	269	10,535	6,028	84.8
$13,000 to $13,999	12.5	13,432	13,876	13,599	277	11,210	6,359	83.5
$14,000 to $14,999	10.8	14,391	14,864	14,574	290	11,850	6,665	82.3
$15,000 to $15,999	9.3	15,380	15,839	15,550	289	12,385	7,225	80.5
$16,000 to $17,999	11.5	16,758	17,306	16,978	328	13,337	7,840	79.6
$18,000 to $19,999	5.2	18,731	19,391	19,009	382	14,701	8,990	78.5
$20,000 or more	3.6	22,261	23,215	22,676	539	16,959	10,966	76.2
Total	100.0	13,300	13,752	13,468	284	11,149	6,541	83.2
EXISTING HOMES								
Less than $7,000	1.5	6,135	6,371	6,184	187	5,196	4,555	84.7
$7,000 to $7,999	3.4	7,464	7,758	7,549	209	6,391	4,868	85.6
$8,000 to $8,999	7.0	8,446	8,796	8,576	220	7,306	5,089	86.5
$9,000 to $9,999	10.7	9,382	9,793	9,550	243	8,046	5,442	85.8
$10,000 to $10,999	11.7	10,390	10,875	10,621	254	8,715	5,662	83.9
$11,000 to $11,999	11.2	11,370	11,894	11,635	259	9,365	5,938	82.4
$12,000 to $12,999	11.7	12,363	12,927	12,640	287	9,986	6,196	80.8
$13,000 to $13,999	10.2	13,359	13,976	13,688	288	10,614	6,568	79.5
$14,000 to $14,999	8.5	14,354	15,031	14,746	285	11,342	6,942	79.0
$15,000 to $15,999	6.7	15,320	16,013	15,700	313	11,965	7,391	78.1
$16,000 to $17,999	8.5	16,739	17,512	17,182	330	12,880	8,042	76.9
$18,000 to $19,999	4.3	18,706	19,650	19,274	382	14,269	9,205	76.3
$20,000 or more	4.6	22,625	23,763	23,307	456	16,797	11,397	74.6
Total	100.0	12,756	13,274	12,991	283	10,238	6,583	80.3

[1] Data reflect purchase transactions only.
[2] Includes estimated costs to mortgagor for items incidental to financing purchase of property, but excluding prepayable expenses; existing home data may also reflect costs of some repairs or improvements.

of properties averaged higher than the FHA appraisal of value in all value classes. This reflects the FHA underwriting criterion that replacement cost establishes an upper limit to value since a typical buyer acting intelligently would not be warranted in paying more for a property than the cost of producing an equivalent property. Because of depreciation, variation between value and replacement cost was noticeably greater for existing properties than for new. In fact, the spread for existing homes was as high as one-third in some value classes but never exceeded 6 percent in any new-home value groups. Consequently, Section 203 new-home transactions closed in 1956 had, on the average, a property value representing 97 percent of replacement cost while the comparable figure for existing homes was 88 percent. The lower values of existing properties reflect not only the shorter economic life of these structures, but also the influence of obsolescence on such items as the structural design, the amounts and types of equipment, and on occasion, the location. On both new- and existing-home transactions, the ratio of value to replacement cost advanced with increases in property value in virtually all value classes. For new homes, the ratio ranged from 94 percent for those valued at less than $7,000 to 98 percent in the highest value groups, and from 66 percent for existing homes of less than $7,000 value to almost 93 percent for the highest-bracket existing properties. The market price of the land sites involved in Section 203 transactions in 1956 averaged $1,887 or 14 percent of the total value of new homes, and $1,931 or about 15 percent of the total value of existing homes. For both new and existing properties, land prices advanced as property values increased. In each value group, land prices and the ratio of land prices to total value were higher for existing homes than for new; with few exceptions, the new-existing difference diminished in the higher-value categories. The land prices of higher-valued properties ($15,000 or more) represented a somewhat larger proportion of total value as compared with lower-priced homes. The higher land prices for existing properties below $12,000 probably indicates that they are located in neighborhoods closer to the center of the cities, providing better transportation, shopping, and community facilities. In this same group, the higher ratios of land prices to total value for existing homes are indicative of the differential in depreciation experience between land value and structure.

The data relating to area, room-count, and bedroom-count shown in table III-46 provide information on the size of the structure and the type of accommodations provided in each valuation group. A more detailed analysis of these items is presented in the subsequent portion of the report dealing specifically with the size of FHA homes in 1956 and the relation of size to property value. Table III-46 indicates that some garage facilities (including carports) were provided in almost 73 percent of the new homes and over 81

TABLE III-46.—*Property characteristics by property value, 1-family homes, Sec. 203, 1956*

FHA estimate of property value	Percentage distribution	Average			Price of site as percent of value	Average			Percent of structures with garage
		Property value	Property replacement cost	Market price of site		Calculated area (square feet)	Number of rooms	Number of bedrooms	
NEW HOMES									
Less than $7,000	0.1	$6,548	$6,071	$817	12.5	752	4.3	2.3	54.2
$7,000 to $7,999	1.4	7,574	8,037	969	12.8	821	4.4	2.3	38.4
$8,000 to $8,999	3.9	8,528	8,913	1,149	13.5	862	4.7	2.6	54.5
$9,000 to $9,999	9.4	9,445	9,808	1,230	13.0	926	4.9	2.8	61.1
$10,000 to $10,999	10.4	10,422	10,838	1,320	12.7	959	5.0	2.8	62.0
$11,000 to $11,999	10.5	11,436	11,876	1,468	12.8	1,031	5.0	2.8	70.0
$12,000 to $12,999	11.4	12,423	12,830	1,652	13.3	1,066	5.2	2.9	73.5
$13,000 to $13,999	12.5	13,432	13,816	1,866	13.9	1,098	5.2	2.9	76.2
$14,000 to $14,999	10.8	14,391	14,812	2,067	14.4	1,130	5.3	2.9	75.7
$15,000 to $15,999	9.3	15,380	15,768	2,264	14.7	1,184	5.4	3.0	76.0
$16,000 to $17,999	11.5	16,758	17,126	2,517	15.0	1,251	5.0	3.0	79.4
$18,000 to $19,999	5.2	18,731	19,152	2,887	15.4	1,372	5.7	3.1	86.6
$20,000 or more	3.6	22,261	22,712	3,517	15.8	1,561	6.0	3.2	93.1
Total	100.0	13,399	13,798	1,887	14.1	1,104	5.2	2.9	72.8
EXISTING HOMES									
Less than $7,000	1.5	6,135	9,288	890	14.5	949	4.9	2.4	56.0
$7,000 to $7,999	3.4	7,404	9,896	1,062	14.2	919	4.8	2.3	69.4
$8,000 to $8,999	7.0	8,446	10,455	1,265	15.0	932	4.8	2.3	77.1
$9,000 to $9,999	10.7	9,382	11,256	1,424	15.2	966	4.9	2.4	77.0
$10,000 to $10,999	11.7	10,390	12,145	1,567	15.1	1,011	5.0	2.5	79.4
$11,000 to $11,999	11.2	11,370	12,993	1,710	15.0	1,041	5.1	2.6	79.8
$12,000 to $12,999	11.7	12,363	13,931	1,805	14.6	1,080	5.2	2.7	81.2
$13,000 to $13,999	10.2	13,359	14,840	1,960	14.7	1,129	5.3	2.8	80.5
$14,000 to $14,999	8.5	14,354	15,744	2,141	14.9	1,164	5.4	2.8	82.4
$15,000 to $15,999	6.7	15,320	16,795	2,313	15.1	1,230	5.6	2.8	83.6
$16,000 to $17,999	8.5	16,739	18,201	2,578	15.4	1,290	5.7	2.9	88.2
$18,000 to $19,999	4.3	18,706	20,377	2,962	15.8	1,413	5.9	3.1	89.2
$20,000 or more	4.6	22,525	24,354	3,695	16.4	1,017	6.2	3.2	92.5
Total	100.0	12,756	14,442	1,931	15.1	1,117	5.3	2.7	81.1

TABLE III-47.—*Financial characteristics by property value, 1-family homes, Sec. 203, 1956*

FHA estimate of property value	Percentage distribution	Average		Monthly average				
		Property value	Term of mortgage (years)	Property taxes	Total mortgage payment	Prospective housing expense	Mortgagor's income	Rental value
NEW HOMES								
Less than $7,000	0.1	$6,548	25.7	$6.78	$45.21	$62.39	$343.25	$56.48
$7,000 to 7,999	1.4	7,574	24.6	6.95	51.78	70.33	385.42	62.66
$8,000 to $8,999	3.9	8,528	24.3	8.17	58.14	76.78	390.59	69.13
$9,000 to $9,999	9.4	9,445	24.6	9.13	63.59	83.58	426.22	75.91
$10,000 to $10,999	10.4	10,422	25.0	10.25	68.43	89.13	450.40	82.84
$11,000 to $11,999	10.5	11,436	25.2	11.53	73.52	95.31	481.65	89.79
$12,000 to $12,999	11.4	12,423	25.4	12.55	78.71	101.15	502.36	96.34
$13,000 to $13,999	12.5	13,432	25.8	13.80	83.34	106.05	529.93	103.59
$14,000 to $14,999	10.8	14,391	26.1	14.62	87.31	111.66	555.43	111.44
$15,000 to $15,999	9.3	15,380	25.9	15.96	92.28	117.01	602.12	118.85
$16,000 to $17,999	11.5	16,758	26.1	17.61	99.18	125.26	653.35	128.83
$18,000 to $19,999	5.2	18,731	25.9	19.50	109.36	137.74	749.16	141.89
$20,000 or more	3.6	22,261	25.7	23.35	128.62	160.43	913.82	164.35
Total	100.0	13,390	25.5	13.66	83.00	106.27	545.09	103.93
EXISTING HOMES								
Less than $7,000	1.5	6,135	18.5	6.81	47.39	67.12	379.60	52.78
$7,000 to $7,999	3.4	7,404	20.3	7.98	54.33	74.15	405.65	63.56
$8,000 to $8,999	7.0	8,446	21.3	9.01	59.69	79.86	424.06	70.26
$9,000 to $9,999	10.7	9,382	21.9	10.26	64.80	86.05	453.53	77.15
$10,000 to $10,999	11.7	10,390	22.1	11.05	69.47	91.22	471.85	84.45
$11,000 to $11,999	11.2	11,370	22.4	12.11	74.45	96.97	494.82	91.20
$12,000 to $12,999	11.7	12,363	22.7	13.04	79.06	102.67	516.32	98.02
$13,000 to $13,999	10.2	13,359	23.0	14.13	83.73	108.03	547.34	104.88
$14,000 to $14,999	8.5	14,354	23.4	14.90	88.55	113.80	578.46	112.01
$15,000 to $15,999	6.7	15,320	23.4	16.10	93.57	119.60	615.94	118.97
$16,000 to $17,999	8.5	16,739	23.3	17.62	100.95	128.23	670.15	128.60
$18,000 to $19,999	4.3	18,706	23.3	19.57	111.78	141.49	767.06	141.95
$20,000 or more	4.6	22,525	23.2	23.47	133.30	165.42	949.74	167.60
Total	100.0	12,756	22.5	13.49	81.24	105.16	548.61	100.66

percent of the existing, with the proportion of garages generally rising with increases in value. In all but the highest valued homes—$20,000 or more—the proportion of existing homes with garages exceeded that for new homes.

Financial Characteristics.—Table III-47 presents information on selected financial characteristics of new- and existing-home transactions by property value groups. For example, the table shows that the average mortgage insured in the $13,000 value class provided for monthly payments of $83.34 (including debt service, property taxes, and insurance) to amortize this mortgage over an average term of almost 26 years. However, the estimated total monthly outlay averaged $106.05 including in addition to the mortgage payment, the probable costs for household operations (lighting, heating and cooking fuel, water, and refrigeration) and anticipated cost of maintenance and repairs.

Mortgage terms for both new- and existing-construction transactions tended to involve longer average durations in the higher value groups, although this trend was not overly apparent for new-home transactions. These longer mortgage terms may have been granted to buyers of higher-valued homes because of their high credit standing, or, in some instances, to bring the monthly payments within the payment ability of the prospective buyer. Another contributing factor may have been the longer remaining economic life of higher-valued properties. This last factor also accounted for average terms of the new-home mortgage exceeding those of existing properties in corresponding value groups. It may be noted that there was some tendency for the difference in average terms on new and existing homes to narrow as property values increased. This presumably reflects the larger share of recently built properties, having long economic lives, in the higher value classes of existing homes.

Next to principal and interest, property taxes were the most important item of the total monthly mortgage payment—averaging about one-sixth of the total payment in both new- and existing-home mortgage transactions. Despite the wide variation in local tax rates and special assessments, the average taxes were directly related to property values and moved upward as values increased. In all corresponding value groups, average property taxes were slightly higher for existing homes than for new.

Total monthly mortgage payments rose with increases in property values, primarily reflecting the increased debt service on higher average mortgage amounts (table III-45) and, to some extent, the increase in taxes assessed on higher valued-properties. Table III-47 indicates that the average monthly mortgage payments on new homes ranged from $45 in the lowest to almost $129 in the highest value group and from $47 to $133 on existing homes. For the comparable value classes, monthly payments were higher on existing homes than on new homes.

The estimated monthly housing expense—more than three-fourths of which was attributable to mortgage payment—showed similar variation with increases in property values, with averages

TABLE III-48.—*Calculated area, 1-family homes, Sec. 203, selected years*

Calculated area (square feet)	New homes—percentage distributions					Existing homes—percentage distributions				
	1956	1955	1954	1950	1948	1956	1955	1954	1950	1948
Less than 600	0.1	0.2	(1)	0.5	0.9	0.2	0.4	0.2	0.5	0.9
600 to 699	.6	1.3	2.4	7.6	4.6	2.0	2.6	2.5	3.3	4.7
700 to 799	4.6	7.5	11.5	30.6	20.6	10.3	12.5	12.9	14.4	16.3
800 to 899	12.1	15.5	20.5	25.4	22.0	13.6	15.4	15.7	16.5	18.5
900 to 999	18.9	20.0	23.1	13.0	16.2	14.2	14.4	13.8	14.1	13.3
1,000 to 1,099	19.7	20.1	18.0	9.9	11.2	15.3	13.9	12.9	11.7	10.9
1,100 to 1,199	14.6	14.5	11.8	5.3	8.7	12.3	11.1	10.9	9.3	8.0
1,200 to 1,299	11.7	8.9	6.9	3.2	6.4	10.2	8.6	8.8	7.6	6.8
1,300 to 1,399	7.5	5.7	2.6	2.0	3.4	6.7	6.4	6.8	5.8	5.1
1,400 to 1,499	4.3	2.8	1.6	.9	2.2	4.7	4.4	4.3	4.3	3.7
1,500 to 1,599	2.8	1.7	.7	.6	1.5	3.2	3.0	3.2	3.2	2.9
1,600 to 1,799	2.2	1.2	.6	.6	1.4	3.7	3.7	3.9	4.2	3.7
1,800 to 1,999	.6	.4	.2	.2	.4	1.8	1.7	2.0	2.2	2.2
2,000 or more	.3	.2	.1	.2	.5	1.8	1.9	2.1	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	1,104	1,049	990	894	972	1,117	1,096	1,104	1,100	1,075
Median	1,064	1,022	961	838	912	1,060	1,030	1,035	1,006	972

[1] Less than 0.05 percent.

ranging from $62 to $160 in the lowest and highest property value groups for new homes and from $67 to $165 for existing homes. Although the average monthly mortgage payment and housing expense were higher for all new homes combined, reflecting the slightly higher value distribution for new homes, the shorter mortgage terms for existing homes resulted in higher averages for existing-home expenses in all corresponding value classes, differentials which ranged from $2 to $5 in most groups.

The monthly expense attributable to household operations and estimated cost of repair and maintenance averaged about $23 for both new and existing homes but, in line with higher costs of operating and maintenance, the larger, more expensive properties ranged upward with increases in property value—from $17 to $32 for new homes and from $20 to $32 for existing properties.

Size of House Characteristics

This portion of the report deals with the size of the homes securing mortgages insured by FHA under Section 203 as indicated by calculated area of the structures, number of rooms, and number of bedrooms. Data are presented on the trend of calculated area (table III-48), characteristics of the 1956 properties by various area groups (table III-49), and distributions of the 1956 homes by number of rooms and number of bedrooms, within specific property value classes (table III-50).

Calculated Area Distribution.—The typical new single-family home insured under Section 203 in 1956 had a calculated area of 1,064 square feet. This was the first year in which the typical new home was larger than the typical existing home (1,060 square feet) since these data were first tabulated in 1948. As indicated by chart III-22 and table III-48, 7 out of every 10 new homes had areas of from 700 to 1,199 square feet, with a heavy concentration in the 900–1,099 square foot range. Existing homes were more widely distributed, with about 28 percent each in the 800–999 square foot and 1,000–1,199 square foot intervals. Existing homes were also relatively more numerous than new homes both in the smaller and larger area groups—those under 800 and those over 1,400 square feet.

The newly constructed dwellings underlying transactions insured in 1956 were, on the average, about 5 percent larger than those involved in the 1955 cases. It is apparent from table III-48 that this gain is a reflection of the greater proportion of houses with areas of 1,100 or more square feet, coupled with the decline in the share of homes with smaller areas. On the other hand, the average existing home increased only 2 percent in size over 1955. Although the distribution of existing homes was more even in nature, an upward shift may be noted, especially in the relative number of insured homes with areas between 1,000 and 1,599 square feet.

Characteristics by Calculated Area.—Selected characteristics of FHA home transactions in 1956 are summarized by calculated floor area in table III-49. For example, new homes with areas of 1,000 to 1,099 square feet involved an average of 1,046 square feet, including 5.2 rooms of which 3 were bedrooms. The average estimated property value was $13,080 and the estimated rental value $101.84. Prospective housing expense, which includes mortgage payment and the cost of household operations as well as maintenance and repair, was estimated at an average of $103.52 each month. For those transactions in which the mortgagors purchased new homes from builders, the total requirements—sale price plus incidental closing costs—averaged $13,489. Nearly two-thirds of the homes were provided with garages or carports.

It is indicated in table III-49 that increases in the calculated area of either new or existing homes were marked by increases in average property values, total requirements, housing expense, rental values, number of rooms and bedrooms, and

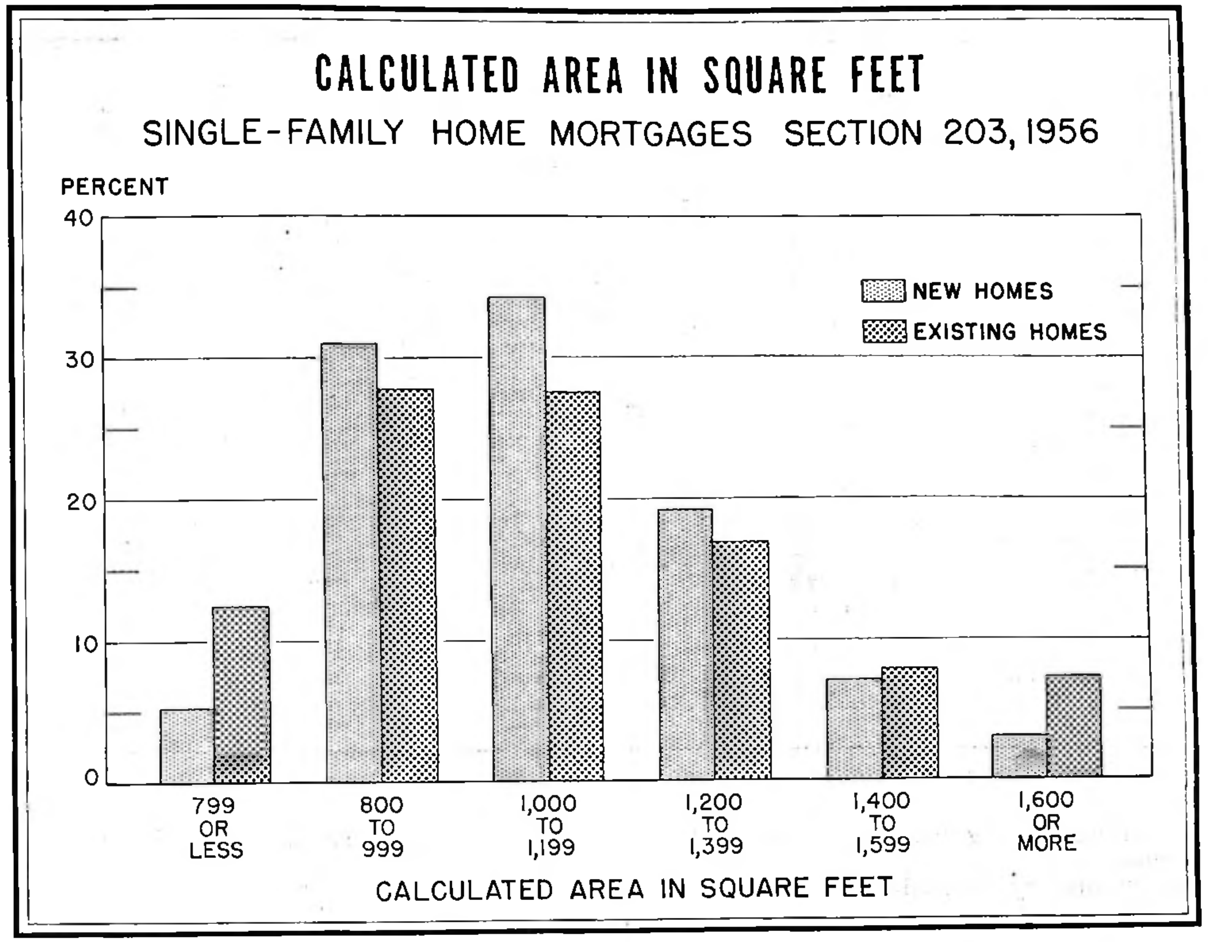

CHART III-22

proportion of homes with garages. Existing homes in the calculated area groups below 1,000 square feet had generally higher average property values, total requirements, monthly housing expenses, and rental values than did corresponding new properties. The higher total requirements and property and rental values of existing properties may reflect their location in central city neighborhoods. It is also probable that the structural and land improvements frequently made to existing properties tend to enhance their prices and values. The greater housing expenses reported for existing homes probably reflect the higher heating and maintenance and repair costs generally experienced with older properties. On the other hand, new homes with areas of more than 1,000 square feet averaged higher total requirements, property values, and housing expenses than were reported for comparable existing properties.

For homes with areas of more than 1,200 square feet, room count averages were usually smaller for new homes than for corresponding existing groups; but the average number of bedrooms was usually larger in those new homes involving areas of less than 1,400 square feet. Garage facilities were relatively more numerous in new properties that were larger than 1,200 square feet.

Relation of Size of House to Property Value

Rooms and Bedrooms by Property Values.—Table III-50 illustrates the relationship between property value and number of rooms and bedrooms provided by structures. Well over half of the new single-family homes covered by the Section 203 transactions insured in 1956 had 5 rooms, compared with 42 percent of the existing properties. The proportion of 6-room houses was nearly identical in both new- and existing-home transactions—28 percent—but houses with fewer than 5 rooms and more than 7 rooms were more numerous in the case of existing properties. The distribution of bedrooms shown in table III-50 indicates that 3-bedroom homes predominated in transactions involving both new and existing homes. However, 4 out of 5 new homes had 3 bedrooms, in contrast with only about half of the existing homes in this category. More than one-

TABLE III-49.—*Property characteristics by calculated area, 1-family homes, Sec. 203, 1956*

Calculated area (square feet)	Percentage distribution	Average: Calculated area (square feet)	Property value	Total requirements [1]	Monthly housing expense	Monthly rental value	Number of rooms	Number of bedrooms	Percent of structures with garage
NEW HOMES									
Less than 700	0.7	611	$9,600	$9,648	$82.11	$75.97	4.2	2.2	35.1
700 to 799	4.6	755	9,943	10,248	85.77	70.28	4.2	2.2	38.2
800 to 899	12.1	855	10,786	11,067	90.46	84.20	4.7	2.6	45.3
900 to 999	18.9	949	11,782	12,134	96.59	91.55	5.0	2.9	59.1
1,000 to 1,099	19.7	1,046	13,080	13,489	103.52	101.84	5.2	2.9	67.4
1,100 to 1,199	14.6	1,147	14,041	14,505	109.93	108.95	5.4	3.0	84.2
1,200 to 1,299	11.7	1,245	14,698	15,193	113.63	113.90	5.5	3.1	91.0
1,300 to 1,399	7.5	1,347	15,571	16,130	120.04	120.29	5.6	3.1	93.1
1,400 to 1,499	4.3	1,445	16,631	17,327	126.87	128.32	5.8	3.1	93.6
1,500 to 1,599	2.8	1,545	18,024	18,911	134.85	136.34	6.0	3.2	94.4
1,600 to 1,799	2.2	1,681	18,833	19,430	143.14	142.91	6.1	3.2	94.7
1,800 to 1,999	.6	1,881	20,776	21,080	154.81	156.97	6.3	3.2	91.7
2,000 or more	.3	2,187	23,143	24,678	169.05	170.11	6.8	3.5	88.9
Total	100.0	1,104	13,399	13,755	106.27	103.03	5.2	2.9	72.8
EXISTING HOMES									
Less than 700	2.2	639	9,397	9,783	84.28	76.69	4.3	2.1	61.7
700 to 799	10.3	755	10,266	10,720	89.50	82.48	4.3	2.2	64.8
800 to 899	13.6	848	10,890	11,369	92.42	87.03	4.6	2.3	74.6
900 to 999	14.2	948	11,675	12,193	97.41	92.17	5.0	2.5	77.2
1,000 to 1,099	15.3	1,047	12,402	12,975	101.79	98.04	5.2	2.7	81.3
1,100 to 1,199	12.3	1,146	13,179	13,786	106.56	103.59	5.4	2.8	86.0
1,200 to 1,299	10.2	1,245	13,845	14,493	111.52	108.68	5.6	2.9	87.7
1,300 to 1,399	6.7	1,345	14,589	15,357	116.50	114.33	5.8	3.0	89.2
1,400 to 1,499	4.7	1,445	15,048	15,829	121.41	117.58	6.0	3.1	90.3
1,500 to 1,599	3.2	1,544	15,698	16,499	126.17	122.16	6.2	3.1	89.3
1,600 to 1,799	3.7	1,685	16,408	17,288	132.31	127.28	6.5	3.3	92.0
1,800 to 1,999	1.8	1,883	16,612	17,351	135.95	128.89	6.7	3.5	90.1
2,000 or more	1.8	2,305	18,241	18,682	151.46	142.02	7.3	3.9	91.2
Total	100.0	1,117	12,756	13,283	105.16	100.66	5.3	2.7	81.1

[1] Data reflect purchase transactions only.

third of all existing homes contained only 2 bedrooms.

As indicated by the median number of rooms and bedrooms, higher valued properties—as would be expected—generally provided more rooms and bedrooms, with bedroom count less affected than room count by changes in value. For new homes valued from $9,000 to $12,999, only slight changes in the typical room count are apparent as values increased, while the typical number of bedrooms remained constant. In the more expensive homes—$13,000 to $20,000 or more—the typical number of rooms increased more significantly although the median number of bedrooms remained nearly constant.

Although the overall median room-count for both new and existing homes was the same (5.7 rooms), existing homes in practically all value classes contained more rooms than were reported for newly constructed dwellings. On the other hand, the typical number of bedrooms in new homes valued between $9,000 and $15,999 was slightly larger in most value ranges than that of existing homes, reflecting the current demand for more bedrooms in the new homes coming on the market. For homes valued at more than $16,000, new and existing homes typically had the same number of bedrooms.

Structures of all room and bedroom counts were reported in nearly all value ranges of new homes and in all value groups of existing homes covered by Section 203 transactions insured in 1956. For new homes, 5-room structures predominated in all value groups from $8,000 to $17,999. In contrast, the existing-home distribution was somewhat more dispersed, with significant proportions of homes of different room counts occurring in most value groups. Three-bedroom homes predominated in nearly all value groups for new homes and in most of the existing-home groups.

Mortgagor's Income Characteristics

In determining the acceptability of a transaction for mortgage insurance under the FHA underwriting system, an evaluation is made of the risk entailed in the mortgage credit elements of the transaction. This involves consideration of such items as mortgagor's income, his financial assets, current and anticipated obligations of a recurring nature, and reasons for applying for the loan.

Owner-occupants were the mortgagors in nearly all of the Section 203 one-family transactions insured in 1956. The ability of an owner-occupant mortgagor to bear the cost of home ownership is measured in terms of his effective income. This is an estimate of the mortgagor's probable earning capacity during the first third of the mortgage term, which experience has indicated is likely to be the most hazardous portion of the life of the mortgage. Incomes of comortgagors or endorsers may be included partially, wholly, or not at all, depending on specific circumstances. This section of the report is devoted to an analysis of the Section 203 owner-occupant transactions insured in 1956, from the viewpoint of mortgagor's income and housing expense.

TABLE III—50.—*Number of rooms and bedrooms by property value, 1-family homes, Sec. 203, 1956*

FHA estimate of property value	Percentage distribution	Number of rooms: Median number of rooms	Percentage distributions: 3-4	5	6	7 or more	Number of bedrooms: Median number of bedrooms	Percentage distributions: 1-2	3	4 or more
NEW HOMES										
Less than $7,000	0.1	4.6	79.4	10.3	10.3	----------	2.6	79.3	13.8	6.9
$7,000 to $7,999	1.4	4.8	62.8	34.5	2.2	0.5	2.8	64.9	34.3	.8
$8,000 to $8,999	3.9	5.3	32.2	64.8	2.8	.2	3.2	34.5	65.0	.5
$9,000 to $9,999	9.4	5.4	17.4	72.7	9.8	.1	3.4	19.8	77.3	2.9
$10,000 to $10,999	10.4	5.5	18.1	66.5	15.2	.2	3.4	22.0	74.2	3.8
$11,000 to $11,999	10.5	5.5	15.9	65.0	18.6	.5	3.4	21.3	75.1	3.6
$12,000 to $12,999	11.4	5.6	10.5	61.1	27.4	1.0	3.4	15.7	80.4	3.9
$13,000 to $13,999	12.5	5.7	6.5	65.4	26.5	1.6	3.5	12.1	83.9	4.0
$14,000 to $14,999	10.8	5.8	4.7	60.4	32.9	2.0	3.5	9.2	86.0	4.8
$15,000 to $15,999	9.3	5.8	4.3	55.2	36.9	3.6	3.5	8.7	84.6	6.7
$16,000 to $17,999	11.5	6.0	2.6	45.9	45.0	6.5	3.5	6.2	84.7	9.1
$18,000 to $19,999	5.2	6.2	1.8	37.9	51.4	8.9	3.5	4.6	85.6	9.8
$20,000 or more	3.6	6.5	1.0	22.2	53.4	23.4	3.6	4.1	77.2	18.7
Total	100.0	5.7	10.7	58.5	27.8	3.0	3.4	14.9	79.7	5.4
Median value	$13,203	----------	$10,805	$12,803	$14,807	$16,727	----------	$11,451	$13,466	$15,253
EXISTING HOMES										
Less than $7,000	1.5	5.1	48.5	21.2	21.9	8.4	2.7	65.4	26.0	8.6
$7,000 to $7,999	3.4	4.9	50.2	28.2	14.7	6.9	2.7	71.2	22.3	6.5
$8,000 to $8,999	7.0	5.2	44.2	37.6	14.0	4.2	2.7	70.9	25.4	3.7
$9,000 to $9,999	10.7	5.3	38.6	39.8	16.9	4.7	2.8	61.5	34.5	4.0
$10,000 to $10,999	11.7	5.5	29.9	44.5	20.6	5.0	2.9	50.5	44.8	4.7
$11,000 to $11,999	11.2	5.6	22.3	48.1	23.9	5.7	3.2	41.3	53.0	5.7
$12,000 to $12,999	11.7	5.7	17.2	50.0	26.2	6.6	3.2	36.1	57.6	6.3
$13,000 to $13,999	10.2	5.8	13.2	48.6	30.7	7.5	3.3	30.3	62.2	7.5
$14,000 to $14,999	8.5	5.8	10.2	47.5	33.7	8.6	3.4	25.7	67.1	7.2
$15,000 to $15,999	6.7	5.9	7.2	42.9	39.4	10.5	3.4	19.2	71.2	9.6
$16,000 to $17,999	8.5	6.2	5.0	38.4	43.3	13.3	3.5	16.7	73.1	10.2
$18,000 to $19,999	4.3	6.4	2.1	29.9	46.5	21.5	3.5	10.9	74.7	14.4
$20,000 or more	4.6	6.6	1.7	18.1	48.5	31.7	3.6	7.7	71.5	20.8
Total	100.0	5.7	20.9	41.9	28.3	8.9	3.2	38.5	54.1	7.4
Median value	$12,261	----------	$10,234	$12,376	$13,763	$14,704	----------	$10,734	$13,409	$1 ,993

Mortgagor's Income Distribution.—As depicted in chart III-23 and table III-51, the annual effective incomes of nearly three-quarters of the occupant mortgagors were in the range of $4,000 to $7,999, with the heaviest concentration (2 out of 5 home buyers) in the $4,000 to $5,999 category. Observation of the chart shows a striking similarity in the income patterns for the purchasers of new and existing homes. Slight variation is evident in the $4,000–$9,999 intervals, where new-home buyers were relatively more prevalent, and in the less than $3,999 and more than $10,000 groups, where existing-home buyers were more numerous. Table III-51 compares the mortgagor income distributions for 1956 with those of previous selected years.

The major changes in income distribution from 1955 to 1956 were the substantial reductions in the proportions of both new- and existing-home owners with incomes below $5,000 and a moderate increase in the proportion at all income levels

TABLE III-51.—*Mortgagor's annual income, 1-family homes, Sec. 203, selected years*

Mortgagor's effective annual income	New homes—percentage distributions: 1956	1955	1954	1950	1946	Existing homes—percentage distributions: 1956	1955	1954	1950	1946
Less than $2,000	(1)	(1)	(1)	0.2	2.0	(1)	(1)	(1)	0.4	4.5
$2,000 to $2,999	0.3	0.6	1.0	12.0	31.8	0.4	0.6	0.8	8.9	34.2
$3,000 to $3,999	6.1	10.6	15.5	43.4	37.3	0.6	10.0	10.6	33.5	33.8
$4,000 to $4,999	20.0	26.5	30.2	24.0	10.3	21.3	24.6	24.3	24.1	13.8
$5,000 to $5,999	21.4	21.0	19.2	9.7	4.1	20.4	19.9	18.4	11.9	4.3
$6,000 to $6,999	19.0	16.8	14.8	5.8	4.3	17.5	16.5	16.6	9.4	4.4
$7,000 to $7,999	13.0	10.6	9.0	2.5	1.7	12.6	11.3	11.6	4.9	1.9
$8,000 to $8,999	7.3	5.0	4.2	1.0	.4	7.5	6.2	6.2	2.1	.8
$9,000 to $9,999	5.4	3.7	2.8	.6	.3	5.3	4.3	4.6	1.7	.8
$10,000 to $10,999	3.1	2.0	1.3	.3	.2	3.3	2.3	2.7	1.0	.4
$11,000 to $11,999	1.2	.7	.5	.1	.1	1.3	1.0	1.0	.3	.1
$12,000 or more	3.2	1.9	1.5	.4	.6	3.8	3.3	3.2	1.8	1.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	$6,541	$5,909	$5,633	$4,213	$3,619	$6,583	$6,223	$6,245	$4,837	$3,640
Median	$6,054	$5,484	$5,139	$3,861	$3,313	$6,033	$5,669	$5,696	$4,274	$3,101

[1] Less than 0.05 percent.

