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Washington Unit of
Market Analysis Section

# Seventh Annual Report

*of the*

# FEDERAL HOUSING ADMINISTRATION


Abner H. Ferguson
*Administrator*


*For the year ending*

*December 31, 1940*

# Seventh Annual Report

*of the*

# FEDERAL HOUSING ADMINISTRATION

Letter of Transmittal
from the
Administrator of the Federal Housing Administration
to the
Congress of the United States

April 3, 1941—Referred to the
Committee on Banking and Currency
and ordered to be printed with illustrations

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1941

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# LETTER OF TRANSMITTAL

WASHINGTON, D. C., *April 1, 1941.*

*To the Congress of the United States:*

The year 1940 was one of notable progress for the Federal Housing Administration and for the home construction industry.

New high records were established in the total volume of FHA mortgage and credit insurance written, in the number of new small homes built under the FHA program, and in the volume of modernization and repair loans insured.

These accomplishments were an important factor in the further recovery in the total volume of home construction to the highest levels since 1928. Approximately 42 percent of all privately financed single-family homes built in 1940 were financed by FHA-insured loans and an additional substantial number were a direct outgrowth of the FHA program, although ultimately financed without FHA mortgage insurance.

The quality of the new homes financed by private capital under the FHA program was maintained at high levels, reflecting the FHA's careful requirements as to soundness of construction and location. The foreclosure experience on small home properties covered by FHA mortgage insurance also continued extremely favorable. Less than four-tenths of 1 percent of those properties have been foreclosed and turned over to the Administration.

During 1940 the current revenues of the Federal Housing Administration from insurance premiums, fees, and investments exceeded its operating expenses by more than $8,000,000. For the fiscal year ending June 30, 1941, all administrative expense of the program is for the first time being paid out of the FHA's own income and, in addition, upwards of $8,000,000 will be added to insurance reserves.

The impressive achievements of the Federal Housing Administration during 1940 and during the earlier years of its operations are a tribute to the energy, administrative ability, and business acumen of my predecessor, Stewart McDonald, who resigned as Federal Housing Administrator on November 29, 1940, after holding that office since September 5, 1935. In his new official duties as Deputy Federal Loan Administrator, Mr. McDonald continues in close touch with the FHA program.

The volume of our business was showing substantial gains over 1940 levels during the early months of 1941.

Respectfully,

ABNER H. FERGUSON,
*Administrator.*

# Part I

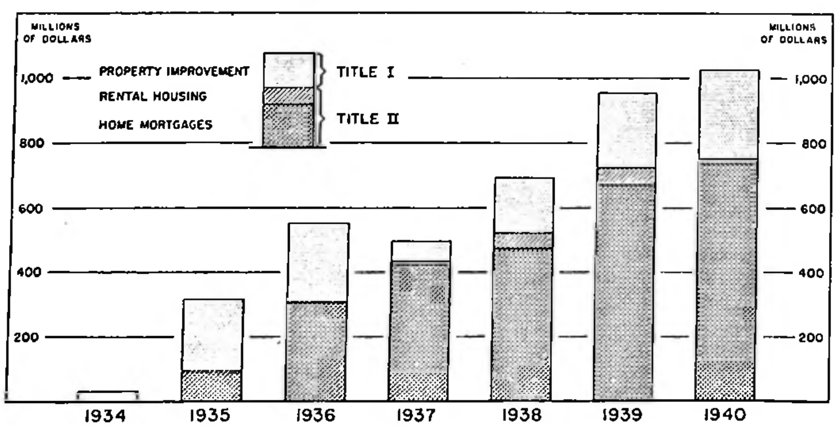
# GENERAL REVIEW

OPERATIONS of the Federal Housing Administration under its program of mortgage and credit insurance reached record proportions during the calendar year 1940. The Administration's program thereby contributed importantly to the expansion in residential construction to the highest levels since 1928 and to a further impressive increase in the volume of private funds invested for residential financing purposes.

The Administration issued insurance during the year on loans totaling $1,026,049,609 extended by private lending institutions for the purchase or improvement of homes or other properties in accordance with the provisions of the National Housing Act. This volume was 7.6 percent greater than the amount for 1939, the previous record year.

A total of 171,440 new small homes were financed by FHA-insured loans during 1940, an increase of 27.5 percent over 1939. The quality of construction, design, and location was maintained at high levels in these new homes. Furthermore, the trend toward lower-priced homes, without sacrifice of soundness, again was apparent in the new construction financed under the FHA program. The FHA new home program also reached broader income classifications among American families than in any preceding year.

CHART 1—VOLUME OF FHA INSURANCE WRITTEN, BY YEARS, 1934–1940






In addition to the new homes financed by FHA-insured loans, 39,918 mortgages on existing small homes were accepted for insurance during 1940 as compared with 46,491 in 1939. Under the property improvement program (through which 9,107 of the new small homes cited above were financed), a total of 662,948 loans were reported for insurance, an increase of 29.2 percent over 1939, and the dollar volume of those loans was 18.7 percent larger than in 1939. In both number and amount, the property improvement loans insured exceeded the previous high records established in earlier years. Insurance of mortgages on rental and group housing projects, on the other hand, was restricted to a marked extent during the year.

By December 31, 1940, the cumulative amount of loans insured since the inception of the FHA program in June 1934 was $4,076,264,676. Approximately 3,643,000 individual loan transactions were involved in that total and approximately 13,000,000 persons are now living in dwellings built, purchased, or improved through the proceeds of FHA-insured loans.

Under the provisions of the National Housing Act, the Administration insures approved lending institutions against loss on three main types of loans: (1) Property improvement loans insured under Title I of the Act, (2) mortgage loans on one-to-four family dwellings insured

TABLE 1.—*Yearly volume of business transacted: Trend and status of FHA property improvement, home mortgage, and rental housing insuring operations, 1934–1940*

| Year and status | Title I | | Title II | | | | Total |
|---|---|---|---|---|---|---|---|
| | Property improvement loans insured | | Sec. 203 mortgages on 1- to 4-family homes | | Sec. 207 mortgages on rental and group housing projects [1] | | |
| | Number | Amount | Number | Amount | Number | Amount | Amount |
| INSURANCE WRITTEN | | | | | | | |
| 1934 | 72,658 | $30,450,583 | (2) | (2) | (2) | (2) | $30,450,583 |
| 1935 | 635,747 | 223,620,140 | 23,307 | $93,882,012 | 2 | $2,355,000 | 319,857,158 |
| 1936 | 617,697 | 246,149,013 | 77,231 | 308,945,106 | 4 | 2,101,000 | 557,196,019 |
| 1937 | 124,758 | 60,382,598 | 102,076 | 424,372,999 | 15 | 10,549,000 | 495,304,597 |
| 1938 | 382,325 | 172,747,308 | 109,279 | 473,246,124 | 117 | 47,589,150 | 693,582,582 |
| 1939 | 513,091 | 233,067,349 | 153,747 | 669,416,154 | 131 | 51,340,625 | 953,824,128 |
| 1940 | 662,948 | 276,541,365 | 168,293 | 736,490,344 | 48 | 13,017,900 | 1,026,049,609 |
| Total | 3,009,224 | 1,242,959,262 | 634,023 | 2,706,352,739 | 317 | 126,952,675 | 4,076,264,676 |
| Commitments outstanding | | | 77,154 | 341,066,277 | (3) | (3) | 341,066,277 |
| Total accepted for insurance | 3,009,224 | 1,242,959,262 | 711,177 | 3,047,419,016 | 317 | 126,952,675 | 4,417,330,953 |
| Expired commitments | | | 71,607 | 270,678,696 | (4) | (4) | 270,678,696 |
| Mortgages in process [3] | | | 54,342 | 245,078,630 | 45 | 14,081,500 | 259,160,130 |
| Rejections and withdrawals | | | 255,865 | 1,241,548,612 | (4) | (4) | 1,241,548,612 |
| Gross business transacted | 3,009,224 | 1,242,959,262 | 1,002,991 | 4,804,724,954 | 362 | 141,034,175 | 6,188,718,391 |

[1] Includes rental and release clause projects under Sec. 210, repealed by June 3, 1939, amendment.
[2] Not in operation pending necessary changes in State laws.
[3] Rental-housing mortgages committed for insurance are included as mortgages in process; 17 mortgages for $4,632,500 under examination are not included in this table.
[4] Rental-housing mortgages rejected, withdrawn, or expired, numbering 941, for $681,819,084, are not recorded in total gross business transacted.

under Title II, Section 203, and (3) mortgage loans on rental and group-housing projects insured under Title II, Section 207, and the now-repealed Section 210. In all instances, loans insured by the FHA provide for full settlement of the obligation by equal monthly installments extending over the life of the loan. The maximum interest rates fixed for FHA-insured loans represent the most favorable terms ever generally available to home owners in the United States.