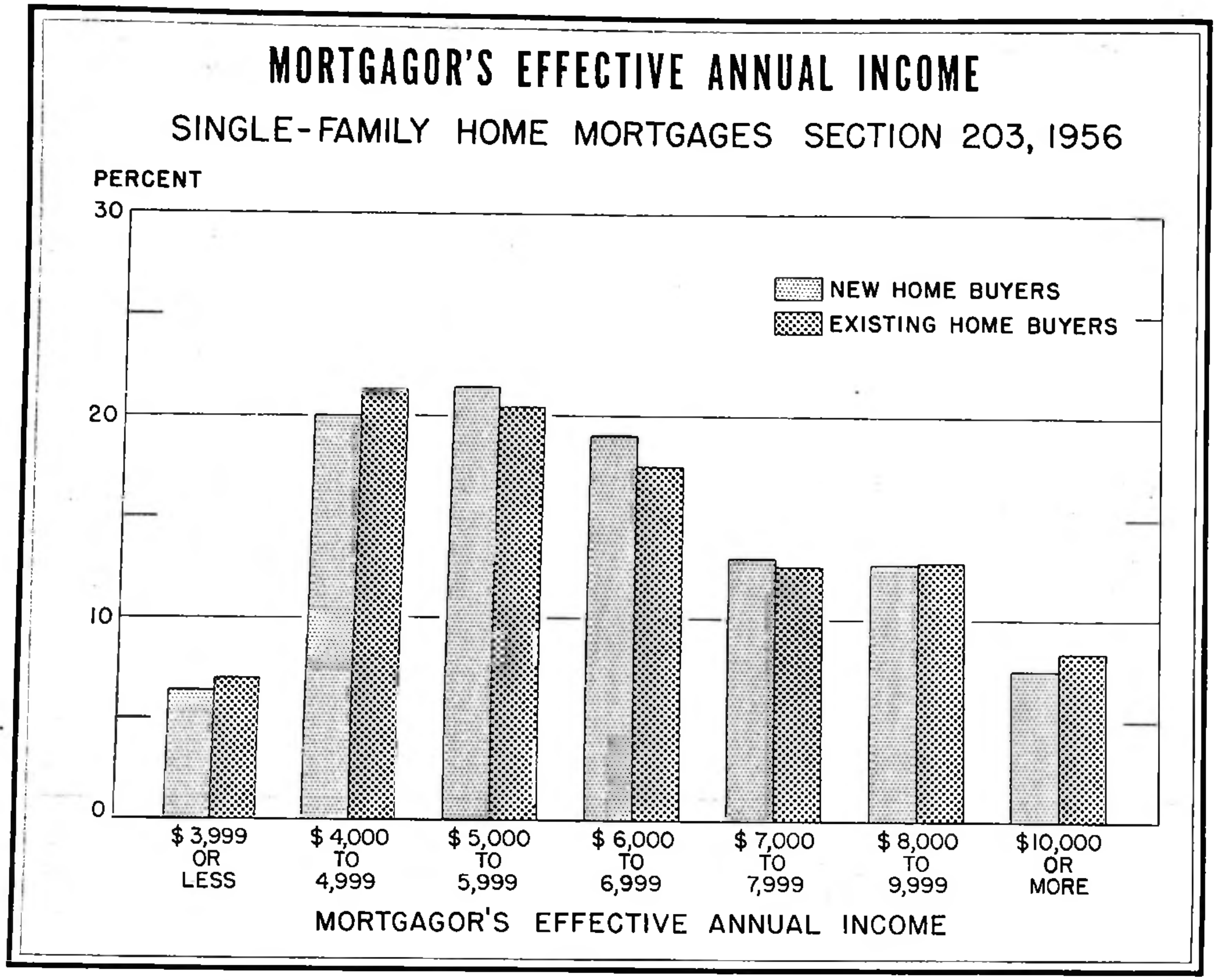

CHART III–23

above $5,000. Incomes of new-home mortgagors averaged $6,541—about one-tenth higher than in 1955—while the income levels of existing-home buyers increased about 6 percent to $6,583.

The upward trend in the incomes of FHA home-owners was more apparent than the comparable rise in nonfarm income. While nonfarm family income rose an estimated 5 percent during the year—slightly less than for FHA existing-home purchasers—the increase in income for FHA new-home buyers was significantly higher (table III–51). This differential is a reflection of the improved quality of the new homes constructed under the more liberal financing provisions included in the Housing Act of 1954.

Characteristics by Mortgagor's Monthly Income.—Characteristics of the Section 203 occupant-mortgagor transactions are grouped by mortgagor monthly income groups and shown in table III–52 (transaction and property characteristics) and table III–53 (financial characteristics). For example, table III–52 indicates that the new-home mortgagors with monthly incomes of $400 to $449 purchased properties averaging $12,252 in sale price and valued by FHA at $12,211 or nearly 2½ times their average annual income. The total requirements for this transaction, including $262 for incidental closing costs, were $12,514. The house contained 5 rooms and had a calculated area of 1,037 square feet. The mortgage obligation which helped make this transaction possible averaged $10,301 or 84 percent of the appraised value and provided for monthly installments of $76.19 (including $12.14 in property taxes, as well as debt service and insurance) over a period of nearly 26 years. The total monthly housing expense (including mortgage payment as well as repairs and maintenance) averaged $97.97 or 23 percent of the mortgagor's monthly income.

For both new- and existing-home transactions, the level of sale prices, property values, mortgage amounts, and monthly obligations increased with advances in mortgagor's income but not in the

TABLE III–52.—*Transaction and property characteristics by mortgagor's income, 1-family homes, Sec. 203, 1956*

Mortgagor's effective monthly income	Percentage distribution	Average							Percent ratio of loan to value	Ratio of property value to income
		Mortgagor's annual income	Total requirements [1]	Sale price [1]	Property value	Mortgage amount	Calculated area (square feet)	Number of rooms		
NEW HOMES										
Less than $250	0.3	$2,595	$8,892	$8,696	$8,993	$7,118	842	4.7	79.2	3.47
$250 to $299	1.9	3,325	9,472	9,253	9,454	8,051	889	4.8	85.2	2.84
$300 to $349	7.1	3,919	10,476	10,242	10,322	8,870	931	4.9	85.9	2.63
$350 to $399	11.5	4,472	11,485	11,237	11,279	9,591	980	5.0	85.0	2.52
$400 to $449	14.0	5,064	12,514	12,252	12,211	10,301	1,037	5.1	84.4	2.41
$450 to $499	12.1	5,640	13,246	12,984	12,907	10,816	1,066	5.2	83.8	2.29
$500 to $549	12.8	6,228	13,842	13,560	13,478	11,251	1,103	5.2	83.5	2.16
$550 to $599	8.6	6,851	14,514	14,219	14,145	11,724	1,140	5.3	82.9	2.06
$600 to $649	7.8	7,418	14,893	14,596	14,485	12,005	1,177	5.4	82.9	1.95
$650 to $699	6.0	8,028	15,293	14,989	14,870	12,296	1,191	5.4	82.7	1.85
$700 to $799	7.5	8,883	16,122	15,792	15,676	12,831	1,238	5.5	81.9	1.76
$800 to $899	4.5	10,064	17,000	16,700	16,615	13,605	1,205	5.6	81.9	1.65
$900 to $999	1.8	11,238	17,791	17,399	17,413	14,120	1,334	5.7	81.1	1.55
$1,000 or more	3.2	14,837	18,978	18,585	18,315	14,834	1,417	5.7	81.0	1.23
Total	100.0	6,541	13,752	13,468	13,406	11,178	1,105	5.2	83.4	2.05
EXISTING HOMES										
Less than $250	.4	2,651	7,936	7,715	7,864	6,259	911	4.6	79.6	2.97
$250 to $299	2.0	3,326	9,109	8,876	8,914	7,305	955	4.9	81.9	2.68
$300 to $349	7.6	3,916	10,012	9,772	9,712	8,011	955	4.9	82.5	2.48
$350 to $399	12.3	4,476	11,055	10,806	10,688	8,724	996	5.0	81.6	2.39
$400 to $449	14.9	5,054	11,946	11,685	11,402	9,324	1,036	5.1	81.1	2.27
$450 to $499	11.5	5,640	12,608	12,428	12,187	9,842	1,082	5.2	80.8	2.16
$500 to $549	12.0	6,224	13,193	12,921	12,647	10,190	1,107	5.3	80.6	2.03
$550 to $599	7.9	6,850	13,830	13,538	13,243	10,596	1,132	5.3	80.0	1.93
$600 to $649	7.5	7,420	14,345	14,060	13,712	10,944	1,173	5.4	79.8	1.85
$650 to $699	5.9	8,031	14,932	14,623	14,232	11,364	1,197	5.5	79.8	1.77
$700 to $799	7.7	8,879	15,833	15,498	15,093	11,959	1,246	5.6	79.2	1.70
$800 to $899	4.6	10,064	17,047	16,713	16,140	12,750	1,312	5.7	79.0	1.60
$900 to $999	1.9	11,233	17,907	17,545	16,955	13,356	1,391	5.8	78.8	1.51
$1,000 or more	3.8	15,094	19,788	19,365	18,720	14,504	1,486	6.0	77.5	1.24
Total	100.0	6,583	13,274	12,991	12,751	10,241	1,117	5.3	80.3	1.94

[1] Based on purchase transactions only.

same proportions. For example, the average mortgagor income in the $700 to $799 group was twice as large as that for the $350 to $399 group, but the sale price, property values, mortgage amounts and payments, and estimated housing expenses of the higher income group was only 1.2 or 1.3 times as large. Further evidence of this proportionate relationship between increases in income and other items is illustrated by the steady decline in the loan-value and value-income ratios shown in table III–52 and the ratios of housing expense to income and mortgage payment to income in table III–53 (and depicted in chart III–24).

Although this pattern may also be typical for non-FHA purchasing, the extent of the relationship for FHA transactions is exaggerated by two circumstances. First, operative builders utilizing FHA-insurance assistance tend to construct homes in the price ranges of effective market demand and at the same time are eligible for the most favorable FHA-insured financing terms. Secondly, higher-income buyers can finance more expensive homes with conventional loans because they can afford the initial downpayment as well as the higher monthly obligations. As shown in table III–52, total requirements, sales prices, property values, and mortgage amounts for new homes were higher within corresponding income groups than for existing-home mortgagors. In contrast, ratio of loan-to-value was lower for existing homes, reflecting the statutory requirements in effect during much of 1956. The ratio of property value to income, in line with the trend in property values, averaged higher for new-home mortgagors except where monthly incomes exceeded $1,000.

As indicated in table III–53, the term of new-home mortgages was consistently longer than for existing-home mortgages for all income classes, reflecting the longer economic life of new properties. Despite the shorter repayment period for existing-home mortgages, the higher average mortgage amounts for new-home owners was sufficiently large in corresponding income groups to make the monthly mortgage payment for new-home owners higher in nearly all of the income groups. On the average, the share of the new-home mortgagor's income required for mortgage payment averaged 15.2 percent—compared with the 14.8 percent reported for existing-home owners. In line with the higher mortgage payments, total monthly housing expense was also higher for all new-home income classes below $900, even though the cost of household operation and repair and maintenance averaged higher for existing homes in all but the $800–$899 income class. Within individual income classes, new-home mortgagors were devoting slightly larger shares of their income to housing expense in practically all income classes below $800.

Housing Expense by Mortgagor's Monthly In-

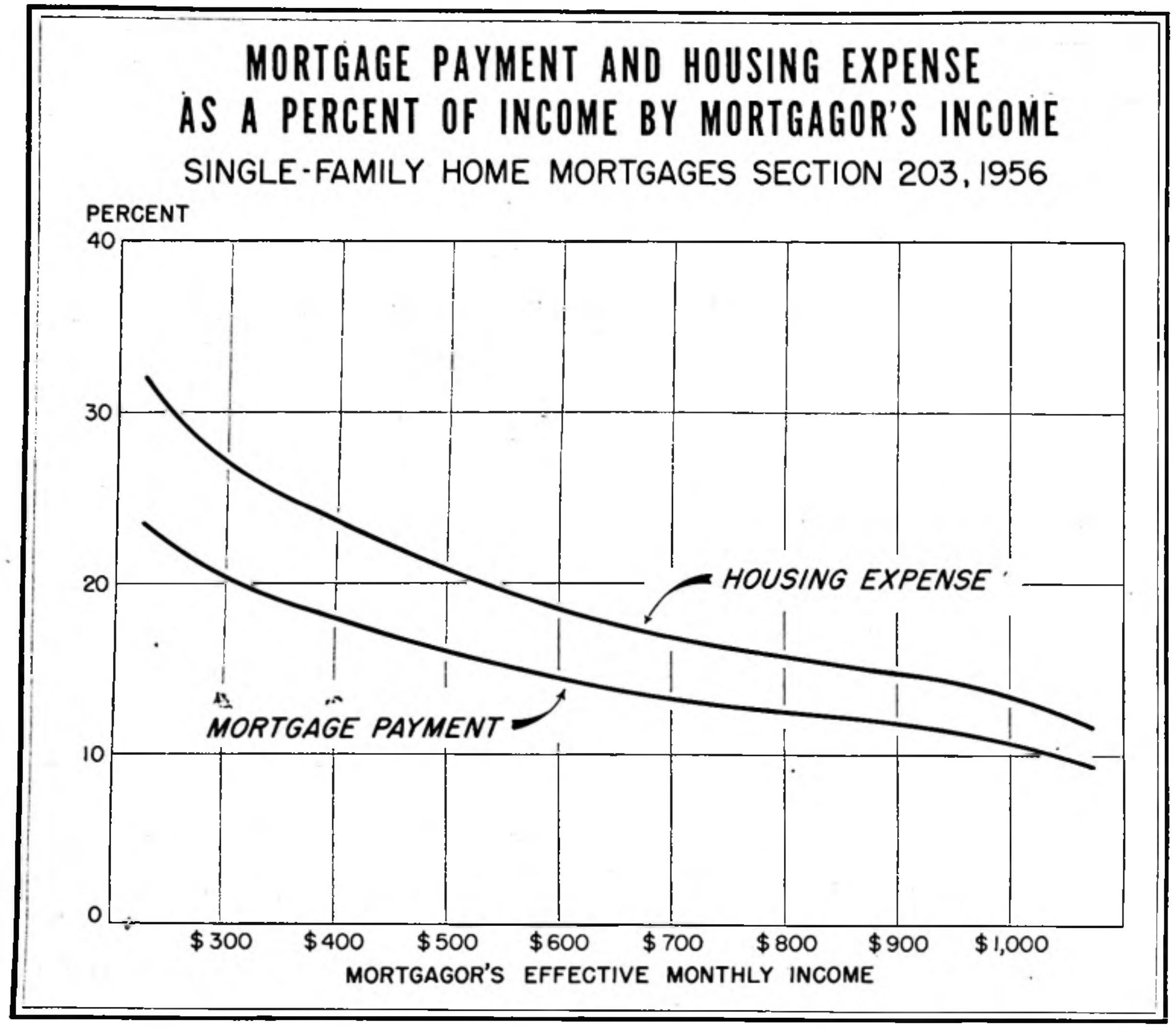

CHART III–24

come.—A basic consideration in the determination of mortgage risk under the FHA underwriting procedure is the relationship between the mortgagor's income and his prospective housing expense. Table III–54 shows distributions of monthly housing expense by income classes of owner-occupant mortgagors involved in Section 203 transactions insured in 1956.

The monthly housing expense medians for each income group indicate that housing expense rose with increases in mortgagor's income but at a slower rate in the higher income levels, ranging from $71.62 for new-home mortgagors with monthly incomes under $250 to $140.61 for those earning $1,000 or more monthly. For existing-home mortgagors, the corresponding low and high housing expense medians were $69.74 and $146.82, with only the medians for the $900 and $1,000 or more income groups exceeding those characterizing new-home mortgagors with similar incomes.

As demonstrated by chart III–25, housing expense varied considerably in all income classes, with the spread increasing as the income increased. In many instances, the relatively low housing expenses reported by some high income mortgagors reflects the purchase of moderate priced homes by these families.

Within corresponding income groups up to $900, median housing expenses of new-home buyers exceeded those of existing-home buyers, in line with higher mortgage payments resulting from the purchase of higher valued homes.

Purchase Transaction Characteristics

The predominant reason for mortgage financing under Section 203 during 1956 was the purchase of a home for personal long-term occupancy. During 1956, 87 percent of the new-home and

TABLE III–53.—*Financial characteristics by mortgagor's income, 1-family homes, Sec. 203, 1956*

Mortgagor's effective monthly income	Percentage distribution	Average monthly income	Average		Monthly average			Percent of income	
			Mortgage amount	Term of mortgage (years)	Property taxes	Total mortgage payment	Prospective housing expense	Mortgage payment	Housing expense
NEW HOMES									
Less than $250	0.3	$216.27	$7,118	24.6	$6.83	$52.01	$70.96	24.5	32.8
$250 to $299	1.9	277.05	8,051	25.1	8.33	59.36	70.07	21.4	28.5
$300 to $349	7.1	326.61	8,870	25.3	9.71	65.09	85.65	19.9	26.2
$350 to $399	11.5	372.69	9,501	25.6	11.19	70.49	91.91	18.9	24.7
$400 to $449	14.9	422.00	10,301	25.7	12.14	76.19	97.97	18.1	23.2
$450 to $499	12.1	469.96	10,816	25.7	12.89	79.80	102.69	17.0	21.9
$500 to $549	12.8	519.04	11,251	25.7	13.73	83.37	106.52	16.1	20.5
$550 to $599	8.6	570.88	11,724	25.7	14.51	86.72	110.80	15.2	19.4
$600 to $649	7.8	618.15	12,005	25.5	14.78	89.36	113.03	14.5	18.4
$650 to $699	6.0	669.03	12,296	25.6	15.67	91.79	116.44	13.7	17.4
$700 to $799	7.5	740.22	12,831	25.4	16.39	96.08	121.65	13.0	16.4
$800 to $899	4.5	838.67	13,605	25.5	17.70	101.83	128.79	12.1	15.4
$900 to $999	1.8	936.48	14,129	25.5	19.03	108.20	133.64	11.6	14.3
$1,000 or more	3.2	1,236.38	14,834	25.5	20.28	113.39	141.21	9.2	11.4
Total	100.0	545.09	11,178	25.6	13.04	83.00	106.27	15.2	19.5
EXISTING HOMES									
Less than $250	.4	220.88	6,259	21.2	7.38	50.91	70.00	23.0	31.7
$250 to $299	2.0	277.14	7,305	21.8	8.58	58.55	79.01	21.1	28.5
$300 to $349	7.6	326.32	8,011	22.3	10.02	63.27	85.01	19.4	26.1
$350 to $399	12.3	373.00	8,724	22.6	11.10	68.89	90.96	18.5	24.4
$400 to $449	14.9	421.18	9,324	22.6	12.00	73.62	96.20	17.5	22.8
$450 to $499	11.5	469.98	9,842	22.7	12.87	77.65	101.09	16.5	21.5
$500 to $549	12.0	518.63	10,190	22.6	13.17	80.52	104.12	15.5	20.1
$550 to $599	7.9	571.57	10,596	22.5	14.07	84.00	108.22	14.7	18.9
$600 to $649	7.5	619.07	10,944	22.5	14.52	86.57	111.46	14.0	18.0
$650 to $699	5.9	669.21	11,364	22.6	15.40	90.02	115.82	13.5	17.3
$700 to $799	7.7	739.88	11,959	22.6	16.09	94.60	120.89	12.8	16.3
$800 to $899	4.6	838.65	12,750	22.5	17.25	102.63	128.75	12.2	15.4
$900 to $999	1.9	936.11	13,356	22.3	19.08	107.48	135.42	11.5	14.5
$1,000 or more	3.8	1,257.82	14,504	22.1	20.95	118.56	147.97	9.4	11.8
Total	100.0	548.61	10,241	22.5	13.48	81.24	105.16	14.8	19.2

TABLE III–54.—*Housing expense by mortgagor's income, 1-family homes, Sec. 203, 1956*

Mortgagor's effective monthly income	Percentage distribution	Median monthly housing expense	Monthly housing expense—percentage distributions											
			Less than $60.00	$60 to $69	$70 to $79	$80 to $89	$90 to $99	$100 to $109	$110 to $119	$120 to $129	$130 to $139	$140 to $149	$150 or more	Total
NEW HOMES														
Less than $250	0.3	$71.62	10.9	32.6	40.2	12.0	4.3	---	---	---	---	---	---	100.0
$250 to $299	1.9	78.89	1.8	12.7	40.4	36.5	7.0	1.3	0.3	---	---	---	---	100.0
$300 to $349	7.1	85.81	.8	4.0	21.0	41.9	24.2	7.4	.7	(1)	---	---	---	100.0
$350 to $399	11.5	92.52	.3	2.5	11.0	28.0	32.6	20.5	4.4	0.5	---	---	0.2	100.0
$400 to $449	14.9	99.34	.1	1.2	6.4	17.9	26.2	30.5	15.3	2.0	0.3	(1)	.1	100.0
$450 to $499	12.1	103.80	.1	.9	4.2	13.2	21.0	28.1	23.1	8.0	1.1	0.1	.2	100.0
$500 to $549	12.8	108.00	.1	.5	3.4	10.5	16.6	23.5	24.5	15.9	4.3	.5	.2	100.0
$550 to $599	8.6	111.08	.1	.6	2.5	8.7	13.9	19.6	23.0	17.7	10.5	2.7	.7	100.0
$600 to $649	7.8	114.24	.1	.4	2.1	7.2	12.1	19.2	21.1	18.0	13.0	5.3	1.5	100.0
$650 to $699	6.0	116.70	.2	.4	1.4	5.9	10.7	18.7	18.9	18.1	13.7	8.1	3.9	100.0
$700 to $799	7.5	121.42	---	.3	1.1	4.7	9.0	14.8	17.5	17.9	14.4	9.6	10.7	100.0
$800 to $899	4.5	128.51	---	.1	.4	3.0	5.8	11.5	14.8	16.9	17.1	12.2	18.2	100.0
$900 to $999	1.8	132.97	.2	---	.4	2.5	7.3	9.5	12.3	13.3	15.2	12.7	26.6	100.0
$1,000 or more	3.2	140.61	.2	.3	.7	2.3	4.3	7.5	10.0	12.0	12.0	12.4	38.3	100.0
Total	100.0	104.60	.3	1.4	6.1	14.8	18.2	20.2	16.0	10.1	6.0	3.1	3.8	100.0
Median income	---	---	$346.88	$362.80	$377.38	$409.06	$444.47	$488.96	$538.18	$605.85	$671.44	$743.47	$864.29	$508.64
EXISTING HOMES														
Less than $250	.4	69.74	17.9	33.0	28.3	14.5	4.0	2.3	---	---	---	---	---	100.0
$250 to $299	2.0	78.59	2.0	17.6	36.0	33.2	8.4	2.0	.5	.3	---	---	---	100.0
$300 to $349	7.6	85.11	1.8	7.3	23.0	35.1	23.5	8.1	1.1	.1	---	---	---	100.0
$350 to $399	12.3	91.83	.6	3.9	13.8	26.2	29.9	20.0	4.9	.5	.1	---	.1	100.0
$400 to $449	14.9	97.12	.5	2.6	9.3	18.5	26.8	25.2	13.9	2.7	.2	.1	.2	100.0
$450 to $499	11.5	101.96	.4	1.6	6.5	14.6	22.4	23.1	21.4	8.0	1.5	.2	.3	100.0
$500 to $549	12.0	104.89	.2	1.3	6.3	13.2	18.5	21.3	19.9	13.0	5.1	.8	.4	100.0
$550 to $599	7.9	109.02	.2	1.1	5.1	11.3	15.8	18.3	19.2	15.5	9.0	3.3	1.2	100.0
$600 to $649	7.5	111.57	.2	.9	3.9	9.7	15.7	16.9	17.0	15.3	11.7	6.1	2.6	100.0
$650 to $699	5.9	114.95	.1	.6	3.3	7.6	13.2	16.6	17.3	14.5	11.8	8.3	6.7	100.0
$700 to $799	7.7	120.14	---	.7	2.4	6.7	11.2	13.7	15.1	14.7	12.3	9.7	13.5	100.0
$800 to $899	4.6	128.06	(1)	.3	2.2	4.1	8.1	10.5	14.3	13.0	13.6	11.4	22.5	100.0
$900 to $999	1.9	134.94	.1	.4	1.3	3.2	7.0	10.1	11.4	11.3	10.5	12.7	32.0	100.0
$1,000 or more	3.8	146.82	.1	.2	.6	3.0	4.4	6.2	7.2	10.1	11.2	10.2	46.8	100.0
Total	100.0	102.16	.5	2.5	8.4	15.0	19.2	17.7	13.7	8.5	5.3	3.3	5.3	100.0
Median income	---	---	$358.33	$372.94	$397.46	$421.45	$449.29	$487.47	$534.38	$603.20	$667.28	$732.93	$871.45	$505.38

[1] Less than 0.05 percent.

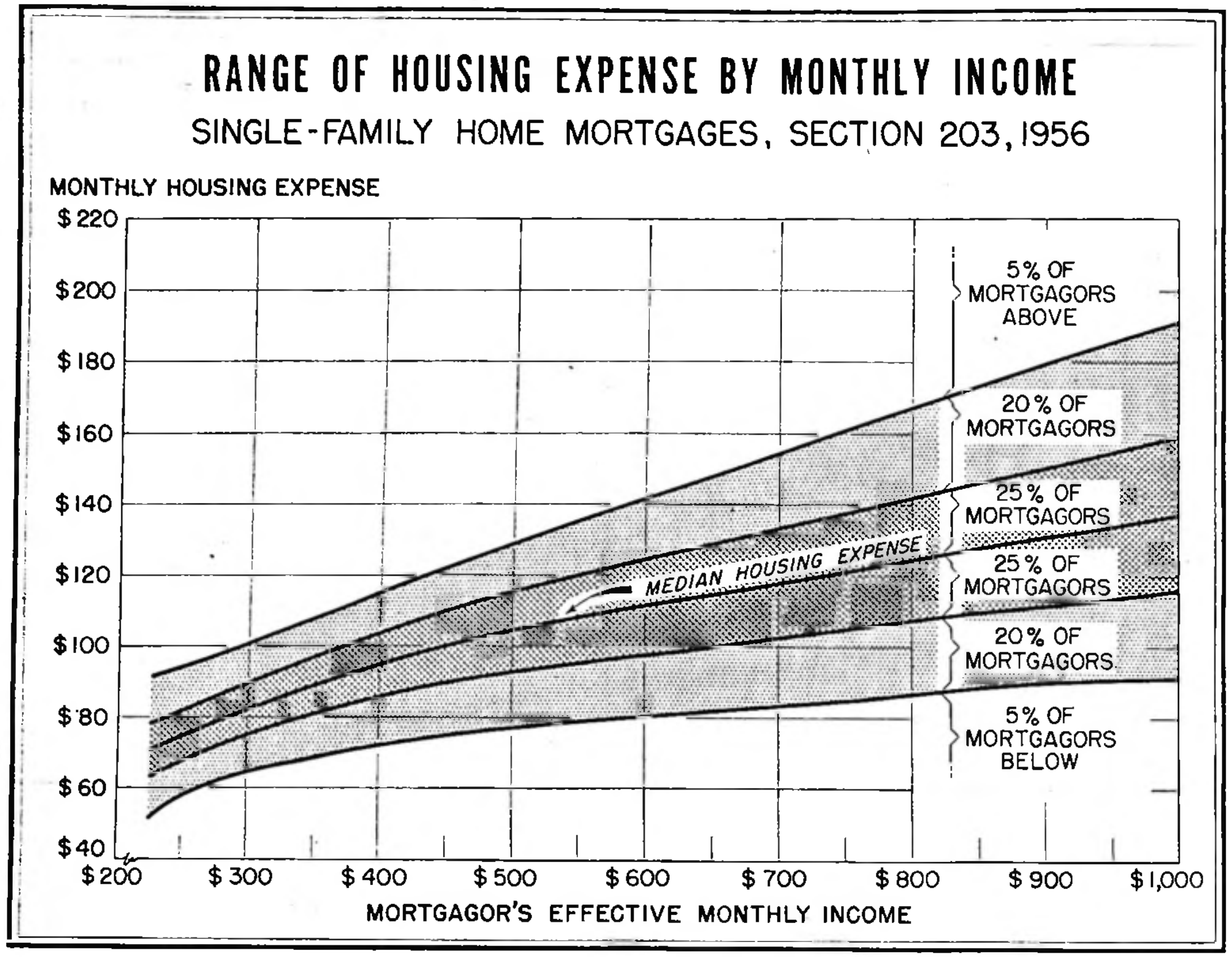

CHART III–25

almost 90 percent of the existing-home transactions involved purchases by occupant mortgagors.

Characteristics by Total Requirements.—Averages of total requirements, sale prices, FHA estimates of values, mortgage amounts, mortgagors' annual effective incomes, and current investment (i. e., cash required over and above mortgage amounts, but exclusive of prepaid recurring expenses) for purchase transactions insured in 1956 are presented by total requirement groups in table III–55. Also shown are the ratios of mortgage amount to property value and to total requirements, and the ratio of current investment to mortgagor income.

As the total requirements increased, not only did current investments (downpayments plus closing costs) of Section 203 transactions grow but the ratio of investment to total requirements also rose, although the rate of increase was higher and current investment made up a relatively larger share of the total requirements in the higher price brackets. For example, average total requirements in the $17,000 new homes was more than double that of the $8,000 group, but the average current investment was almost 5 times larger and the ratio of current investment to total requirements nearly 2½ times more.

Downpayments made by most homeowners are derived largely from savings from income; therefore, the relationship of the current investments of home buyers to their incomes is particularly important. The heavier burden of outlays for existing-home purchases is indicated in table III–55 by the average spread of 6 percentage points in the ratio of current investment to income. For example, in 1956 the current investment for new-home buyers was almost 40 percent of income and for existing-home buyers nearly 46 percent. Moreover the current investment of existing-home purchasers was consistently higher than that of new-home buyers in corresponding total requirements classes, indicating the higher downpayments and incidental closing costs (sometimes including repairs) required of existing-home buyers. Even more significant is the fact that the current investment of new-home buyers represented a lower proportion of income than did the current investment of existing-home buyers,

TABLE III–55.—*Purchase transaction characteristics by total requirements, 1-family homes, Sec. 203, 1956*

Total requirements	Percentage distribution	Average						Mortgage as percent of—		Current investment as percent of income
		Total requirements	Sale price	Property value	Mortgage amount	Mortgagor's annual income	Current investment [1]	Property value	Total requirements	
NEW HOMES										
Less than $8,000	1.5	$7,283	$7,093	$7,646	$6,596	$4,484	$687	86.3	90.6	15.3
$8,000 to $8,999	3.5	8,563	8,366	8,542	7,742	4,731	821	90.6	90.4	17.4
$9,000 to $9,999	8.8	9,510	9,290	9,376	8,555	5,070	955	91.2	90.0	18.8
$10,000 to $10,999	9.5	10,477	10,242	10,282	9,155	5,363	1,322	89.0	87.4	24.7
$11,000 to $11,999	9.9	11,484	11,236	11,190	9,780	5,756	1,704	87.4	85.2	29.6
$12,000 to $12,999	10.6	12,500	12,252	12,191	10,433	6,000	2,076	85.6	83.4	34.6
$13,000 to $13,999	11.7	13,503	13,224	13,150	11,032	6,226	2,471	83.9	81.7	39.7
$14,000 to $14,999	11.4	14,458	14,183	14,068	11,670	6,620	2,788	83.0	80.7	42.1
$15,000 to $15,999	9.6	15,455	15,164	14,996	12,267	6,989	3,188	81.8	79.4	45.6
$16,000 to $16,999	7.6	16,458	16,127	15,854	12,835	7,441	3,623	81.0	78.0	48.7
$17,000 to $17,999	5.5	17,442	17,105	16,771	13,450	7,935	3,992	80.2	77.1	50.3
$18,000 to $18,999	3.6	18,451	18,114	17,728	14,062	8,523	4,389	79.3	76.2	51.5
$19,000 to $19,999	2.4	19,488	19,086	18,527	14,684	8,935	4,804	79.3	75.3	53.8
$20,000 to $21,999	2.2	20,845	20,410	19,649	15,538	9,725	5,307	79.1	74.5	54.6
$22,000 to $24,999	1.5	23,203	22,753	21,651	16,880	11,208	6,323	78.0	72.7	56.4
$25,000 or more	.7	26,849	26,380	24,122	18,431	12,731	8,418	76.4	68.6	66.1
Total	100.0	13,752	13,468	13,334	11,164	6,542	2,588	83.7	81.2	39.6
EXISTING HOMES										
Less than $8,000	4.2	7,086	6,874	7,020	5,976	4,679	1,110	85.1	84.3	23.7
$8,000 to $8,999	6.5	8,538	8,326	8,367	7,240	5,084	1,298	86.5	84.8	25.5
$9,000 to $9,999	9.4	9,498	9,261	9,240	7,994	5,334	1,504	86.5	84.2	28.2
$10,000 to $10,999	10.8	10,516	10,276	10,170	8,611	5,568	1,905	84.7	81.9	34.2
$11,000 to $11,999	10.8	11,478	11,224	11,064	9,219	5,832	2,259	83.3	80.3	38.7
$12,000 to $12,999	11.0	12,502	12,248	11,986	9,841	6,076	2,661	82.1	78.7	43.8
$13,000 to $13,999	10.4	13,476	13,197	12,916	10,438	6,393	3,038	80.8	77.5	47.5
$14,000 to $14,999	8.7	14,470	14,193	13,844	11,058	6,728	3,412	79.9	76.4	50.7
$15,000 to $15,999	7.4	15,457	15,158	14,752	11,691	7,082	3,766	79.3	75.6	53.2
$16,000 to $16,999	5.7	16,462	16,113	15,605	12,263	7,537	4,199	78.6	74.5	55.7
$17,000 to $17,999	4.2	17,440	17,103	16,510	12,861	7,906	4,579	77.9	73.7	57.9
$18,000 to $18,999	3.0	18,457	18,104	17,440	13,495	8,583	4,962	77.4	73.1	57.8
$19,000 to $19,999	2.1	19,432	19,043	18,339	14,281	8,936	5,151	77.9	73.5	57.6
$20,000 to $21,999	2.6	20,881	20,490	19,622	15,091	9,917	5,790	76.9	72.3	58.4
$22,000 to $24,999	1.9	23,312	22,798	21,442	16,402	10,891	6,910	76.5	70.4	63.4
$25,000 or more	1.3	27,324	26,638	24,334	18,342	12,629	8,982	75.4	67.1	71.1
Total	100.0	13,274	12,991	12,684	10,281	6,538	2,993	81.1	77.5	45.8

[1] Total requirements less mortgage amount.

throughout all corresponding total requirement brackets. Closing costs (total requirements minus sale price) averaged $284 for new-home buyers and $283 for existing, the latter average reflecting to some extent the cost of minor repairs. The level of closing costs is related to the amount of the mortgage and the number and amount of the items which may be included, such as financing charges, recording fees and taxes, costs of credit reports, property surveys, title examinations, and insurance and other charges and fees which are customary in the particular locality. Also affecting the levels of closing costs was the tendency on the part of the builders in some communities to absorb part or all the closing costs in the sale price in order to promote the sale of their properties.

CHARACTERISTICS OF MULTIFAMILY HOUSING MORTGAGE TRANSACTIONS

This analysis of the characteristics of multifamily housing is based on the commitments issued by FHA during 1956 for the insurance of mortgages to be secured by newly constructed rental or cooperative housing. There were a total of 290 commitments issued, covering a total of 17,900 dwelling units—10,900 to provide rental housing (1,200 under Sec. 207, 3,600 Section 220 urban renewal, and 6,100 Section 803 armed services housing) and 7,000 cooperative housing units (4,600 in sales-type projects and 2,400 in management-type projects). Commitments on existing construction were excluded from the analysis. Of the 6 commitments in this category, 5 were issued under Section 207 pursuant to Section 223—4 to refinance the sale of public housing and 1 to reinsure the sale by FHA of an acquired Section 608 project—and 1 commitment covered a Section 213 management-type project involving the rehabilitation of existing construction. Also excluded was 1 commitment issued under Section 207 which covered a proposed mobile home court (200 parking accommodations). Through the end of 1956 no multifamily project commitment activity had been reported under the Section 221 relocation housing program.

Trends of Typical Multifamily Housing Transactions

The typical rental housing project approved for FHA mortgage insurance during 1956 included 211 dwelling units. The typical unit con-

Table III-56.—*Characteristics of multifamily housing transactions, by section, 1956*

Item	Total rental and cooperative housing	Rental housing				Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 220	Sec. 803	Total	Management type	Sales type
Projects:								
Median size (in units) [1]	22.0	211.0	44.0	286.0	284.0	20.0	115.0	19.0
Average size (in units)	64.8	218.8	60.8	277.2	359.0	20.3	119.6	20.1
Units:								
Median size (in rooms) [2]	5.4	5.2	4.7	4.2	5.6	6.1	4.8	6.4
Median monthly rental	(3)	(3)	$92.02	$133.23	(3)	(3)	(3)	(3)
Median mortgage amount [4]	$12,868	$13,031	$7,431	$10,652	$13,529	$12,332	$11,601	$13,700
Median mortgage-cost ratio	92.3	90.5	78.0	88.1	94.5	93.4	91.1	94.4

The following footnotes apply to this and to all subsequent tables in this section of the report:
[1] By inspection.
[2] In determining the number of rooms per unit, baths, closets, halls, and similar spaces were excluded.
[3] Not available.
[4] Amount of mortgage allocable to dwelling use.

tained 5.2 rooms and secured a mortgage of $13,031 which represented 90.5 percent of the estimated replacement cost. The characteristics of each project program reporting commitment activity during 1956 are presented in table III-56. The table shows that, although serving different purposes, the Section 803 armed services housing program and the Section 213 sales-type cooperative program were similar in several respects. A high proportion of Section 803 projects was composed of 1-family structures, accounting for four-fifths of the units committed under this program, while the Section 213 sales-type cooperatives, by statute, are composed entirely of 1-family homes. Notwithstanding the part that the typical project varied greatly in size—284 units under Section 803 compared to 19 units for Section 213 sales-type cooperatives—the typical Section 803 dwelling unit contained 5.6 rooms and secured a mortgage of $13,529 or 94.5 percent of replacement cost, and the typical sales-type cooperative unit of 6.4 rooms secured a $13,700 mortgage representing 94.4 percent of replacement cost. Considering only the 1-family type projects under Section 803, the similarity is obviously greater, with a typical unit of 5.8 rooms involving a mortgage of $13,625 and a somewhat higher replacement cost ratio of 97.4 percent. One important factor in such a comparison, however, is the absence of land cost in those Section 803 projects built on land owned by the Department of Defense.

In 1956, the typical Section 220 urban renewal project was the largest reported under any of the project programs, 286 dwelling units. It contained the smallest median unit of 4.2 rooms, and involved the highest reported median rent of $133. In contrast, Section 207 projects were smaller—44 units—with larger units of 4.7 rooms that rented for $92. Contributing, in part, to the difference between these two rental programs was the proportion of units in elevator structures (86 percent of Sec. 220) and walk-up structures (67 percent of Sec. 207).

The typical Section 213 management-type cooperative project consisted of 115 dwelling units with a median room count of 4.8 rooms which secured a mortgage of $11,601 or 91.1 percent of replacement cost.

Table III-57.—*Characteristics of mortgages and projects in rental project transactions, selected years*

Item	Year [1]						
	1956	1955	1954	1952	1950	1948	1947
Projects:							
Median size (in units)	[2] 211.0	69.0	77.5	87.5	48.6	22.5	20.3
Average size (in units)	218.8	115.6	116.8	154.8	97.6	51.1	39.8
Percent with:							
Walkup structures	44.0	47.5	54.6	53.5	59.0	84.4	85.9
Elevator structures	26.0	32.2	27.6	5.6	18.0	3.1	1.1
1-family structures	30.0	20.3	17.8	40.9	23.0	12.5	13.0
Units:							
Median size (in rooms)	5.2	4.7	4.7	4.8	4.2	4.7	4.7
Average size (in rooms)	4.7	4.5	4.3	4.5	3.9	4.3	4.4
Median monthly rental	[3] $105.60	$94.27	$102.72	$75.38	$78.87	$87.56	$84.13
Average mortgage amount	$11,944	$8,049	$7,821	$7,179	$7,140	$7,645	$7,505
Percent in:							
Walkup structures	23.3	24.4	35.8	39.4	40.0	76.7	83.6
Elevator structures	30.5	40.8	44.4	4.4	30.8	13.1	2.7
1-family structures	46.2	34.8	19.8	56.2	29.2	10.2	13.7
Rooms:							
Average monthly rental	$22.67	$22.99	$24.39	$16.77	$20.06	$20.13	[4] $19.00
Average mortgage amount	$2,564	$1,802	$1,817	$1,579	$1,835	$1,769	$1,724

[1] Based on commitments issued in 1947–48 under Sec. 608, in 1950 under Secs. 207, 608, 803, in 1952–54 under Secs. 207, 803, 908, and in 1955–56 under Secs. 207, 220, 803.
[2] By inspection.
[3] Average rent per unit-median not available.
[4] Estimated.

The trends of selected characteristics for rental housing projects are shown in chart III-26 and table III-57 for recent years.

The abrupt increase in the size of the median project to 211 dwelling units in 1956 was attributable to the proportion of operations under Section 803 with its characteristically large projects—one such project contained 1,000 dwelling units—and the Section 220 urban renewal program in which practically all projects approved to date have exceeded 200 units.

The average monthly rental in 1956 was $105.60, which may be roughly compared with the medians shown in the table for earlier years. (Rental data for all programs combined in 1956 were based on an arithmetic mean, since unit rentals for the Section 803 program were not available, thus precluding the computation of a median

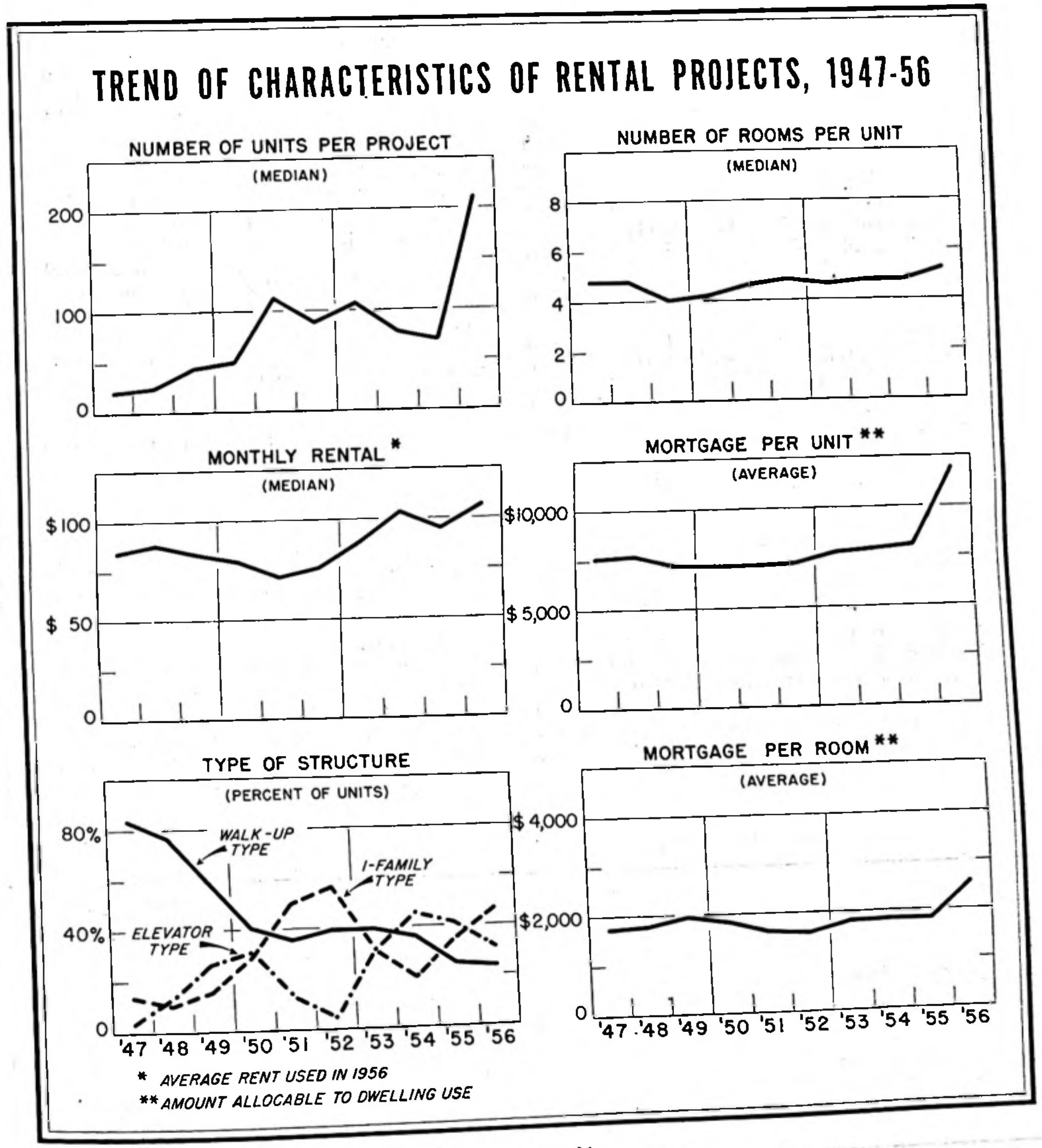

CHART III-26

rental.) Offsetting this apparent increase in rent was the largest median unit—5.2 rooms—ever recorded in FHA history, again reflecting the influence of Section 803 operations. By comparing the average monthly rental per room it will be noted that the increased rent in 1956 was largely the result of the increase in unit size. Paralleling this was the attendant increase in mortgage amount to $11,944 which established another all-time high, and the increased proportion of dwelling units in 1-family structures.

Type of Structure

FHA-approved projects are classified into three principal types of structure: Walkup, elevator, and 1-family (row, semidetached, and detached houses). Projects composed of more than one type of dwelling structure are classified according to the type of structure containing the greatest number of dwelling units. As table III–58 shows, four-fifths of all projects involved in 1956 commitments were 1-family developments that contained more than one-half of all proposed dwelling units.

Rental projects in 1956 also had more units (46 percent) in 1-family-type projects than in any other type of structure. This was due to the preponderance of operations under the Section 803 program, in contrast to the preceding two years when dwelling units in elevator structures predominated as a result of the relatively larger volume of Section 207 operations. It may also be noted that in 1956, the largest proportion (nearly seven-tenths) of dwelling units approved under the Section 207 program involved walkups.

Section 213 management-type projects, with 72 percent of the dwelling units approved during the year contained in elevator structures, returned to the established trend for this type of operation. Only in 1955 was the proportion of walkup units under this program reported as high as 50 percent. As previously noted, all sales-type cooperatives necessarily consist entirely of 1-family dwellings.

Size of Project

Data relative to size of project, as presented in table III–59, are based on units covered by individual project mortgages, although in some cases these units may be parts of larger multi-project developments.

The typical project committed for mortgage insurance in 1956 contained 22 dwelling units—about one-third as large as the median project reported for 1955. This sharp reduction was directly related to the large number of projects approved during the year under the Section 213 sales-type cooperative program, which characteristically had fewer units securing individual project mortgages. In 1956 this type of project typically contained 19 units as compared to 45 dwelling units in 1955.

Conversely, the size of the typical rental project approved in 1956 was three times as great as in 1955—211 units as compared to 69. A comparison of 1956 project sizes for the several rental programs with those of 1955 reveals that little difference existed for the individual programs and that the larger overall median resulted from the proportionate dropoff in Section 207 activity. The largest proportion of rental projects were in the group containing from 200 to 299 dwelling units, projects of this size also accounting for more units (one-third of the total) than any other group. Under the Section 803 program, however, more than two-fifths of all units were in projects consisting of 500 or more dwelling units, the largest of these being a project of 1,000 single-family living accommodations. By type of structure under the rental programs, the typical elevator apartment and 1-family type project were of a comparable size with 286 and 270 units respectively, while the median walkup with 73 units was much smaller though more prevalent than either of the other two types of structure.

The median project for the Section 213 management-type cooperative contained 115 units in 1956—little changed from the 113 reported in 1955. Sales-type cooperatives, as previously noted, were much smaller with 2 projects involving the statutory minimum for newly constructed projects of 8 dwelling units.

TABLE III–58.—*Type of structure for multifamily housing, by section, 1956*

Type of structure	Total rental and cooperative housing	Rental housing				Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 220	Sec. 803	Total	Management type	Sales type
Percentage distribution of projects:								
Walkup	10.5	44.0	70.0	23.1	29.4	2.8	30.0	
Elevator	9.4	26.0	15.0	76.9		5.5	60.0	
1-family	80.1	30.0	15.0		70.6	91.7	10.0	100.0
All projects	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Percentage distribution of dwelling units:								
Walkup	17.6	23.3	67.0	14.3	19.9	7.8	20.7	
Elevator	29.3	30.5	20.3	85.7		27.2	72.2	
1-family	53.1	46.2	12.7		80.1	65.0	7.1	100.0
All units	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

TABLE III–59.—*Size of project for multifamily housing, by section, 1956*

Number of dwelling units per project	Total rental and cooperative housing	Rental housing				Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 220	Sec. 803	Total	Management type	Sales type
Percentage distribution of projects:								
8 to 24	56.2	14.0	35.0			65.9	10.0	71.6
25 to 49	21.7	8.0	20.0			24.9		27.4
50 to 99	5.6	14.0	30.0	7.7		3.6	30.0	1.0
100 to 149	4.0	10.0	10.0		17.6	3.7	40.0	
150 to 199	1.5	2.0		7.7		1.4	15.0	
200 to 299	5.6	30.0	5.0	61.5	35.4			
300 to 399	1.5	6.0		7.7	11.7	.5	5.0	
400 to 499	1.5	8.0		15.4	11.7			
500 or more	1.5	8.0			23.6			
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	22.0	211.0	44.0	286.0	284.0	20.0	115.0	19.0
Percentage distribution of dwelling units:								
8 to 24	14.1	1.1	10.1			36.4	1.1	57.7
25 to 49	10.0	1.4	13.4			24.3		38.9
50 to 99	6.5	4.7	37.2	1.8		9.4	19.5	3.4
100 to 149	9.3	5.7	19.6		6.2	15.9	42.1	
150 to 199	4.1	1.7		5.1		8.4	22.3	
200 to 299	22.2	35.3	19.7	59.3	24.3			
300 to 399	7.8	9.1		9.4	10.6	5.6	15.0	
400 to 499	10.6	16.7		24.4	15.4			
500 or more	15.4	24.3			43.5			
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average	64.8	218.8	60.8	277.2	359.9	29.3	119.6	20.1

Size of Dwelling Units

The median dwelling unit contained in rental projects approved for mortgage insurance in 1956 increased in size to 5.2 rooms as compared to 4.7 rooms for the preceding year. Each of the rental programs reported a larger typical unit than in 1955, with the Section 803 program involving the largest rental unit of 5.6 rooms (table III–60). The proportion of rental units containing 5 rooms or more increased to 62 percent in 1956 from 38 percent in 1955. The Section 803 program, including principally 1-family structures, reported 9 of every 10 units approved in 1956 as containing 5 or more rooms.

The trend toward larger units probably stems from the enabling legislation providing increases in the maximum per-room and per-unit mortgage limitations in order to give recognition to higher costs. The construction of larger units was also encouraged through the application of a maximum mortgage limitation on a per room basis to those projects with an average of 4 rooms or more per unit while for those projects with an average of less than 4 rooms per unit, the maximum mortgage was calculated on a per unit basis. In addition, statutory mortgage limitations were increased to compensate for the higher cost incident to the construction of elevator-type structures, with further increases approved for a limited number of designated areas in which high cost levels so required.

There has been some variation in recent years in the proportion of rental dwelling units having less than 4 rooms. In 1956 the proportion was 15 percent as compared to 18 percent in 1955,

TABLE III–60.—*Size of dwelling units for multifamily housing, by section, 1956*

Rooms per unit	Total rental and cooperative housing	Rental housing				Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 220	Sec. 803	Total	Management type	Sales type
Percentage distribution of dwelling units:								
Less than 3	5.1	8.0	1.9	23.7		0.1	0.2	
3	1.7	2.5	3.8	6.1		.3	.8	
3½	5.4	4.2	3.5	11.5		7.6	20.3	
4	10.5	13.9	24.8	26.4	4.4	4.5	12.0	
4½	9.5	9.0	34.5	7.9	4.6	10.4	27.8	
5	20.0	26.7	20.2	13.9	35.6	8.4	11.7	6.4
5½	15.4	18.7	8.2	2.7	30.2	9.8	16.6	5.6
6	22.3	15.1	3.1	2.8	24.6	34.8	10.6	49.4
6½	1.0					2.7		4.3
7 or more	9.1	1.9		5.0	.6	21.4		34.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	5.4	5.2	4.7	4.2	5.6	6.1	4.8	6.4

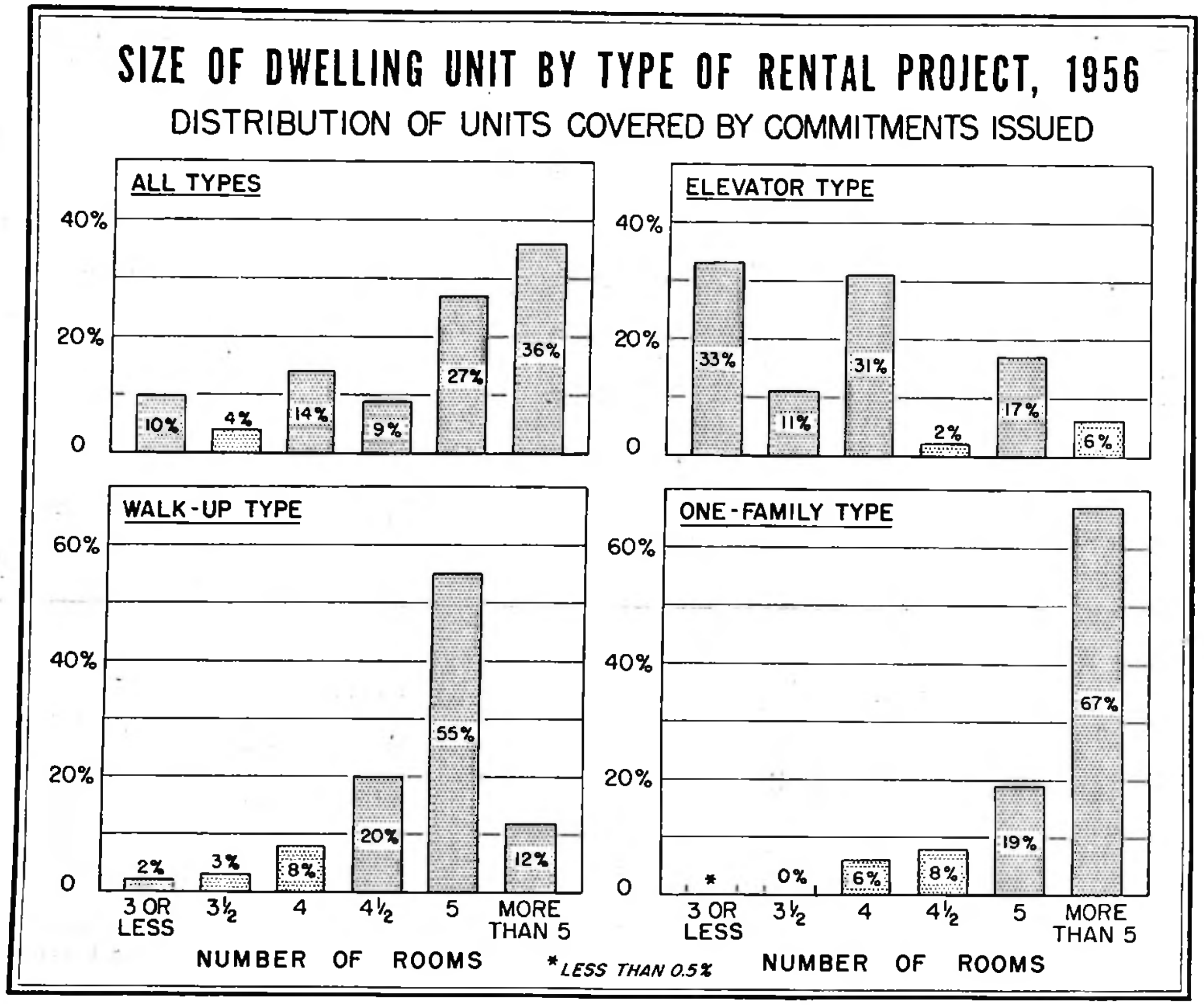

CHART III–27

25 percent in 1954, and 23 percent in 1953. Section 803 projects, with maximum mortgages calculated on a per-unit basis, included no units of fewer than 4 rooms in 1956, and only a small proportion of the total units approved in 1955 were in this category.

Sales-type cooperative projects approved in 1956 had the highest typical unit size—6.4 rooms—ever reported for this program, while management-type cooperatives decreased to 4.8 rooms in 1956 from the 5.2 rooms in 1955. About one-half of the units in sales-type cooperatives contained 6 rooms, one-third included 7 rooms and small proportions 8 or 9 rooms.

Chart III–27 presents graphically the size of dwelling units by type of structure for rental projects. In 1956, elevator structures—principally Section 220 urban renewal projects—included most of the units with 4 or fewer rooms, while units of 5 rooms or more were concentrated in walkup structures and particularly in the 1-family structures, primarily in Section 803 projects.[2]

Mortgage Allocable to Dwellings

The median mortgage amount per dwelling unit for rental projects that was allocable to dwelling use in 1956 was $13,031—a two-thirds increase over 1955 and the highest unit mortgage reported in FHA history for rental projects. The mortgage amounts discussed in this section of the report are identified as "allocable to dwelling use" and exclude that portion of the mortgage amount which is allocated to garages, stores, and other nondwelling income-producing parts of the project.

The percentage distributions of dwelling units by amount of mortgage for each of the active project programs is presented in table III–61. Comparison of these data with similar distributions for 1955 reveals that the typical unit mortgage increased under all programs except Section 207, which recorded a 13 percent decrease from $8,506 in 1955 to $7,431 in 1956—probably a result of the marked drop in the proportion of elevator-type projects. Section 213 sales-type cooperatives (1-family homes) reported the highest typical mortgage of $13,700, and Section 803 projects (largely 1-family homes) followed closely with $13,529. Section 213 sales-type homes may involve mortgages of as much as $20,000 (based on Sec. 203(b)(2) limitations) or as much as $2,375 per room for those projects that average 4 rooms or more per unit and involve a cooperative membership including at least 50 percent veterans. Section 803 projects may have mortgages as high as $16,500 per unit. The other programs for newly constructed projects are based on per-room or per-unit (if average for project is less than 4 rooms per unit) limitations of $2,250 per room or $8,100 per unit, or in elevator structures, $2,700 or $8,400 respectively. Section 213 management-type veteran cooperatives may have mortgages of $2,375 per room or $8,550 per unit ($2,850 and $8,900 respectively for elevator structures). The bulk (three-fifths) of Section 213 sales-type cooperative units had mortgages in excess of $13,000, while 9 of every 10 dwelling units approved under Section 803 exceeded this figure. Except for a few units in Section 213 management-type cooperatives, the other programs reported lower mortgage amounts, with the Section 207 program having no units exceeding $10,999. Chart III–28 shows the distribution of dwelling units by mortgage amount for each type of structure.

The median rental project mortgage (total amount) approved for mortgage insurance in 1956 was $1,998,000. The typical Section 207 mortgage was $394,400, while those under Section 220 ($2,566,800) and Section 803 ($3,789,300) were considerably larger. Management-type cooperatives had a typical mortgage of $1,294,300, as compared with the $238,500 reported for sales-type cooperatives. The largest mortgage approved for FHA insurance in 1956 involved $13,982,200 to be secured by a 1-family-type Section 803 project. Section 803 mortgages have no total dollar limitation, but all other programs are limited to $12,500,000 for a single project to be constructed under private sponsorship.

Ratio of Mortgage Amount to Replacement Cost

The ratio of mortgage amount to replacement cost in 1956 for the typical rental unit was 90.5 percent, as compared to 81.8 percent in 1955. This sharp increase reflects the higher ratios—up to 100 percent—permissible under the predominant Section 803 program. As shown in table III–62, nearly all these armed forces housing units had ratios in excess of 90 percent. Section 207 and Section 220 typical-unit mortgage-cost ratios—78.0 percent and 88.1 percent respectively—were practically unchanged from 1955. Section 220 projects approved for mortgage insurance prior to the beginning of construction can involve mortgages as high as 90 percent of the FHA's estimate of replacement cost.

Newly constructed projects under Section 207, exclusive of housing for the elderly, have lower mortgage-to-cost ratios, resulting from the requirement that maximum mortgage amounts are to be based on estimates of value rather than on replacement cost. Following is a distribution of dwelling units showing the relationship in 1956

TABLE III–61.—*Amount of mortgage allocable to dwellings for multifamily housing, by section, 1956*

Average amount of mortgage per dwelling unit[1]	Total rental and cooperative housing	Rental housing				Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 220	Sec. 803	Total	Management type	Sales type
Percentage distribution of dwelling units:								
Less than $7,000	2.2	3.5	12.1	6.4				
$7,000 to $7,999	5.2	5.3	47.8			5.0		8.0
$8,000 to $8,999	10.0	15.9	21.0	41.2		1.3		2.1
$9,000 to $9,999	3.4	.7	6.2			8.0	18.8	1.5
$10,000 to $10,999	5.4	4.0	12.9	7.9		7.9	9.2	7.2
$11,000 to $11,999	10.4	4.9		15.0		19.9	42.8	6.0
$12,000 to $12,999	15.9	14.3		29.5	8.2	18.5	23.2	15.7
$13,000 to $13,999	30.8	41.8			74.7	11.9		19.0
$14,000 to $14,999	11.1	8.5			15.2	15.8	5.5	22.1
$15,000 or more	5.0	1.1			1.9	11.7	.5	18.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	$12,868	$13,031	$7,431	$10,652	$13,529	$12,332	$11,601	$13,700

[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.

[2] Typical unit compositions are as follows:
Fewer 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.

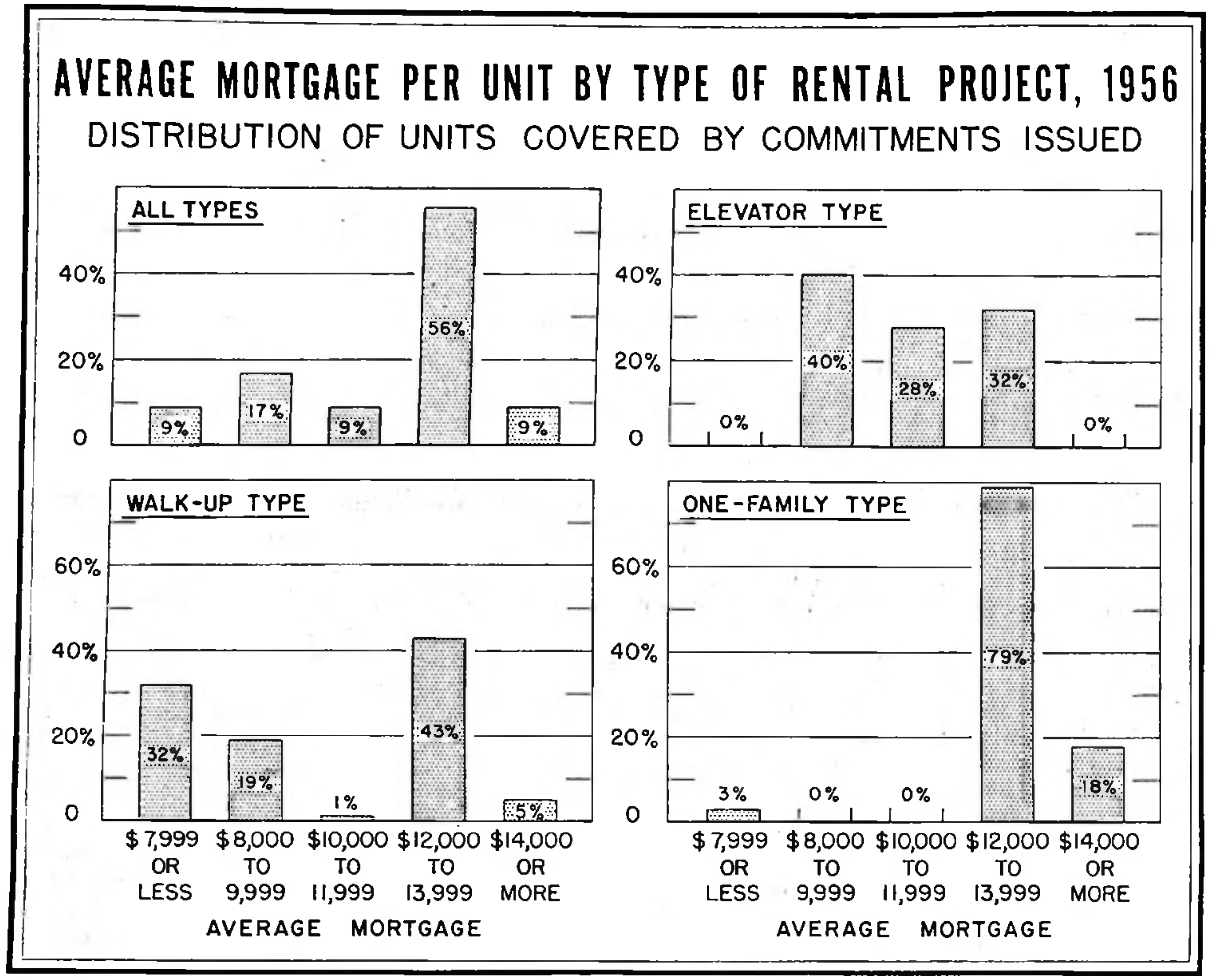

CHART III–28

of the amount of mortgage to FHA value under Section 207:

Mortgage as percent of value	*Percent distribution of units*
75.0–79.9	5.3
80.0–84.9	22.8
85.0–89.9	47.2
90.0	24.7
Total	100.0

The Housing Act of 1956 increased the permissible loan-value ratio to 90 percent for Section 207. Reflecting this statutory change, one-fourth of all units approved under this program during the year involved the maximum ratio. Prior to this legislative change, the maximum loan-value ratio had been 80 percent, except for projects with an average of 2 or more bedrooms per dwelling unit and involving mortgage amounts not in excess of $7,200 per unit, in which the maximum could be 90 percent. In 1955, only 8 percent of the total units had loan-value ratios of 90 percent.

The median unit mortgage-cost ratio for Section 213 management-type cooperatives increased to 91.1 percent in 1956 from 84.5 percent in 1955, while the sales-type cooperatives remained unchanged at 94.4 percent. Each of these cooperative programs, assuming a 50 percent veteran membership, can involve mortgages as high as 95 percent of the estimated replacement cost; with lower veteran participation, the limit is 90 percent. In 1956, more than one-half of all management-type units involved mortgage-cost ratios of 90 percent or more and four-fifths of all sales-type units were in this category.

Monthly Rental for Rental Projects

Data relative to monthly rentals, shown in table III–63, 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

TABLE III–62.—*Ratio of amount of mortgage to replacement cost for multifamily housing, by section, 1956*

Mortgage as a percent of replacement cost	Total rental and cooperative housing	Rental housing				Cooperative housing, Sec. 213		
		Total	Sec. 207	Sec. 220	Sec. 803	Total	Management type	Sales type
Percentage distribution of dwelling units:								
Less than 70	1.8	2.5	3.3	6.4		0.6		1.0
70 to 74.9	1.3	1.6	14.6			.7		1.2
75 to 79.9	5.3	5.0	53.2			4.2	11.1	
80 to 82.4	1.8	.5	4.6			4.0	4.1	3.8
82.5 to 84.9	6.6	7.2	17.9	15.8		5.6	6.0	5.3
85.0 to 87.4	3.3	4.6	3.1	9.4	2.0	1.2		2.0
87.5 to 89.9	18.8	22.3	3.3	60.4	3.8	12.7	23.8	6.0
90.0 to 94.9	33.9	30.3		8.0	49.3	40.2	42.0	39.1
95.0	11.3					30.8	13.0	41.6
95.1 to 100.0	15.9	25.1			44.9			
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	92.3	90.5	78.0	88.1	94.5	93.4	91.1	94.4

or operating costs. In 1956 these data were available only for rental projects approved for mortgage insurance under Sections 207 and 220. The comparison of rental distributions by type of structure is presented in chart III–29. Because Section 803 provided practically all the 1-family-type projects approved in 1956, that portion of the chart, which was published in earlier years, was omitted in this analysis.

Of all dwelling units for which rental data were available in 1956, two-fifths rented for less than $100 and 5 percent involved rents of $200 or more.

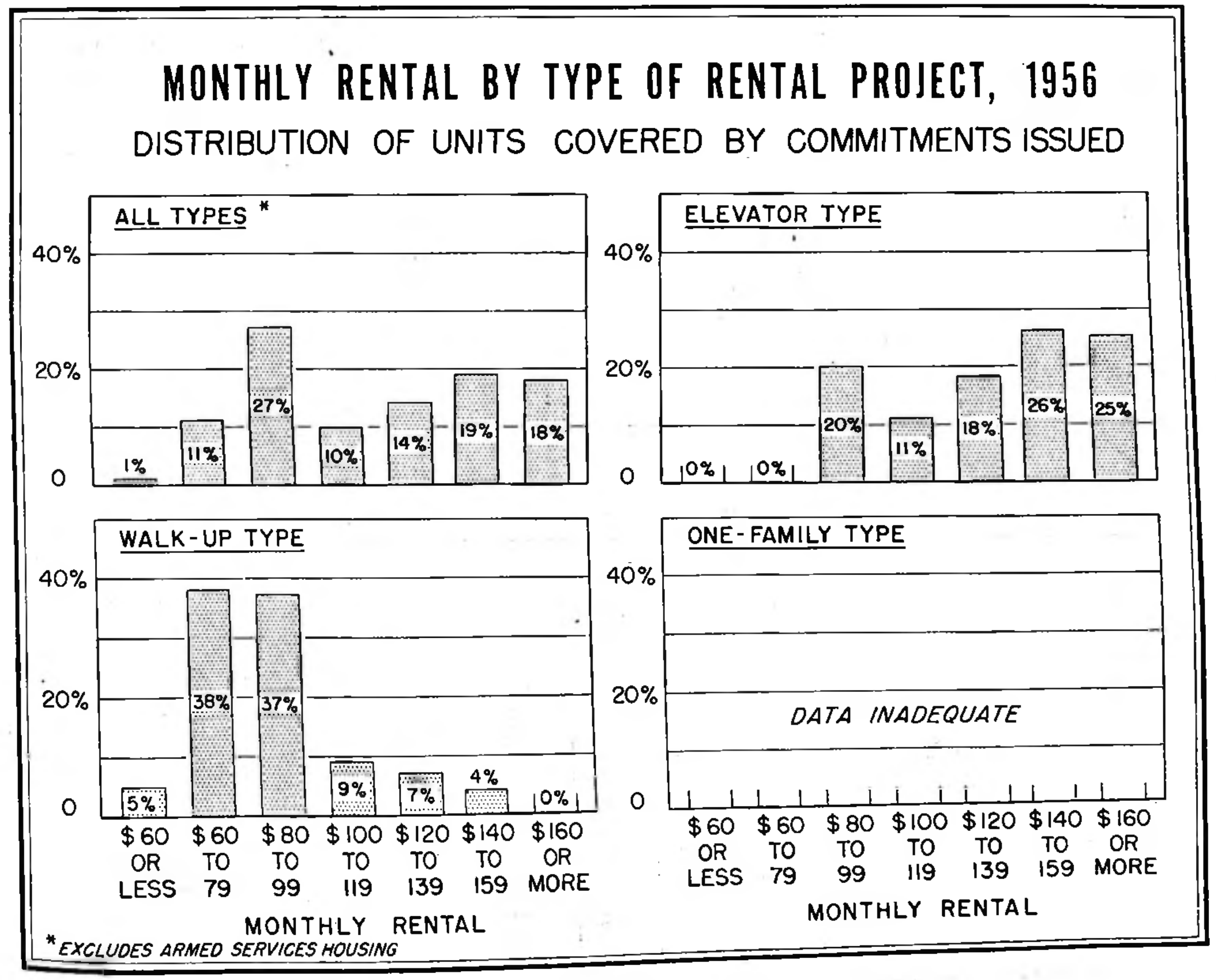

CHART III–29

More than one-half of those dwelling units contained in elevator buildings rented for $140 or more, while only one-fifth rented for less than $100. Four-fifths of all walkup apartments rented for less than $100.

The typical unit rental reported in 1956 was $120.87—28 percent greater than the $94.27 reported for 1955. This change does not represent an increase, as such, of monthly rental, but is in fact a reflection of the omission in the 1956 analysis of the bulk of the 1-family-type projects (Sec. 803). Projects of this type which were included in the 1955 analysis rented for a typical $72. A comparison of table III-63 with the comparable table in the 1955 annual report reveals that the typical Section 207 unit monthly rental was considerably lower—$92 in 1956 as opposed to $120 in 1955—while the Section 220 typical unit rented for $133 as compared to $123 reported in 1955. The median Section 207 elevator apartment rented for $133 in 1956 as compared to $137 in 1955, while walkups remained unchanged at $90. Section 220 elevator projects recorded a considerable increase to $142 in 1956 as compared to $123 in the preceding year.

Table III-63.—*Monthly rental for rental housing projects, by section, 1956*

Monthly rental per dwelling unit	Rental housing			
	Total	Sec. 207	Sec. 220	Sec. 803
Percentage distribution of dwelling units:				
Less than $60	1.4		2.0	(1)
$60 to $79.99	11.0	17.6	8.7	(1)
$80 to $99.99	26.8	40.8	22.0	(1)
$100 to $119.99	10.1	12.3	9.2	(1)
$120 to $139.99	14.0	16.9	13.1	(1)
$140 to $159.99	19.3	8.7	22.8	(1)
$160 to $179.99	7.5	2.0	9.5	(1)
$180 to $199.99	5.2	1.7	6.4	(1)
$200 or more	4.7		6.3	(1)
Total	100.0	100.0	100.0	(1)
Median	$120.87	$92.02	$133.23	(1)

[1] Not available.

CHARACTERISTICS OF PROPERTY IMPROVEMENT LOANS

The 1956 typical property improvement loan of $492 made by an approved financial institution and insured by FHA under Section 2 of the National Housing Act established a new record high in net proceeds to the borrower.

Amortization of this loan, as in past years, was scheduled for 36 equal monthly installments. Reflecting the larger note, the prospective payments amounted to $15.73 to cover principal and interest. By type of structure improved, the single family residence again ranked first, with insulation and structural additions and repairs reported equally—each 18 percent of the total—as the most common types of major improvement.

Amount of Loan

The historical upward trend in the amount of the typical insured property improvement loan continued during 1956. In 9 out of the 11 postwar years, the size of loan has increased. The $492 net proceeds received by a typical borrower in 1956 (table III-64) is 6 percent above the $464 reported for 1955 and 50 percent over the 1946 typical loan.

A comparison of the percentage distributions by amount of loans insured in selected years serves to emphasize this trend. In 1946 the number of loans with net proceeds of $500 or less accounted for 73 percent, compared to 51 percent in 1956, while the proportion of loans of $1,000 or more increased from 8 percent in 1946 to 21 percent in 1956.