TABLE 2.—*State distribution of insured loans: Property improvement, home mortgage, and rental housing FHA insuring operations, cumulative 1934–1940*

| Location of property | Title I | | Title II | | | | Total |
|---|---|---|---|---|---|---|---|
| | Property improvement and new construction loans insured [1] | | Section 203 mortgages on 1- to 4-family homes [2] | | Section 207 mortgages on rental and group housing projects [3] | | |
| | Number | Amount | Number | Amount | Number | Amount | Amount |
| Alabama | 33,146 | $11,005,923 | 6,822 | $25,762,472 | 7 | $1,373,700 | $38,142,095 |
| Arizona | 18,635 | 8,631,652 | 4,004 | 14,412,446 | 2 | 194,000 | 23,238,098 |
| Arkansas | 21,853 | 7,826,225 | 4,322 | 13,552,460 | 1 | 320,000 | 21,698,685 |
| California | 364,700 | 164,776,950 | 130,343 | 553,507,516 | 11 | 3,683,790 | 721,968,202 |
| Colorado | 19,734 | 7,611,834 | 7,157 | 26,203,568 | 4 | 939,500 | 34,754,902 |
| Connecticut | 50,138 | 20,879,871 | 5,887 | 29,305,845 | 5 | 1,310,000 | 51,495,716 |
| Delaware | 6,335 | 3,008,458 | 1,371 | 6,576,100 | 2 | 740,000 | 10,414,558 |
| Dist. of Col. | 17,265 | 8,085,521 | 2,175 | 13,272,250 | 3 | 3,794,000 | 25,151,771 |
| Florida | 53,413 | 23,571,682 | 19,117 | 74,475,901 | 9 | 1,117,500 | 99,165,083 |
| Georgia | 42,412 | 15,541,860 | 12,034 | 46,437,262 | 9 | 1,416,000 | 63,395,121 |
| Idaho | 17,405 | 6,431,760 | 3,539 | 11,610,355 | | | 18,042,115 |
| Illinois | 175,156 | 68,385,887 | 40,176 | 203,693,944 | 7 | 6,167,400 | 278,247,231 |
| Indiana | 88,263 | 28,670,203 | 26,704 | 102,589,141 | 12 | 2,518,250 | 133,777,684 |
| Iowa | 37,109 | 13,262,758 | 6,638 | 24,917,599 | 1 | 550,000 | 38,730,357 |
| Kansas | 23,800 | 7,546,261 | 9,767 | 33,289,217 | 9 | 536,100 | 41,371,578 |
| Kentucky | 32,201 | 11,551,673 | 6,198 | 27,711,961 | 1 | 1,000,000 | 40,263,634 |
| Louisiana | 28,290 | 9,773,935 | 6,753 | 26,542,140 | 4 | 875,000 | 37,191,075 |
| Maine | 9,858 | 3,903,751 | 2,027 | 6,089,280 | | | 9,993,031 |
| Maryland | 47,658 | 20,299,827 | 11,584 | 51,663,685 | 10 | 8,545,600 | 80,509,112 |
| Massachusetts | 105,442 | 41,265,679 | 6,417 | 26,773,487 | 2 | 383,000 | 68,422,166 |
| Michigan | 184,775 | 66,410,423 | 52,452 | 245,773,075 | 12 | 2,059,900 | 314,152,398 |
| Minnesota | 61,578 | 23,255,706 | 10,163 | 40,392,454 | 8 | 2,895,800 | 66,543,960 |
| Mississippi | 20,840 | 8,620,093 | 5,721 | 18,284,689 | 1 | 34,000 | 26,938,782 |
| Missouri | 83,669 | 26,588,032 | 18,207 | 76,337,897 | 19 | 5,663,300 | 108,589,229 |
| Montana | 9,131 | 4,670,186 | 2,288 | 8,377,041 | | | 13,047,227 |
| Nebraska | 17,346 | 6,018,087 | 4,386 | 16,113,919 | | | 22,132,006 |
| Nevada | 4,751 | 2,568,042 | 1,090 | 4,012,205 | | | 7,481,147 |
| New Hampshire | 9,924 | 4,076,327 | 1,375 | 5,075,451 | | | 9,151,778 |
| New Jersey | 170,676 | 77,138,386 | 33,314 | 160,340,473 | 17 | 7,280,000 | 244,754,859 |
| New Mexico | 5,884 | 2,990,381 | 2,319 | 8,346,375 | | | 11,345,756 |
| New York | 413,828 | 222,841,406 | 45,862 | 231,302,299 | 43 | 32,348,000 | 486,491,705 |
| North Carolina | 27,287 | 9,843,477 | 8,534 | 35,877,230 | 14 | 4,229,500 | 49,950,210 |
| North Dakota | 4,968 | 2,347,453 | 929 | 2,998,345 | | | 5,345,798 |
| Ohio | 133,593 | 47,357,810 | 39,955 | 186,570,575 | 4 | 2,320,000 | 236,248,385 |
| Oklahoma | 34,408 | 12,074,032 | 11,150 | 42,564,342 | 8 | 461,750 | 55,100,124 |
| Oregon | 41,326 | 15,538,049 | 5,077 | 19,954,100 | 2 | 518,000 | 36,010,149 |
| Pennsylvania | 176,428 | 70,889,805 | 39,822 | 172,431,816 | 21 | 8,195,000 | 251,516,711 |
| Rhode Island | 21,716 | 9,416,960 | 2,542 | 11,504,220 | 1 | 114,000 | 21,035,180 |
| South Carolina | 15,269 | 5,714,291 | 4,875 | 18,536,438 | 1 | 240,000 | 24,490,729 |
| South Dakota | 5,017 | 2,133,993 | 2,111 | 6,187,430 | 1 | 117,500 | 8,438,923 |
| Tennessee | 45,785 | 15,768,466 | 11,091 | 44,501,359 | 7 | 1,784,850 | 62,054,675 |
| Texas | 107,445 | 39,332,322 | 36,423 | 139,573,227 | 22 | 3,629,225 | 182,534,774 |
| Utah | 18,316 | 6,517,823 | 6,083 | 22,313,615 | | | 28,831,438 |
| Vermont | 4,804 | 2,093,344 | 1,503 | 5,239,687 | | | 7,333,031 |
| Virginia | 36,041 | 17,769,032 | 12,954 | 58,880,449 | 30 | 16,244,000 | 92,894,381 |
| Washington | 87,301 | 32,569,987 | 17,015 | 61,359,365 | 2 | 1,119,400 | 95,039,752 |
| West Virginia | 12,973 | 5,501,304 | 5,113 | 23,057,060 | 1 | 650,000 | 29,208,364 |
| Wisconsin | 47,251 | 19,197,408 | 8,403 | 41,015,144 | 4 | 684,700 | 60,897,252 |
| Wyoming | 4,220 | 2,108,599 | 3,414 | 11,003,948 | | | 13,112,547 |
| Alaska | 334 | 342,098 | 342 | 1,512,460 | | | 1,854,558 |
| Hawaii | 822 | 470,576 | 1,524 | 6,164,670 | | | 6,635,246 |
| Puerto Rico | 20 | 18,980 | 439 | 2,465,000 | | | 2,483,980 |
| Canal Zone | 3 | 4,067 | | | | | 4,067 |
| Total | 3,009,224 | 1,242,959,262 | 711,177 | 3,047,419,016 | 317 | 126,952,675 | 4,417,330,953 |

[1] Includes undistributed adjustments in the total for an addition of 8,037 notes and a deduction of $300,388.
[2] Represents insured mortgages and FHA commitments outstanding to insure.
[3] Includes $1,529,000 of mortgages on release-clause projects insured under sec. 207 and $7,700,025 of mortgages closed under the expired sec. 210, of which $3,137,925 represents release-clause projects.



In line with the increased amount of insurance written during the year, the total volume of business transacted by the FHA in 1940 was the largest since the start of the program. By December 31, 1940, the cumulative total since 1934 was $6,188,718,391, an increase of $1,550,187,041 since December 31, 1939. Included in this total were 3,009,224 insured property improvement loans aggregating $1,242,959,262, mortgages aggregating $3,047,419,016 accepted for insurance on 711,177 small homes, and $126,952,675 in mortgages insured on 317 rental and group housing projects providing 33,204 dwelling units. Additional applications for home mortgage insurance amounted to $1,757,305,938 of which $245,078,630 represented mortgages still in process or conditionally committed at the year-end. The remainder represented rejections or withdrawals of mortgage insurance applications or expirations of commitments to insure.