Duration of Loan

As previously indicated, the typical loan insured under Title I in 1956 provided for repayment in 36 months. The 36-month term has been

Table III-64.—*Amount of property improvement loans, selected years*

Net proceeds of individual loan	Number of loans—percentage distribution						Net proceeds—percentage distribution [1]					
	1956	1955	1954	1952	1950	1946	1956	1955	1954	1952	1950	1946
Less than $100	1.0	1.2	1.5	2.1	2.5	3.6	0.1	0.1	0.2	0.3	0.4	0.6
$100 to $199	10.2	11.4	12.8	14.4	18.7	19.1	2.3	2.8	3.3	3.9	6.4	6.3
$200 to $299	14.9	15.8	16.6	18.0	20.5	22.9	5.5	6.2	6.8	7.8	11.3	12.5
$300 to $399	14.4	15.0	15.9	15.5	15.4	15.9	7.3	8.1	9.1	9.4	10.9	12.1
$400 to $499	10.4	10.4	10.7	10.0	9.6	11.3	6.8	7.3	7.9	7.8	8.8	11.1
$500 to $599	9.6	9.4	9.0	8.4	8.0	7.8	7.5	8.0	8.0	7.9	8.8	9.6
$600 to $799	11.6	11.7	10.7	10.5	9.1	7.2	11.8	12.8	12.2	12.7	13.0	11.0
$800 to $999	7.3	7.1	6.5	6.5	5.0	4.2	9.6	9.9	9.6	10.1	9.2	8.2
$1,000 to $1,499	10.9	9.9	8.9	8.1	7.1	4.8	18.7	18.3	17.2	16.5	13.3	12.5
$1,500 to $1,999	4.6	4.1	3.6	3.1	2.0	1.4	11.3	10.7	10.0	9.0	6.8	5.3
$2,000 to $2,499	2.2	1.8	1.7	1.5	1.0	.7	7.1	6.2	6.2	5.7	4.2	3.5
$2,500 to $2,999	2.4	1.9	1.9	1.6	1.0	1.0	9.1	7.9	8.1	7.2	5.2	6.5
$3,000 to $3,999	.2	.2	.1	.2	.1	.1	1.6	.8	7	.9	.9	.5
$4,000 to $4,999	.2	.1	(2)	.1	(2)	(2)	.6	.4	.3	.4	.4	.1
$5,000 or more	.1	(2)	.1	(2)	(2)	(2)	.7	.5	.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	$492	$464	$430	$400	$354	$328						
Average							$683	$630	$591	$567	$479	$454

[1] Data for 1950–55 are based on net proceeds; data for earlier years are based on face amount.
[2] Less than 0.05 percent.

Table III-65.—*Term of property improvement loans, selected years*

Term in months		Number of loans—percentage distribution					Net proceeds—percentage distribution [1]				
Modal term	Interval	1956	1955	1954	1950	1946	1956	1955	1954	1950	1946
6	6 to 8	0.5	0.6	0.7	0.8	1.3	0.2	0.3	0.4	0.5	0.7
12	9 to 14	10.1	10.0	10.1	10.1	16.9	4.4	4.4	4.5	4.9	8.7
18	15 to 20	6.7	6.9	6.7	6.0	8.4	3.5	3.7	3.6	3.4	5.3
24	21 to 26	11.7	11.3	10.4	10.2	12.3	7.8	7.7	7.1	7.1	9.5
30	27 to 32	3.0	3.0	3.1	9.8	2.3	2.2	2.2	2.3	9.8	1.6
36	33 to 41	66.5	67.5	68.5	62.5	58.6	76.9	79.1	80.0	71.1	73.0
48	42 to 53	.1	(2)	(2)	(2)	(2)	.2	.1	.1	.1	(2)
60	54 to 63	1.2	.6	.4	.4	(3)	3.8	2.0	1.6	1.7	(3)
	Over 63	.2	.1	.1	.2	.2	1.0	.5	.4	1.4	1.2
Total		100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median		36.4	36.3	36.4	36.4	36.0					
Average							31.3	31.0	31.1	30.7	28.8

[1] Data for 1950-56 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."

Table III-66.—*Type of improvement by type of property for property improvement loans, 1956*

Major type of improvement	Type of property improved					
	Total	Single family dwellings	Multi-family dwellings	Commercial and industrial	Farm homes and buildings	Garages and other
Percentage distribution of number of loans:						
Additions and alterations	17.7	18.8	12.9	21.6	14.7	14.3
Exterior finish	9.9	10.0	11.4	6.8	7.3	1.8
Interior finish	8.0	7.9	10.8	11.8	4.0	1.2
Roofing	5.6	5.5	6.5	5.9	7.5	1.7
Plumbing	9.1	9.3	8.2	7.1	15.9	1.4
Heating	14.9	14.6	21.8	14.1	9.8	3.0
Insulation	17.9	18.3	19.6	5.6	7.7	1.4
New nonres. construction	2.2			13.0	27.4	72.3
Miscellaneous	14.7	15.6	8.8	14.1	5.7	2.9
Total	100.0	100.0	100.0	100.0	100.0	100.0
Percent of total	100.0	88.1	7.6	1.0	1.8	1.5
Percentage distribution of net proceeds:						
Additions and alterations	26.3	23.4	2.3	.5	.4	.3
Exterior finish	11.8	9.9	1.5	.2	.2	(1)
Interior finish	9.4	7.6	1.3	.3	.1	.1
Roofing	4.3	3.6	.5	.1	.1	(1)
Plumbing	7.5	6.1	1.0	.1	.3	(1)
Heating	15.6	12.3	2.8	.2	.2	.1
Insulation	10.3	8.9	1.2	.1	.1	(1)
New nonres. construction	3.5			.3	1.1	1.6
Miscellaneous	11.3	9.7	1.1	.3	.1	.1
Total	100.0	81.5	11.7	2.1	2.6	2.1
Average net proceeds:						
Additions and alterations	988	939	1,565	1,581	1,061	1,010
Exterior finish	795	750	1,192	1,426	915	644
Interior finish	783	732	1,073	1,589	928	1,464
Roofing	514	480	659	1,178	563	767
Plumbing	549	501	1,022	1,057	710	1,089
Heating	701	637	1,142	1,222	696	1,007
Insulation	385	369	545	757	378	560
New nonres. construction	1,053			1,720	1,510	876
Miscellaneous	510	471	1,081	1,281	688	1,112
Total	683	617	1,032	1,389	965	906

[1] Less than 0.05 percent.

typical over the entire history of this program except for those periods in World War II or during the Korean crisis when credit restrictions were in effect. These 3-year notes accounted for two-thirds of all loans and $3 out of every $4 net proceeds insured in 1956. The only significant change in the proportion of cases in any part of the distribution by term shown in table III-65 involved the 5-year loans. Although still accounting for a relatively very small volume, these notes almost doubled both in the number and in the total net proceeds insured during 1956 as compared with 1955—a reflection of the longer maximum terms provided for in the 1956 legislation.

Type of Property and Improvement

Continuing the pattern established in prior years, the major type of property improved with a Title I loan during 1956 was a single-family dwelling. Table III-66 shows that nearly 90 percent of all loans and over four-fifths of the net proceeds were used to improve this type of property. An additional 8 percent of the loans and 12 percent of proceeds were for improvements on multi-family structures. Each of the other major types of property improved, commercial, farm homes, and garages, reported under 2 percent of all loans and less than 3 percent of total net proceeds.

It should be noted that the "type of improvement" designation for an individual loan is determined by the lending institution financing the loan and usually reflects only the principal improvement financed. As an example, a loan reported as financing additions and alterations may also cover minor repairs to plumbing, painting, or insulation.

The 18 percent of all loans shown in table III-66 as being for insulation work was approximately duplicated by the volume of additions and alterations. Combined with heating and miscellaneous repair loans—each reporting 15 percent—these four major classifications accounted for 2 out of every 3 notes insured (see chart III-30).

New nonresidential construction work averaging $1,053 per loan had the largest average amount reported for any group of insured notes, but represented less than 4 percent of the aggregate net

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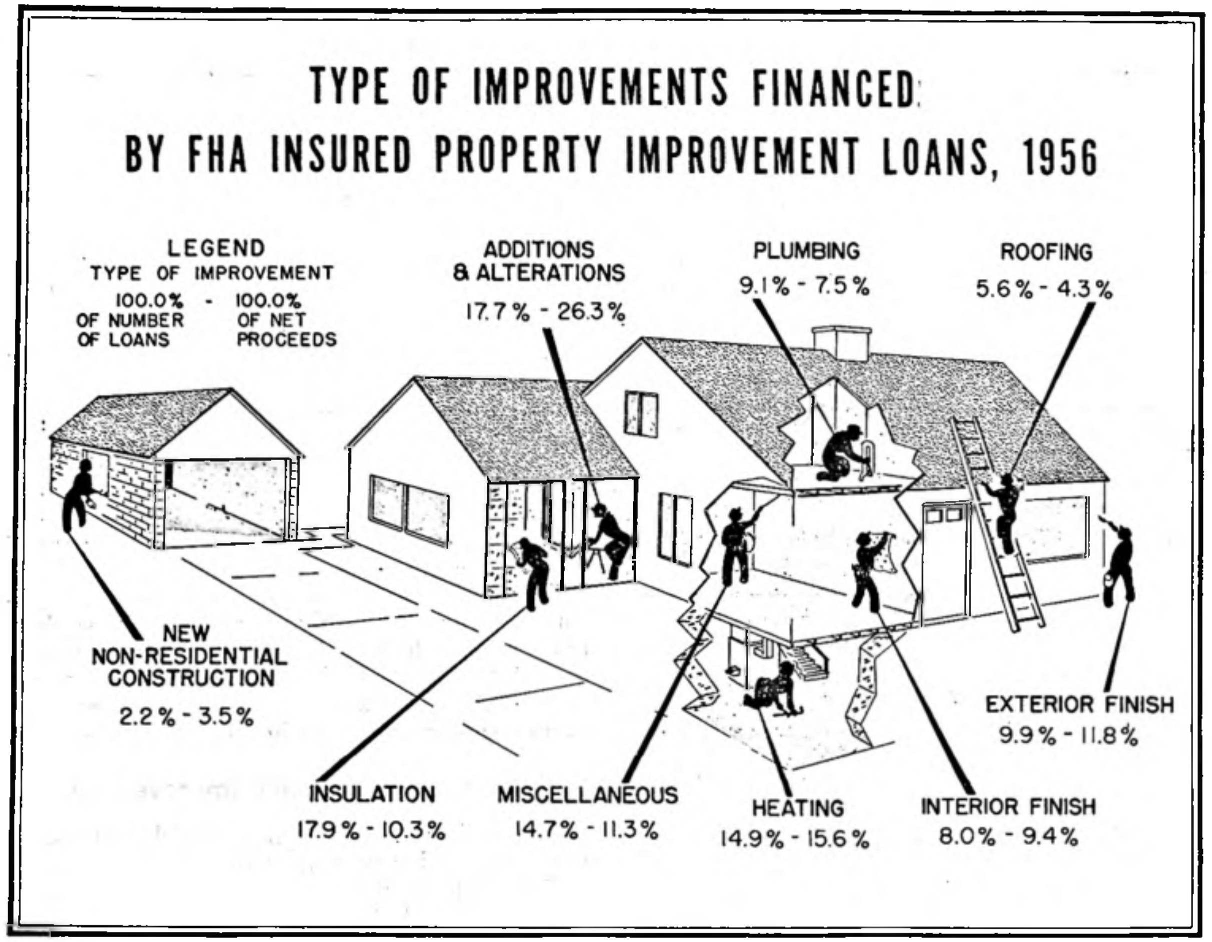

CHART III-30

TABLE III-67.—*Amount of property improvement loans by type of property, 1956*

Net proceeds of individual loan	Total	Type of property improved: Single-family dwellings	Multi-family dwellings	Commercial and industrial	Farm homes and buildings	Garages and other
Percentage distribution of number of loans:						
Less than $100	0.9	1.0	0.3	0.1	0.7	0.2
$100 to $199	10.2	11.0	5.2	2.7	5.9	2.5
$200 to $299	15.0	15.9	9.2	3.5	9.1	4.1
$300 to $399	14.4	15.1	10.3	5.5	9.7	6.1
$400 to $499	10.4	10.7	8.4	4.9	7.9	7.1
$500 to $599	9.6	9.6	9.4	5.4	9.2	9.7
$600 to $799	11.6	11.5	11.8	8.0	11.9	10.0
$800 to $999	7.3	7.1	7.7	9.0	8.1	15.8
$1,000 to $1,499	10.9	10.2	14.5	17.9	15.5	22.1
$1,500 to $1,999	4.6	4.1	8.3	11.1	7.2	7.1
$2,000 to $2,499	2.2	1.9	4.7	8.8	5.2	3.2
$2,500 to $2,999	2.4	1.8	5.7	20.0	6.8	2.8
$3,000 to $3,999	.3	.1	2.3	3.0	2.7	.3
$4,000 to $4,999	.1	(1)	1.2	------	------	------
$5,000 or more	.1	(1)	1.0	.1	.1	------
Total	100.0	100.0	100.0	100.0	100.0	100.0
Median	$492	$466	$721	$1,304	$726	$817
Average	$683	$617	$1,032	$1,389	$965	$906

[1] Less than 0.05 percent.

proceeds insured during the year. In contrast, additions and alterations involving loans averaging $988 in net proceeds accounted for $1 out of every $4 insured. Notes to finance the installation or repair of heating equipment ranked second in the proportion of total net proceeds insured (16 percent) and involved an average note of $701.

Table III-67 presents distributions of the amount of 1956 insured loans by type of property. The largest loans, typically $1,304, were to finance the repair of commercial and industrial properties. Over 60 percent of these loans amounted to $1,000 or more but, as previously indicated, they accounted for only 2 percent of the total net proceeds. Loans to improve single-family dwellings, representing 80 percent of the total net proceeds insured during the year, involved the smallest typical loans ($466).

Similar distributions of the amount of loans by type of improvement (table III-68) show that new nonresidential construction with a typical note of $871 was the most expensive improvement. The next most costly was for additions and alterations

TABLE III-68.—*Amount of property improvement loans by type of improvement, 1956*

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
Percentage distribution of number of loans:										
Less than $200	11.2	4.5	4.0	7.9	12.1	14.8	6.0	20.4	1.9	18.3
$200 to $399	29.3	14.9	18.2	23.6	40.7	38.1	21.9	44.3	9.3	40.1
$400 to $599	20.0	17.0	21.6	20.0	22.1	17.0	22.2	22.1	15.8	18.4
$600 to $799	11.6	12.8	15.7	12.0	8.9	9.6	18.8	6.9	17.0	7.0
$800 to $999	7.8	8.8	12.7	7.0	4.6	5.1	12.6	2.7	14.0	3.9
$1,000 to $1,499	10.9	18.8	17.3	14.6	7.0	8.1	11.7	2.4	20.7	6.2
$1,500 to $1,999	4.6	10.5	6.0	6.6	2.5	3.1	3.6	.7	8.4	2.5
$2,000 to $2,499	2.2	5.6	2.3	3.4	1.1	1.2	1.4	.3	4.4	1.6
$2,500 to $2,999	2.4	6.4	1.8	4.4	1.0	1.7	1.1	.2	5.3	1.6
$3,000 or more	.5	.7	.4	.5	(1)	.4	.7	(1)	3.2	.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Median	$492	$817	$671	$587	$386	$383	$509	$331	$871	$351
Average	683	988	795	783	514	549	701	385	1,053	510
Percentage distribution of net proceeds:										
Less than $200	2.4	0.6	0.7	1.4	3.5	3.9	1.2	7.5	0.3	5.3
$200 to $399	12.8	4.3	6.8	8.0	23.2	10.8	9.2	33.6	2.6	22.4
$400 to $599	14.3	8.3	13.3	12.2	20.4	15.5	15.5	27.2	7.3	17.1
$600 to $799	11.8	8.7	13.5	10.2	11.6	11.8	18.4	12.1	11.0	9.2
$800 to $999	9.6	7.7	14.1	7.0	7.8	8.1	15.7	6.2	11.6	6.6
$1,000 to $1,499	18.7	21.6	25.3	21.0	15.5	16.8	19.2	7.3	23.1	13.9
$1,500 to $1,999	11.3	17.2	12.6	13.5	7.9	9.1	8.4	3.2	13.2	8.0
$2,000 to $2,499	7.1	11.9	6.2	9.1	4.7	4.6	4.1	1.5	9.0	6.5
$2,500 to $2,999	9.1	16.2	5.8	14.0	4.8	7.9	4.0	1.2	12.7	8.0
$3,000 or more	2.9	3.5	1.7	2.4	.6	2.5	4.3	.2	9.2	3.0
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.

with a loan of $817. In contrast, insulation, the most popular type of improvement insured, had a typical note of $331.

Claims Paid by Type of Property and Improvement

The average claim paid during 1956 was $388, or about one-eighth less than the $439 reported for 1955. The distribution of these claims by type of property and type of improvement financed are presented in table III-69. The majority of claims paid by FHA in any year involve notes insured in prior years. As 4 out of 5 of the claims paid in 1956 originated within 2 years preceding claim payment, it is possible to make a comparison of loans insured and claims paid by type of property and type of improvement. Single-family residences, for which the bulk (88 percent) of loans were insured during this period, account for nearly the same share of defaulted notes—86 percent.

Loans originated for exterior finish and for insulation each accounted for 17 percent of the claims. In terms of dollar volume, additions and alterations and exterior finish each accounted for 1 out of every $5 paid in claims. Heating (13 percent), miscellaneous (12 percent), and insulation (11 percent) were responsible for another third of the claim dollars. The new nonresidential construction classification had the largest average claim—$663—and also the smallest proportion of the total number of claims—less than 2 percent.

TABLE III-69.—*Type of improvement by type of property for claims paid on property improvement loans, 1956*

Major type of improvement	Total	Type of property improved: Single-family dwellings	Multi-family dwellings	Commercial and industrial	Farm homes and buildings	Garages and other
Percentage distribution of number of claims paid:						
Additions and alterations	13.8	13.9	12.4	20.9	13.5	10.4
Exterior finish	17.5	18.3	14.9	5.2	14.5	2.6
Interior finish	7.3	6.9	11.7	17.2	4.1	4.0
Roofing	6.5	6.4	6.7	5.4	9.7	2.1
Plumbing	8.7	8.7	8.5	6.4	13.8	4.5
Heating	11.8	11.1	22.0	13.9	6.4	3.6
Insulation	17.2	18.1	15.6	7.2	7.1	2.8
New nonres. construction	1.7	------	------	8.6	24.8	66.4
Miscellaneous	15.5	16.6	8.2	15.2	6.1	3.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
Percent of total	100.0	86.2	7.9	1.8	2.8	1.3
Percentage distribution of amount of claims paid:						
Additions and alterations	20.4	16.5	2.3	.8	.6	.2
Exterior finish	19.5	16.6	2.1	.2	.6	(1)
Interior finish	9.4	6.9	1.7	.5	.2	.1
Roofing	5.0	4.0	.6	.1	.3	(1)
Plumbing	7.9	6.1	1.2	.1	.4	.1
Heating	12.5	8.8	3.0	.4	.2	.1
Insulation	10.7	9.2	1.2	.2	.1	(1)
New nonres. construction	2.9	------	------	.4	1.5	1.0
Miscellaneous	11.7	9.7	1.1	.5	.3	.1
Total	100.0	77.8	13.2	3.2	4.2	1.6
Average claim paid:						
Additions and alterations	$572	$535	$900	$836	$657	$529
Exterior finish	431	406	697	573	599	329
Interior finish	498	449	730	696	548	623
Roofing	297	276	410	453	458	265
Plumbing	351	314	681	555	411	585
Heating	410	356	665	695	386	758
Insulation	241	230	368	453	248	175
New nonres. construction	663	------	------	1,031	871	436
Miscellaneous	292	263	679	701	527	624
Total	388	349	645	707	590	464

[1] Less than 0.05 percent.

Actuarial Analysis of Insuring Operations

This section of the report presents an actuarial analysis of (1) the reserves of FHA's mortgage insurance funds, (2) the termination experience of FHA-insured home mortgages, and (3) the debt retirement experience of FHA-insured home and project mortgages. The first part discusses the results of the annual valuation of the reserve liabilities of the mortgage insurance funds administered by the Federal Housing Administration. These annual valuations of reserve liabilities are, with noteworthy exceptions, similar to those made by life insurance organizations. The 1954 annual report presented a detailed discussion of the nature of these reserve liabilities, the method of valuing the reserve liabilities, and the determination of the reserve factors used in valuations.

In the second part of this section is included an analysis of the termination experience of home mortgages insured under Section 203 as well as the estimate of the life expectancy of these mortgages. The life expectancy is developed from the rates of termination for insured mortgages and the table on survivorship. The rates of terminations for the various types of terminations are shown here in the actuarial schedules. Section 4 of the 1954 report also summarized the termination experience initially presented in earlier reports.

The third part analyzes the rates of mortgage debt retirement for insured home and project loans. Repayments of indebtedness through regular amortization or prepayment represent to the lending institution a backflow of funds available for reinvestment. Rates of retirement for both types of repayment when related to outstanding investments measure the turnover of the investment.

ANALYSIS OF RESERVES OF INSURANCE FUNDS

FHA operates 11 insurance funds under which the fiscal provisions of the several insurance programs are administered. Loan and insurance contracts written under these programs are assigned to a particular insurance fund in accordance with statutory requirements. Each of the funds is credited with fee, premium, and investment income and is charged with administrative expenses and insurance losses with respect to loan and mortgage insurance contracts assigned to the fund. The earned surplus of a fund, representing the accumulation of net income and the capital contributed by other FHA funds, is available to cover future contingent losses and related expenses. The newer funds, those recently created by amendments to the National Housing Act, have accumulated comparatively little in earned surplus and operate in part from capital contributed by other FHA funds in accordance with statutory provisions. In the other funds the earned surplus is relatively substantial. Detailed fiscal information on income, expenses, losses, earned surplus, and capital contributions for each FHA fund is given in the section on accounts and finance.

The adequacy of the earned surplus and capital contributions of a fund to cover its future contingent losses and related expenses can be established by a valuation of such future losses and expenses. In the practice of life insurance organizations such valuations measure reserve liabilities not only for the purpose of establishing whether a fund is solvent but also for the purpose of determining how much of earned surplus may be available for distribution to policyholders or stockholders. With mortality experience well established, expected mortality—one of the major elements in the valuation of reserve liabilities—can be predicted reasonably well. Consequently, the reserve liabilities of life organizations can be determined with a fair degree of accuracy and are the expected future liabilities.

There is a noteworthy difference between the reserve liabilities of life organizations and those of FHA's mortgage insurance funds. The future losses and expenses which the liabilities of FHA's mortgage insurance funds measure are principally contingent upon a general deterioration of business conditions—a development which doesn't readily lend itself to prediction. Since the incidence of an economic reversal cannot readily be predicted, the most conservative basis for reserve valuations for such future losses and expenses is to assume that adverse economic conditions of approximately depression magnitude might develop immediately. The reserve valuations are designed to measure the liabilities resulting from the development of such a contingency. Thus, the liabilities of FHA's mortgage insurance funds are contingent liabilities because the risks which the funds underwrite are economic in nature and cyclical in pattern, and the events insured against do not occur in substantial proportions except under the contingency of a depression. In this sense, FHA's reserve liabilities are not designed to measure the solvency of the funds according to its accepted meaning in the underwriting of conventional risks. To emphasize this distinction, the reserve liabilities of FHA's mortgage insurance funds are described as "estimated reserve requirements." They are thus the amounts of earned surplus which an insurance fund requires to cover the insurance losses and administrative expenses which a fund may incur if an economic reversal of approximately depression magnitude were to develop immediately. Although based on accepted actuarial principles, such valuations of reserve requirements for insurance funds underwriting risks which are predominantly economic in nature are unique in insurance practice.

Another noteworthy feature of the reserve requirements is that they take into account the fact that when a claim under mortgage insurance is paid by an insurance fund, the mortgage insurance fund acquires a property in exchange for its debentures. As properties are sold, the proceeds of sales are used to redeem the fund's debentures. It is the expected future acquisitions and their expected future losses on sale, among other things, that are reflected in the reserve requirements when they are valued with respect to the mortgage insurance contracts in force. Some of the other items which are included in the determination of reserve requirements are expected future premiums, investment income, and administrative expenses.

Only one of the FHA's mortgage insurance funds, the Mutual Mortgage Insurance Fund (the first of the funds to be established and the largest in terms of insurance in force) is authorized by statute to distribute part of its earned surplus to mortgagors upon the termination of mortgage insurance, provided such termination does not involve the payment of an insurance claim. Reserve requirements for this fund are used, as in life insurance practice, to determine how much of surplus may thus be distributed. That part of the earned surplus which is available for distribution is in the statutory account called the Participating Reserve Account. This account is authorized to receive allocations from the net income of the fund which are made in accordance with sound actuarial and accounting practice.

The December 31, 1956 valuation of reserve requirements for all mortgage insurance funds combined reflects a continuation in the improvement of their aggregate reserve position since the results of annual valuations were first published in the 1954 annual report. The major part of the improvement in the combined reserve position over that reported a year ago is attributable to the improvement in the reserve position of the Mutual Mortgage Insurance Fund which accounts for a significant proportion of the combined earned surplus and estimated reserve requirements of all mortgage funds.

This fund to which FHA's regular home mortgage insurance contracts are assigned first attained a balance status with the 1954 valuation when the excess of earned surplus over estimated reserve requirements was a little over $13 million. A balance status for a fund exists when its earned surplus is equal to or greater than the estimated reserve requirements. When a balance status is attained, the fund has sufficient resources to meet such future insurance losses and expenses as might be incurred in the event that adverse economic conditions of approximately depression magnitude were to develop immediately. The progressive improvement in the reserve position of this fund is disclosed by the excess of almost $18 million in earned surplus over estimated reserve requirements in the 1955 valuation and almost $47 million in the current valuation.

The relatively sharp increase in this excess at the year end over a year ago is accountable by differences in the annual increase for surplus and reserve requirements. The comparatively smaller increase in reserve requirements was due in large measure to the relatively lower volume of new insurance written during the calendar year 1956. Other major factors affecting the amount of reserve requirements are terminations of insurance and the aging of the insurance contracts in force. Reserve requirements for such contracts become progressively lower the longer the insurance has remained on the books of the fund. In this connection it may be noted that a substantial increase in the amount of new insurance written has the effect of raising significantly the reserve requirements for the reason that reserve requirements are at their highest level for new insurance. One of the principal purposes served by the excess of surplus over reserve requirements is to protect the reserve position of the fund from a more rapid increase in the volume of new insurance than that for earned surplus. Another purpose served is in the allocations from the net income to the Participating Reserve Account from which participation payments are distributed to eligible mortgagors upon the termination of mortgage insurance. Such allocations will tend to increase relatively so long as favorable economic conditions prevail thereby permitting eligible mortgagors to receive relatively higher termination payments from the account. The reserve position of this fund and the other funds as disclosed by the year-end valuation is presented in table III–70.

Attention is invited in this table to the adjustment in the estimated reserve requirements. This adjustment is for the unearned premiums estimated to be retained by the fund after refunds of unearned premiums upon prepayment of insured mortgages prior to maturity. FHA's accounting system is on an accrual basis and, consequently, earned surplus figures do not include unearned premiums. To take these unearned premiums into account for reserve purposes, the reserve requirements are adjusted by the amounts of unearned premiums estimated to be retained by the fund. The earned surplus of each fund also is exclusive of the amounts contributed by that fund to establish and operate other insurance funds. Eight of the eleven mortgage insurance funds have received, through the end of 1956, capital contributions in

TABLE III-70.—*Outstanding balance of insurance in force, earned surplus, and estimated reserve requirements in the insurance funds of the Federal Housing Administration*

Insurance fund	As of Dec. 31, 1956			
	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	$177,529,429	$3,181,075	$8,055,807	−$4,874,732
Mutual Mortgage Insurance Fund	13,342,544,528	[3] 318,209,758	271,473,408	46,736,350
Housing Insurance Fund	507,755,639	6,545,289	24,741,070	−18,195,781
Sec. 220 Housing Insurance Fund	9,971,144	687,137	644,106	43,031
Sec. 221 Housing Insurance Fund	123,368	879,082	5,296	873,786
Servicemen's Mortgage Insurance Fund	231,838,859	1,590,051	8,631,594	−7,041,543
War Housing Insurance Fund	3,899,793,852	125,418,740	142,465,984	−17,047,244
Housing Investment Insurance Fund	------------	859,090	------------	859,090
Armed Services Housing Mortgage Insurance Fund	703,559,238	11,482,952	[4] 41,236,557	−29,753,605
National Defense Housing Insurance Fund	468,964,532	−6,630,043	18,295,245	−24,925,288
Total all mortgage insurance funds	19,432,080,589	462,223,131	515,549,067	−53,325,936
Title I Insurance Fund	1,081,466,104	[5] 57,098,717	(6)	------------
Total all funds	20,513,546,693	519,321,848	------------	------------

[1] Contributions represent earned surplus of certain insurance funds transferred to other insurance funds as contributed capital in the amount of $20,310,000.

[2] For mortgage insurance contracts in force. Adjusted for estimated unearned premiums in all 9 mortgage insurance funds in the amount of $54,743,693 to be retained after refunds of unearned premiums upon prepayment.

[3] Includes $58,737,436 as of Dec. 31, 1956, 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] Excludes reserve requirements for the mortgages endorsed for insurance under Sec. 809 with respect to which the Military will guarantee the fund from loss. Includes reserve requirements for armed services housing mortgages initially endorsed for insurance under Sec. 803 of the act, as amended, and securing housing projects not yet completed with respect to which the Military will, upon completion and final endorsement, guarantee the mortgage payments.

[5] Does not include unearned premiums in this fund amounting to $18,279,579 as of Dec. 31, 1956.

[6] Reserve requirements are not estimated for the Title I Insurance Fund. The maximum potential liability under this fund was $296,064,311 as of Dec. 31, 1956, representing the balance of reserves available to qualified lending institutions for the payment of claims. This potential liability was calculated at 10 percent of net proceeds of insurance written less claims paid and reserve adjustments.

the amount of $20,310,000. Over 90 percent of this amount, or $18,310,000, was contributed by the War Housing Insurance Fund.

The improvement in the reserve position of the War Housing Insurance Fund during 1956 was also significant in the improvement in the aggregate reserve position of all funds. This insurance fund is FHA's second largest insurance fund, to which emergency home and project mortgage insurance contracts written during the defense preparedness and war periods of World War II and during the postwar period of the veterans' emergency housing program were assigned. Under the provisions of the National Housing Act, new mortgage insurance can no longer be written under the programs covered by this fund.

Although this fund has not as yet attained a balance status, the margin between reserve requirements and earned surplus has progressively narrowed. This improvement can be seen from table III-71, which shows the comparative reserve position of this and the other funds on the basis of the 1954–56 valuations.

In addition to the War Housing Insurance Fund, there are five other mortgage insurance funds which have not yet attained a balance status. This is because they were either recently established or because the bulk of the insurance covered by them is of recent origin. Consequently, these funds have not had sufficient time to accumulate the necessary earned surplus. They are: (1) The Title I Housing Insurance Fund for the low-cost housing program under which no new insurance is currently being written since the Housing Act of 1954 authorized such insurance under the home mortgage section of Title II of the National Housing Act; (2) the Servicemen's Mortgage Insurance Fund which provides for the purchase of housing by personnel in the United States Armed Forces and Coast Guard on active duty for more than 2 years; (3) the Armed Services Housing Mortgage Insurance Fund covering housing for military and Defense-certified civilian employees under Title VIII of the act; (4) the National Defense Housing Insurance Fund for programed housing for Korean emergency defense workers provided for by Title IX of the act; and (5) the Housing Insurance Fund for multifamily rental housing under Section 207 of the act and for cooperative housing under Section 213 of the act. The three remaining funds showing a balance status, the Section 220 Housing Insurance Fund, the Section 221 Housing Insurance Fund, and the Housing Investment Insurance Fund, have either no insurance in force or comparatively little insurance in force as yet, as table III-70 shows.

With respect to the mortgage insurance funds which have not yet attained a balance status, it is noteworthy that the Commissioner of the Federal Housing Administration has authority, under Section 219 of the National Housing Act, as amended, to transfer resources among seven of the funds as assistance may be required. They are the Title I Housing Insurance Fund, the Housing Insurance Fund, the War Housing Insurance Fund, the Armed Services Housing Mortgage Insurance Fund, the Defense Housing In-

TABLE III-71.—*Earned surplus and estimated reserve requirements in the insurance funds of the Federal Housing Administration, as of Dec. 31, 1954–56*

Insurance fund	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—		
	Dec. 31, 1954	Dec. 31, 1955	Dec. 31, 1956	Dec. 31, 1954	Dec. 31, 1955	Dec. 31, 1956	Dec. 31, 1954	Dec. 31, 1955	Dec. 31, 1956
Title I Housing Insurance Fund	$1,490,880	$2,347,929	$3,181,075	$7,780,402	$8,778,854	$8,055,807	−$6,289,522	−$6,430,925	−$4,874,732
Mutual Mortgage Insurance Fund	[3] 215,757,547	[3] 264,969,829	[3] 318,209,758	202,396,873	247,061,712	271,473,408	13,360,674	17,908,117	46,736,350
Housing Insurance Fund	7,181,905	5,269,771	6,545,289	24,941,343	24,215,547	24,741,070	−17,759,438	−18,945,776	−18,195,781
Sec. 220 Housing Insurance Fund	985,951	825,470	687,137	------------	------------	644,106	985,951	825,470	43,031
Sec. 221 Housing Insurance Fund	987,573	923,640	879,082	------------	------------	5,296	987,573	923,640	873,786
Servicemen's Mortgage Insurance Fund	997,006	1,018,738	1,590,051	5,024	3,287,415	8,631,594	991,382	−2,268,677	−7,041,543
War Housing Insurance Fund	109,101,491	114,786,236	125,418,740	194,762,196	168,259,185	142,465,984	−85,660,705	−53,472,949	−17,047,244
Housing Investment Insurance Fund	842,810	845,343	859,090	------------	------------	------------	842,810	845,343	859,090
Armed Services Housing Mortgage Insurance Fund	10,481,958	9,950,303	11,482,952	39,742,753	38,560,252	[4] 41,236,557	−29,260,795	−28,609,949	−29,753,605
National Defense Housing Insurance Fund	7,631,579	2,743,090	−6,630,043	23,299,851	21,375,653	18,295,245	−15,668,272	−18,632,563	−24,925,288
Total all mortgage insurance funds	355,458,700	403,680,349	462,223,131	492,929,042	511,538,618	515,549,067	−137,470,342	−107,858,269	−53,325,936
Title I Insurance Fund	34,133,423	43,959,440	57,098,717	(5)	(5)	(5)	------------	------------	------------
Total all funds	389,592,123	447,639,789	519,321,848	------------	------------	------------	------------	------------	------------

[1] Contributions represent earned surplus of certain insurance funds transferred as contributed capital to other insurance funds in the amounts of $17,500,000 as of Dec. 31, 1954, $20,310,000 as of Dec. 31, 1955 and Dec. 31, 1956.

[2] For mortgage insurance contracts in force. Adjusted for estimated unearned premiums to be retained after refunds of unearned premiums upon prepayment.

[3] Includes $58,737,436 as of Dec. 31, 1956, 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, 1955 is $50,514,214 and for Dec. 31, 1954 is $52,621,898.

[4] Excludes reserve requirements for the mortgages endorsed for insurance under Sec. 809 with respect to which the Military will guarantee the fund from loss. Includes reserve requirements for armed services housing mortgages initially endorsed for insurance under Sec. 803 of the act, as amended, and securing housing projects not yet completed with respect to which the Military will, upon completion and final endorsement, guarantee the mortgage payments.

[5] Reserve requirements are not estimated for the Title I Insurance Fund. Unearned premiums in this fund amounted to $29,625,922 as of Dec. 31, 1954, $21,940,360 as of Dec. 31, 1955, and $18,279,579 as of Dec. 31, 1956. The maximum potential liability under this fund representing the balance of reserves available to qualified lending institutions for the payment of claims was $237,148,026 as of Dec. 31, 1954, $236,585,822 as of Dec. 31, 1955, and $296,064,311 as of Dec. 31, 1956. This potential liability was calculated at 10 percent of net proceeds of insurance less claims paid and reserve adjustments.

surance Fund, the Section 220 Housing Insurance Fund, and the Housing Investment Insurance Fund. This device of flexibility in the use of resources of separate funds can provide important financial support to the separate funds. The Servicemen's Mortgage Insurance Fund, the Mutual Mortgage Insurance Fund, and the Section 221 Housing Insurance Fund are not authorized by that section of the act to transfer or receive assets from other funds.

Tables III-70 and III-71 also show figures on the outstanding balance of insurance in force and the earned surplus for the Title I Insurance Fund. The fiscal provisions of FHA's modernization and property improvement program are administered under this fund. Reserve requirements have not been estimated for this fund, but its financial position can be appraised on the basis of surplus and insurance in force. The earned surplus together with the unearned premiums on December 31, 1956 amounted to $75,378,295. With outstanding balances of loan insurance in force amounting to $1,081,466,104, the earned surplus and unearned premiums represent 6.97 percent of the outstanding balance of insurance in force as compared with 6.14 percent a year ago.