## FINANCES

DURING 1940 the current revenues of the Federal Housing Administration exceeded its operating expenses by $8,109,129. For the fiscal year ending June 30, 1941, the Administration for the first time will pay all operating expenses from current revenues. A portion of the claims for losses under Title I loan insurance are still being paid by the Reconstruction Finance Corporation.

The operating expenses of the Administration's Washington and field offices during the calendar year 1940 amounted to $13,266,784, compared with $12,961,323 in 1939. The increase of 2.4 percent in expense over 1939 contrasted with an expansion of 7.6 percent in the total volume of insurance written. Since 1935, the annual volume of insurance of all types written by the FHA has increased by 220.8 percent while annual operating expenses have increased only 28.6 percent. Yearly operating expenses, exclusive of equipment, have been as follows since the start of the program:

| *Calendar year:* | | *Calendar year:* | |
|---|---|---|---|
| 1934 | [1] $1,739,770 | 1938 | $11,346,611 |
| 1935 | 10,300,172 | 1939 | 12,961,323 |
| 1936 | 11,401,242 | 1940 | 13,266,784 |
| 1937 | 9,269,985 | | |

[1] From June 27.

Revenues from premiums and fees charged for insurance under Titles I and II totaled $20,536,894 during 1940, an increase of 49.1 percent over $13,778,869 in 1939. Net interest income (after deducting premium amortization) from investments in Treasury bonds held in the Mutual Mortgage Insurance Fund and Housing Insurance Fund amounted to $704,016, an increase of 11.3 percent over $632,491 in 1939. Other interest income totaled $135,003 in 1940. Yearly revenue from these sources since 1934 have been as follows:

| Calendar year | Fees and premiums | Interest income on investment | Interest income, other | Total |
|---|---|---|---|---|
| 1934 | | $113,423 | | [1] $113,423 |
| 1935 | $1,251,877 | 284,962 | | 1,539,839 |
| 1936 | 3,798,110 | 333,896 | | 4,132,006 |
| 1937 | 6,067,935 | 497,373 | $1,388 | 6,566,696 |
| 1938 | 9,440,543 | 581,817 | 10,656 | 10,033,016 |
| 1939 | 13,778,869 | 632,491 | 49,242 | 14,460,602 |
| 1940 | 20,536,894 | 704,016 | 135,003 | 21,375,913 |

[1] From June 27.

For the fiscal year ending June 30, 1941, Congress, in accordance with budget estimates, authorized the Administration to use $13,300,000 of its revenues from insuring activities to meet all administrative expenses. Since July 1, 1937, the Administration, under authorization from Congress, had been meeting increasing amounts of its expenses from its own revenues. Prior to the current fiscal year, such administrative expenses as were not met from revenues were defrayed through Congressional allocations of Reconstruction Finance Corporation funds. These Government funds and the FHA funds paid out or encumbered for administrative expenses, including equipment, reached the following yearly totals:

| Fiscal year | Government funds used for administrative expenses | FHA funds used for administrative expenses | Fiscal year | Government funds used for administrative expenses | FHA funds used for administrative expenses |
|---|---|---|---|---|---|
| 1935 | $6,723,472 | | 1939 | $5,525,000 | $7,185,489 |
| 1936 | 12,312,541 | | 1940 | 3,500,000 | 9,777,579 |
| 1937 | 10,319,141 | | 1941 | | [1] 13,300,000 |
| 1938 | 4,400,000 | $4,952,834 | | | |

[1] Appropriated.

## CREDIT INSURANCE EXPERIENCE

### Property Improvement Loans, Title I

WITH $1,242,959,262 in property-improvement loans having been reported for insurance under Title I through December 31, 1940, lending institutions had filed and the Administration had paid claims on 122,098 defaulted notes aggregating $30,511,450. Of this amount $6,543,568 was disbursed during 1940, as compared with $4,728,345 during 1939. The Administration's recoveries on the defaulted notes acquired through payment of these claims amounted to $10,776,128, leaving $19,735,322 uncollected as of December 31, 1940, a balance equivalent to 1.59 percent of the total loans insured under Title I.

Prior to the beginning of the current fiscal year, these insurance claims were met from public funds advanced by the Reconstruction Finance Corporation as provided in the National Housing Act. A premium charge for this insurance was established for the first time under the June 3, 1939, amendments to the Act and revenues from



this source were made available for payment of FHA operating expenses under Title I. Any amount not needed for that purpose, it was further provided, may be used for payment of Title I insurance claims.

During the current fiscal year, all administrative expenses under Title I and a substantial portion of the claims paid on defaulted notes are being met from current revenues. Under the Administration's budget for the year, $1,200,000 of the current earnings under Title I is allowed for administrative expenses and $3,000,000 is allocated toward meeting the estimated total of $7,000,000 in claims to be paid during the year ending June 30, 1941. The remaining $4,000,000 in estimated claims will be met from public funds.

The trend of earnings under Title I during the first two-thirds of the current fiscal year indicates that revenues for the full year will exceed the $4,200,000 budget allocation described above and will thus increase the reserves carried over for payment of future claims. During the eight months ended February 28, 1941, the insurance premiums collected under Title I amounted to $3,460,946 while total Title I income, including FHA charges for approval of low-cost homes insured under this title, was $3,542,748. By February 28, 1941, the total income collected under the Title I program since the establishment of the premium charge in July 1939 amounted to $6,706,860.

With Title I loans now on a premium-paying basis, the expectation is that this phase of the FHA program should approach a self-sustaining status if continued operations are authorized by Congress.

Further discussion of Title I activities will be found in Part III.

### One- to Four-Family Home Mortagage Loans, Section 203, Title II

Of the 634,023 one- to four-family home mortgages aggregating $2,706,352,739, which had become premium paying under Section 203 through December 31, 1940, there were 582,936 in force as of that date. On the remaining 51,087, aggregating $228,607,993 in original amount and representing 8.1 percent of the total number, insurance had terminated. Of the terminations, 47,909 mortgages in the original amount of $213,909,371 represented prepayments and 102 mortgages in the original amount of $147,054 represented matured loans.

Up to December 31, 1940, title to 2,311 properties, or less than four-tenths of 1 percent of the total number insured under Section 203, had been transferred to the Administrator subsequent to foreclosure by private lending institutions. In exchange for these properties, Mutual Mortgage Insurance Fund debentures were issued to the lending institutions, pursuant to Section 204 of the Act, in the amount of $10,864,460 (including debentures authorized but not yet issued, claims for debentures in audit, and cash adjustments).

The Administration's policy is to dispose of acquired properties as promptly and advantageously as possible and to employ the proceeds of these sales for the retirement of corresponding amounts of debentures, charging the Mutual Mortgage Insurance Fund with any net losses occasioned by these transactions, as required by the Act. By December 31, 1940, the Administration had sold 1,613 of the 2,311 properties acquired up to that date, resulting in a net charge of $985,074 to the fund, after payment of all expenses.

The net charge to the fund resulting from the sale of foreclosed properties has been substantially exceeded, it might be pointed out, by the income received by the fund from the prepayment premium of 1 percent charged on the original principal amount of insured mortgages paid in full prior to maturity. Up to December 31, 1940, such prepayment premiums had aggregated $1,447,760.

The average net loss on the properties sold was $610.71. During the calendar year 1940, a total of 1,123 small home properties insured under Section 203 were acquired and 997 were sold at an average net loss of $649.05 and a total net charge to the fund of $647,098. No profit from sales may ever be credited to the fund. In cases where sale proceeds exceed costs charged against the property, including debentures issued, repairs, sales commission, and payments in connection with certificates of claim issued to lending institutions, the excess is refunded to the original borrowers.

On December 31, 1940, outstanding debentures of the fund (including debentures authorized and claims for debentures in audit) totaled $7,689,135, after retirements of $3,173,322. These debentures made up all but a small portion of the fund's total liabilities of $8,028,633. Against these liabilities, the fund's assets amounted to $38,852,832. At the close of 1939, the fund had assets of $30,325,466 and total liabilities of $4,517,809. More detailed statements of home mortgage insurance under Section 203 and of the condition of the Mutual Mortgage Insurance Fund appear in subsequent sections of this report.

### Rental and Group Housing Mortgage Loans, Section 207, Title II

Of the 317 rental- and group-housing mortgages, totaling $126,952,675 and providing 33,204 dwelling units, which had become premium paying through December 31, 1940, a total of 278 in original amount of $107,013,050 remained in premium-paying status as of that date. Of the remaining 39 mortgages, 19 totaling $6,714,025 in original amount were terminated through full repayment.

As of December 31, 1940, five foreclosed projects had been acquired and one mortgage note had been assigned to the Administrator. Housing Insurance Fund debentures and cash adjustments issued or in audit in connection with these property acquisitions (all of which occurred during 1940) totaled $9,304,062. Four homes which are part of a nine-home project, included in the five acquired projects, had been sold, resulting in a net charge against the fund of $1,657.



Since acquisition of the properties, occupancies have increased and improved operating policies have been inaugurated in an effort to produce earnings which eventually should cover all operating costs in connection with the properties as well as the interest cost of the debentures issued to mortgagees.

In dealing with foreclosed rental-housing properties, the Administration's policy is to dispose of the properties as soon as they can be placed in a healthy position in relation to the rental market and to the amount of debentures issued in exchange. Until such time as a favorable sale can be made, the Administrator retains the property and operates it through procedure laid down by the Comptroller General of the United States.

During the Administrator's period of ownership, the carrying charges are reduced by the elimination of returns on equity, the cancellation of mortgage insurance, and the reduction of mortgage interest to the rate carried by Housing Insurance Fund debentures (2¾ percent as compared with 4 or 4½).

A more complete statement of operations under Section 207 appears in Part V of this report.

## TYPES OF INSTITUTIONS FINANCING FHA-INSURED LOANS

THE participation of private lending institutions in the FHA program continued to broaden during 1940. Since all but a small fraction of the loans insured by the FHA are advanced by private institutions,

TABLE 3.—*Type of institution financing FHA-insured loans: Property improvement, home mortgage, and rental housing insuring operations, cumulative 1934–1940*

| Type of lending institution | Title I | | Title II | | | | Total |
|---|---|---|---|---|---|---|---|
| | Property improvement and new construction loans insured | | Sec. 203 mortgages accepted on 1- to 4-family homes [1] | | Sec. 207 mortgages closed on rental and group housing projects [2] | | |
| | Number | Amount | Number | Amount | Number | Amount | Amount |
| National banks | 1,083,579 | $472,323,883 | 202,118 | $842,006,238 | 35 | $7,048,400 | $1,322,068,521 |
| State banks | 735,069 | 332,101,489 | 168,532 | 708,420,235 | 21 | 8,337,650 | 1,048,859,374 |
| Mortgage companies | (5) | (5) | 133,676 | 589,593,188 | 16 | 862,250 | 590,455,438 |
| Savings and loan associations | 18,050 | 11,983,378 | 83,844 | 342,421,783 | 6 | 567,300 | 354,972,461 |
| Insurance companies | 91 | 146,850 | 94,877 | 305,408,103 | 184 | 89,081,050 | 394,636,003 |
| Finance companies | 981,955 | 348,382,812 | 5,949 | 24,043,550 | 1 | 200,000 | 373,226,362 |
| Savings banks | 19,364 | 8,019,587 | 21,776 | 102,290,857 | 16 | 8,832,000 | 119,151,444 |
| Industrial banks | 166,296 | 64,980,598 | 3,002 | 12,639,910 | ----- | ----- | 77,620,508 |
| Federal agencies [3] | (5) | (5) | 312 | 985,404 | 12 | 3,853,600 | 4,839,004 |
| All others [4] | 4,211 | 5,020,665 | 27,091 | 118,310,748 | 27 | 7,569,825 | 130,901,238 |
| Total | 3,009,224 | 1,242,959,262 | 711,177 | 3,047,419,016 | 317 | 126,952,675 | 4,417,330,953 |

[1] Insured mortgages and mortgage insurance commitments outstanding December 31, 1940.
[2] Includes release-clause projects and all mortgages closed under the expired Section 210.
[3] The RFC Mortgage Company, the Federal National Mortgage Association, and the United States Housing Corporation.
[4] Includes credit unions, investment companies, endowed institutions, private and State benefit funds, etc.
[5] Since present methods of tabulating do not make available figures separately for mortgage companies and Federal agencies under Title I, these types have been included in "all others."

the total of $4,076,264,676 in insured loans generated under the FHA program since June, 1934, has represented a major contribution to the sound investment of private capital.

The institutions making FHA-insured loans constitute, in the aggregate, the largest reservoir for liquid capital and private savings in the United States. By the end of 1940, a total of 8,329 institutions were holding as investments small-home mortgages insured under Section 203. Under Title I, 3,045 institutions had reported property-improvement loans for insurance since the enactment of the June 1939 amendments which established a premium charge for this type of insurance. A total of 87 institutions have participated in the rental- and group-housing insured mortgage program.

The cumulative total of FHA-insured loans made by the main categories of institutions operating under the three FHA programs is shown in Table 3. More detailed statements of the annual volume of FHA-insured loans made by these institutions as well as a discussion of the secondary market for FHA-insured loans appear in subsequent sections of this report.

## RESIDENTIAL CONSTRUCTION AND FINANCING IN 1940

THE recovery in residential construction, which began in 1935, gained further momentum during 1940 and carried the production of new dwelling units to the highest levels since 1928. In addition to the stimulus imparted by expanding industrial production and national income, the increase in home building was facilitated by ample supplies of private capital available for investment in sound home properties and by continuation of the most favorable uniform home financing rates ever available in the United States. On both these latter two points, the Federal Housing Administration's program was an influence of paramount importance, as it was in the earlier years of the housing recovery.

On the basis of building permits issued by local officials, the Bureau of Labor Statistics estimates that 540,000 dwelling units were built in the nonfarm areas of the United States in 1940. This represented an increase of 16 percent over 1939 and was 10 times larger than the depression low of 54,000 units built in 1933, the year prior to the enactment of the National Housing Act. Construction in 1940 exceeded the 1929 level of 509,000 dwelling units and was equivalent to 77.5 percent of the estimated yearly average number constructed during the decade of the 'Twenties.

The recovery in construction of single-family homes has been of still sharper proportions. In 1940, an estimated total of 420,000 dwellings of this type was constructed, an increase of 20 percent over 1939 and nearly 11 times larger than the depression level of 39,000 in 1933. The 1940 level compared with 316,000 in 1929 and was practically



equal to the average annual construction of single-family homes during the 'Twenties.

Approximately 86 percent of the dwelling units constructed last year were privately financed. The division between privately financed and publicly financed residential construction in 1940 and 1939 is estimated as follows by type of structure:

| Type of structure | 1939 | | 1940 | | Percent change | |
|---|---|---|---|---|---|---|
| | Total | Privately financed | Total | Privately financed | Total | Privately financed |
| 1-family | 351,000 | 323,000 | 420,000 | 386,000 | +20.0 | +19.5 |
| 2-family | 21,000 | 18,000 | 38,000 | 25,300 | +81.0 | +40.6 |
| Multi-family | 93,000 | 67,000 | 82,000 | 55,100 | −11.8 | −17.8 |
| Total, all types | 465,000 | 408,000 | 540,000 | 466,100 | +16.1 | +14.3 |

The availability of FHA-insured home financing has been one of the strongest influences behind the large gains in new home construction during recent years. The basic contribution of the FHA plan to increased home buying has been through its sharp reduction in the monthly cost of purchasing a home, a reduction which has brought home ownership within the financial means of hundreds of thousands of American families previously restricted to rental dwellings because of the high cost of acquiring a home of their own. The smaller monthly cost of purchasing a home under the FHA plan is the direct result of the low maximum interest rate and the long-term amortization features of the FHA-insured mortgage, as contrasted with the short-term first, second, and third mortgages characteristic of residential financing prior to the advent of the FHA program. The consequent stimulus to home buying has applied not only to homes purchased under the FHA program but also to the entire field of home ownership because of the widespread popularization of this modern method of home financing.

The experience of recent years has shown not only a sharp year-to-year increase in the number of homes purchased under the FHA plan but also a steady year-to-year increase in the proportion of all new homes financed by FHA-insured loans. In 1940, approximately 42 percent of all privately financed new single-family homes were financed by FHA-insured loans. In 1937, the proportion financed under the FHA plan was 24 percent. The increase in this proportion during the intervening period affords tangible demonstration of the broadening importance of the FHA program in the entire field of new home construction in the United States.

It also reflects the stimulus resulting from the February 1938 amendments to the National Housing Act which authorized the insurance of mortgages with a maximum term of 25 years and covering as much as 90 percent of the appraised valuation of new small homes built under FHA inspection for owner occupancy, provided the principal amount of the mortgage was not in excess of $5,400. For this class of home, the effect of the amendments was to lower substantially the monthly payments required to pay interest and principal, and to reduce by as much as one-half the down payment required to purchase a new home valued at $6,000 or less.