The maximum potential liability under this fund at the year end was $297,064,311 which represented the balance of reserves available to qualified lending institutions for payment of future insurance claims on loans outstanding. The comparable figure for December 31, 1955 was $236,585,822. The 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 reserve adjustments.

This Title I fund was created by the amendment of June 3, 1939, and the total claims paid under this fund through the end of 1956 amounted to 1.88 percent of the net proceeds of loans insured before any recoveries on defaulted notes. Actual losses (after recoveries) and reserves for future losses on such notes represent a little less than 1 percent of the net proceeds of notes insured. The maximum claim rate under Title I amounted to 4.04 percent of the net proceeds of the notes insured during the period from mid-1934 to mid-1939. After recoveries from collection efforts, the actual losses and reserves amounted to 1.89 percent of notes insured.

ANALYSIS OF TERMINATION EXPERIENCE

The estimated life expectancy of 1- to 4-family home mortgages insured under Section 203 is estimated to be 8.45 years. The life expectancy is the period of time for which such mortgages can, on the average, be expected to remain in force. It is based on the cumulative termination experience of the first of FHA's home mortgage insurance programs, and calculated by the standard actuarial method described as "the temporary complete expectation of life." This termination experience has been observed over the 20-year period since the inauguration of this regular home mortgage program which operates under fiscal provisions of the Mutual Mortgage Insurance Fund. Experience covers all home mortgage insurance contracts written under Section 203 from 1935 through 1954 and exposed to their policy anniversaries in 1955.

This estimate of life expectancy on the basis of the 1935–55 termination experience is a little over a tenth of a year higher than the comparable figure of 8.34 years shown in the 1955 annual report. The life expectancy estimate presented in the 1955 annual report was based in part on the cumulative termination experience observed over the 19-year period since the inauguration of this home mortgage program and in part on a projection of this experience to reflect the life expectancy of mortgages with maturities of 20 years.

An increase in life expectancy has been evident since an estimate of this kind was first presented in the 1951 report. The life expectancy in that report was estimated to be 7.55 years and was based on termination experience covering all home mortgage insurance contracts written under Section 203 from 1935 through 1949 and exposed to their policy anniversaries in 1950. In the 1954 annual report, Section 4 summarizes the termination experience presented in earlier reports where this trend toward longer life expectancies is observable. This trend can be expected to continue as the effect 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.

The estimated life expectancies shown in the 1955 annual report and in this annual report are based on a revision in the data on exposures.

The data on the 1935–55 termination experience are organized as a survivorship table which is presented in Actuarial Schedule 1. It is from this schedule that the estimate of life expectancy for home mortgages is made. Among the things which the schedule shows for the 1- to 4-family home mortgages insured under Section 203 are their total annual termination rates by policy year. When these termination rates are applied to an initial hypothetical group of 100,000 home mortgage insurance contracts, they produce a survivorship table giving the number of mortgages in force at the beginning of a policy year, the number terminating during that policy year, and the number surviving to the beginning of the next policy year.

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 interpretation of the rate of termination, number of terminations, and number of survivors is as follows: The 1935–55 termination experience of Section 203 mortgages produces an overall annual rate of termination of 0.0242952 in the first policy year. When the 100,000 mortgage entrants, the initial hypothetical group, is multiplied by this first policy year rate, the product of 2,430 represents the number of mortgages which can be expected to terminate for various reasons during the first policy year after the date of their insurance. When these terminations during the first policy year are subtracted from the 100,000 entrants, it leaves 97,570 mortgages as survivors at the beginning of the second policy year. In the second policy year, the annual rate of termination shown in the schedule is 0.0465419. When this rate is applied against the 97,570 surviving mortgages at the beginning of the second year, it gives 4,541 as the number of mortgages which can be expected to terminate during the second policy year. Subtracting this number of terminated mortgages from the number in force at the beginning of the second policy year leaves 93,029 mortgage survivors at the beginning of the third policy year.

The composition of the total annual termination rates shown in the survivorship table is presented in Actuarial Schedule 2. 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 terminations, which are predominantly maturities.

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 1954 and exposed to policy anniversaries in 1955 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	0.0242052	2,430	11th	31,608	0.1374476	4,344
2d	97,570	.0465419	4,641	12th	27,264	.1328561	3,622
3d	93,029	.0678118	6,308	13th	23,642	.1268090	2,998
4th	86,721	.0879700	7,630	14th	20,644	.1256297	2,593
5th	79,091	.1110248	8,781	15th	18,051	.1804937	3,258
6th	70,310	.1337547	9,404	16th	14,793	.1837281	2,718
7th	60,906	.1407827	9,123	17th	12,075	.1360736	1,643
8th	51,783	.1543044	7,990	18th	10,432	.1809463	1,888
9th	43,793	.1507890	6,604	19th	8,544	.2737138	2,339
10th	37,189	.1500707	5,581	20th	6,205	.6088235	3,778

[1] The method of determining these rates is identical with the standard method of computing probabilities.

These annual rates of termination for the different types of terminations are determined by the same method of computing probabilities as 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 expected terminations during a policy year. The component rates are interpreted in the same manner as the total annual termination rates discussed in connection with Actuarial Schedule 1. To illustrate their interpretation, the same hypothetical group of 100,000 mortgage entrants at the beginning of the first policy year may be used with the annual termination rates for the different types of terminations. How these mortgage terminations can be expected to be distributed among the separate types of terminations during the first policy year can be determined by applying their respective rates for the first policy year against the initial hypothetical group of 100,000 mortgages in force at the beginning of the first policy year. According to Actuarial Schedule 2, the products of the first policy year rates for prepayments, for example, and the 100,000 entrants give 1,770 as the number of prepayments in full and 642 as the number of prepayments by supersession which can be expected during the first year on the basis of the 1935–55 termination experience. Together, these two types of prepayment thus account for

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 1954 and exposed to policy anniversaries in 1955 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	0.0177031	0.0004216	0.0000652	0.0000739	0.0000314	0.0242952
2d	.0351214	.0104424	.0003027	.0006503	.0000251	.0465419
3d	.0523806	.0141367	.0003968	.0008478	.0000499	.0678118
4th	.0707416	.0161281	.0004306	.0005927	.0000869	.0879799
5th	.0930344	.0168505	.0003787	.0004029	.0003583	.1110248
6th	.1160578	.0170122	.0002530	.0002176	.0002141	.1337547
7th	.1338482	.0155211	.0001478	.0000902	.0001754	.1497827
8th	.1400414	.0130661	.0001227	.0000315	.0004427	.1543044
9th	.1371667	.0130477	.0000884	.0000126	.0004736	.1507890
10th	.1345091	.0112278	.0000550	.0000026	.0042252	.1500797
11th	.1220345	.0096364	.0000448	----------	.0057319	.1374476
12th	.1216124	.0081155	.0000424	----------	.0030358	.1328561
13th	.1162091	.0062680	.0000325	.0000046	.0042948	.1268090
14th	.1195711	.0054156	.0000315	----------	.0006115	.1256297
15th	.1478580	.0040992	.0000198	----------	.0285167	.1804937
16th	.1151289	.0028935	.0000539	----------	.0656518	.1837281
17th	.1301574	.0029388	----------	----------	.0029774	.1360736
18th	.1715953	.0009591	.0001598	----------	.0082321	.1809463
19th	.2377411	.0008039	----------	----------	.0351688	.2737138
20th	.1941176	----------	----------	----------	.4147059	.6088235

[1] The method of determining these rates is identical with the standard method of computing probabilities.

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ACTUARIAL SCHEDULE 3.—*Decrement 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 1954 and exposed to policy anniversaries in 1955 or prior termination dates.*

Policy year	Decrement by type of termination						
	Mortgage survivors at the beginning of policy year	Prepayments in full	Prepayments by supersession	Titles acquired by mortgagees		Others	Total
				Retained by mortgagee	Transferred to FHA		
1st	100,000	1,770	642	7	8	3	2,430
2d	97,570	3,427	1,019	30	63	2	4,541
3d	93,029	4,873	1,315	37	79	4	6,308
4th	86,721	6,135	1,390	37	51	8	7,630
5th	79,091	7,358	1,333	30	32	28	8,781
6th	70,310	8,160	1,196	18	15	15	9,404
7th	60,906	8,152	945	9	6	11	9,123
8th	51,783	7,252	708	6	1	23	7,990
9th	43,793	6,007	571	4	1	21	6,604
10th	37,189	5,004	418	2	(1)	157	5,581
11th	31,608	3,857	305	1		181	4,344
12th	27,264	3,316	221	1		84	3,622
13th	23,642	2,747	148	1	(1)	102	2,998
14th	20,644	2,468	112	1		12	2,593
15th	18,051	2,669	74	(1)		515	3,258
16th	14,793	1,703	43	1		971	2,718
17th	12,075	1,572	35			36	1,643
18th	10,432	1,790	10	2		86	1,888
19th	8,544	2,031	7			301	2,330
20th	6,205	1,205				2,573	3,778

[1] Less than 1.

almost all of the 2,430 terminations which can be expected during the first policy year. The balance of 18 terminations can be expected to consist of 15 foreclosures with 7 of the properties retained by mortgagees and 8 transferred to FHA, and 3 other terminations. To illustrate their interpretation further, the survivorship table shows that out of the initial group 37,189 mortgages can be expected to remain in force at the beginning of the 10th policy year, for example, and 5,581 as the total number of terminations which can be expected during that year. The rates of termination for the different types of terminations during that policy year when applied to this number in force give 5,004 prepayments in full, 418 prepayments by supersession, 2 foreclosures, and 157 other types of terminations, principally maturities. These figures are shown in the decrement table presented in Actuarial Schedule 3 where the different types of terminations during a policy year appear as decrements from the survivors at the beginning of a policy year.

The decrement table is a convenient form for viewing the relative importance of the different types of termination at each duration, i. e., the number of policy years during which an insurance contract is exposed to the risk of termination. A comparison of the numbers of prepayments in full with total terminations by policy year discloses the extent to which these prepayments account for total terminations. Prepayments in full in 15 of the 20 policy years represent more than four-fifths of the total terminations. They account for about three-fourths in the first 3 policy years.

Prepayments by supersession, which account for a little over a fourth of total terminations during the first policy year, become progressively less important a decrement as the duration increases. Most of the terminations are accounted for by these two types of terminations.

The rates of termination for these two types of termination shown in Actuarial Schedule 2 are significant for the pattern which has been emerging from the cumulative termination experience of these Section 203 home mortgages. The emerging pattern of rates of prepayment in full which the 1935–55 experience reflects is one of a steady increase in rate by duration until about the eighth policy year, with a slight tapering off for the next 6 years. After the fourteenth year the rates fluctuate sharply, reflecting both the thinness of the experience and the approach of the mortgage insurance contracts to their maturities when the cumulative effects of partial prepayments during the life of the mortgage result in accelerated termination before maturity. For the rates of prepayment by supersession, the emerging pattern is reflected by a sharp rise in rates until about the fifth policy-year and then a less sharp decline in the later durations.

Foreclosures, the combination of titles acquired by mortgagees and retained by mortgagees and those transferred to FHA, are considerably less important decrements than either type of prepayment. These relatively small decrements reflect the favorable economic climate to which this regular home mortgage insurance program has been exposed. Consequently, it would be premature to describe a pattern based on their decrements or rates of termination. Exposure to adverse changes in economic conditions could change their rates significantly.

The rates of termination shown in the actuarial schedules are "crude" or actual rates as distinguished from "graduated" or smoothed rates. They are based on numbers 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 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 1954. For the second policy year, they are based on the terminations from endorsements in each calendar year from 1935 through 1953. Thus, for the twentieth 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. 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 will also influence the rates of termination. It should be noted that the FHA mortgage insurance programs have not been exposed to a serious reversal of economic conditions. The cumulative experience of foreclosures, therefore, reflects only the most favorable period of exposure. Accordingly, it must be emphasized 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 for the different types of terminations.

ANALYSIS OF DEBT RETIREMENT EXPERIENCE

Related to the termination experience of mortgages is the experience of mortgage debt retirement. The termination experience discussed in the preceding part of this section is based on numbers of mortgages terminated. Debt retirement is measured in terms of dollar amount. The main kinds of retirement of insured mortgage indebtedness are (1) amortization of principal paid in accordance with the terms of the loan, and (2) prepayment in part in advance of scheduled amortization, or prepayment in whole in advance of maturity. To the lending institution both kinds of retirement of principal represent a backflow of mortgage funds available for reinvestment. When such retirements are related to the outstanding balances of mortgages in force, they measure the rate of turnover of the mortgagee's investment. From the rate of turnover, the average life of the dollar amount invested would also be indicated.

Tables III-72 and III-73 present measures of gross debt retirement for all FHA-insured home and project mortgages in force. Retirements are estimated from insurance written and outstanding balances in force. Since the estimates of outstanding balances reflect scheduled amortization of principal and outstanding balances of all

TABLE III-72.—*FHA-insured home mortgage debt retirements, 1940–56* [1]

[Dollar amounts in thousands]

Year	Insurance written during period [2]	Retirements during period	Average outstanding balance during period [3]	Percent retirements to average outstanding balance during period	Percent retirements to insurance written during period
1935–39	$2,007,776	$252,663			
1940	762,084	167,723	$2,030,747	8.26	22.01
1941	910,770	230,185	2,679,856	8.59	25.27
1942	973,271	260,840	3,397,476	7.68	26.80
1943	763,097	445,553	3,896,735	11.43	58.39
1944	707,363	577,488	4,150,922	13.91	81.64
1945	474,245	586,529	4,151,717	14.13	123.68
1946	421,949	807,245	3,932,811	20.53	191.31
1947	894,675	805,651	3,607,722	22.33	90.05
1948	2,116,043	628,139	4,454,546	14.10	29.68
1949	2,209,842	573,402	6,067,503	9.45	25.95
1950	2,492,367	834,747	7,986,363	10.45	33.49
1951	1,928,433	814,828	9,184,849	8.87	42.25
1952	1,942,307	849,088	10,155,407	8.36	43.72
1953	2,288,626	1,069,017	11,402,361	9.38	46.71
1954	1,942,266	1,153,208	12,409,193	9.29	59.37
1955	3,084,767	1,525,969	13,541,335	11.27	49.47
1956	2,638,226	1,470,281	14,967,555	9.82	55.73

[1] Retirements are estimated and represent scheduled amortization and estimated outstanding balances of all terminations including default terminations

[2] Includes Title I, class 3, Sec. 8; Title II, Secs. 203, 213, 220, 221, 222, 225; Title VI, Secs. 603, 603–610, 611; Title VIII, Sec. 809; Title IX, Sec. 903.

[3] Averages are based on estimated semiannual, quarterly, or monthly outstanding balances during the calendar year, depending on the availability of data.

TABLE III-73.—*FHA-insured project mortgage debt retirements, 1940–56* [1]

[Dollar amounts in thousands]

Year	Insurance written during period [2]	Retirements during period	Average outstanding balance during period [3]	Percent retirements to average outstanding balance during period	Percent retirements to insurance written during period
1935–39	$114,428	$9,493			
1940	12,949	13,503	$105,467	12.80	104.28
1941	13,565	10,678	106,539	10.02	78.72
1942	21,215	4,261	116,617	3.65	20.08
1943	84,622	7,093	158,892	4.46	8.38
1944	56,096	17,328	222,961	7.77	30.89
1945	19,817	23,244	240,732	9.66	117.29
1946	13,175	36,837	223,703	16.47	279.60
1947	359,944	24,155	326,182	7.41	6.71
1948	608,711	15,599	871,253	1.79	2.56
1949	1,021,231	29,310	1,591,947	1.84	2.87
1950	1,156,681	72,258	2,681,150	2.70	6.25
1951	583,774	96,838	3,462,936	2.80	16.59
1952	321,911	107,489	3,818,915	2.81	33.39
1953	259,194	150,934	3,971,078	3.80	58.23
1954	234,022	151,786	4,072,972	3.73	64.86
1955	76,489	193,281	4,050,954	4.77	252.69
1956	130,247	186,175	3,948,493	4.72	142.94

[1] Retirements are estimated and represent scheduled amortization and estimated outstanding balances of all terminations including default terminations.

[2] Includes Title II, Secs. 207–210, 213, 220; Title VI, Secs. 608, 608–610, 611; Title VIII, Sec 803; Title IX, Sec. 908.

[3] Averages are based on estimated semiannual, quarterly, or monthly outstanding balances during the calendar year, depending on the availability of data.

types of terminated mortgages, the retirements (1) include outstanding balances of mortgage default terminations, i. e., for mortgage notes and property titles transferred to FHA and property titles retained by mortgagees with termination of FHA mortgage insurance contracts, and (2) do not include partial prepayments.

With respect to the former, their outstanding balances do not reflect a backflow of cash but debentures of one or more FHA insurance funds for approximately the amount of the outstanding balance or the book value of property title to which is acquired through foreclosure proceedings or deed in lieu of foreclosure and retained by the mortgagee. To the extent that such default terminations do not reflect a backflow of cash, the amount of mortgage debt retirement exceeds the amount of repayments available for reinvestment. The overstatement of retirements as cash repayments of indebtedness is probably not significant because (1) the majority of mortgage foreclosures and all mortgage assignments involve debentures; (2) the debentures are negotiable and callable and can also be used for the payment of mortgage insurance premiums; and (3) the relative amounts involved in default terminations are not substantial. With respect to the partial prepayments, what understatement of retirements as repayments there may be is offset by the overstatement from foreclosures and assignments of mortgages, although the extent of this offset cannot now be estimated.

Estimated retirements for insured home mortgage indebtedness amounted to about $168 million in 1940. After that year the amount continued to rise, reaching a little over $800 million in 1946. In the subsequent period a postwar low of $573 million was reached in 1949. Since that year there was an overall growth in retirements resulting in a top figure of $1,526 million in 1955. The 1956 retirement figure was estimated at $1,470 million. This 17-year record of retirements of home mortgages is illustrated in chart III–31.

The retirement figures for home mortgages under all sections are largely determined by the retirements of Section 203 mortgages. These account for almost all of the retirements in 1940, over three-fifths in 1947, and over four-fifths in 1956.

The annual rates of debt retirement for home and project mortgages shown in the tables cover the period 1940 through 1956, and are based on

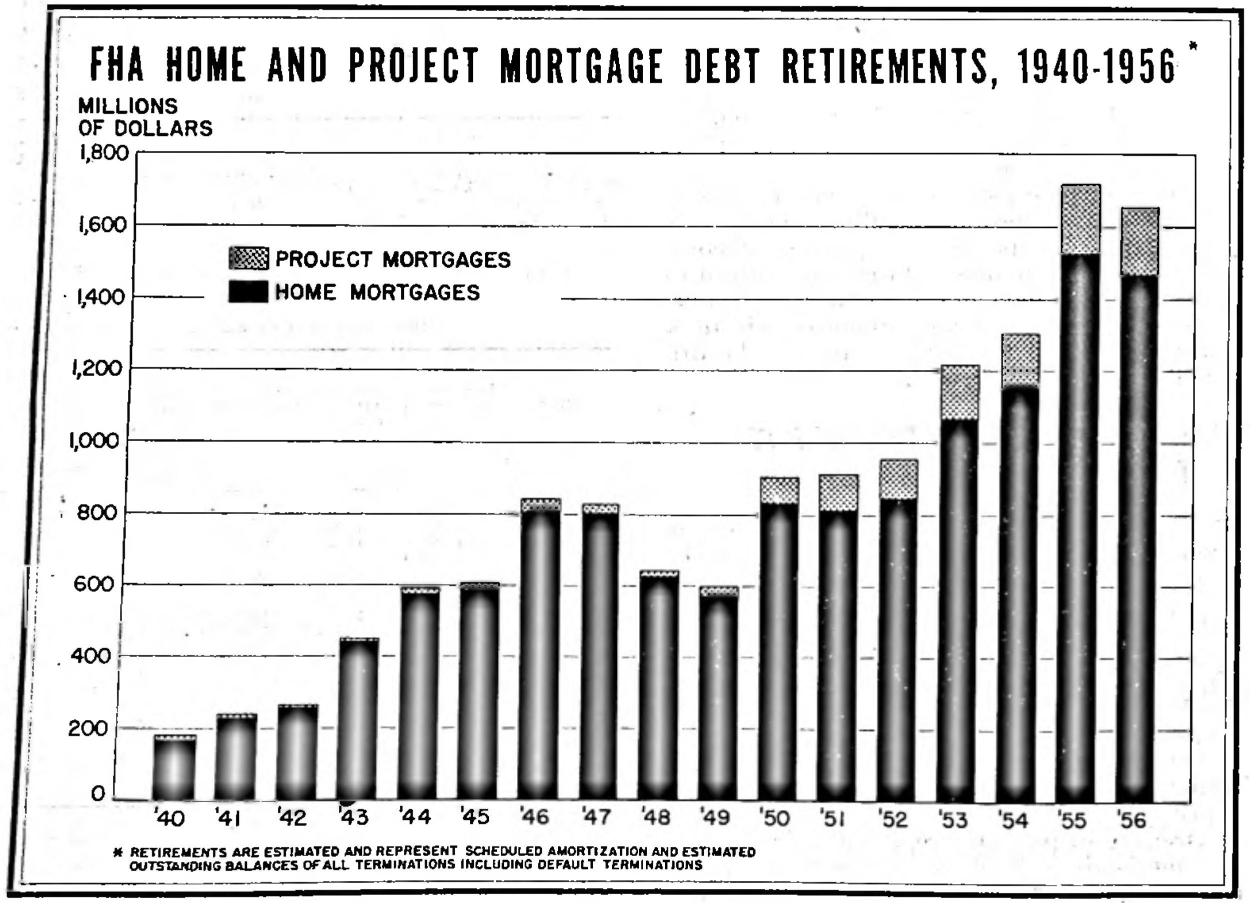

CHART III–31

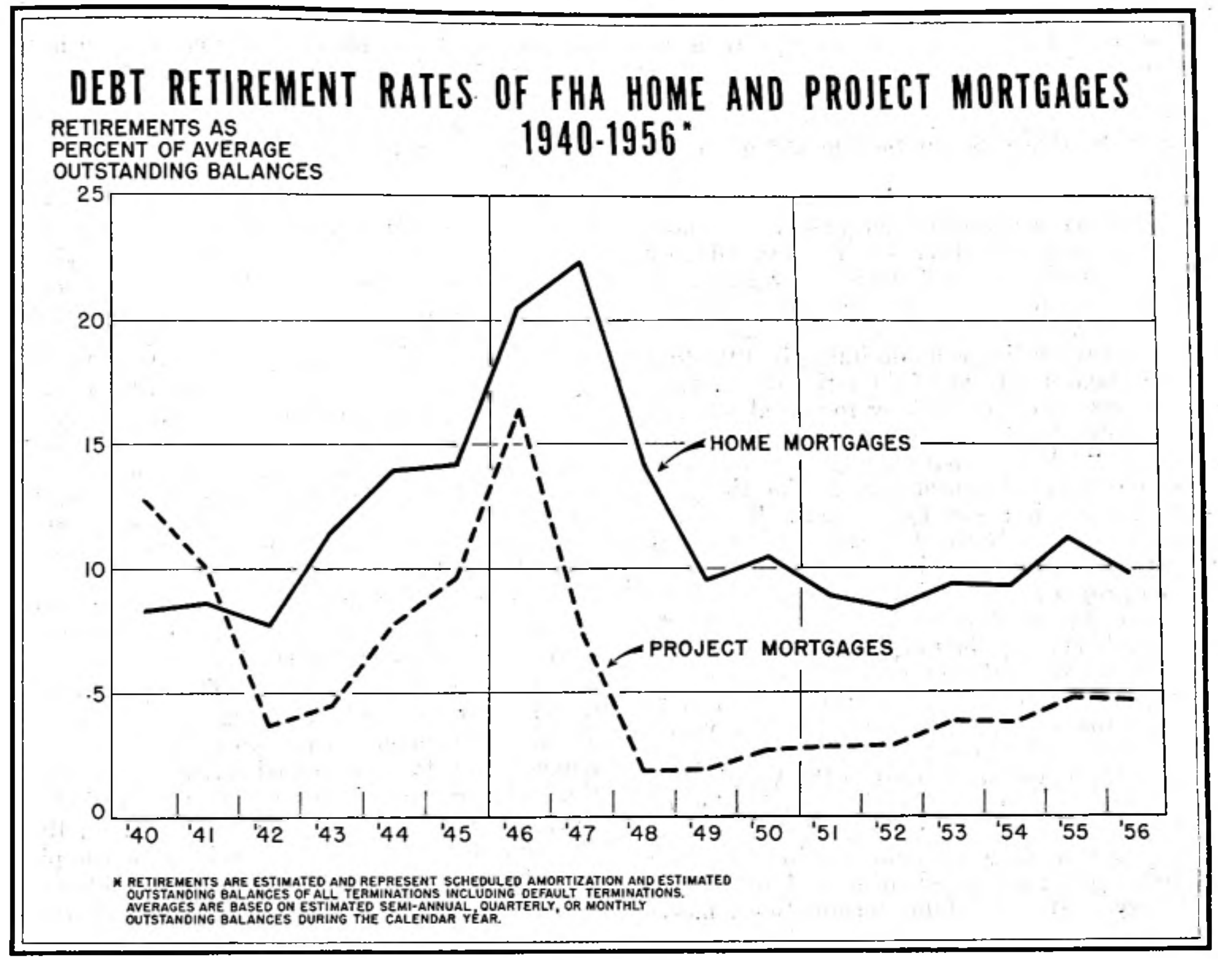

CHART III–32

the ratio of estimated retirements during the calendar year to estimated average outstanding balances during the calendar year. These averages are based on semiannual, quarterly, or monthly estimates of outstanding balances, depending on the availability of the data, of mortgages in force during the calendar year. For home mortgages insured under all sections, the pre-World War II retirement rates were about 8 percent, rising throughout the war period and reaching a peak rate in the postwar year 1947 of over 22 percent, and then dropping to a lower level in subsequent years which on the whole is above that of the prewar years.

The prewar rate of retirement for 1940 means that, for all FHA-approved mortgagees holding insured mortgages in that year, about 8 percent of the average dollar amount of home mortgages in force was retired principally by amortization or prepayment. At this rate the investment was being turned over about once every 12½ years, or, in other words, the amount of investments in the 1940 portfolio of insured home mortgages would on the average have remained outstanding about 12½ years. The peak rate would indicate an estimated average life of a dollar invested of somewhat more than 4½ years for the 1947 portfolio. A rate of 9.82 percent for 1956 would indicate an average life of an insured home mortgage dollar of a little better than 10 years. Chart III–32 shows the pattern of the annual rates of retirement over this 17-year period.

The tables on retirements also show relationships between estimated retirements and insurance written. In the prewar years, estimated home mortgage retirements represented about one-fourth of the insurance written. For 1945 and 1946, they exceeded the amount of insurance written in those years. Retirements of all home mortgages in the record year of 1955 represented almost half of the amount of insurance written in that year, which is also a record amount.

Retirements of project mortgage indebtedness are comparatively less significant in amount than those of home mortgages. They approached the $100 million mark for the first time in 1951 but since then have exceeded that amount by substantial margins. The record amount reached in 1955 approached the $200 million mark. The bulk of project mortgage retirements since 1947 is accounted for by the mortgage retirements under Section 608. Almost 80 percent of the $186 million in estimated project mortgage retirements in 1956 were on Section 608 and Section 608–610 mortgages.

Although less significant in amount, the retirement experience of project mortgages as measured by their annual rates of retirement reflects roughly the same pattern as that for home mortgages, but at relatively lower levels for most of the period under observation, as chart III–32 shows. This pattern shows retirements declining in 1942 to a rate of about 4 percent of the estimated average amount outstanding, climbing to a peak rate of over 16 percent in 1946, and then declining sharply to lower levels and maintaining the relatively lower levels in subsequent years. For the year 1956, the rate is about 4¾ percent. This rate would indicate an estimated average life of 21 years for the investments in the 1956 portfolio of insured project mortgage investments.

The lower rates of retirement for project mortgages reflect not only their typically longer maturities but also some differences in their termination experience. Prepayments were the significant factor in the late war and early postwar years. Default terminations, i. e., mortgage notes assigned and property titles transferred to FHA and projects retained by mortgagees with termination of FHA mortgage insurance contracts, have in recent years become a relatively more significant factor in project mortgage termination and retirement experience. Of the default terminations, mortgage notes assigned and property titles transferred to FHA account for the preponderant share. Both types involve debentures of the insurance funds to which the original project mortgages were assigned, and the debentures represent approximately the outstanding balances of the mortgages at the time of default. Since 1951 the project mortgage retirement experience has also been affected by the terminations of Section 213 blanket mortgages for sales-type cooperative housing. Such mortgages are in effect construction loans which are paid off when all the individual properties are released to members of the cooperative organization. The blanket mortgages are classified as project mortgages, and when all the properties in the project are released the blanket mortgage is terminated. Nearly all of the mortgages on the individual properties have been refinanced with FHA insurance under the home mortgage provisions of Section 213, when they are then classified as home mortgages. A detailed analysis of terminations of project mortgages is presented in Section 2 under "Terminations, Defaults, and Claims Paid."

When estimated project mortgage retirements are related to insurance written, the resulting annual percentages over the 17-year period show fluctuations over a wide range. These percentages, presented in table III–73, range between a high of about 280 percent in 1946 to a low of about 2½ percent in 1948. Estimated retirements in relation to insurance written were comparatively high in the prewar year 1940, reaching a low in 1943, climbing to the peak percentage in 1946, dropping sharply to the low in 1948, and then climbing to another peak in 1955. For 1956, estimated retirements for project mortgages amounted to about 143 percent of insurance written in that year.

Accounts and Finance

The figures for 1955 and 1956 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.

Before 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 which was established for insurance operations prior to July 1, 1939 and identified in the accounting records as the Title I Claims Account was terminated as of August 1, 1954, at which time all the remaining assets and liabilities of the account were transferred to and merged with the Title I Insurance Fund in accordance with the Housing Act of 1954, approved August 2, 1954.

An amendment of June 3, 1939 to the National Housing Act created the Title I Insurance Fund and authorized the collection of premiums, and an 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, 1956 combined statement of financial condition (statement 1) and the combined statement of income and expense (statement 2).

COMBINED FUNDS

Gross Income and Operating Expenses, Fiscal Year 1956

Gross income of combined FHA funds for fiscal year 1956 under all insurance operations totaled $145,532,774 and was derived from fees. insurance premiums, and income on investments. Operating expenses of the FHA during the fiscal year 1956 totaled $40,587,159.

Cumulative Gross Income and Operating Expenses, by Fiscal Years

From the establishment of FHA in 1934 through June 30, 1956, gross income totaled $1,167,126,780, while operating expenses totaled $422,916,108. Gross income and operating expenses for each fiscal year are detailed below:

Income and operating expenses through June 30, 1956

	Income from fees, premiums, and investments	Operating expenses
Fiscal year—		
1935	$530,609	$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	10,218,994
1946	30,729,072	11,191,492
1947	26,790,341	16,063,870
1948	51,164,456	20,070,722
1949	63,983,953	23,378,483
1950	85,705,342	27,457,820
1951	98,004,922	31,314,309
1952	103,021,039	30,622,407
1953	115,288,193	31,345,172
1954	125,223,448	31,393,575
1955	138,823,312	36,202,404
1956	145,532,774	40,587,159
Total	1,167,126,780	422,916,108

The above income was derived from the following insurance operations: Title I Insurance Fund (property improvement loans), $157,048,930; Title I Housing Insurance Fund (home mortgages), $4,477,356; Title II Mutual Mortgage Insurance Fund (home mortgages), $662,832,596; Title II Housing Insurance Fund (rental housing projects), $23,411.968; Title II, Section 220 Housing Insurance Fund (urban renewal housing) $170,932; Title II, Section 221 Housing Insurance Fund (relocation housing) $28,373; Title II Servicemen's Mortgage Insurance Fund (servicemen's housing) $627,765; Title VI War Housing Insurance Fund (war and veterans' emergency housing), $286,427,548; Title VII Housing Investment Insurance Fund (yield insurance) $109,981; Title VIII Armed Services Housing Mortgage Insurance Fund (rental housing projects), $20,783,766; and Title IX National Defense Housing Insurance Fund (home mortgages and rental housing projects), $11,207,565.

Salaries and Expenses

The current fiscal year is the seventeenth 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 1956 to cover operating costs and the purchase of furniture and equipment are as follows:

Salaries and expenses, fiscal year 1956—July 1, 1955 to June 30, 1956

Title and section	Amount	Percent
Title I:		
Sec. 2	$3,741,741	9.20
Sec. 8	76,265	.19
Title II:		
Sec. 203	31,402,051	77.23
Sec. 207–210	1,096,788	2.69
Sec. 213	564,065	1.39
Sec. 220	289,005	.71
Sec. 221	60,769	.15
Sec. 222	311,859	.77
Title VI:		
Sec. 603	567,921	1.40
Sec. 608	1,410,055	3.47
Sec. 609	129	(1)
Sec. 611	1,088	(1)
Title VII	14,176	.03
Title VIII:		
Sec. 803	610,539	1.50
Sec. 809	2,354	.01
Title IX:		
Sec. 903	427,546	1.05
Sec. 908	86,453	.21
Total	40,662,804	100.00

[1] Less than 0.005 percent.

Capital and Statutory Reserves of Combined FHA Funds

The combined capital and statutory reserve of all FHA funds on June 30, 1956 amounted to $481,207,568, and consisted of $431,747,737 capital ($20,310,000 capital contributions from other FHA insurance funds and $411,437,737 earned surplus), and $49,459,831 statutory reserves, as shown in statement 1.

STATEMENT 1.—*Comparative statement of financial condition, all FHA funds combined, as of June 30, 1955, and June 30, 1956*

ASSETS	June 30, 1955	June 30, 1956	Increase or decrease (−)
Cash with U. S. Treasury	$44,961,782	$29,754,634	−$15,207,148
Investments:			
U. S. Government securities (amortized)	355,138,419	418,764,414	63,625,995
Other securities (stock in rental housing corporations)	475,260	469,560	−5,700
Total investments	355,613,679	419,233,974	63,620,295
Loans receivable:			
Mortgage notes and contracts for deed	56,565,923	77,812,079	21,246,156
Less reserve for losses	1,674,472	2,366,749	692,277
Net loans receivable	54,891,451	75,445,330	20,553,879
Accounts and notes receivable:			
Accounts receivable—insurance premiums	3,516,110	3,686,780	170,670
Accounts receivable—other	119,996	436,292	316,296
Total accounts and notes receivable	3,636,106	4,123,072	486,966

STATEMENT 1.—*Comparative statement of financial condition, all FHA funds conbined, as of June 30, 1955, and June 30, 1956*—Continued

ASSETS	June 30, 1955	June 30, 1956	Increase or decrease (−)
Accrued assets:			
Interest on U. S. Government securities	$719,112	$1,782,090	$1,062,978
Other	----------	615,150	615,150
Total accrued assets	719,112	2,397,240	1,678,128
Land, structures, and equipment:			
Furniture and equipment	2,295,826	[1] 2,541,129	245,303
Less reserve for depreciation	1,331,819	1,451,887	120,068
Net furniture and equipment	964,007	1,089,242	125,235
Acquired security:			
Real estate (at cost plus expenses to date)	92,211,483	114,594,838	22,383,355
Less reserve for losses	36,885,505	44,263,362	7,377,857
Net real estate	55,325,978	70,331,476	15,005,498
Mortgage notes acquired under terms of insurance (at cost plus expenses to date)	85,888,755	117,803,052	31,914,297
Less reserve for losses	34,300,577	47,266,880	12,966,303
Net mortgage notes acquired under terms of insurance	51,588,178	70,536,172	18,947,994
Defaulted Title I notes	64,903,317	61,279,439	−3,623,878
Less reserve for losses	44,146,152	38,829,704	−5,316,448
Net defaulted Title I notes	20,757,165	22,449,735	1,692,570
Net acquired security	127,671,321	163,317,383	35,646,062
Other assets—held for account of mortgagors	139,036	1,565,303	1,426,267
Total assets	588,596,494	696,926,178	108,329,684
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	9,914,074	[2] 3,235,289	−6,678,785
Group account participations payable	1,882,878	3,121,492	1,238,614
Total accounts payable	11,796,952	6,356,781	−5,440,171
Accrued liabilities: Interest on debentures	1,060,966	1,844,103	783,137
Trust and deposit liabilities:			
Fee deposits held for future disposition	7,928,945	6,918,574	−1,010,371
Excess proceeds of sale	2,097,149	1,445,240	−651,909
Deposits held for mortgagors, lessees, and purchasers	2,040,818	4,951,484	2,910,666
Undistributed receipts	14,321	----------	−14,321
Due general fund of the U. S. Treasury	----------	211	211
Employees' payroll deductions for taxes, etc	1,065,718	1,275,783	210,065
Total trust and deposit liabilities	13,146,951	14,591,292	1,444,341
Deferred and undistributed credits:			
Unearned insurance premiums	72,968,895	69,824,506	−3,144,389
Unearned insurance fees	250.477	85,186	−165,291
Other	5,995	635,012	629,017
Total deferred and undistributed credits	73,225,367	70,544,704	−2,680,663
Bonds, debentures, and notes payable: Debentures payable	70,639,386	121,182,250	50,542,864
Other liabilities: Reserve for foreclosure costs—Mortgage notes acquired under terms of insurance	865,548	1,199,480	333,932
Total liabilities	170,735,170	215,718,610	44,983,440
CAPITAL			
Capital contributions from other FHA insurance funds	20,310,000	20,310,000	----------

[1] Excludes unfilled orders in the amount of $76,374.
[2] Excludes unfilled orders in the amount of $200,032.