In many important industrial centers, well over 50 percent of the new home construction is now financed through the FHA plan. In addition, a further substantial volume of new home construction is a direct outgrowth of the FHA program, although ultimately financed without FHA mortgage insurance.

Since 1937, the annual volume of new homes financed under the FHA program has more than tripled. In 1937, a total of 53,552 new small homes were financed by FHA-insured loans. In 1938, the total increased to 103,490; in 1939 to 134,514, and in 1940 to 171,440.

The expansion in home building under the FHA program gained further momentum during the last 6 months of 1940 and thereby contributed importantly to the added supply of housing facilities needed in the vicinity of vital defense industries where industrial employment is increasing sharply as the result of the national defense program. In a number of important industrial areas, new home construction under FHA inspection showed increases ranging from 27 to 178 percent over the last 6 months of 1939. A more complete discussion of the Administration's cooperation with the defense housing program will be found in Part II of this report.

The maximum interest rate permitted on mortgages eligible for insurance under Section 203 remained throughout 1940 at 4½ percent per annum on the outstanding balance, the lowest rate that has ever been generally available to home purchasers in this country on long-term high-percentage mortgages. In 1940, as in 1939, a number of lending institutions operating under the FHA program established interest rates of only 4¼ percent on FHA-insured mortgages. The premium for FHA mortgage insurance was continued at one-half of 1 percent of the average annual balance of the mortgage so that the maximum charge to the borrower for interest and mortgage insurance was 5 percent.

An uninterrupted flow of private capital into the residential mortgage market through the FHA plan was assured for the coming year by President Roosevelt's approval on November 8, 1940, of an increase of $1,000,000,000 in the maximum outstanding principal amount of residential mortgages which may be covered by FHA insurance at any one time. The June 1939 amendments to the National Housing Act gave the President authority to increase the maximum insurance authorization to $4,000,000,000 from $3,000,000,000. By the autumn of 1940, the previous $3,000,000,000 authorization was being approached in outstanding premium-paying mortgages, insurance commitments outstanding, and business in process.



One of the long-term objectives of the FHA program and one of the important results of the reduced monthly payments necessary for home purchases under the FHA insured-mortgage plan has been to encourage production of new homes for families in income classifications which were not considered as feasible markets for new homes under the previous systems of home financing. With the cooperation of the building industry, steady progress has been made in this direction since the start of the FHA program.

In 1940, 56.8 percent of the new single-family homes financed by mortgages insured under Section 203 were purchased by families with annual incomes of less than $2,500, as compared with 52.3 percent in 1939 and 43.7 percent in 1937, and 28.5 percent were purchased by families with incomes of less than $2,000, as compared with 24.7 percent in 1939 and 19.8 percent in 1937. The median family income of these purchasers was $2,381 in 1940, as compared with $2,457 in 1939, $2,603 in 1938, $2,716 in 1937, and $2,814 in 1936. As an important corollary to this trend, the median FHA valuation of new single-family homes on which mortgages were accepted for FHA insurance declined to $5,059, including land, in 1940 from $5,245 in 1939, $5,334 in 1938, $5,524 in 1937, and $5,625 in 1936.

The further declines during 1940 in both median income of new-home buyers and median valuation of new homes, it should be emphasized, occurred during a year when most family incomes were increasing in line with the expansion in national income and when the direction of most prices was upward rather than downward. The persistence of this trend under these conditions thus indicates the underlying strength of the movement toward larger production of new homes for modest income families which has been facilitated by the FHA program.

The expansion in new-home construction under the FHA program, both in absolute volume and in the proportion suitable for purchase by families of modest income, has not been accompanied by any deterioration in quality, from the standpoint of either physical or financial soundness. The Administration's standards as to soundness of construction and design and its minimum requirements as to neighborhood location and subdivision planning have continued to safeguard effectively against shoddy building, poor design, or overcrowded, badly planned neighborhoods. The Administration also has continued to devote careful attention to its valuation procedures in order to prevent any artificial inflation in the physical values securing FHA-insured mortgages. Similarly, the Administration's careful consideration of the earning capacity and financial responsibility of borrowers has served the dual function of safeguarding the insured-mortgage system from excessive defaults and of protecting home buyers from undertaking loan obligations beyond their means to repay. The most tangible evidence of the successful application of these policies is the continued low foreclosure rate on home properties financed by FHA insured mortgages.

These benefits of the FHA insured-mortgage program are, of course, available to purchasers of existing dwellings as well as to buyers of new homes. The effect of the Administration's home-mortgage operations is thus to contribute to the stability of the entire home-mortgage field in addition to stimulating the construction and purchase of sound new homes.

# *Part II*

# ADMINISTRATION AND ORGANIZATION

IN THE sphere of administrative policy, the Federal Housing Administration's activities during 1940 were directed toward the perfecting of established procedure and the adaptation of procedure to new conditions in the residential field. There were no major changes in the basic character of the Administration's operations.

Important developments during the year in the principal administrative phases of the FHA program are discussed in the following pages.

## RULES AND REGULATIONS

ADMINISTRATIVE rules and regulations under both Title I and Title II of the National Housing Act have remained substantially the same as described in the Sixth Annual Report.

Changes effected during 1940 were confined to the following:

1. On October 21, regulations under Title I and under Section 203 were amended to conform with the provisions of the Soldiers' and Sailors' Relief Act of 1940. The effect of these amendments, in brief, is to permit lending institutions to exclude a borrower's period of military service from consideration in computing the time within which such institutions are required by the Administrator to file claims on defaulted Title I obligations or to commence foreclosure proceedings or otherwise acquire properties securing defaulted home mortgages insured under Section 203.

2. Effective March 15, FHA regulations governing Title I, class 3, loans (loans of not more than $2,500 on new small homes) were amended so as to bring their default and insurance provisions into closer conformity to the similar provisions in Section 203 regulations involving owner-occupied small homes.

3. Rules and regulations under Section 207 were revised in order to permit better adaptation of rental housing mortgage insurance to the rehabilitation of existing rental housing located in blighted neighborhoods. These revised rules and regulations were made applicable to all cases submitted after March 1, 1940.

## UNDERWRITING AND INSURANCE PROCEDURES

THE Administration's underwriting procedures were further refined during the year and adapted to the increasing volume of operations. The result has been to accelerate the processing of applications for mortgage insurance while at the same time maintaining the same or higher degree of thorough analysis and effecting economies in operation.

Special attention was devoted to requirements for properties in those areas where important defense industries are most active, with a view to encouraging the maximum participation of private capital in this vital phase of housing commensurate with continued protection of the Mutual Mortgage Insurance Fund. This subject is continuing to receive careful consideration.

The processing of mortgage-insurance applications involving rental housing projects under Section 207 was placed in the hands of the underwriting staffs in the various field insuring and underwriting offices, in conformity with the practice followed on proposed transactions under Section 203.

In view of the small volume of farm mortgages submitted for insurance under the 1938 amendments to the National Housing Act, the staff specializing in this phase of underwriting was reduced. As was pointed out in the Sixth Annual Report, the provisions of the National Housing Act in regard to insurance of farm mortgages appear to duplicate in many respects the existing credit facilities available through other Government agencies, with the result that the Administration's operations in this field have not reached proportions significant to the farm-mortgage structure as a whole.

Farm valuation sections, as such, were eliminated during the year. Qualified staff men were absorbed by the insuring offices and their services made available for both farm and nonfarm assignments. These changes have resulted in economies in organization, while retaining a qualified staff for processing such farm cases as are submitted.

Under Title I, the amendment of regulations governing class 3 loans was supplemented by revision of FHA underwriting procedure so as to assure a thorough analysis of the property securing this type of loan. The small home properties securing class 3 loans are now subjected to the same scrutiny as Section 203 projects, except that borrower qualifications are passed upon solely by the lending institution submitting the application. In accordance with this same change, class 3 properties now receive FHA compliance inspections in the course of construction and upon completion.

In connection with Title I insurance activities as a whole, considerable progress was made during 1940 in reducing the ratio of defaults of individual lending institutions. This has been effected by cooperative joint efforts of the lenders and of the Administration in the light of the extensive experience with this type of loan under the FHA program.

Certain standards of credit performance are now applied to all qualified lending institutions operating under the Title I program and effective procedures have been developed to keep defaults within



limits. Periodic reports and spot checks enable the Administration to undertake corrective steps before defaults reach an unsatisfactory level. Furthermore, many financial institutions, on the basis of their own direct experience with Title I insured notes, have made successful efforts on their own initiative to improve further the credit record of Title I loans.