STATEMENT 1.—*Comparative statement of financial condition, all FHA funds conbined, as of June 30, 1955, and June 30, 1956*—Continued

ASSETS	June 30, 1955	June 30, 1956	Increase or decrease (−)
Earned surplus:			
Statutory reserve (participating reserve account)	$49,029,594	$49,459,831	$430,237
Insurance reserve fund (cumulative earnings) available for future losses and related expenses	157,526,956	169,474,167	11,947,211
General surplus account	190,994,774	241,963,570	50,968,796
Total earned surplus	397,551,324	460,897,568	63,346,244
Total capital	417,861,324	481,207,568	63,346,244
Total liabilities and capital	588,596,494	696,926,178	108,329,684
Certificates of claim relating to properties on hand	4,086,620	4,288,719	202,099

The contributed capital of $20,310,000 and the earned surplus of $411,437,737 are available for future contingent losses and related expenses. The statutory reserve of $49,459,831 under the Mutual Mortgage Insurance Fund is earmarked for participation payments to mortgagors under the mutual provision of Title II of the National Housing Act.

The capital and statutory reserves of each fund are given below:

Fund	Capital (including statutory reserve)
Title I Insurance Fund	$52,259,738
Title I Housing Insurance Fund	2,779,787
Mutual Mortgage Insurance Fund	291,423,401
Housing Insurance Fund	5,826,885
Sec. 220 Housing Insurance Fund	802,755
Sec. 221 Housing Insurance Fund	906,822
Servicemen's Mortgage Insurance Fund	1,227,153
War Housing Insurance Fund	116,267,730
Housing Investment Insurance Fund	847,074
Armed Services Housing Mortgage Insurance Fund	9,822,132
National Defense Housing Insurance Fund	−955,909
Total	481,207,568

In addition, the various insurance funds had collected or accrued $85,186 unearned insurance fees and $69,824,506 unearned insurance premiums as shown below, which 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	----------	$19,294,683	$19,294,683
Title I Housing Insurance Fund	----------	444,132	444,132
Mutual Mortgage Insurance Fund	----------	34,703,596	34,793,596
Housing Insurance Fund	$67,232	1,419,756	1,486,988
Sec. 220 Housing Insurance Fund	7,928	15,382	23,310
Sec. 221 Housing Insurance Fund	----------	60	60
Servicemen's Mortgage Insurance Fund	----------	364,375	364,375
War Housing Insurance Fund	----------	10,446,299	10,446,299
Armed Services Housing Mortgage Insurance Fund	10,026	1,742,398	1,752,424
National Defense Housing Insurance Fund	----------	1,303,825	1,303,825
Total	85,186	69,824,506	69,909,692

Combined Income, Expenses, and Losses, All FHA Funds

Total income from all sources during the fiscal year 1956 amounted to $151,322,430, while total expenses and insurance losses amounted to $65,287,726, leaving net income, before adjustment of valuation and statutory reserves, of $86,034,704. Increases in valuation reserves for the year amounted to $15,719,989, leaving $70,314,715 net income for the period. Cumulative income from June 30, 1934, through June 30, 1956, was $1,187,308,335, and cumulative expenses were $504,962,906, leaving net income of $682,345,429 before adjustment of valuation reserves.

STATEMENT 2.—*Combined statement of income and expenses for all FHA funds, through June 30, 1955, and June 30, 1956*

	June 30, 1934 to June 30, 1955	July 1, 1955 to June 30, 1956	June 30, 1934 to June 30, 1956
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$63,022,424	$9,470,274	$72,492,698
Interest on mortgage notes and contracts for deed	122,765	20,197	142,962
Interest and other income on defaulted Title I notes	4,547,634	996,397	5,544,031
Interest—Other	9,305,282	4,583,405	14,265,107
Dividends on rental housing stock	14,504	2,308	16,812
	77,012,609	15,072,581	92,461,610
Insurance premiums and fees:			
Premiums	780,403,043	119,202,266	899,605,309
Fees	176,716,137	16,857,926	193,574,063
	957,119,180	136,060,192	1,093,179,372
Other income:			
Profit on sale of investments	1,437,898	----------	1,437,898
Miscellaneous income	39,798	189,657	229,455
	1,477,696	189,657	1,667,353
Total income	1,035,609,485	151,322,430	1,187,308,335
Expenses:			
Interest expenses:			
Interest on funds advanced by U. S. Treasury	20,385,529	----------	20,385,529
Interest on debentures	694,539	−88,192	606,347
	21,080,068	−88,192	20,991,876
Administrative expenses:			
Operating costs (including adjustments for prior years)	373,638,605	[1] 40,559,948	414,198,553
Other expenses:			
Depreciation on furniture and equipment	1,972,603	168,416	2,141,019
Miscellaneous expenses	334,979	15,394	350,373
	2,307,582	183,810	2,491,392
Losses and chargeoffs:			
Loss on sale of acquired properties and assigned mortgage notes	11,764,548	16,732,272	28,768,841
Loss on equipment	7,917	809	8,726
Loss on defaulted Title I notes	30,604,439	7,899,079	38,503,518
	42,366,904	24,632,160	67,281,085
Total expenses	439,393,159	65,287,726	504,962,906
Net income before adjustment of valuation reserves	596,216,326	86,034,704	682,345,429

[1] Excludes unfilled orders in the amount of $123,658.

STATEMENT 2.—*Combined statement of income and expenses for all FHA funds, through June 30, 1955 and June 30, 1956*—Continued

	June 30, 1934, to June 30, 1955	July 1, 1955, to June 30, 1956	June 30, 1934, to June 30, 1956
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−$1, 674, 472	−$692, 277	$−2, 366, 749
Reserve for loss on real estate	−36, 885, 505	−7, 377, 857	−44, 263, 362
Reserve for loss on mortgage notes acquired under terms of insurance	−34, 300, 577	−12, 966, 303	−47, 266, 880
Reserve for loss on defaulted Title I notes	−44, 146, 152	+5, 316, 448	−38, 829, 704
Net adjustment of valuation reserves	−117, 006, 706	−15, 719, 989	−132, 726, 695
Net income	479, 209, 620	70, 314, 715	549, 618, 734

ANALYSIS OF EARNED SURPLUS

	June 30, 1934, to June 30, 1955	July 1, 1955, to June 30, 1956	June 30, 1934, to June 30, 1956
Distribution of net income:			
Statutory reserve-participating reserve:			
Balance at beginning of period		$49, 029, 594	
Adjustments during period		−6, 893	
Net income allocated for the period	$110, 377, 890	7, 500, 000	$117, 870, 997
	110, 377, 890	56, 522, 701	117, 870, 997
Participations in mutual earnings distributed	−61, 348, 296	−7, 062, 870	−68, 411, 166
Balance at end of period	49, 029, 594	49, 459, 831	49, 459, 831
Insurance reserve fund:			
Balance at beginning of period		$157, 526, 956	
Adjustments during period		517, 277	
Net income for period	$176, 836, 956	11, 429, 934	$188, 784, 167
	176, 836, 956	169, 474, 167	188, 784, 167
Capital contributions to other FHA insurance funds	−19, 310, 000		−19, 310, 000
Balance at end of period	157, 526, 956	169, 474, 167	169, 474, 167
General surplus account:			
Balance at beginning of period		190, 994, 774	
Adjustments during period		−415, 985	
Net income allocated for period	191, 994, 774	51, 384, 781	242, 963, 570
	191, 994, 774	241, 963, 570	242, 963, 570
Capital contributions to other FHA insurance funds	−1, 000, 000		−1, 000, 000
Balance at end of period	190, 994, 774	241, 963, 570	241, 963, 570

Contributed Capital

The contributed capital of $20,310,000 as 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 was also $20,310,000 at December 31, 1956. An analysis of capital contributions at December 31, 1956 is shown in statement 3.

STATEMENT 3.—*Analysis of capital contributions to FHA insurance funds from other FHA insurance funds as of Dec. 31, 1956*

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	−$3, 200, 000	
Housing Investment Insurance		90, 000	90, 000	−90, 000	
War Housing Insurance		4, 400, 000	4, 400, 000		4, 400, 000
Total	1, 000, 000	7, 690, 000	8, 690, 000	−3, 290, 000	5, 400, 000
Sec. 220 Housing Insurance:					
From: War Housing Insurance	1, 000, 000		1, 000, 000		1, 000, 000
Sec. 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, 000	
War Housing Insurance		910, 000	910, 000		910, 000
To: Housing Insurance		−90, 000	−90, 000	90, 000	
Total		1, 820, 000	1, 820, 000	−910, 000	910, 000
Armed Services Housing Mortgage 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	3, 200, 000	
Housing Investment Insurance		−1, 000, 000	−1, 000, 000	1, 000, 000	
Total	10, 000, 000	−4, 200, 000	5, 800, 000	4, 200, 000	10, 000, 000
Total all funds	15, 000, 000	7, 210, 000	22, 210, 000	−1, 900, 000	20, 310, 000

General Mortgage Insurance Authorization

Public Law 1020, 84th Congress, approved August 7, 1956, amended the general mortgage insurance authorization under Section 217. The amendment 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 (except Sec. 2 and Sec. 803) shall not exceed the sum of (*a*) the outstanding principal balances, as of July 1, 1956, of all insured mortgages (without taking into account prepayments or delinquencies), (*b*) the principal amount of all outstanding commitments to insure as of July 1, 1956, and (*c*) $3 billion. This general insurance authorization applies to all mortgage insurance programs except new insurance written under Title VIII pursuant to commitments issued on or after August 11, 1955. The general mortgage insurance authorization at July 1, 1956 was established as follows:

Insurance in force	$18, 869, 514, 132
Commitments outstanding	3, 914, 479, 464
Additional authorized amount	3, 000, 000, 000
Total authorization	25, 783, 993, 596

The status of the general mortgage insurance authorization at December 31, 1956 is shown in statement 4.

STATEMENT 4.—*Status of general mortgage insurance authorization as of Dec. 31, 1956*

	Estimated outstanding balance of insurance in force	Outstanding commitments for insurance	
Sec. 217 General Mortgage Insurance Authorization			[1] $25, 783, 993, 600
Title I, Sec. 8	$177, 529, 420	$114, 300	
Title II:			
Sec. 203	[2] 13, 341, 900, 015	[2] 3, 122, 950, 966	
Sec. 207–210	265, 662, 480	[3] 41, 391, 300	
Sec .213	332, 665, 012	[4] 90, 608, 850	
Sec. 220	9, 971, 144	39, 911, 200	
Sec. 221	123, 368	628, 504	
Sec. 222	231, 838, 859	35, 067, 470	
	14, 182, 160, 878	3, 330, 564, 290	
Title VI:			
Sec. 603	1, 203, 275, 304		
Sec. 608	2, 681, 832, 808		
Sec. 610 (Sec. 603)	9, 417, 119		
Sec. 610 (Sec. 608)	4, 819, 734		
Sec. 611	448, 797		
	3, 899, 793, 852		
Title VIII, Sec. 803 (prior to Aug. 11, 1955)	629, 182, 938	3, 904, 200	
Title IX:			
Sec. 903	421, 220, 758	637, 500	
Sec. 908	47, 743, 774		
	468, 964, 532	637, 500	
Total charges to Sec. 217	19, 357, 631, 629	3, 335, 280, 290	22, 692, 911, 919
Unused insurance authorization			3, 091, 081, 681

[1] Increased in accordance with Sec. 106 of Public Law 1020, 84th Cong., approved Aug. 7, 1956.

[2] Includes statements of eligibility in the amount of $1,148,300. Also includes $20,133 commitments outstanding and $24,809 outstanding balance of insurance in force on farm mortgages chargeable against limitation of $100,000,000.

[3] Includes statements of eligibility in the amount of $756,900.

[4] Includes statements of eligibility in the amount of $17,738,200.

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. If the mortgage amount is more than the statutory ratio applied to such actual costs as recognized by FHA, the mortgage amount must be correspondingly reduced.

During 1956 cost certifications were received as follows on completed multifamily housing projects with mortgages insured by the Federal Housing Administration:

	Number	Costs certified and recognized	Amount of commitment or initial endorsement for mortgage insurance	Applied to principal reduction	Amount insured
Sec. 207	13	$7, 509, 036	$5, 032, 900	$42, 500	$5, 890, 400
Sec. 213	4	6, 950, 889	5, 668, 700		5, 668, 700
Sec. 803	8	22, 205, 551	20, 378, 700		20, 378, 700
Sec. 903	200	2, 067, 676	1, 756, 450		1, 756, 450
Total	225	38, 733, 152	33, 736, 750	42, 500	33, 694, 250

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 $3,500 for the construction of new nonresidential structures.

Loans aggregating 20,155,778 in number and $9,763,618,704 in amount (net proceeds) had been reported for insurance and 594,951 claims had been paid for $200,050,864 under this section through December 31, 1956. The total amount of claims paid represents approximately 2.05 percent of the total net proceeds of loans insured, as shown in statement 5.

In the calendar year 1956, 1,013,086 loans were insured for an aggregate of $691,991,502, and 31,552 claims were paid for $12,241,718.

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, 1956, there had been acquired under the terms of insurance a total of 548 real properties at a total cost of $1,545,269. All properties acquired had been sold at a net loss of $59,429, 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, 1956 amounted to $94,185,286. These losses represent 0.96 percent of the total amount of loans insured ($9,763,618,704). A summary of transactions through December 31, 1956 follows:

STATEMENT 5.—*Summary of Title I transactions for the period June 30, 1934 to Dec. 31, 1956*

Calendar years	Net proceeds of notes insured	Insurance claims paid	Recoveries		Losses		Net notes in process of collection at Dec. 31, 1956
			Cash on notes and sale of equipment	Real properties	On real properties and equipment	On defaulted notes [1]	
1934–39	$859, 246, 581	$23, 967, 882	$4, 739, 788		$3, 779, 748	$3, 400, 665	
1940–49	3, 086, 327, 627	68, 292, 898	28, 442, 867	$770, 872	578, 793	35, 553, 660	
1950	700, 224, 528	18, 168, 052	5, 187, 283	21, 580	−706	8, 636, 224	
1951	706, 962, 734	12, 164, 740	6, 510, 539	200, 930	9, 442	8, 534, 967	
1952	848, 327, 393	11, 524, 344	7, 202, 922	256, 807	8, 973	5, 683, 450	
1953	1, 334, 287, 124	14, 995, 408	7, 533, 730	72, 172	−5, 680	7, 418, 982	
1954	890, 606, 372	21, 047, 414	6, 949, 184	13, 564	1, 190	10, 484, 346	
1955	645, 644, 843	17, 648, 408	8, 534, 191	13, 759	4, 648	8, 217, 259	
1956	691, 991, 502	12, 241, 718	9, 363, 273	10, 374	−4, 542	1, 883, 867	
Totals	9, 763, 618, 704	200, 050, 864	84, 463, 777	1, 360, 058	4, 371, 866	89, 813, 420	$20, 041, 743
Percent to claims paid		100. 000	42. 221	0. 680	2. 186	44. 895	10. 018

NOTES

In addition to the above recoveries, $8,374,712 interest and other income on outstanding balances of Title I notes and $194,051 interest on mortgage notes had been collected through Dec. 31, 1956.

Included in the losses is $3,979,705 representing the cost (claim amount) of equipment repossessed by FHA and subsequently transferred to other Government agencies for their use and without the exchange of funds.

[1] Includes reserve for losses on defaulted Title I notes in process of collection at Dec. 31, 1956, in the amount of $36,795,417.

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 mortagors 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. During the fiscal year 1956, net investments amounting to $6,400,000 (principal amount) were made for the account of this fund, and at June 30, 1956 the fund held bonds in the principal amount of $44,400,000 yielding 2.02 percent, as follows:

Investments of the Title I Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1958	2⅞	$997, 031	$1, 000, 000	$997, 264
1959	2	38, 000, 000	38, 000, 000	38, 000, 000
1960	2	5, 400, 000	5, 400, 000	5, 400, 000
Average annual yield 2.02 percent		44, 397, 031	44, 400, 000	44, 397, 264

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, 1956, as shown in statement 6, was $52,259,738, 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, 1955 and June 30, 1956*

	June 30, 1955	June 30, 1956	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$3, 382, 352	$2, 475, 903	−$906, 449
Investments: U. S. Government securities (amortized)	38, 000, 000	44, 397, 264	6, 397, 264
Loans receivable:			
Mortgage notes and contracts for deed	519, 320	496, 378	−22, 942
Less reserve for losses	7, 745	7, 424	−321
Net loans receivable	511, 575	488, 954	−22, 621
Accounts and notes receivable:			
Accounts receivable—insurance premiums	1, 778, 063	1, 822, 954	44, 891
Accounts receivable—other	27, 257		−27, 257
Accounts receivable—interfund	144, 645	156, 341	11, 696
Total accounts and notes receivable	1, 949, 965	1, 979, 295	29, 330
Accrued assets:			
Interest on U. S. Government securities		432, 695	432, 695
Other		2, 856	2, 856
Total accrued assets		435, 551	435, 551
Acquired security:			
Real estate (at cost plus expenses to date)	33, 601		−33, 601
Less reserve for losses	8, 734		−8, 734
Net real estate	24, 867		−24, 867
Defaulted Title I notes	64, 903, 317	61, 279, 439	−3, 623, 878
Less reserve for losses	44, 146, 152	38, 829, 704	−5, 316, 448
Net defaulted Title I notes	20, 757, 165	22, 449, 735	1, 692, 570
Net acquired security	20, 782, 032	22, 449, 735	1, 667, 703
Total assets	64, 625, 924	72, 226, 702	7, 600, 778
LIABILITIES			
Accounts payable: Bills payable to vendors and Government agencies	1, 119, 369	654, 372	−464, 997
Trust and deposit liabilities: Deposits held for mortgagors, lessees, and purchasers	11, 685	10, 833	−852
Deferred and undistributed credits:			
Unearned insurance premiums	25, 711, 151	19, 294, 683	−6, 416, 468
Other	5, 995	7, 076	1, 081
Total deferred and undistributed credits	25, 717, 146	19, 301, 759	−6, 415, 387
Total liabilities	26, 848, 200	19, 966, 964	−6, 881, 236
CAPITAL			
Earned surplus: Insurance reserve fund (cumulative earnings) available for future losses and related expenses	37, 777, 724	52, 259, 738	14, 482, 014
Total liabilities and capital	64, 625, 924	72, 226, 702	7, 600, 778

For the fiscal year 1956, Title I Insurance Fund income totaled $20,725,106, while expenses and losses amounted to $11,679,504, leaving $9,045,602 net income before adjustment of valuation reserves. After the valuation reserves were decreased by $5,325,503, there remained $14,371,105 net income for the year.

STATEMENT 7.—*Income and expense, Title I Insurance Fund, through June 30, 1955 and June 30, 1956*

	June 3, 1939 to June 30, 1955	July 1, 1955 to June 30, 1956	June 3, 1939 to June 30, 1956
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$643, 647	$824, 047	$1, 467, 694
Interest on mortgage notes and contracts for deed	122, 765	20, 197	142, 962
Interest and other income on defaulted Title I notes	4, 547, 634	996, 397	5, 544, 031
	5, 314, 046	1, 840, 641	7, 154, 687
Insurance premiums and fees:			
Premiums	136, 327, 467	18, 884, 465	155, 211, 932
Fees	369, 304		369, 304
	136, 696, 771	18, 884, 465	155, 581, 236
Other income: Miscellaneous income	32, 600		32, 600
Total income	142, 043, 417	20, 725, 106	162, 768, 523
Expenses:			
Administrative expenses: Operating costs (including adjustments for prior years)	27, 993, 900	3, 745, 827	31, 628, 818
Other expenses:			
Depreciation on furniture and equipment	144, 610	15, 528	160, 138
Miscellaneous expenses	287, 963	15, 387	303, 350
	432, 573	30, 915	463, 488
Losses and chargeoffs:			
Loss on sale of acquired properties	28, 876	3, 608	32, 484
Loss on equipment	43, 274	75	43, 349
Loss on defaulted Title I notes	30, 604, 439	7, 899, 079	38, 503, 518
	30, 676, 589	7, 902, 762	38, 579, 351
Total expenses	59, 103, 062	11, 679, 504	70, 671, 657
Net income before adjustment of valuation reserves	82, 940, 355	9, 045, 602	92, 096, 866
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−7, 745	+321	−7, 424
Reserve for loss on real estate	−8, 734	+8, 734	
Reserve for loss on defaulted Title I notes	−44, 146, 152	+5, 316, 448	−38, 829, 704
Net adjustment of valuation reserves	−44, 162, 631	+5, 325, 503	−38, 837, 128
Net income	38, 777, 724	14, 371, 105	53, 259, 738

ANALYSIS OF EARNED SURPLUS

Distribution of net income:			
Earned surplus:			
Balance at beginning of period		$37, 777, 724	
Adjustments during period		110, 909	
Net income for period	$38, 777, 724	14, 371, 105	$53, 259, 738
	38, 777, 724	52, 259, 738	53, 259, 738
Capital contributions to other FHA insurance funds	−1, 000, 000		−1, 000, 000
Balance at end of period	37, 777, 724	52, 259, 738	52, 259, 738

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 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, 1956 is given below:

Status of Title I insurance authorization as of Dec. 31, 1956

Insurance authorization		$1,750,000,000
Charges against insurance authorization:		
Estimated outstanding balance of insurance in force:		
Reserve of July 1, 1947	$11,272,893	
Reserve of Mar. 1, 1950 (including 102,646 loan reports in process)	1,070,193,211	
Total charges against authorization		1,081,466,104
Unused insurance authorization		668,533,896

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 percent of such loss. This new coinsurance provision of Title I became effective October 1, 1954, and from that date the lender is required to bear 10 percent of the loss sustained on any one loan. As of December 31, 1956, the maximum possible liability of the Title I Insurance Fund for claims was $296,064,311.

Title I Claims Account

In accordance with Public Law 560, 83d Congress, approved August 2, 1954, the Title I Claims Account was terminated as of August 1, 1954, and the remaining assets transferred to and merged with the Title I Insurance Fund.

Insurance reserves under Title I established, released, and outstanding at Dec. 31, 1956, as provided under Secs. 2 and 6, National Housing Act

Item	Gross reserves established	Reserves released	Annual 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	65,649,871		20,418,323	
10 percent, reserve of July 1, 1944	85,450,557	61,219,059		24,231,498	
10 percent, reserve of July 1, 1947	163,061,220	105,630,804		46,157,523	$11,272,893
10 percent, reserve of Mar. 1, 1950	563,895,837		$209,212,297	77,754,806	276,928,734
Estimated loan reports in process	7,862,684				7,862,684
Sec. 6:					
20 percent, amendment Apr. 22, 1937	297,366	246,498		50,868	
10 percent, amendment Apr. 17, 1936	11,913	6,339		5,574	
Total	1,017,538,991	312,211,519	209,212,297	200,050,864	296,064,311

Through August 1, 1954, the Federal Government had advanced a total of $38,243,525 to cover operations under Title I (Sec. 2) on insurance granted before 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, $2,330,360 had been collected as interest and other income, making a total of $40,573,885 accountable funds.

Funds accounted for at August 1, 1954 amounted to $40,541,285: $19,218,917 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 of $32,600 for transfer to the Title I Insurance Fund. This balance is represented by the net assets on hand at August 1, 1954, which consisted of $798 real property and $31,802 accounts and notes receivable.

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 provides 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 million 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.

Capital and Net Income

Assets of the Title I Housing Insurance Fund at June 30, 1956 totaled $3,667,653, against which there were outstanding liabilities of $887,866, leaving $2,779,787 capital. Included in the capital is the sum of $1 million which was transferred from the Title I Insurance Fund in accordance with Section 8(h) of the act, and earned surplus of $1,779,787.

STATEMENT 8.—*Comparative statement of financial condition, Title I Housing Insurance Fund, as of June 30, 1955 and June 30, 1956*

	June 30, 1955	June 30, 1956	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$157,569	$338,118	$180,549
Investments: U. S. Government securities (amortized)	1,706,356	2,405,914	699,558
Loans receivable:			
Mortgage notes and contracts for deed	307,386	522,542	215,156
Less reserve for losses	4,611	7,838	3,227
Net loans receivable	302,775	514,704	211,929
Accounts and notes receivable:			
Accounts receivable—insurance premiums	25,397	25,228	−169
Interfund	−1,159	157	1,316
Total accounts and notes receivable	24,238	25,385	1,147
Accrued assets:			
Interest on U. S. Government securities	990	12,457	11,467
Other		2,395	2,395
Total accrued assets	990	14,852	13,862
Acquired security:			
Real estate (at cost plus expenses to date)	178,070	429,761	251,691
Less reserve for losses	25,382	61,081	35,699
Net acquired security	152,688	368,680	215,992
Total assets	2,344,616	3,667,653	1,323,037
LIABILITIES			
Accounts payable: Bills payable to vendors and Government agencies	326	743	417
Accrued liabilities: Interest on debentures	1,670	7,820	6,150
Trust and deposit liabilities:			
Fee deposits held for future disposition	28,350	5,100	−23,250
Excess proceeds of sale	1,892	6,219	4,327
Deposits held for mortgagors, lessees and purchasers	4,512	10,910	6,398
Total trust and deposit liabilities	34,754	22,229	−12,525
Deferred and undistributed credits:			
Unearned insurance premiums	478,266	444,132	−34,134
Other		2,542	2,542
	478,266	446,674	−31,592
Bonds, debentures and notes payable: Debentures payable	95,100	410,400	315,300
Total liabilities	610,116	887,866	277,750
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	734,500	1,779,787	1,045,287
Total capital	1,734,500	2,779,787	1,045,287
Total liabilities and capital	2,344,616	3,667,653	1,323,037
Certificates of claim relating to properties on hand	7,213	11,443	4,230

The total income of the Title I Housing Insurance Fund for fiscal year 1956 amounted to $1,022,077, while expenses and losses totaled $101,942, leaving net income of $920,135 before adjustment of the valuation reserves. The valuation reserves were increased $38,926, resulting in a net income of $881,209 for the year.

STATEMENT 9.—*Income and expenses, Title I Housing Insurance Fund, through June 30, 1955 and June 30, 1956*

	Apr. 20, 1950 to June 30, 1955	July 1, 1955 to June 30, 1956	Apr. 20, 1950 to June 30, 1956
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$129,612	$42,275	$171,887
Interest—other	7,867	11,707	19,574
	137,479	53,982	191,461
Insurance premiums and fees:			
Premiums	1,676,052	969,270	2,645,322
Fees	1,661,322	−1,175	1,660,147
	3,337,374	968,095	4,305,469
Total income	3,474,853	1,022,077	4,496,930
Expenses:			
Administrative expenses:			
Operating costs (including adjustments for prior years)	2,681,113	78,864	2,595,899
Other expenses: Depreciation on furniture and equipment	11,782	320	12,102
Losses and chargeoffs:			
Loss on sale of acquired properties	17,475	22,757	40,232
Loss (or profit —) on equipment	−10	1	−9
	17,465	22,758	40,223
Total expenses	2,710,360	101,942	2,648,224
Net income before adjustment of valuation reserves	764,493	920,135	1,848,706
Increase (—) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−4,611	−3,227	−7,838
Reserve for loss on real estate	−25,382	−35,699	−61,081
Net adjustment of valuation reserves	−29,993	−38,926	−68,919
Net income	734,500	881,209	1,779,787
ANALYSIS OF EARNED SURPLUS			
Distribution of net income:			
Earned surplus:			
Balance at beginning of period		734,500	
Adjustments during period		164,078	
Net income for period	734,500	881,209	1,779,787
Balance at end of period	734,500	1,779,787	1,779,787

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 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 1956, $73,200 of debentures were redeemed in payment of mortgage insurance premiums or purchased from the Federal National Mortgage Association and $85,350 were redeemed by debenture calls. During the fiscal year 1956, net investments amounting to $700,000 (principal amount) were made for the account of this fund, and at June 30, 1956 the fund held United States Government securities in the principal amount of $2,400,000, yielding 2.17 percent, as follows:

Investments of the Title I Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1958	2	$50,000	$50,000	$50,000
1959	2	700,000	700,000	700,000
1960	2	700,000	700,000	700,000
1967–72	2½	958,367	950,000	955,914
Average annual yield 2.17 percent		2,408,367	2,400,000	2,405,914

Properties Acquired Under the Terms of Insurance

During the calendar year 1956, 141 properties insured under Title I Section 8 were acquired by the Commissioner under the terms of insurance. Through December 31, 1956, a total of 269 homes had been acquired under the Title I Housing Insurance Fund at a total cost of $1,598,806, and 190 were sold at prices which left a net charge against the fund of $96,541, or an average of $508 per case.

STATEMENT 10.—*Statement of profit and loss on sale of acquired properties, Title I Housing Insurance Fund, through Dec. 31, 1956*

Items	Total TIHI Fund (190 properties)
Proceeds of sale:	
Sales price [1]	$1,024,640
Less commission and other selling expense	35,266
Net proceeds of sales	989,374
Income:	
Rental and other income (net)	3,356
Mortgage note income	42,328
Total income	45,684
Total proceeds of sold properties	1,035,058
Expenses:	
Debentures and cash adjustments	985,852
Interest on debentures	55,500
Taxes and insurance	17,044
Additions and improvements	665
Maintenance and operating expense	69,558
Miscellaneous	140
Total expenses	1,118,759
Net profit (or loss −) before distribution of liquidation profits	−83,701
Less distribution of liquidation profits:	
Certificates of claim	7,950
Increment on certificates of claim	185
Refunds to mortgagors	4,705
Loss (−) to Title I Housing Insurance Fund	−96,541

[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	5		$22,850		$22,850
Properties sold for cash and notes (or contracts for deed)	184	184	61,465	$933,325	994,790
Properties sold for notes only	1	1		7,000	7,000
Total	190	185	84,315	940,325	1,024,640

The turnover of Section 8 properties acquired and sold, by calendar year, is given below:

STATEMENT 11.—*Turnover of properties acquired under Sec. 8 of Title I contracts of insurance by years, and cumulative through Dec. 31, 1956*

Year	Properties acquired	Properties sold, calendar years—					Properties on hand Dec. 31, 1956
		1952	1953	1954	1955	1956	
1952	2			1	1		
1953	55		7	46	1		1
1954	25			8	14	2	1
1955	46				10	25	11
1956	141					75	66
Total	269		7	55	26	102	79

NOTE.—On the 190 properties sold, the average time between acquisition and sale by the Federal Housing Administration was 6.49 months. The number of properties sold has been reduced by 2 properties repossessed because of default on mortgage notes. Of these repossessions, 1 had been sold by Dec. 31, 1956.

On December 31, 1956, there remained on hand 79 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, 1956

	Title I Sec. 8 (79 properties)
Expenses:	
Acquisition costs	$455,741
Interest on debentures	14,376
Taxes and insurance	7,989
Maintenance and operating	4,633
Additions and improvements	30
Miscellaneous	140
Total expenses	482,909
Income: Rent and other income (net)	5,284
Net acquired security on hand	477,625

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 deduction of 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 mortagor.

Certificates of claim issued in connection with the 190 Section 8 properties which had been acquired and sold through 1956 totaled $53,679. The amount paid or to be paid on these certificates of claim totaled $7,949, while certificates of claim totaling $45,730 had been or will be canceled.

In addition, there were excess proceeds on 15 of the 190 properties sold, amounting to $4,705, 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 million by the Federal Government. It has been credited with all income received with respect to insurance granted under Section 203, and that received with respect to insurance granted under Section 207 prior to February 3, 1938.

Before Section 205 of the act was amended on August 2, 1954, it 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 income exceeded 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 million provided by Section 202 of the act.

The amendment to Section 205 of the act approved August 2, 1954 directed the Commissioner to establish as of July 1, 1954 a general surplus account and a participating reserve account. The balance of the general reinsurance account, amounting to $64,198,363, was transferred to the general surplus account, whereupon the general reinsurance account was abolished. There was transferred from the various group accounts to the participating reserve account as of July 1, 1954, $56,387,716, an amount equal to the aggregate amount that 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 in the amount of $71,371,016 were transferred to the general surplus account, whereupon all the group accounts were abolished. The aggregate net income received or net loss sustained by the Mutual Mortgage Insurance Fund in any semiannual period is 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 premiums to the year of termination of the insurance.

Capital

As of June 30, 1956, the assets of the Mutual Mortgage Insurance Fund totaled $350,302,093, against which there were outstanding liabilities of $58,878,692, leaving $291,423,401 capital.

In accordance with Public Law 94, 83d Congress, approved June 30, 1953, the capital contributed to this fund by the United States Government in the amount of $41,994,095—$10 million 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.

STATEMENT 12.—*Comparative statement of financial condition, Mutual Mortgage Insurance Fund, as of June 30, 1955 and June 30, 1956*

	June 30, 1955	June 30, 1956	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$15,061,005	$12,689,730	−$2,371,275
Investments: U. S. Government securities (amortized)	267,694,334	317,162,047	49,467,713
Loans receivable:			
Mortgage notes and contracts for deed	7,425,404	10,813,495	3,388,091
Less reserve for losses	111,381	162,202	50,821
Net loans receivable	7,314,023	10,651,293	3,337,270
Accounts and notes receivable:			
Accounts receivable—insurance premiums	1,113,442	1,324,220	210,778
Accounts receivable—other	365	19,349	18,984
Accounts receivable—interfund	829,110	924,074	94,964
Total accounts and notes receivable	1,942,917	2,267,643	324,726
Accrued assets:			
Interest on U. S. Government securities	640,622	1,153,348	512,726
Other		49,190	49,190
Total accrued assets	640,622	1,202,538	561,916

STATEMENT 12.—*Comparative statement of financial condition, Mutual Mortgage Insurance Fund, as of June 30, 1955 and June 30, 1956*—Continued

	June 30, 1955	June 30, 1956	Increase or decrease(−)
ASSETS—continued			
Acquired security:			
Real estate (at cost plus expenses to date)	$5,071,137	$7,421,430	$2,350,293
Less reserve for losses	774,302	1,092,588	318,286
Net acquired security	4,296,835	6,328,842	2,032,007
Total assets	296,949,736	350,302,093	53,352,357
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	4,249,806	11,960	−4,237,846
Group account participations payable	1,882,878	3,121,492	1,238,614
Total accounts payable	6,132,684	3,133,452	−2,999,232
Accrued liabilities: Interest on debentures	218,925	229,415	10,490
Trust and deposit liabilities:			
Fee deposits held for future disposition	7,783,806	6,859,330	−924,476
Excess proceeds of sale	365,962	343,005	−22,957
Deposits held for mortgagors, lessees and purchasers	126,388	223,522	97,134
Total trust and deposit liabilities	8,276,156	7,425,857	−850,299
Deferred and undistributed credits:			
Unearned insurance premiums	30,941,667	34,793,596	3,851,929
Other		52,822	52,822
Total deferred and undistributed credits	30,941,667	34,846,418	3,904,751
Bonds, debentures, and notes payable: Debentures payable	11,355,936	13,243,550	1,887,614
Total liabilities	56,925,368	58,878,692	1,953,324
CAPITAL			
Earned surplus:			
Statutory reserve (participating reserve account)	49,029,594	49,459,831	430,237
General surplus account	190,994,774	241,963,570	50,968,796
Total earned surplus	240,024,368	291,423,401	51,399,033
Total liabilities and capital	296,949,736	350,302,093	53,352,357
Certificates of claim relating to properties on hand	167,917	132,889	−35,028

Income and Expenses

During fiscal year 1956 the income to the fund amounted to $91,244,014, while expenses and losses amounted to $31,990,126, leaving $59,253,888 net income before adjustment of valuation reserves. After the valuation reserves had been increased $369,107, the net income for the year was $58,884,781.

The cumulative income of the Mutual Mortgage Insurance Fund from June 30, 1934 to June 30, 1956 amounted to $662,959,783, while cumulative expenses amounted to $300,870,426, leaving $362,089,357 net income before adjustment of valuation reserves. After $1,254,790 had been allocated to valuation reserves, the cumulative net income amounted to $360,834,567.