## STATE LEGISLATION

Approximately 20 laws affecting the Federal Housing Administration were passed in 1940 in Alabama, California, New York, Rhode Island, Virginia, and the District of Columbia. As in past years, the Administration's Legal Division assisted in an advisory capacity in the preparation of these laws, which fell into four classifications:

1. Mortgage moratoria laws were extended, with exemptions as to FHA-insured loans.
2. Insurance companies were authorized to invest their funds in FHA-insured mortgages without the usual restrictions pertaining to the ratio of the loan to the value of property.
3. The power of banking institutions to make loans on real estate secured by FHA-insured mortgages was broadened, particularly with reference to loans under Title I, and also with respect to the removal of limitations on the ratio of mortgage loan to value of property.
4. Authority was granted for the investment of trust funds and public funds in FHA-insured loans.

## HOME CONSTRUCTION STANDARDS

During 1940, the Administration continued its activities directed at achieving satisfactory physical standards in residential properties financed by FHA-insured mortgages. The dual objectives of these activities are, first, to protect the Administration's insurance funds from the losses which would result from excessive depreciation in the value of properties securing FHA-insured mortgages, and second, to encourage improvement in housing standards. These objectives are in conformity with the provisions of the National Housing Act which direct the Administration to "encourage improvement in housing standards and conditions" and to insure mortgages only on such projects as are "economically sound".

Progress was made during the year in simplifying and improving the minimum property and construction standards for all types of residential properties eligible for mortgage insurance. Primary emphasis, however, was placed on the problems peculiar to small houses in the lower-price classifications. Recognition of the simplified structural problems of one-story, single-family houses made possible the reduction of many requirements for this type of structure without increasing the mortgage risk or endangering safe and healthful conditions.

The Administration's Technical Division also maintained its program of investigations and research regarding new building materials, new or unusual methods of construction, and new types of mechanical equipment. Many of these activities were carried out in cooperation with other Government agencies, professional societies, and interested industrial groups.

Special surveys and research were conducted on foundation problems, paint application methods, stress grading of lumber, light and ventilation standards, the effect of required standards on dwelling construction costs, effective requirements for private systems of safe water supply and sewage disposal, and fire-resistance classifications applicable particularly to rental housing properties. Improved standards of design and installation of heating equipment were sought through cooperation with manufacturers, heating industry groups, and other agencies. A testing and rating code for cast-iron boilers and a commercial standard for mechanical-draft oil burners were developed with the cooperation of the Technical Division.

The Technical Division also cooperated with other agencies in a comprehensive chimney performance research program and in the development of a manual for simplified and economical plumbing installations.

Studies having shown the need for revisions of many local building codes to permit more economical construction of small houses without impairing structural safety or public health conditions, the Administration has made recommendations for and assisted building code authorities in the revision of existing codes or the development of new ordinances.

The Administration has also continued its educational activities in the interests of fostering the further development of well-designed and economically constructed houses.

## NEIGHBORHOOD PLANNING

ACCOMPANYING the gains in home-construction standards under the FHA program last year, marked progress was apparent in the Administration's efforts to encourage the proper planning and development of residential neighborhoods. These activities are predicated on the proven experience that protected planned neighborhoods afford greater satisfaction to home owners and better security for insured mortgages.

The steadily increasing reliance of the home building industry upon the neighborhood-planning principles fostered by the Administration since the start of the FHA program was reflected during 1940 by the fact that in some cities approximately 70 percent of the new homes financed under the FHA plan were located in new subdivisions planned and developed from the beginning in cooperation with the FHA. Under the Administration's procedure, all new subdivisions containing properties for which insured loans are sought are carefully analyzed and requirements established for development of the tract along lines which, as far as possible, will assure the creation of a sound community.



The experience in 1940 indicated that the older undeveloped subdivisions have to a large extent been modernized and absorbed as home sites or abandoned, so that an increasing proportion of new homes financed by FHA-insured loans are being located in new subdivisions developed from the start in cooperation with the FHA. During 1940, of the 2,680 subdivisions analyzed by the Administration, 1,876 or 70 percent were new, whereas in 1939 new subdivisions analyzed represented only 40 percent of the total of 2,615.

More than 98 percent of the subdivisions analyzed in 1940 were restricted to single-family detached homes, and more than 36 percent were for homes costing less than $4,000. The subdivisions analyzed contained 76,230 acres and 248,217 building lots, or an average of 3.26 lots per gross acre, indicating that the trend toward more generous home sites is continuing.

The Administration continued its cooperative activities with city and county officials for the improvement of zoning laws. Emphasis also was placed on securing better-constructed and better-maintained streets in subdivisions, with the result that many communities in which no street maintenance had been secured previously are now maintaining streets and are requiring proper street construction. Altogether 221 conferences with local officials on city planning and zoning matters were held by the Administration's Land Planning Division in 1940, and eight general conferences were arranged for developers, land owners, realtors, lending institutions, architects, engineers, and builders.

## GENERAL RESEARCH ACTIVITIES

FROM the outset of its program, the Federal Housing Administration has endeavored to make sure that its operations will contribute to the sound development of the residential mortgage market and of housing conditions generally. In order to strengthen the Administration's research activities in these directions, an assistant administrator was appointed under whose direction studies have been instituted to analyze present trends in the location of new building and in the depopulation of older and more centrally located residential areas.

One principal inquiry seeks to determine how fully the new home building in the outskirts of cities rests on a sound economic foundation from the point of view of the entire metropolitan community and to what extent, if any, it may be due to uneconomic advantages resulting from such factors as inequalities in taxes or in the allocation of local government expenses.

Another line of inquiry is concerned with the possible redevelopment on an economic basis of substandard blighted areas within cities. Such areas, especially old neighborhoods located near central business districts, are being rapidly vacated and as yet there has been little new construction to take the place of buildings torn down or boarded up. The result is that property owners are incurring losses and the tax base of the local governments is dwindling, thereby adding to the tax burden on other private property.

As an indication of the possible utility of these sites for residential purposes, many of them are situated close to the focal point of principal urban transportation lines and are within easy walking distance of central business districts and other employment centers. A number of responsible business and civic groups have sought the aid of the Administration in finding an answer to this problem which is becoming more pressing each year.

In addition, the number of projects undertaken in the Research and Statistics Division has been expanded and new studies begun to meet the increasing demand for housing data, especially in connection with the housing problems arising out of the national-defense program.

The division has also undertaken for publication shortly in monograph form the compilation and analysis of selected quantitative and qualitative data on housing financed under the FHA plan in each of the 140 metropolitan districts in the United States and for each of the States and Territorial possessions as units. A study on the secondary market in FHA-insured mortgages, presenting the legal and regulatory aspects of the market and the volume of this market, is also in process.

In addition, a detailed statistical study of the mortgage-risk characteristics of the foreclosed home properties transferred to the Administration (or retained by the mortgagee) through June 30, 1940, is now under way. Such risk characteristics as value of property, borrower's income, and ratio of loan to property value are being examined to determine their effect on foreclosures. There are also in preparation over-all foreclosure mortality tables based on FHA experience.

## DEFENSE HOUSING

The Federal Housing Administration's program has played a basic role in meeting the demand for additional housing facilities that has arisen from the sharp expansion in employment in defense industries stimulated by the enlarged national-defense program.

From the outset of the intensified national-defense effort in the early summer of 1940, most of the need for new housing in the vicinity of defense industries has been met by private commercial builders operating on private capital. These operations have been facilitated by the circumstance that much of the new demand is occurring in established industrial areas and calls for new construction of a type adapted to the permanent needs of the respective communities.



The prompt expansion in private building operations to meet the major requirements of this emergency situation was made possible in large degree by the accomplishments of the FHA program during the past six years. Because of the small monthly payments required under the FHA home-ownership plan, a large proportion of the new homes financed by FHA-insured mortgages are within the financial reach of many defense-industry workers.

The Administration's program also has encouraged large-volume operations by the building industry in the construction of good quality small houses at low cost and has raised the standards of neighborhood planning for homes of this type. The insured mortgage system has made ample supplies of private funds available for the financing of such construction on the most favorable uniform terms in history and, through the development of a secondary market for insured mortgages, has eliminated local credit stringencies as a factor in mortgage financing.

Furthermore, property-improvement loan insurance has made available a large volume of private funds for the repair or modernization of existing dwellings, another factor influencing the supply of adequate housing for defense workers.

The sharp expansion in private building under the FHA program since the start of the defense emergency is shown by the fact that 88,811 new homes being financed by mortgages insured under Section 203 were started under FHA inspection during the last 6 months of 1940, an increase of 29.5 percent over the like period of 1939. A majority of these new homes are located in areas where important defense industries are active. In addition, construction was started on several thousand new homes being financed under Title I.