STATEMENT 13.—*Income and expenses, Mutual Mortgage Insurance Fund, through June 30, 1955 and June 30, 1956*

	June 30, 1934 to June 30, 1955	July 1, 1955 to June 30, 1956	June 30, 1934 to June 30, 1956
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$48,453,393	$7,370,901	$55,824,294
Dividends on rental housing stock	286		286
	48,453,679	7,370,901	55,824,580
Insurance premiums and fees:			
Premiums	406,733,934	67,895,587	474,629,521
Fees	114,691,523	15,857,157	130,548,680
	521,425,457	83,752,744	605,178,201
Other income:			
Profit on sale of investments	1,829,815		1,829,815
Miscellaneous income	6,818	120,369	127,187
	1,836,633	120,360	1,957,002
Total income	571,715,760	91,244,014	662,959,783
Expenses:			
Interest expense:			
Interest on funds advanced by U. S. Treasury	17,059,847		17,059,847
Interest on debentures	694,539	−88,192	606,347
	17,754,386	−88,192	17,666,194
Administrative expenses: Operating costs (including adjustment for prior years)	246,313,526	31,446,563	278,182,067
Other expenses:			
Depreciation on furniture and equipment	1,305,983	130,387	1,436,370
Miscellaneous expenses	17,709	6	17,715
	1,323,692	130,393	1,454,085
Losses and chargeoffs:			
Loss on sale of acquired properties	3,082,180	500,735	3,582,915
Loss (or profit −) on equipment	−16,362	627	−15,735
	3,065,818	501,362	3,567,180
Total expenses	268,457,422	31,090,126	300,870,426
Net income before adjustment of valuation reserves	303,258,347	59,253,888	362,089,357
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−111,381	−50,821	−162,202
Reserve for loss on real estate	−774,302	−318,286	−1,092,588
Net adjustment of valuation reserves	−885,683	−369,107	−1,254,790
Net income	302,372,664	58,884,781	360,834,567
ANALYSIS OF EARNED SURPLUS			
Distribution of net income:			
Statutory reserve:			
Balance at beginning of period		49,029,594	
Adjustments during period		−6,893	
Net income allocated for period	110,377,800	7,500,000	117,870,997
	110,377,890	56,522,701	117,870,997
Participations in mutual earnings distributed	−61,348,296	−7,062,870	−68,411,166
Balance at end of period	49,029,594	49,459,831	49,459,831
General surplus account:			
Balance at beginning of period		190,994,774	
Adjustments during period		−415,985	
Net income for period	191,994,774	51,384,781	242,963,570
	191,994,774	241,963,570	242,963,570
Capital contributions to other FHA insurance funds	−1,000,000		−1,000,000
Balance at end of period	190,994,774	241,963,570	241,963,570

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 1956, $1,079,100 in debentures was redeemed in payment of mortgage insurance premiums or purchased from the Federal National Mortgage Association and $3,592,936 was redeemed in debenture calls or by reason of maturity.

Net purchases of United States Government securities and debentures of various FHA insurance funds made during the fiscal year increased the holdings of the fund by $50,358,800 (principal amount). These transactions increased the average annual yield from 2.52 percent to 2.55 percent. On June 30, 1956, the fund held United States Government securities in the amount of $319,853,350, principal amount, as follows:

Investments of the Mutual Mortgage Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1958	2	$9,800,000	$9,800,000	$9,800,000
1959	2	6,200,000	6,200,000	6,200,000
1960	2	10,421,000	10,421,000	10,421,000
1961	2½	8,401,250	8,600,000	8,402,429
1962–67	2½	5,000,000	5,000,000	5,000,000
1963	2½	3,376,562	3,500,000	3,379,071
1963–68	2½	26,778,078	27,200,000	26,810,095
1964–69	2½	47,015,267	48,400,000	47,150,450
1965–70	2½	35,191,984	35,900,000	35,282,686
1966–71	2½	26,089,805	26,700,000	26,162,791
1967–72	2½	124,636,165	123,967,000	124,388,175
HIF debentures	2½	1,227,550	1,227,550	1,227,550
Do	2¾	2,385,450	2,385,450	2,385,450
NDHIF debentures	2½	4,943,550	4,943,550	4,943,550
Do	2¾	4,524,850	4,524,850	4,524,850
ASHMIF debentures	2½	856,600	856,600	856,600
Do	2¾	227,350	227,350	227,350
Average annual yield 2.55%		317,075,461	319,853,350	317,162,047

Properties Acquired Under the Terms of Insurance

One thousand five hundred and seventy-two homes insured under Section 203 were acquired by the Commissioner during the calendar year 1956 under the terms of insurance. Through 1956, a total of 7,769 small homes had been acquired under the Mutual Mortgage Insurance Fund at a total cost of $54,472,960. Statement 14 shows the turnover of Section 203 acquired properties since the acquisition of the first such property in 1936.

STATEMENT 14.—*Turnover of properties acquired under Sec. 203 of Title II contracts of insurance by years, and cumulative through Dec. 31, 1956*

Year	Properties acquired	Properties sold by calendar years—										Properties on hand Dec. 31, 1956
		1936–47	1948	1949	1950	1951	1952	1953	1954	1955	1956	
1936–47	4,067	4,067										
1948	4		2	2								
1949	37			17	19	1						
1950	225				65	102	25	11	8	7	1	6
1951	407					188	173	17	10	8	6	5
1952	282						142	86	13	20	5	16
1953	263							88	84	49	28	14
1954	427								162	174	36	55
1955	485									199	213	73
1956	1,572										279	1,293
Total	7,760	4,067	2	19	84	291	340	202	277	457	568	1,462

NOTE.—On the 6,307 properties sold the average time between acquisition and sale by the Federal Housing Administration was 6.95 months. The number of properties sold has been reduced by 36 properties repossessed because of default on mortgage notes. Of these repossessions, 33 had been sold by Dec. 31, 1956.

Through December 31, 1956, 6,307 acquired properties insured under Section 203 had been sold at prices which left a net charge against the fund of $3,929,034, or an average of approximately $623 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 15.—*Statement of profit and loss on sale of acquired properties, Mutual Mortgage Insurance Fund, through Dec. 31, 1956*

Item	Sec. 203 (6,307 properties)	Sec. 207 (1 property, 265 units)	Total MMI Fund (6,308 properties)
Proceeds of sales:			
Sales price [1]	$36, 143, 540	$1, 000, 000	$37, 143, 540
Less commission and other selling expenses	1, 623, 742	----------	1, 623, 742
Net proceeds of sales	34, 519, 798	1, 000, 000	35, 519, 798
Income:			
Rental and other income (net)	783, 173	----------	783, 173
Mortgage note income	3, 870, 943	----------	3, 870, 943
Total income	4, 654, 116	----------	4, 654, 116
Total proceeds of sold properties	39, 173, 914	1, 000, 000	40, 173, 914
Expenses:			
Debentures and cash adjustments	34, 618, 011	942, 145	35, 560, 156
Interest on debentures	4, 516, 275	18, 387	4, 534, 662
Taxes and insurance	716, 407	5, 012	721, 419
Additions and improvement	92, 329	----------	92, 329
Maintenance and operating expense	1, 957, 284	----------	1, 957, 284
Miscellaneous expense	5, 653	1, 669	7, 322
Total expenses	41, 905, 959	967, 213	42, 873, 172
Net profit (or loss −) before distribution of liquidation profits	−2, 732, 045	32, 787	−2, 699, 258
Less distribution of liquidation profits:			
Certificates of claim	760, 217	31, 532	791, 749
Increment on certificates of claim	49, 759	1, 255	51, 014
Refunds to mortgagors	387, 013	----------	387, 013
Loss (−) to Mutual Mortgage Insurance Fund	−3, 929, 034	----------	−3, 929, 034

[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	954	-----	$6, 048, 366	----------	$6, 048, 366
Properties sold for cash and notes (or contracts for deed)	5, 337	5, 267	3, 082, 887	$27,951,311	31, 034, 198
Properties sold for notes only	17	17	----------	60, 976	60, 976
Total	6, 308	5, 284	9, 131, 253	28, 012, 287	37, 143, 540

On December 31, 1956, 1,462 properties insured under the Mutual Mortgage Insurance Fund were held by the FHA. The cost of these properties was:

Mutual Mortgage Insurance Fund, statements of properties on hand at Dec. 31, 1956

	Sec. 203 (1,462 properties)
Expenses:	
Acquisition costs	$13, 989, 466
Interest on debentures	350, 460
Taxes and insurance	101, 328
Additions and improvements	22, 237
Maintenance and operating	172, 641
Miscellaneous	89
Total expenses	14, 726, 221
Income: Rental and other income (net)	325, 835
Net acquired security on hand	14, 400, 386

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 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 6,307 Section 203 properties which had been acquired and sold through 1956 totaled $2,750,418. The amount paid or to be paid on these certificates of claim totaled $760,217 (approximately 28 percent), while certificates of claim totaling $1,990,-201 (approximately 72 percent) had been or will be canceled.

In addition, there were excess proceeds on approximately 17 percent (or 1,132) of the 6,307 sold properties amounting to $387,013, for refund to mortgagors. The refund to mortgagors on those 1,132 cases averaged $342.

Mutual Mortgage Participation Payments

The first participation payments in connection with insured loans prepaid in full were made as of January 1, 1944, and during the 12½ years following that date total payments of $68,411,166 were made or accrued on 539,428 insured loans.

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 an 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, authorizes the insurance of mortgages on cooperative housing projects.

The mortgagor must be a nonprofit cooperative ownership housing corporation or trust, permanent occupancy of the dwellings being restricted to members of the corporation or beneficiaries of the trust (management-type project), or a nonprofit corporation or trust organized for the purpose of building homes for members (sales-type project), or a corporate investor regulated by the FHA Commissioner which undertakes the construction of a management-type project and certifies to the Commissioner its intention of selling the project to a cooperative group within 2 years after completion.

The mortgage on a sales-type project contains provision for the release of the individual properties from the blanket project mortgage, and mortgages covering the individual dwellings may be insured under Section 213.

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 deduction of 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. Before the act was amended on August 10, 1948, any excess remaining after payment of the certificate of claim and increment thereon was refunded to the mortgagor.

Capital and Net Income

Assets of the Housing Insurance Fund as of June 30, 1956 totaled $17,196,474, against which there were outstanding liabilities of $11,369,589. The capital of the fund amounted to $5,826,885, represented by $5,400,000 capital contributions from other FHA insurance funds and earned surplus of $426,885.

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 16.—*Comparative statement of financial condition, Housing Insurance Fund, as of June 30, 1955 and June 30, 1956*

	June 30, 1955	June 30, 1956	Increase or decrease (−)
ASSETS			
Cash with U. S. Treasury	$1, 501, 227	$680, 241	−$820, 986
Investments:			
U. S. Government securities (amortized)	3, 300, 891	4, 400, 829	1, 099, 938
Other securities (stock in rental housing corporations)	46, 700	48, 300	1, 600
Total investments	3, 347, 591	4, 449, 129	1, 101, 538
Loans receivable:			
Mortgage notes and contracts for deed	4, 052, 695	4, 874, 974	822, 279
Less reserve for losses	149, 409	187, 472	38, 063
Net loans receivable	3, 903, 286	4, 687, 502	784, 216
Accounts and notes receivable:			
Accounts receivable—insurance premiums	35, 328	106, 124	70, 796
Accounts receivable—interfund	11, 102	17, 208	6, 106
Total accounts and notes receivable	46, 430	123, 332	76, 902
Accrued assets:			
Interest on U. S. Government securities	3, 437	8, 542	5, 105
Other	----------	20, 519	20, 519
Total accrued assets	3, 437	29, 061	25, 624
Acquired security:			
Real estate (at cost plus expenses to date)	2, 169, 716	6, 132, 411	3, 962, 695
Less reserve for losses	846, 820	2, 310, 808	1, 463, 988
Net real estate	1, 322, 896	3, 821, 603	2, 498, 707
Mortgage notes acquired under terms of insurance (at cost plus expenses to date)	2, 848, 555	5, 691, 515	2, 842, 960
Less reserve for losses	1, 116, 074	2, 293, 628	1, 177, 554
Net mortgage notes acquired under terms of insurance	1, 732, 481	3, 397, 887	1, 665, 406
Net acquired security	3, 055, 377	7, 219, 490	4, 164, 113
Other assets—held for the account of mortgagor	----------	7, 719	7, 719
Total assets	11, 857, 348	17, 196, 474	5, 339, 126
LIABILITIES			
Accounts payable: Bills payable to vendors and Government agencies	173	180	7
Accrued liabilities: Interest on debentures	41, 601	198, 456	156, 855
Trust and deposit liabilities:			
Excess proceeds of sale	132, 050	39, 005	−93, 045
Deposits held for mortgagors, lessees, and purchasers	62, 735	149, 229	86, 494
Total trust and deposit liabilities	194, 785	188, 234	−6, 551
Deferred and undistributed credits:			
Unearned insurance premiums	1, 460, 576	1, 419, 756	−40, 820
Unearned insurance fees	221, 137	67, 232	−153, 905
Other	----------	20, 520	20, 520
Total deferred and undistributed credits	1, 681, 713	1, 507, 508	−174, 205
Bonds, debentures, and notes payable: Debentures payable	3, 297, 950	9, 417, 700	6, 119, 750
Other liabilities: Reserve for foreclosure costs—mortgage notes acquired under terms of insurance	27, 765	57, 511	29, 746
Total liabilities	5, 243, 987	11, 369, 589	6, 125, 602
CAPITAL			
Capital contributions from other FHA insurance funds	5, 400, 000	5, 400, 000	----------
Earned surplus: Insurance reserve fund (cumulative earnings) available for future losses and related expenses	1, 213, 361	426, 885	−786, 476
Total capital	6, 613, 361	5, 826, 885	−786, 476
Total liabilities and capital	11, 857, 348	17, 196, 474	5, 339, 126
Certificates of claim relating to properties on hand	103, 345	173, 922	70, 577

During the fiscal year 1956 the income of the fund amounted to $3,498,551, while expenses and losses amounted to $1,870,389, leaving $1,628,162 net income before adjustment of valuation reserves. After the valuation reserves had been increased by $2,679,605, a net loss of $1,051,443 resulted for the fiscal year.

STATEMENT 17.—*Income and expenses, Housing Insurance Fund, through June 30, 1955 and June 30, 1956*

	Feb. 3, 1938, to June 30, 1955	July 1, 1955, to June 30, 1956	Feb. 3, 1938, to June 30, 1956
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$1,093,870	$99,207	$1,193,077
Interest—other	220,168	203,564	800,152
Dividends on rental housing stock	1,979	311	2,290
	1,316,017	303,082	1,995,519
Insurance premiums and fees:			
Premiums	12,392,766	2,714,378	15,107,144
Fees	6,539,798	481,091	7,020,889
	18,932,564	3,195,469	22,128,033
Other income: Profit on sale of investments	88,568		88,568
Total income	20,337,149	3,498,551	24,212,120
Expenses:			
Interest expenses: Interest on funds advanced by U. S. Treasury	1,386,666		1,386,666
Administrative expenses: Operating costs (including adjustments for prior years)	15,703,489	1,676,680	17,209,601
Other expenses:			
Depreciation on furniture and equipment	89,487	6,956	96,443
Miscellaneous expenses	100		100
	89,587	6,956	96,543
Losses and chargeoffs:			
Loss (or profit −) on sale of acquired properties and assigned mortgage notes	−167,987	186,720	300,754
Loss (or profit −) on equipment	−270	33	−237
	−168,257	186,753	300,517
Total expenses	17,011,485	1,870,389	18,993,327
Net income before adjustment of valuation reserves	3,325,664	1,628,162	5,218,793
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−149,409	−38,063	−187,472
Reserve for loss on real estate	−846,820	−1,463,988	−2,310,808
Reserve for loss on mortgage notes acquired under terms of insurance	−1,116,074	−1,177,554	−2,293,628
Net adjustment of valuation reserves	−2,112,303	−2,679,605	−4,791,908
Net income (or loss −)	1,213,361	−1,051,443	426,885

ANALYSIS OF EARNED SURPLUS

Distribution of net income:			
Earned surplus:			
Balance at beginning of period		$1,213,361	
Adjustments during period		264,967	
Net income (or loss —) for period	$1,213,361	−1,051,443	$426,885
Balance at end of period	1,213,361	426,885	426,885

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 1956, $1,862,800 of debentures were redeemed in payment of mortgage insurance premiums or purchased from the Federal National Mortgage Association. During the fiscal year 1956, net investments amounting to $1,100,000 (principal amount) were made for the account of this fund, and at June 30, 1956 the fund held United States Government securities in the principal amount of $4,400,000, as follows:

Investments of the Housing Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1960	2	$1,100,000	$1,100,000	$1,100,000
1962–67	2½	1,500,000	1,500,000	1,500,000
1967–72	2½	1,801,438	1,800,000	1,800,829
Average annual yield 2.37%		4,401,438	4,400,000	4,400,829

Properties Acquired Under the Terms of Insurance

In 1956, 1 project property (314 units) and 1 mortgage note (46 units) were acquired by the FHA Commissioner under the terms of mortgage insurance of Section 207. Also 1 mortgage note (48 units) previously assigned under Section 207 was foreclosed and the property acquired by FHA. One Section 213 project mortgage (70 units) was assigned during the calendar year. Three Section 207 project properties (387 units) and 18 units of Section 213 project properties were sold. Sixty-three individual homes on which mortgages were insured under Section 213 were acquired in 1956 under the terms of insurance and 29 were sold. Through December 31, 1956, a cumulative total of 26 rental housing properties (3,923 units) and 8 project mortgage notes (1,586 units) insured under Section 207–210 had been acquired under the terms of insurance; 1 project property (26 units), 3 project mortgage notes (255 units) and 80 home properties insured under Section 213 had been acquired. Twenty-one projects (3,199 units) and 1 mortgage note (1,102 units) insured under Section 207–210, 25 units in 1 project (partial sale), 1 mortgage note (144 units), and 35 home properties under Section 213 had been sold. The acquired security on hand at December 31, 1956 in the Housing Insurance Fund is as follows:

Housing Insurance Fund, statement of properties and assigned mortgage notes on hand as of Dec. 31, 1956

	Sec. 207		Sec. 213			Total 51 properties 9 mortgage notes (1,390 units)
	Projects		Projects		Homes—45 properties (45 units)	
	5 properties (724 units)	7 mortgage notes (484 units)	1 property (26 units) [1]	2 mortgage notes (111 units) [2]		
Expenses:						
Acquisition costs	$4,772,903	$5,743,076	$196,131	$1,146,192	$291,307	$12,149,609
Interest on debentures	277,159	229,100	20,255	45,615	9,893	582,031
Taxes and insurance	137,556		3,615		3,045	144,216
Additions and improvements	4,808		82			4,980
Maintenance and operating expenses	121,932		20,853		6,216	149,001
Miscellaneous expenses	6,591	1,206	8,518	550	571	17,436
Total expenses	5,321,039	5,973,391	249,454	1,192,357	311,032	13,047,273
Income and recoveries:						
Rental and other income (net)	357,442	304,622	11,788	50,417		724,269
Collections on mortgage notes		17,837		171,916		189,753
Proceeds from partial sales			210,450			210,450
Total income and recoveries	357,442	322,459	222,238	222,333		1,124,472
Net acquired security on hand	4,963,597	5,650,932	27,216	970,024	311,032	11,922,801

[1] Project partially sold with 1 unit remaining on hand.
[2] 14 units have been released by payment of that portion of the mortgage relating to the properties released.

In addition to the rental housing projects acquired under the Housing Insurance Fund, one Section 207 project insured under the Mutual Mortgage Insurance Fund had been acquired and sold at no loss to that fund.

STATEMENT 18.—*Statement of profit and loss on sale of acquired properties and assigned mortgage notes settled, Housing Insurance Fund, through Dec. 31, 1956*

	Secs. 207–210—21 projects and 1 mortgage note (4,301 units)	Sec. 213		Total HI Fund 56 properties, 2 mortgage notes (4,480 units)
		Projects—1 mortgage note (144 units)	Homes—35 properties (35 units)	
Proceeds of sales:				
Sales price (or proceeds of mortgage note) [1]	$16,581,837	$1,529,150	$296,500	$18,407,487
Less commissions	6,404		13,342	19,746
Net proceeds of sales	16,575,433	1,529,150	283,158	18,387,741
Income:				
Rental and other income (net)	1,994,310	35,260	42	2,029,612
Mortgage note income	2,899,727	239,425	6,350	3,145,502
Total income	4,894,037	274,685	6,392	5,175,114
Total proceeds of sold properties	21,469,470	1,803,835	289,550	23,562,855
Expenses:				
Debentures and cash adjustments	16,749,818	1,492,130	291,058	18,533,006
Interest on debentures	3,428,928	186,512	13,106	3,628,546
Taxes and insurance	541,559		3,657	545,216
Additions and improvements	214,144			214,144
Maintenance and operating expense	914,232		10,906	925,138
Miscellaneous expense	34,183	34		34,217
Total expenses	21,882,864	1,678,676	318,727	23,880,267
Net profit (or loss −) before distribution of liquidation profits	−413,394	125,159	−29,177	−317,412
Less distribution of liquidation profits:				
Certificates of claim	146,795	30,242	1,701	178,738
Increment on certificates of claim	13,769	4,207	33	18,009
Refunds to mortgagors	172,289		163	172,452
Loss (−) or profit to Housing Insurance Fund	−746,247	90,710	−31,074	−686,611

[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	6		$3,287,087		$3,287,087
Properties sold for cash and notes (or contracts for deed)	49	49	339,255	$11,592,583	11,931,838
Properties sold for mortgage notes or contracts for deed only	3	146		3,188,562	3,188,562
Total	58	195	3,626,342	14,781,145	18,407,487

NOTE.—The above statement excludes 1 Sec. 213 project partially sold.

The turnover of Section 207 and Section 213 properties acquired and sold, by calendar year, is given below:

STATEMENT 19.—*Turnover of properties acquired and mortgage notes assigned under Sec. 207 of Title II contracts of insurance by years and cumulative through Dec. 31, 1956*

Year	Properties and notes acquired	Properties and notes sold, by calendar years					Properties and notes on hand Dec. 31, 1956
		1940–52	1953	1954	1955	1956	
1940–52	18	18					
1953	2						2
1954	3			2		1	
1955	10					2	8
1956	2						2
Total	35	18		2		3	12

STATEMENT 20.—*Turnover of properties acquired and mortgage notes assigned under Sec. 213 of Title II contracts of insurance by years and cumulative through Dec. 31, 1956*

Year	Properties and notes acquired	Properties and notes sold, by calendar years					Properties and notes on hand Dec. 31, 1956
		1952	1953	1954	1955	1956	
1952	1			1			
1953	2						2
1954	3			1	1	1	
1955	14				4	8	2
1956	64					20	44
Total	84			2	5	29	[1] 48

[1] Includes 45 of the 80 home properties acquired.

NOTE.—On the 35 home properties sold, the average time between acquisition and sale by the Federal Housing Administration was 5.34 months.

Certificates of Claim and Refunds to Mortgagors

Certificates of claim issued in connection with the 21 projects and 1 mortgage note insured under Section 207-210 which had been sold through December 31, 1956 totaled $338,732. The amount paid or to be paid on these certificates totaled $146,795 and the amount canceled or to be canceled $191,937. 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 before it was amended on August 10, 1948.

As a result of insurance under Section 213, a certificate of claim in the amount of $30,242 had been issued in connection with one project acquired under terms of insurance and subsequently sold with the entire amount of the certificate of claim to be paid. In addition, certificates of claim in the amount of $13,018 were issued on 35 Section 213 homes. Of this total, $1,701 is to be paid and $11,317 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 was 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.). This section 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. 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.

For the purposes of this fund, the act authorized the Commissioner to transfer the sum of $1 million from the War Housing Insurance Fund.

Capital and Net Income

At June 30, 1956, assets of the fund totaled $829,190. There were outstanding liabilities of $26,435 and contributed capital of $1 million which left an operating deficit of $197,245.

STATEMENT 21.—*Comparative statement of financial condition, Sec. 220 Housing Insurance Fund, as of June 30, 1955 and June 30, 1956.*

	June 30, 1955	June 30, 1956	Increase or decrease(–)
ASSETS			
Cash with U. S. Treasury	$208,983	$70,795	–$138,188
Investments:			
U. S. Government securities	750,000	750,000	
Other securities (stock in rental housing corporations)		300	300
Total investments	750,000	750,300	300
Accounts and notes receivable: Accounts receivable—other	151	595	444
Accrued assets: Interest on U. S. Government securities		7,500	7,500
Total assets	959,134	829,190	–129,944
LIABILITIES			
Trust and deposit liabilities: Fee deposits held for future disposition		3,125	3,125
Deferred and undistributed credits:			
Unearned insurance premiums		15,382	15,382
Unearned insurance fees	3,720	7,928	4,208
Total deferred and undistributed credits	3,720	23,310	19,590
Total liabilities	3,720	26,435	22,715
CAPITAL			
Capital contributions from other FHA insurance funds	1,000,000	1,000,000	
Earned surplus (deficit –): Insurance reserve fund (cumulative earnings or deficit –)	–44,586	–197,245	–152,659
Total capital	955,414	802,755	–152,659
Total liabilities and capital	959,134	829,190	–129,944

During the fiscal year 1956, the income to the fund amounted to $132,436 while expenses and losses amounted to $264,628, leaving an operating deficit of $132,192 for the year. The cumulative income of the Section 220 Housing Insurance Fund from August 2, 1954 to June 30, 1956 amounted to $170,932, with cumulative expenses and losses of $368,177, leaving an operating deficit of $197,245.

STATEMENT 22.—*Income and expenses, Sec. 220 Housing Insurance Fund, through June 30, 1955 and June 30, 1956*

	Aug. 2, 1954 to June 30, 1955	July 1, 1955 to June 30, 1956	Aug. 2, 1954 to June 30, 1956
Income:			
Interest and dividends: Interest on U. S. Government securities	$12,921	$15,000	$27,921
Insurance premiums and fees:			
Premiums		9,769	9,769
Fees	25,575	107,667	133,242
	25,575	117,436	143,011
Total income	38,496	132,436	170,932
Expenses:			
Administrative expenses: Operating costs (including adjustments for prior year)	82,709	263,528	366,704
Other expenses: Depreciation on furniture and equipment	354	1,095	1,449
Losses and chargeoffs: Loss on equipment	19	5	24
Total expenses	83,082	264,628	368,177
Net income (or loss –)	–44,586	–132,192	–197,245
ANALYSIS OF EARNED SURPLUS (OR DEFICIT –)			
Distribution of net income:			
Earned surplus (or deficit–):			
Balance at beginning of period		–$44,586	
Adjustments during period		–20,467	
Net income (or loss –) for period	–$44,586	–132,192	–$197,245
Balance at end of period	–44,586	–197,245	–197,245

Investments

Section 220(g) of the act provides that moneys in the Section 220 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 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 not less than the yield obtainable from other authorized investments. At June 30, 1956, the following United States Government securities were held by the fund:

Investments of the Sec. 220 Housing Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1959	2	$750,000	$750,000	$750,000
Average annual yield 2 percent.				

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. 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.

For the purposes of this fund, the act authorized the Commissioner to transfer the sum of $1 million from the War Housing Insurance Fund.

Capital and Net Income

At June 30, 1956, assets of the fund amounted to $907,257. There were outstanding liabilities of $435 and contributed capital of $1 million, leaving a net operating deficit of $93,178.

STATEMENT 23.—*Comparative statement of financial condition, Section 221 Housing Insurance Fund, as of June 30, 1955 and June 30, 1956*

	June 30, 1955	June 30, 1956	Increase or decrease(–)
ASSETS			
Cash with U. S. Treasury	$201,476	$149,440	–$52,036
Investments: U. S. Government securities	750,000	750,000	
Accounts and notes receivable: Interfund	112	317	205
Accrued assets: Interest on U. S. Government securities		7,500	7,500
Total assets	951,588	907,257	–44,331
LIABILITIES			
Trust and deposit liabilities: Fee deposits held for future disposition	75	375	300
Deferred and undistributed credits: Unearned insurance premiums		60	60
Total liabilities	75	435	360
CAPITAL			
Capital contributions from other FHA insurance funds	1,000,000	1,000,000	
Earned surplus (deficit –): Insurance reserve fund (cumulative earnings or deficit –)	–48,487	–93,178	–44,691
Total capital	951,513	906,822	–44,691
Total liabilities and capital	951,588	907,257	–44,331

During the fiscal year, the income to the fund amounted to $15,452 while expenses and losses amounted to $61,210, leaving an operating deficit of $45,758 for the period. The cumulative income of the Section 221 Housing Insurance Fund from August 2, 1954 to June 30, 1956 amounted to $28,373, with cumulative expenses and losses of $121,551, leaving an operating deficit of $93,178.

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STATEMENT 24.—*Income and expenses, Sec. 221 Housing Insurance Fund, through June 30, 1955 and June 30, 1956*

	Aug. 2, 1954 to June 30, 1955	July 1, 1955 to June 30, 1956	Aug. 2, 1954 to June 30, 1956
Income:			
Interest and dividends: Interest on U. S. Government securities	$12,921	$15,000	$27,921
Insurance premiums and fees:			
Premiums	----------	12	12
Fees	----------	440	440
	----------	452	452
Total income	12,921	15,452	28,373
Expenses:			
Administrative expenses: Operating costs (including adjustments for prior year)	61,132	60,956	121,021
Other expenses: Depreciation on furniture and equipment	262	253	515
Losses and chargeoffs: Loss on equipment	14	1	15
Total expenses	61,408	61,210	121,551
Net income (or loss −)	−48,487	−45,758	−93,178
ANALYSIS OF EARNED SURPLUS (OR DEFICIT −)			
Distribution of net income:			
Earned surplus (or deficit −):			
Balance at beginning of period	----------	−$48,487	----------
Adjustments during period	----------	1,067	----------
New income (or loss −) for period	−$48,487	−45,758	−$93,178
Balance at end of period	−48,487	−93,178	−93,178

Investments

Section 221 (h) of the act provides that moneys in the Section 221 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 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 not less than the yield obtainable from other authorized investments. At June 30, 1956, the fund held United States Government securities as follows:

Investments of the Sec. 221 Housing Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1959	2	$750,000	$750,000	$750,000
Average annual yield 2 percent.				

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.

For the purposes of this fund, the act authorized the Commissioner to transfer the sum of $1 million from the War Housing Insurance Fund.

Capital and Net Income

As of June 30, 1956, the fund had assets of $1,616,747, outstanding liabilities of $389,594, contributed capital of $1 million, and earned surplus of $227,153.

STATEMENT 25.—*Comparative statement of financial condition, Servicemen's Mortgage Insurance Fund, as of June 30, 1955 and June 30, 1956.*

	June 30, 1955	June 30, 1956	Increase or decrease(−)
ASSETS			
Cash with U. S. Treasury	$282,427	$327,449	$45,022
Investments: U. S. Government securities	750,000	1,250,000	500,000
Accounts and notes receivable:			
Accounts receivable—insurance premiums	3,753	28,417	24,664
Accounts receivable—interfund	151	623	472
Total accounts and notes receivable	3,904	29,040	25,136
Accrued assets: Interest on U. S. Government securities	----------	10,258	10,258
Total assets	1,036,331	1,616,747	580,416
LIABILITIES			
Trust and deposit liabilities: Fee deposits held for future disposition	14,825	25,219	10,394
Deferred and undistributed credits: Unearned insurance premiums	32,475	364,375	331,900
Total liabilities	47,300	389,594	342,294
CAPITAL			
Capital contributions from other FHA insurance funds	1,000,000	1,000,000	----------
Earned surplus (deficit −): Insurance reserve fund (cumulative earnings or deficit −) available for future losses and related expenses	−10,969	227,153	238,122
Total capital	989,031	1,227,153	238,122
Total liabilities and capital	1,036,331	1,616,747	580,416

For the fiscal year 1956, income of $555,651 was earned, while expenses and losses were $293,097, leaving net income for the period of $262,554. Total income earned since inception, August 2, 1954, to end of fiscal year 1956 amounted to $627,765, while operating costs and losses amounted to $400,612, leaving a total net income of $227,153.

STATEMENT 26.—*Income and expenses, Servicemen's Mortgage Insurance Fund, through June 30, 1955 and June 30, 1956.*

	Aug. 2, 1954 to June 30, 1955	July 1, 1955 to June 30, 1956	Aug. 2, 1954 to June 30, 1956
Income:			
Interest and dividends: Interest on U. S. Government securities	$12,921	$17,818	$30,739
Insurance premiums and fees:			
Premiums	8,356	426,158	434,514
Fees	50,837	111,675	162,512
	59,193	537,833	597,026
Total income	72,114	555,651	627,765
Expenses:			
Administrative expenses: Operating costs (including adjustments for prior year)	82,708	291,879	399,019
Other expenses: Depreciation on furniture and equipment	355	1,212	1,567
Losses and chargeoffs: Loss on equipment	20	6	26
Total expenses	83,083	293,097	400,612
Net income (or loss −)	−10,969	262,554	227,153
ANALYSIS OF EARNED SURPLUS (OR DEFICIT −)			
Distribution of net income:			
Earned surplus (or deficit −):			
Balance at beginning of period	----------	−$10,969	----------
Adjustments during the period	----------	−24,432	----------
Net income (or loss −) for the period	−$10,969	262,554	$227,153
Balance at end of period	−10,969	227,153	227,153

Investments

Section 222(f) of the act provides that moneys in the Servicemen's 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 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 prices which will produce an investment yield not less than the yield obtainable from other authorized investments. The fund increased its investment in United States Government securities by $500,000 (principal amount) and as of June 30, 1956 held the following Government securities:

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1959	2	$750,000	$750,000	$750,000
1960	2	500,000	500,000	500,000
Average annual yield 2%	----------	1,250,000	1,250,000	1,250,000

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 mortgages 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 million 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 fund in the sense that any portion of the net income from operations will be shared by mortgagors in the form of participation payments.

Capital

Assets of the War Housing Insurance Fund as of June 30, 1956 totaled $187,141,809, against which there were outstanding liabilities of $70,874,079. The fund had capital of $116,267,730, 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 million 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 27.—*Comparative statement of financial condition, War Housing Insurance Fund, as of June 30, 1955 and June 30, 1956*

	June 30, 1955	June 30, 1956	Increase or decrease(−)
ASSETS			
Cash with U. S. Treasury	$15,680,578	$7,667,456	−$8,013,122
Investments:			
U. S. Government securities (amortized)	23,361,791	28,900,309	5,538,518
Other securities (stock in rental housing corporations)	396,460	388,260	−8,200
Total investments	23,758,251	29,288,569	5,530,318

STATEMENT 27.—*Comparative statement of financial condition, War Housing Insurance Fund, as of June 30, 1955 and June 30, 1956*—Continued

	June 30, 1955	June 30, 1956	Increase or decrease(−)
Loans receivable:			
Mortgage notes and contracts for deed	$44,069,551	$55,551,926	$11,482,375
Less reserve for losses	1,397,974	1,904,640	506,666
Net loans receivable	42,671,577	53,647,286	10,975,709
Accounts and notes receivable:			
Accounts receivable—insurance premiums	442,275	298,264	−144,011
Accounts receivable—other	7,631	279,145	271,514
Total accounts and notes receivable	449,906	577,409	127,503
Accrued assets:			
Interest on U. S. Government securities	46,458	94,656	48,198
Other		499,179	499,179
Total accrued assets	46,458	593,835	547,377
Acquired security:			
Real estate (at cost plus expenses to date)	68,333,149	66,091,971	−2,241,178
Less reserve for losses	28,809,348	27,415,748	−1,393,600
Net real estate	39,523,801	38,676,223	−847,578
Mortgage notes acquired under terms of insurance (at cost plus expenses to date)	79,562,371	92,318,197	12,755,826
Less reserve for losses	31,811,319	37,169,285	5,357,966
Net mortgage notes acquired under terms of insurance	47,751,052	55,148,912	7,397,860
Net acquired security	87,274,853	93,825,135	6,550,282
Other assets—held for account of mortgagors	139,036	1,542,119	1,403,083
Total assets	170,020,659	187,141,809	17,121,150
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	21,745	6,861	−14,884
Interfund	11,007	4,543	−6,464
Total accounts payable	32,752	11,404	−21,348
Accrued liabilities: Interest on debentures	640,200	664,687	24,487
Trust and deposit liabilities:			
Excess proceeds of sale	1,595,679	1,021,667	−574,012
Deposits held for mortgagors, lessees, and purchasers	1,806,505	4,349,086	2,542,581
Total trust and deposit liabilities	3,402,184	5,370,753	1,968,569
Deferred and undistributed credits:			
Unearned insurance premiums	11,318,866	10,446,299	−872,567
Other		504,088	504,088
Total deferred and undistributed credits	11,318,866	10,950,387	−368,479
Bonds, debentures and notes payable: Debentures payable	43,963,550	52,930,250	8,966,700
Other liabilities: Reserve for foreclosure costs—Mortgage notes acquired under terms of insurance	803,423	946,598	143,175
Total liabilities	60,160,975	70,874,079	10,713,104
CAPITAL			
Earned surplus: Insurance reserve fund (cumulative earnings) available for future losses and related expenses	109,859,684	116,267,730	6,408,046
Total liabilities and capital	170,020,659	187,141,809	17,121,150
Certificates of claim relating to properties on hand	3,211,793	3,035,986	−175,807

Income and Expenses

During the fiscal year 1956 the fund earned $27,369,485 and had expenses and losses of $16,433,934, leaving $10,935,551 net income before adjustment of valuation reserves. After the valuation reserves had been increased by $4,471,032, the net income for the year amounted to $6,464,519, which was credited to the insurance reserve fund.