During the same period, more than 310,000 single-family houses and 53,000 dwellings accommodating two or more families each were modernized or repaired with loans insured under Title I. This represented a substantial increase over the corresponding months of 1939.

This expansion in private building in strategic industrial areas has been encouraged by the general policy of concentrating direct governmental construction of housing under the defense program in localities presenting excessive risks or other conditions under which private operations could not reasonably meet the entire need. The Government-built projects have consisted entirely of rental units.

The Administration also has worked closely on defense housing matters with other interested Government agencies, in cooperation with the Coordinator of Defense Housing. In connection with these activities, the Administration has furnished the Coordinator with a large volume of factual reports on the present and prospective needs for housing in local areas and on the volume of building projected by private enterprise. Such day-to-day service has been possible primarily because of the close contact of the FHA field organization with the residential real-estate market in communities throughout the country. Also, the Administration has had the benefit of its systematic collection of pertinent local statistics and of its experience in interpreting them to appraise local situations.

In many cases local requests for publicly financed defense housing projects have been withdrawn or substantially modified in regard to size, rental range, and accommodations to be provided, as a result of information made available on programs undertaken by private builders, with financing arranged under the FHA program.

Another phase of the defense housing program directly affecting the Administration was the establishment within the Federal Loan Agency of the Defense Homes Corporation, with capital of $10,000,000 in federal funds to provide equity financing for new housing in defense industry areas when private capital is not available. Mortgages on such projects will be insured by the Administration under Sections 203 and 207 of the National Housing Act.

### ORGANIZATION AND PERSONNEL

In addition to its headquarters in Washington, the Federal Housing Administration on December 31, 1940, maintained offices in 103 cities, located in each State and in the 3 Territories. On December 31, 1939, offices were maintained in 102 cities, in addition to Washington.

The number of regular employes of the Administration during 1940 was 4,514, compared with 4,494 in 1939, an increase of 20. Of these, 1,565 were on the staff of the Washington office, compared with 1,536 in 1939, and 2,949 were employed in the field offices, compared with 2,958 in 1939.

A system for reporting of employe performance, designed primarily to bring about more effective operations and better employe morale, was installed during the year. Programs for in-service employe training also were pursued and close contact was maintained with the Civil Service Commission. Classification of positions, based upon duties and responsibilities, was kept on a current basis in accordance with the standards prescribed by the Civil Service Commission and salaries were applied on the basis of classifications. As in prior years, thorough investigation was made of proposed appointees and examinations were required for original appointments and promotions to many positions requiring technical qualifications.

# *Part III*

# PROPERTY IMPROVEMENT INSURANCE UNDER TITLE I

The FHA program providing credit insurance for qualified lending institutions financing property improvement and modernization loans under Title I was developed in accordance with the provisions of the original Act of 1934 and the subsequent amendments of May 1935, April 1936, February 1938, and June 1939. Each of these enactments by Congress has had as its major objectives the improvement of housing standards and conditions and the stimulation of production and employment in the building and allied trades.

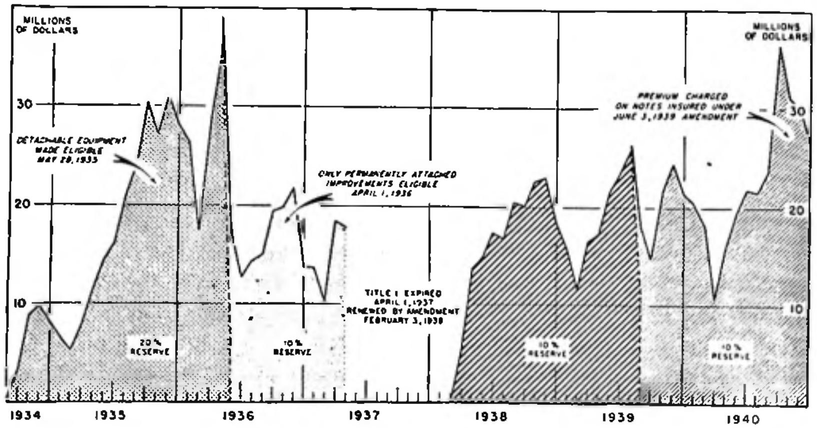
During 1940, the improvement loans eligible for insurance under the provisions of the June 1939 amendment included three general types: *class 1 loans*, the proceeds of which financed alterations and improvements to residential and miscellaneous existing completed properties, or loans for the restoration of properties damaged by flood or other catastrophe and formerly insurable under the expired section six; *class 2 loans*, the proceeds of which financed new non-residential structures; and *class 3 loans*, the proceeds of which financed new small home properties used wholly or in part for residential purposes. Authorization for the insurance of property improvement loans under Title I as amended June 3, 1939, expires July 1, 1941.

All applications for class 1 and class 2 loans are filed with a qualified financial institution by the owner in fee simple or by the holder of a lease upon the property to be improved, provided that the lease expires not less than six months after the termination of the proposed note.

The lending institution may approve or reject the applicant as a reasonable credit risk. After determination that the applicant is in a position to meet satisfactorily the monthly payments and assurance that the proposed use of the proceeds of the loan is for an eligible purpose, the lending institution may advance the funds to the borrower. The FHA places the responsibility for conformity to the Title I regulations, established by the Administrator, entirely on the lending institution.

A borrower desiring a loan for a class 3, new small home also files his application directly with the lending institution. However, after the approval of the borrower's credit rating, the application is submitted to the local field insuring office of the FHA for an analysis of the plans, specifications, and location of the property. If the loan is approved, the FHA, in accordance with the Administrator's regula-

CHART 2—VOLUME OF PROPERTY IMPROVEMENT LOANS INSURED, BY MONTHS, 1934–1940




tions, makes three inspections of the house during the course of construction to determine compliance with the approved drawings and specifications before the final acceptance of the loan is granted. Thus, ample provisions are made to protect the interests of the borrower, the lending institution, and the FHA.

Property improvement loans insured by FHA under Title I from the beginning of operations in 1934 through 1940 have financed the improvement and repair of more than 3,000,000 properties. A substantial number of these loans would not have been available to borrowers without the guarantee to qualified lending institutions against losses provided by the contract of insurance under Title I.

The maximum Title I loan insurable under the provisions of the June 1939 amendment is $2,500. Borrowers are permitted three years in which to repay class 1 loans and class 2 nonagricultural loans, covering improvements to existing structures and new nonresidential construction. Class 2 agricultural loans, covering new nonresidential construction, may have a term not in excess of 15 years when secured by a first mortgage or other first lien. The insurance premium payable by the lending institution amounts to three-fourths of 1 percent per annum on the original net proceeds of the loan. It is noteworthy that the cost of Title I loans to the borrowers is not increased by the insurance fee beyond the maximum discount established by the Administrator. Regulations concerning class 3, new small home loans are discussed on page 42 in the section entitled "New Small Home Construction Financed Under Title I."

## VOLUME AND DISTRIBUTION OF TITLE I OPERATIONS

THE FHA had insured 3,009,224 property-improvement and modernization loans under Title I for an amount of $1,242,959,262 from the beginning of operations in June 1934 through December



1940. The 662,948 loans for $276,541,365 reported for insurance during 1940, the largest volume recorded for any one year, represent an increase of 19 percent over the amount insured during 1939 despite the fact that lending institutions were required to pay an insurance premium on all Title I loans insured during 1940, whereas during the preceding year only those loans reported for insurance under the provisions of the June 1939 amendment, carried this fee.

From the initial authorization for the insurance of new small home loans under Title I by the February 1938 amendment (retained under the June 3, 1939 amendment) to December 31, 1940, a total of 25,735 for $63,507,387 was reported for insurance. Of this volume 9,107 new small home loans for an amount of $25,593,238 were insured during the calendar year 1940. This volume represented a slight decline compared to the number but an increase compared to the amount of loans insured during 1939.