Cumulative income of the War Housing Insurance Fund from its establishment March 28, 1941, to June 30, 1956, amounted to $299,559,770, while cumulative expenses were $98,492,367, leaving $201,067,403 net income before adjustment of reserves. Valuation reserves of $66,489,673 were established, leaving cumulative net income of $134,577,730.

STATEMENT 28.—*Income and expenses, War Housing Insurance Fund, through June 30, 1955 and June 30, 1956*

	Mar. 28, 1941, to June 30, 1955	July 1, 1955, to June 30, 1956	Mar. 28, 1941, to June 30, 1956
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$10,858,545	$650,257	$11,508,802
Interest—other	8,998,897	4,063,657	13,062,554
Dividends on rental housing stock	11,809	1,699	13,508
	19,869,251	4,715,613	24,584,864
Insurance premiums and fees:			
Premiums	207,696,090	22,587,942	230,284,032
Fees	45,159,671	−3,358	45,156,313
	252,855,761	22,584,584	275,440,345
Other income:			
Profit (or loss −) on sale of investments	−535,107		−535,107
Miscellaneous income	380	69,288	69,668
	−534,727	69,288	−465,439
Total income	272,190,285	27,369,485	299,559,770
Expenses:			
Interest expenses: Interest on funds advanced by U. S. Treasury	1,390,010		1,390,010
Administrative expenses: Operating costs (including adjustments for prior years)	71,473,968	1,948,380	73,478,821
Other expenses:			
Depreciation on furniture and equipment	375,332	8,302	383,634
Miscellaneous expenses		1	1
	375,332	8,303	383,635
Losses and charge-offs:			
Loss on sale of acquired properties and assigned mortgage notes	8,781,433	14,477,211	23,258,644
Loss (or profit −) on equipment	−18,783	40	−18,743
	8,762,650	14,477,251	23,239,901
Total expenses	82,001,960	16,433,934	98,492,367
Net income before adjustment of valuation reserves	190,188,325	10,935,551	201,067,403
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−1,397,974	−506,666	−1,904,640
Reserve for loss on real estate	−28,809,348	+1,393,600	−27,415,748
Reserve for loss on mortgage notes acquired under terms of insurance	−31,811,319	−5,357,966	−37,169,285
Net adjustment of valuation reserves	−62,018,641	−4,471,032	−66,489,673
Net income	128,169,684	6,464,519	134,577,730

STATEMENT 28.—*Income and expenses, War Housing Insurance Fund, through June 30, 1955, and June 30, 1956*—Continued

ANALYSIS OF EARNED SURPLUS

	Mar. 28, 1941, to June 30, 1955	July 1, 1955, to June 30, 1956	Mar. 28, 1941, to June 30, 1956
Distribution of net income:			
Earned surplus:			
Balance at beginning of period		$109,859,684	
Adjustments during period		−56,473	
Net income for period	$128,169,684	6,464,519	$134,577,730
	128,169,684	116,267,730	134,577,730
Capital contributions to other FHA insurance funds	−18,310,000		−18,310,000
Balance at end of period	109,859,684	116,267,730	116,267,730

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 1956, $12,050,250 of debentures were redeemed in payment of mortgage insurance premiums or purchased from the Federal National Mortgage Association, and $21,255,400 were redeemed by debenture calls.

During the fiscal year 1956, net purchases of $5,550,000, face amount, increased the United States Government securities held by the fund as of June 30, 1956 to $28,750,000, principal amount, as follows:

Investments of the War Housing Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1960	2	$8,150,000	$8,150,000	$8,150,000
1966–71	2½	4,000,000	4,000,000	4,000,000
1967–72	2½	16,867,853	16,600,000	16,750,309
Average annual yield	2.31	29,017,853	28,750,000	28,900,309

Properties Acquired Under the Terms of Insurance

The Federal Housing Administration acquired title in 1956, under the terms of insurance, to 101 properties (134 units) insured under Section 603, and sold 629 (1,042 units). Through December 31, 1956, a total of 11,375 Section 603 properties (15,559 units) had been acquired at a cost of $77,010,157, and 10,709 properties (14,530 units) had been sold at prices which left a net charge

STATEMENT 29.—*Statement of profit and loss on sale of acquired properties, and assigned mortgage notes settled, War Housing Insurance Fund, through Dec. 31, 1956*

	Sec. 603, 10,709 properties (14,530 units)	Sec. 608 167 projects and 1 mortgage note (10,557 units) [3]	Sec. 609 67 notes [2] (370 units)	Total WHI Fund, 10,876 properties, 68 notes (25,457 units)
Proceeds of sales:				
Sales price (or proceeds of mortgage) [1]	$63,081,006	$48,947,336	$324,884	$112,353,226
Less commissions and other selling expenses	2,332,108	49,350		2,381,458
Net proceeds of sales	60,748,898	48,897,986	324,884	109,971,768
Income:				
Rental and other income (net)	5,965,230	18,175,818		24,141,048
Mortgage note income	7,968,058	2,705,532	28,260	10,701,850
Total income	13,933,288	20,881,350	28,260	34,842,898
Total proceeds of sold properties	74,682,186	69,779,336	353,144	144,814,666
Expenses:				
Debentures and cash adjustments	63,049,967	66,907,531	1,119,121	131,166,619
Purchase of land held under lease	79,016	229,155		308,171
Interest on debentures	8,671,331	8,608,789	22,396	17,302,516
Taxes and insurance	2,054,287	3,903,197		5,957,484
Additions and improvements	576,994	1,021,731		1,598,725
Maintenance and operating expense	5,221,723	8,621,284		13,843,007
Miscellaneous expense	4,354	197,848		202,202
Total expenses	79,657,672	89,579,535	1,141,517	170,378,724
Net profit (or loss−) before distribution of liquidation profits	−4,975,486	−19,800,199	−788,373	−25,564,058
Less distribution of liquidation profits:				
Certificates of claim	969,800	205,995		1,175,795
Increment on certificates of claim	131,463	34,624		166,087
Refunds to mortgagors	1,715,030			1,715,030
Loss (−) to War Housing Insurance Fund	−7,791,779	−20,040,818	−788,373	−28,620,970

[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	2,529		$17,810,887		$17,810,887
Properties sold for cash and notes (or contracts for deed)	8,281	6,337	7,666,869	$85,405,675	93,072,544
Properties sold for notes only	134	9		1,469,795	1,469,795
Total	10,944	6,346	25,477,756	86,875,470	112,353,226

[2] Represents 65 discounted purchasers' notes and 2 manufacturers' notes settled in full.
[3] The above statement excludes 3 Sec. 608 projects partially sold.

against the fund of $7,791,779, or an average of $728 per case. There remained on hand for future disposition 666 properties having 1,029 living units.

During 1956, 16 rental housing projects (1,252 units) and 37 mortgage notes (4,354 units) insured under Section 608 were acquired by the FHA Commissioner under the terms of insurance and 38 mortgage notes (2,623 units) previously assigned under Section 608 were foreclosed and the properties acquired by FHA. Fifty-seven Section 608 projects (4,112 units) were sold during the calendar year. Through December 31, 1956, a total of 301 projects (18,012 units) and 165 mortgage notes (13,924 units) had been acquired by the Commissioner. One hundred and sixty-seven projects (10,515 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 $20,040,818, leaving 134 projects (7,497 units) and 164 mortgage notes (13,882 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 1956. One purchaser's note on hand was written off as uncollectible, and through December 31, 1956 the 2 manufacturers' notes and 65 discounted purchasers' notes assigned had been settled with a resultant loss to the fund of $788,373.

STATEMENT 30.—*Statement of properties and assigned mortgage notes on hand, War Housing Insurance Fund, as of Dec. 31, 1956*

	Sec. 603, 666 properties (1,029 units)	Section 608: 134 properties (7,497 units) [1]	Section 608: 164 mortgage notes (13,882 units)	Total, 800 properties, 164 notes (22,408 units)
Expenses:				
Acquisition costs	$5,290,966	$49,767,344	$97,402,782	$152,461,092
Interest on debentures	467,876	4,207,942	6,655,640	11,331,458
Taxes and insurance	355,385	1,911,548		2,266,933
Additions and improvements	117,679	248,259		365,938
Maintenance and operating	688,614	3,280,607		3,969,221
Miscellaneous	2,731	99,454	83,516	185,701
Total expenses	6,923,251	59,515,154	104,141,938	170,580,343
Income and recoveries:				
Rental and other income (net)	785,879	6,267,853	7,837,379	14,891,111
Collections on mortgage notes			2,590,264	2,590,264
Proceeds from partial sales		411,000		411,000
Total income and recoveries	785,879	6,678,853	10,427,643	17,892,375
Net acquired security on hand	6,137,372	52,836,301	93,714,295	152,687,968

[1] Includes 92 units of 3 partially sold projects.

The turnover of Section 603 and 608 properties acquired and sold, by calendar year, is given below:

STATEMENT 31.—*Turnover of properties acquired under Sec. 603 of Title VI contracts of insurance by years, and cumulative through Dec. 31, 1956*

Year	Properties acquired	Properties sold, by calendar years: 1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	Properties on hand Dec. 31, 1956
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	75	28	9	18	8	12	21
1950	1,635								421	460	246	103	80	144	111	70
1951	735									411	193	53	27	36	15	
1952	609										209	122	65	73	38	102
1953	412											56	58	125	34	139
1954	427												42	43	338	4
1955	717													407	31	279
1956	101														50	51
Total	11,375	29	256	982	2,798	1,010	732	384	763	964	691	345	290	830	629	666

NOTES.—On the 10,709 properties sold the average time between acquisition and sale by the Federal Housing Administration was 18.58 months. The number of properties sold has been reduced by 67 properties repossessed because of default on mortgage notes of which 37 had been resold by Dec. 31, 1956.

STATEMENT 32.—*Turnover of properties acquired and mortgage notes assigned under Sec. 608 of Title VI contracts of insurance by years and cumulative through Dec. 31, 1956*

Year	Properties and notes acquired	Properties and notes sold, by calendar years: 1943–50	1951	1952	1953	1954	1955	1956	Properties and notes on hand Dec. 31, 1956
1943–48	3	2				1			
1949	10				11	1	1		3
1950	66		7	2	4	6	9	1	37
1951	82		1		2	21	9	3	46
1952	37					10	7	5	15
1953	63					4	6	8	45
1954	70					1	4	19	46
1955	76						2	19	55
1956	53							2	51
Total	466	2	8	2	17	44	38	57	298

NOTE.—The number of properties and notes sold has been reduced by 5 properties repossessed because of default on mortgage notes of which 1 had been resold by Dec. 31, 1956.

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 $2,212,995 had been issued through 1956, in connection with the 10,709 Section 603 properties which had been acquired and subsequently sold. The proceeds of sale were sufficient to provide for payment in full or in part on these certificates in the amount of $970,528, or approximately 44 percent. Certificates of claim canceled or to be canceled amounted to $1,242,467, or approximately 56 percent. In addition, the proceeds of sale were sufficient to pay refunds of $1,715,115 to 4,222 mortgagors, or an average of $406 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 $1,537,466 had been issued in connection with the 168 Section 608 acquisitions which had been disposed of by December 31, 1956. The proceeds of sale were sufficient to provide $205,995 for payment in full or in part on these certificates. Certificates of claim canceled or to be canceled amounted to $1,331,471. Excess proceeds of $682,299 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 administration 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 million, 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 million has been rescinded and covered into the Treasury in accordance with the Second Supplemental Appropriation Act, 1956 (Public Law 533, 84th Cong.) approved May 19, 1956. Up to December 31, 1956, no applications for insurance under Title VII had been submitted.

Capital and Net Income

Assets of the Housing Investment Insurance Fund at June 30, 1956, totaled $847,074. The contributed capital amounted to $910,000, and the cumulative operating deficit is $62,926. The $1 million 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, 83d Congress. This amount, including interest thereon in the amount of $107,914, was repaid on July 31, 1953.

STATEMENT 33.—*Comparative statement of financial condition, Housing Investment Insurance Fund, as of June 30, 1955 and June 30, 1956.*

	June 30, 1955	June 30, 1956	Increase or decrease(—)
ASSETS			
Cash with U. S. Treasury	$42,367	$44,031	$1,664
Investments: U. S. Government securities (amortized)	801,634	801,492	—142
Accounts and notes receivable: Accounts receivable—interfund	56	93	37
Accrued assets: Interest on U. S. Government securities	1,459	1,458	—1
Total assets	845,516	847,074	1,558
CAPITAL			
Capital contributions from other FHA insurance funds	910,000	910,000	
Earned surplus (deficit —): Insurance reserve fund (cumulative earnings or deficit —)	—64,484	—62,926	1,558
Total capital	845,516	847,074	1,558

The total income for fiscal year 1956 was $19,858, consisting entirely of interest on United States Government securities, while expenses amounted to $16,296, resulting in a net income for the year of $3,562. The cumulative income of the Housing Investment Insurance Fund from August 10, 1948, to June 30, 1956, amounted to $109,981, while cumulative expenses amounted to $172,907, resulting in a net deficit to the fund of $62,926.

STATEMENT 34.—*Income and expenses, Housing Investment Insurance Fund, through June 30, 1955 and June 30, 1956*

	Aug. 10, 1948, to June 30, 1955	July 1, 1955, to June 30, 1956	Aug. 10, 1948, to June 30, 1956
Income:			
Interest and dividends: Interest on U. S. Government securities	$90,123	$19,858	$109,981
Total income	90,123	19,858	109,981
Expenses:			
Interest expenses: Interest on funds advanced by U. S. Treasury	107,914		107,914
Administrative expenses: Operating costs (including adjustments for prior years)	46,485	16,228	64,717
Other expenses: Depreciation on furniture and equipment	211	68	279
Losses and chargeoffs: Loss (or profit —) on equipment	—3		—3
Total expenses	154,607	16,296	172,907
Net income (or loss —)	—64,484	3,562	—62,926
ANALYSIS OF EARNED SURPLUS (OR DEFICIT —)			
Distribution of net income:			
Earned surplus (or deficit —):			
Balance at beginning of period		—$64,484	
Adjustments during period		—2,004	
Net income (or loss —) for period	—$64,484	3,562	—$62,926
Balance at end of period	—64,484	—62,926	—62,926

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 not less than the yield obtainable from other authorized investments. During the fiscal year 1956, no transactions in United States Government securities were made for the account of this fund. At June 30, 1956, the fund held $800,000, principal amount, of United States Government securities as follows:

Investments of the Housing Investment Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1965–70	2½	$97,375	$100,000	$97,948
1967–72	2½	704,922	700,000	703,544
Average annual yield 2.48%		802,297	800,000	801,492

TITLE VIII: ARMED SERVICES HOUSING MORTGAGE 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. Section 803 provides for the insurance of military housing "project" mortgages and Section 809, added by Public Law 574, 84th Congress, provides for the insurance of "home" mortgages. Public Law 345, 84th Congress, approved August 11, 1955, changed the title of the fund from Military Housing Insurance Fund to Armed Services Housing Mortgage Insurance Fund. For the purposes of this fund, the act authorized to be appropriated the sum of $10 million, of which $5 million 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. In the fiscal year 1956, $3,729,550 of debentures were redeemed in payment of mortgage insurance premiums or purchased from FNMA. During the fiscal year 1956, net sales of $700,000 decreased the United States Government securities held by the fund as of June 30, 1956, to $12,250,000 principal amount. These transactions resulted in an increase in the average annual yield from 2.40 percent to 2.42 percent.

Investments of the Armed Services Housing Mortgage Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1960	2	$1,700,000	$1,700,000	$1,700,000
1964–69	2½	1,511,820	1,550,000	1,520,297
1965–70	2½	288,301	300,000	290,434
1966–71	2½	1,003,141	1,100,000	1,069,651
1967–72	2½	7,701,281	7,600,000	7,667,226
Average annual yield 2.42%		12,264,633	12,250,000	12,247,608

Mortgage Insurance Authorization

Section 803 (a) of the act as amended by Public Law 345, 84th Congress, created a separate mortgage insurance authorization with regard to all new insurance written under Title VIII pursuant to commitments issued on or after August 11, 1955, including both the new armed services housing program and the extended military housing program. This new insurance authorization provides that the aggregate amount of principal obligations of all mortgages insured under this program shall not exceed $2,300,000,000 and that the limitation in Section 217 shall not apply to this program. The status of the Title VIII Insurance Authorization at December 31, 1956, is as follows:

Status of Armed Services Housing Mortage Insurance Authorization, as of Dec. 31, 1956

	Section 803	Section 809	
Insurance authorization			[1] $2,300,000,000
Charges against insurance authorization:			
Mortgages insured	$74,224,600	$151,700	
Commitments for insurance	[2] 327,991,956	8,308,540	
Total charges against authorization	402,216,556	8,460,240	410,676,796
Unused insurance authorization			1,880,323,204

[1] Increased from $1,363,500,000 in accordance with Sec. 503 of Public Law 1020, 84th Cong., approved Aug. 7, 1956.
[2] Includes Sec. 803 statements of eligibility in the amount of $312,109,756.

Capital and Net Income

As of June 30, 1956, the assets of the Armed Services Housing Mortgage Insurance Fund totaled $21,543,003, against which there were outstanding liabilities of $11,720,871, leaving $9,822,132 capital. The capital consists 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 million was established as a liability of the fund as of June 30, 1953. This amount was 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 35.—*Comparative statement of financial condition, Armed Services Housing Mortgage Insurance Fund, as of June 30, 1955 and June 30, 1956*

	June 30, 1955	June 30, 1956	Increase or decrease(—)
ASSETS			
Cash with U. S. Treasury	$699,949	$716,996	$17,047
Investments:			
U. S. Government securities (amortized)	12,948,570	12,247,608	—700,962
Other securities (stock in rental housing corporations)	22,900	23,600	700
Total investments	12,971,470	12,271,208	—700,262
Accounts and notes receivable:			
Accounts receivable—insurance premiums	51,907	34,308	—17,599
Accounts receivable—interfund	—598	1,096	1,694
Total accounts and notes receivable	51,309	35,404	—15,905
Accrued assets:			
Interest on U. S. Government securities	19,740	28,053	8,313
Other		11,325	11,325
Total accrued assets	19,740	39,378	19,638
Acquired security:			
Real estate (at cost plus expenses to date)	393,396	2,060,256	1,666,860
Less reserve for losses	158,172	789,814	631,642
Net real estate	235,224	1,270,442	1,035,218
Mortgage notes acquired under terms of insurance	339,334	11,857,040	11,517,706
Less reserve for losses	133,539	4,662,930	4,529,391
Net mortgage notes acquired under terms of insurance	205,795	7,194,110	6,988,315
Net acquired security	441,019	8,464,552	8,023,533
Other assets—held for account of mortgagors		15,465	15,465
Total assets	14,183,487	21,543,003	7,359,516
LIABILITIES			
Accounts payable: Bills payable to vendors and Government agencies	2,847		—2,847
Accrued liabilities: Interest on debentures	9,062	126,407	117,345
Trust and deposit liabilities: Deposits held for mortgagors, lessees and purchasers	6,851	19,542	12,691

STATEMENT 35.—*Comparative statement of financial condition, Armed Services Housing Mortgage Insurance Fund, as of June 30, 1955 and June 30, 1956*—Continued

	June 30, 1955	June 30, 1956	Increase or decrease (−)
LIABILITIES—continued			
Deferred and undistributed credits:			
Unearned insurance premiums	$1,646,087	$1,742,398	$90,311
Unearned insurance fees	25,620	10,026	−15,594
Other		11,325	11,325
Total deferred and undistributed credits	1,671,707	1,763,749	92,042
Bonds, debentures and notes payable: Debentures payable	724,950	9,694,600	8,969,650
Other liabilities: Reserve for foreclosure costs—mortgage notes acquired under terms of insurance	3,339	116,573	113,234
Total liabilities	2,418,756	11,720,871	9,302,115
CAPITAL			
Earned surplus: Insurance reserve fund (cumulative earnings) available for future losses and related expenses	11,764,731	9,822,132	−1,942,599
Total liabilities and capital	14,183,487	21,543,003	7,359,516
Certificates of claim relating to properties on hand	14,395	300,805	286,410

Total income of the Armed Services Housing Mortgage Insurance Fund during the fiscal year 1956 amounted to $3,690,523, while expenses and losses amounted to $517,086, leaving a net income of $3,173,437 before adjustment of valuation reserves. After valuation reserves of $5,161,033 were provided, a net loss of $1,987,596 resulted for the year. The cumulative income of the fund from August 8, 1949, to June 30, 1956, amounted to $20,834,679, while cumulative expenses totaled $5,559,803, resulting in a cumulative net income of $15,274,876 before adjustment of valuation reserves. Valuation reserves of $5,452,744 were established, leaving cumulative net income of $9,822,132.

STATEMENT 36.—*Income and expenses, Armed Services Housing Mortgage Insurance Fund, through June 30, 1955 and June 30, 1956*

	Aug. 8, 1949 to June 30, 1955	July 1, 1955 to June 30, 1956	Aug. 8, 1949 to June 30, 1956
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$1,201,029	$295,138	$1,496,167
Dividends on rental housing stock	385	243	628
Interest-other		50,913	50,913
	1,201,414	346,294	1,547,708
Insurance premiums and fees:			
Premiums	10,396,909	3,084,332	13,481,241
Fees	5,545,833	259,897	5,805,730
	15,942,742	3,344,229	19,286,971
Total income	17,144,156	3,690,523	20,834,679
Expenses:			
Interest expenses: Interest on funds advanced by U. S. Treasury	441,092		441,092

STATEMENT 36.—*Income and expenses, Armed Services Housing Mortgage Insurance Fund, through June 30, 1955 and June 30, 1956*—Continued

	Aug. 8, 1949 to June 30, 1955	July 1, 1955 to June 30, 1955	Aug. 8, 1949 to June 30, 1956
Expenses—Continued			
Administrative expenses: Operating costs (including adjustments for prior years)	$4,624,482	$514,937	$5,094,422
Other expenses: Depreciation on furniture and equipment	22,402	2,139	24,541
Losses and chargeoffs: Loss (or profit −) on equipment	−262	10	−252
Total expenses	5,087,714	517,086	5,559,803
Net income before adjustment of valuation reserves	12,056,442	3,173,437	15,274,876
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on real estate	−158,172	−631,642	−789,814
Reserve for loss on mortgage notes acquired under terms of insurance	−133,539	−4,529,391	−4,662,930
Net adjustment of valuation reserves	−291,711	−5,161,033	−5,452,744
Net income (or loss −)	11,764,731	−1,987,596	9,822,132

ANALYSIS OF EARNED SURPLUS

Distribution of net income:			
Earned surplus:			
Balance at beginning of period		$11,764,731	
Adjustments during period		44,997	
Net income (or loss −) for period	$11,764,731	−1,987,596	$9,822,132
Balance at end of period	11,764,731	9,822,132	9,822,132

PROPERTIES ACQUIRED UNDER TERMS OF INSURANCE

During the calendar year 1956, one mortgage note (350 units) and one project property (200 units) insured under Title VIII were acquired by the Commissioner under the terms of insurance. In addition one mortgage note (500 units) previously assigned was converted to a project acquired. There were no sales of properties during the year, and the cost of acquired security on hand at December 31, 1956, was:

Armed Services Housing Mortgage Insurance Fund, statement of properties and assigned mortgage notes on hand at Dec. 31, 1956

	3 properties (755 units)	4 mortgage notes (919 units)	Total 3 properties and 4 mortgage notes (1,674 units)
Expenses:			
Acquisition costs	$5,872,279	$7,663,950	$13,536,229
Interest on debentures	273,940	300,412	574,352
Taxes and insurance	47,927		47,927
Additions and improvements	2,900		2,900
Maintenance and operating	55,346		55,346
Miscellaneous	2,602	1,350	3,952
Total expenses	6,254,994	7,965,712	14,220,706
Income: Rental and other income (net)	128,220	144,000	272,289
Net acquired security on hand	6,126,765	7,821,652	13,948,417

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 provided 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. The act authorized the Commissioner to transfer from the War Housing Insurance Fund the sum of $10 million, 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.

Capital and Net Income

As of June 30, 1956, the assets of the National Defense Housing Insurance Fund totaled $36,864,575, against which there were outstanding liabilities of $37,820,484 and contributed capital of $10 million transferred from other insurance funds in accordance with Section 219 of the act, leaving an operating deficit of $10,955,909.

STATEMENT 37.—*Comparative statement of financial condition, National Defense Housing Insurance Fund, as of June 30, 1955 and June 30, 1956.*

	June 30, 1955	June 30, 1956	Increase or decrease(−)
ASSETS			
Cash with U. S. Treasury	$2,254,096	$936,980	−$1,317,116
Investments:			
U. S. Government securities (amortized)	5,074,843	5,698,951	624,108
Other securities (stock in rental housing corporations)	9,200	9,100	−100
Total investments	5,084,043	5,708,051	624,008
Loans receivable:			
Mortgage notes and contracts for deed	191,567	5,552,704	5,361,197
Less reserve for losses	3,352	97,173	93,821
Net loans receivable	188,215	5,455,591	5,267,376
Accounts and notes receivable:			
Accounts receivable—insurance premiums	65,945	47,265	−18,680
Accounts receivable—other		430	430
Total accounts and notes receivable	65,945	47,695	−18,250

STATEMENT 37.—*Comparative statement of financial condition, National Defense Housing Insurance Fund, as of June 30, 1955 and June 30, 1956*—Continued

	June 30, 1955	June 30, 1956	Increase or decrease(−)
ASSETS—continued			
Accrued assets:			
Interest on U. S. Government securities	$6,409	$25,623	$19,217
Other		29,686	29,686
Total accrued assets	6,406	55,309	48,903
Acquired security:			
Real estate (at cost plus expenses to date)	16,032,414	32,459,009	16,426,595
Less reserve for losses	6,262,747	12,593,323	6,330,576
Net real estate	9,769,667	19,865,686	10,096,019
Mortgage notes acquired under terms of insurance (at cost plus expenses to date)	3,138,495	7,936,300	4,797,805
Less reserve for losses	1,239,645	3,141,037	1,901,392
Net mortgage notes acquired under terms of insurance	1,898,850	4,795,263	2,896,413
Net acquired security	11,668,517	24,660,949	12,992,432
Total assets	19,267,222	36,864,575	17,597,353
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	25,351	49,257	23,906
Interfund	8,556	6,719	−1,837
Total accounts payable	33,907	55,976	22,069
Accrued liabilities: Interest on debentures	149,508	617,318	467,810
Trust and deposit liabilities:			
Excess proceeds of sale	1,566	35,344	33,778
Fee deposits held for future disposition	101,889	25,425	−76,464
Deposits held for mortgagors, lessees, and purchasers	22,142	188,362	166,220
Total trust and deposit liabilities	125,597	249,131	123,534
Deferred and undistributed credits:			
Unearned insurance premiums	1,379,807	1,303,825	−75,982
Other		29,686	29,686
Total deferred and undistributed credits	1,379,807	1,333,511	−46,296
Bonds, debentures and notes payable: Debentures payable	11,201,900	35,485,750	24,283,850
Other liabilities: Reserve for foreclosure costs—Mortgage notes acquired under terms of insurance	31,021	78,798	47,777
Total liabilities	12,921,740	37,820,484	24,898,744
CAPITAL			
Capital contributions from other FHA insurance funds	10,000,000	10,000,000	
Earned surplus (deficit −): Insurance reserve fund (cumulative earnings or deficit −)	−3,654,518	−10,955,909	−7,301,391
Total capital	6,345,482	−955,909	−7,301,391
Total liabilities and capital	19,267,222	36,864,575	17,597,353
Certificates of claim relating to properties on hand	581,957	633,674	51,717

Income and Expenses

During fiscal year 1956 the income to the fund amounted to $3,049,277, while expenses and losses amounted to $2,059,514, leaving $989,763 net income before provision for valuation reserves. An increase of $8,325,789 in the valuation reserves resulted in a net loss of $7,336,026 for the year.

The cumulative income of the National Defense Housing Insurance Fund from September 1, 1951, to June 30, 1956, amounted to $11,539,479 while cumulative expenses amounted to $6,663,855, leaving cumulative net income of $4,875,624 before adjustment of valuation reserves. Valuation reserves of $15,831,533 were established, leaving a cumulative net deficit of $10,955,909.

STATEMENT 38.—*Income and expenses, National Defense Housing Insurance Fund, through June 30, 1955 and June 30, 1956*

	Sept. 1, 1951, to June 30, 1955	July 1, 1955, to June 30, 1956	Sept. 1, 1951, to June 30, 1956
Income:			
Interest and dividends:			
Interest on U. S. Government securities	$513, 442	$120, 773	$634, 215
Interest—other	78, 350	253, 564	331, 914
Dividends on rental housing stock	45	55	100
	591, 837	374, 392	966, 229
Insurance premiums and fees:			
Premiums	5, 171, 469	2, 630, 353	7, 801, 822
Fees	2, 672, 274	44, 532	2, 716, 806
	7, 843, 743	2, 674, 885	10, 518, 628
Other income: Profit on sale of investments	54, 622		54, 622
Total income	8, 490, 202	3, 049, 277	11, 539, 479
Expenses:			
Administrative expenses: Operating costs (including adjustments for prior years)	4, 575, 093	516, 106	5, 056, 564
Other expenses:			
Depreciation on furniture and equipment	21, 825	2, 156	23, 981
Miscellaneous expenses	29, 207		29, 207
	51, 032	2, 156	53, 188
Losses and chargeoffs:			
Loss on sale of acquired properties	12, 571	1, 541, 241	1, 553, 812
Loss on equipment	280	11	291
	12, 851	1, 541, 252	1, 554, 103
Total expenses	4, 638, 976	2, 059, 514	6, 663, 855
Net income before adjustment of valuation reserves	3, 851, 226	989, 763	4, 875, 624
Increase (−) or decrease (+) in valuation reserves:			
Reserve for loss on loans receivable	−3, 352	−93, 821	−97, 173
Reserve for loss on real estate	−6, 262, 747	−6, 330, 576	−12, 593, 323
Reserve for loss on mortgage notes acquired under terms of insurance	−1, 239, 645	−1, 901, 392	−3, 141, 037
Net adjustment of valuation reserves	−7, 505, 744	−8, 325, 789	−15, 831, 533
Net income (or loss −)	−3, 654, 518	−7, 336, 026	−10, 955, 909
ANALYSIS OF EARNED SURPLUS (OR DEFICIT −)			
Distribution of net income:			
Earned surplus (or deficit −):			
Balance at beginning of period		−$3, 654, 518	
Adjustments during period		34, 635	
Net income (or loss −) for period	−$3, 654, 518	−7, 336, 026	−$10, 955, 909
Balance at end of period	−3, 654, 518	−10, 955, 909	−10, 955, 909

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 1956, $2,966,950 of debentures were redeemed in payment of mortgage insurance premiums or purchased from FNMA.

During the fiscal year 1956, net purchases of $620,000, 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, 1956, at $5,720,000 yielding 2.32 percent.

Investments of the National Defense Housing Insurance Fund, June 30, 1956

Series	Interest rate (percent)	Purchase price	Par value	Book value (amortized)
1958	2⅜	$2, 790, 813	$2, 800, 000	$2, 796, 542
1959	2	770, 000	770, 000	770, 000
1960	2	1, 450, 000	1, 450, 000	1, 450, 000
1956–59	2¼	288, 375	300, 000	293, 754
1966–71	2½	193, 563	200, 000	194, 500
1967–72	2½	193, 062	200, 000	194, 065
Average annual yield 2.32%		5, 685, 813	5, 720, 000	5, 698, 951

Properties Acquired Under Terms of Insurance

During 1956, 5 mortgage notes (736 units), and 2 properties (212 units) on which mortgages were insured under Section 908 were acquired by the FHA Commissioner, and the properties securing 3 mortgage notes (146 units) previously assigned were acquired. Titles to 2,800 home properties (3,309 units) insured under Section 903 were acquired under the terms of insurance. Through December 31, 1956, a cumulative total of 14 mortgage notes (1,442 units) and 5 properties (352 units) insured under Section 908 and 6,028 home properties (7,044 units) insured under Section 903 had been acquired under the terms of insurance. One thousand four hundred and forty-nine home properties (1,756 units) insured under Section 903 had been sold at December 31, 1956, resulting in a loss of $3,250,202 to the National Defense Housing Insurance Fund. Certificates of claim issued in connection with the 1,449 Section 903 properties sold through December 31, 1956 totaled $453,571 of which $52,130 is paid or to be paid and $401,441 canceled. At December 31, 1956, there remained on hand 4,579 properties (5,288 units) insured under Section 903, and 14 mortgage notes (1,442 units) and 5 properties (352 units) insured under Section 908 as follows:

National Defense Housing Insurance Fund, statement of properties and assigned mortgage notes on hand as of Dec. 31, 1956

	Sec. 903, 4,579 properties (5,288 units)	Sec. 908		Total, 4,584 properties and 14 mortgage notes (7,082 units)
		5 properties (352 units)	14 mortgage notes (1,442 units)	
Expenses:				
Acquisition costs	$39, 280, 232	$2, 544, 421	$10, 339, 395	$52, 173, 048
Interest on debentures	1, 152, 468	195, 453	318, 791	1, 666, 712
Taxes and insurance	571, 587	32, 648		604, 235
Additions and improvements	35, 673	2, 563		38, 236
Maintenance and operating expenses	401, 177	33, 364		494, 541
Miscellaneous expense	1, 522	5, 199	1, 213	7, 934
Total expenses	41, 511, 659	2, 813, 648	10, 659, 399	54, 984, 706
Income:				
Rental and other income (net)	1, 200, 419	72, 730	231, 123	1, 504, 272
Collections on mortgage notes			38, 110	38, 110
Total income	1, 200, 419	72, 730	269, 233	1, 542, 382
Net acquired security on hand	40, 311, 240	2, 740, 918	10, 390, 166	53, 442, 324

A summary of the 1,449 Section 903 acquired properties sold at December 31, 1956, is shown in statement 39.

STATEMENT 39.—*Statement of profit and loss on sale of acquired properties, Sec. 903, National Defense Housing Insurance Fund, through Dec. 31, 1956*

Items	Total NDHI Fund 1,449 properties (1,756 units)
Proceeds of sales:	
Sales price [1]	$10, 034, 921
Less commission and other selling expense	359, 818
Net proceeds of sales	9, 675, 103
Income:	
Rental and other income (net)	400, 776
Mortgage note income	236, 133
Total income	636, 909
Total proceeds of sold properties	10, 312, 012
Expenses:	
Debentures and cash adjustment	12, 301, 690
Purchase of land held under lease	27, 300
Interest on debentures	589, 355
Taxes and insurance	187, 361
Additions and improvements	2, 075
Maintenance and operating expense	400, 423
Total expenses	13, 508, 204
Net profit (or loss −) before distribution of liquidation profits	−3, 196, 192
Less distribution of liquidation profits:	
Certificates of claim	52, 130
Increment on certificates of claim	1, 880
Loss (−) to National Defense Housing Insurance Fund	−3, 250, 202

[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	215		$175, 475		$175, 475
Properties sold for cash and notes (or contracts for deed)	1, 234	1, 094	432, 696	$9, 426, 750	9, 859, 446
Total	1, 449	1, 094	608, 171	9, 426, 750	10, 034, 921

Statement 40 shows the turnover of properties acquired under Section 903.

STATEMENT 40.—*Turnover of properties acquired under Sec. 903 of Title IX contracts of insurance by years, and cumulative through Dec. 31, 1956*

Year	Properties acquired	Properties sold, calendar years				Properties on hand Dec. 31, 1956
		1953	1954	1955	1956	
1953	3			3		
1954	690		2	113	149	426
1955	2, 535			358	657	1, 520
1956	2, 800				167	2, 633
Total	6, 028		2	474	973	4, 579

NOTE.—On the 1,449 properties sold, the average time between acquisition and sale by the Federal Housing Administration was 11.48 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 FHA 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 41.—*Comparative statement of financial condition, administrative expense account (salaries and expenses), as of June 30, 1955 and June 30, 1956*

	June 30, 1955	June 30, 1956	Increase or decrease(−)
ASSETS			
Cash with U. S. Treasury	$5,489,753	$3,657,495	−$1,832,258
Accounts and notes receivable: Accounts receivable—other	84,743	137,368	52,625
Land, structures, and equipment:			
Furniture and equipment	2,295,826	[1] 2,541,129	245,303
Less reserve for depreciation	1,331,819	1,451,887	120,068
Net furniture and equipment	964,007	1,089,242	125,235
Total assets	6,538,503	4,884,105	−1,654,398
LIABILITIES			
Accounts payable:			
Bills payable to vendors and Government agencies	4,494,457	[2] 2,511,916	−1,982,541
Interfund	964,007	1,089,242	125,235
Total accounts payable	5,458,464	3,601,158	−1,857,306
Trust and deposit liabilities:			
Undistributed receipts	14,321		−14,321
Due general fund of the U. S. Treasury		211	211
Employees' payroll deductions for taxes, etc	1,065,718	1,275,783	210,065
Total trust and deposit liabilities	1,080,039	1,275,994	195,955
Deferred and undistributed credits: Other		6,953	6,953
Total liabilities	6,538,503	4,884,105	−1,654,398

[1] Excludes unfilled orders in the amount of $76,374.
[2] Excludes unfilled orders in the amount of $200,032.

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