Chart 2 shows the monthly trend in Title I insurance written under each reserve from 1934 through 1940. Included in Table 4 are the yearly totals from 1934 through 1938, and the monthly volume

TABLE 4.—*Trend of property improvement loans insured: Volume of class 1 and 2 loans and of class 3 new small home loans, 1934–1940*

| Year and month | Property improvement loans insured, class 1 and 2 | | New small home construction loans insured, class 3 | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| 1934 | 72,658 | $30,450,583 | | | 72,658 | $30,450,583 |
| 1935 | 635,747 | 223,620,146 | | | 635,747 | 223,620,146 |
| 1936 | 617,697 | 246,149,913 | | | 617,697 | 246,149,913 |
| 1937 | 124,758 | 60,382,598 | | | 124,758 | 60,382,598 |
| 1938 | 376,480 | 160,180,943 | 5,845 | $12,566,365 | 382,325 | 172,747,308 |
| 1939: | | | | | | |
| January | 32,714 | 13,946,579 | 798 | 1,790,600 | 33,512 | 15,737,179 |
| February | 21,853 | 9,852,864 | 756 | 1,760,593 | 22,609 | 11,613,457 |
| March | 32,320 | 14,382,692 | 910 | 2,093,870 | 33,230 | 16,476,562 |
| April | 35,035 | 14,911,848 | 1,013 | 2,420,589 | 36,048 | 17,332,437 |
| May | 44,452 | 18,843,889 | 1,229 | 2,768,999 | 45,681 | 21,612,888 |
| June | 48,276 | 20,838,759 | 1,291 | 2,597,776 | 49,567 | 23,436,535 |
| July | 51,877 | 23,544,274 | 1,375 | 2,893,400 | 53,252 | 26,437,674 |
| August | 33,695 | 16,047,819 | 772 | 1,802,102 | 34,467 | 17,849,921 |
| September | 35,242 | 13,511,543 | 567 | 1,378,537 | 35,809 | 14,890,080 |
| October | 54,277 | 20,289,490 | 590 | 1,530,074 | 54,867 | 21,819,564 |
| November | 63,601 | 23,091,538 | 537 | 1,429,398 | 64,138 | 24,520,936 |
| December | 48,966 | 18,458,270 | 945 | 2,881,846 | 49,911 | 21,340,116 |
| **Total** | 502,308 | 207,719,565 | 10,783 | 25,347,784 | 513,091 | 233,067,349 |
| 1940: | | | | | | |
| January | 44,025 | 17,731,466 | 873 | 2,759,763 | 44,898 | 20,491,229 |
| February | 42,272 | 15,723,318 | 798 | 2,528,357 | 43,070 | 18,251,675 |
| March | 24,670 | 9,641,723 | 346 | 1,089,577 | 25,016 | 10,731,300 |
| April | 32,835 | 14,145,067 | 551 | 1,758,887 | 33,386 | 15,903,954 |
| May | 44,173 | 17,605,530 | 580 | 1,862,118 | 44,753 | 19,467,648 |
| June | 51,137 | 20,314,071 | 786 | 1,594,613 | 51,923 | 21,908,684 |
| July | 48,102 | 19,147,658 | 787 | 2,391,291 | 48,889 | 21,538,949 |
| August | 54,922 | 21,496,241 | 790 | 2,228,256 | 55,712 | 23,724,497 |
| September | 87,590 | 33,795,915 | 955 | 2,690,033 | 88,545 | 36,485,948 |
| October | 77,348 | 29,029,730 | 787 | 2,173,598 | 78,135 | 31,203,328 |
| November | 75,498 | 27,955,523 | 854 | 2,403,176 | 76,352 | 30,358,699 |
| December | 71,269 | 24,361,885 | 1,000 | 2,113,569 | 72,269 | 26,475,454 |
| **Total** | 653,841 | 250,948,127 | 9,107 | 25,593,238 | 662,948 | 276,541,365 |
| **Cumulative** | 2,083,489 | 1,170,451,875 | 25,735 | 63,507,387 | 3,009,224 | 1,242,959,262 |

for 1939 and 1940, for class 1 and class 2 improvement loans, with class 3 new small home loans shown separately.

### State Distribution of Loans Insured

Loans were insured under Title I during 1940 to improve properties located in each of the 48 States, the District of Columbia, Alaska, and Hawaii. Moreover, the loans insured during the year involved properties located in all but 46 of the 3,100 counties in the United States.

The volume of loans financing improvements to properties exceeded $10,000,000 in each of eight states, and in six of these—New York,

TABLE 5.—*State distribution of property improvement loans: Volume of class 1 and 2 loans and of class 3 new small-home loans insured by FHA, 1940*

| Location of prorerty | Property improvement loans insured, class 1 and 2 | | New small-home construction loans insured, class 3 | | Total [1] | | Percentage distribution of total amount of loans insured |
|---|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount | |
| Alabama | 8,677 | $2,873,040 | 9 | $15,148 | 8,686 | $2,888,188 | 1.0 |
| Arizona | 3,134 | 1,483,317 | 28 | 63,630 | 3,162 | 1,546,947 | .6 |
| Arkansas | 5,180 | 1,732,307 | 31 | 50,481 | 5,211 | 1,782,788 | .7 |
| California | 49,528 | 18,386,077 | 3,388 | 10,423,134 | 52,916 | 28,809,211 | 10.4 |
| Colorado | 4,410 | 1,559,419 | 162 | 408,625 | 4,572 | 1,968,044 | .7 |
| Connecticut | 10,014 | 4,112,947 | 22 | 51,024 | 10,036 | 4,166,971 | 1.5 |
| Delaware | 1,249 | 608,324 | 5 | 12,500 | 1,254 | 620,824 | .2 |
| District of Columbia | 3,182 | 1,384,876 | | | 3,182 | 1,384,876 | .5 |
| Florida | 16,708 | 6,875,913 | 122 | 314,967 | 16,830 | 7,190,880 | 2.6 |
| Georgia | 11,800 | 3,860,952 | 25 | 62,179 | 11,825 | 3,923,131 | 1.4 |
| Idaho | 4,538 | 1,797,836 | 12 | 24,877 | 4,550 | 1,822,713 | .7 |
| Illinois | 49,058 | 17,435,902 | 447 | 1,326,251 | 49,505 | 18,762,153 | 6.8 |
| Indiana | 22,609 | 7,213,014 | 122 | 384,761 | 22,731 | 7,597,775 | 2.8 |
| Iowa | 9,811 | 3,115,901 | 24 | 68,899 | 9,835 | 3,184,800 | 1.2 |
| Kansas | 6,550 | 1,953,457 | 81 | 200,172 | 6,631 | 2,153,629 | .8 |
| Kentucky | 7,617 | 2,504,687 | 62 | 106,078 | 7,679 | 2,610,765 | 1.0 |
| Louisiana | 5,984 | 1,991,692 | 105 | 163,977 | 6,089 | 2,155,669 | .8 |
| Maine | 2,379 | 922,396 | 2 | 3,040 | 2,381 | 925,436 | .3 |
| Maryland | 10,939 | 4,241,167 | 422 | 1,058,946 | 11,361 | 5,300,113 | 1.9 |
| Massachusetts | 20,465 | 8,140,430 | 93 | 227,719 | 20,558 | 8,368,149 | 3.0 |
| Michigan | 47,607 | 16,629,731 | 403 | 1,125,820 | 48,010 | 17,755,551 | 6.4 |
| Minnesota | 15,580 | 5,445,846 | 61 | 172,706 | 15,641 | 5,618,552 | 2.0 |
| Mississippi | 6,029 | 2,333,056 | 35 | 67,291 | 6,064 | 2,400,347 | .9 |
| Missouri | 19,614 | 5,750,461 | 88 | 200,114 | 19,702 | 5,950,575 | 2.2 |
| Montana | 3,066 | 1,438,037 | 9 | 22,666 | 3,075 | 1,460,703 | .5 |
| Nebraska | 4,817 | 1,631,619 | 1 | 4,260 | 4,818 | 1,635,879 | .6 |
| Nevada | 1,039 | 540,478 | 20 | 60,917 | 1,059 | 601,395 | .2 |
| New Hampshire | 1,844 | 727,565 | 2 | 6,396 | 1,846 | 733,961 | .3 |
| New Jersey | 29,002 | 13,763,838 | 456 | 1,236,446 | 29,458 | 15,000,284 | 5.4 |
| New Mexico | 1,579 | 660,318 | 8 | 20,000 | 1,587 | 680,318 | .3 |
| New York | 70,452 | 37,553,621 | 778 | 2,008,279 | 71,230 | 39,561,900 | 14.3 |
| North Carolina | 7,454 | 2,455,405 | 46 | 102,467 | 7,500 | 2,557,872 | .9 |
| North Dakota | 1,458 | 582,323 | 3 | 7,500 | 1,461 | 589,823 | .2 |
| Ohio | 33,377 | 11,359,472 | 178 | 627,679 | 33,555 | 11,987,151 | 4.3 |
| Oklahoma | 8,891 | 2,952,076 | 63 | 141,339 | 8,954 | 3,093,415 | 1.1 |
| Oregon | 7,057 | 2,573,664 | 103 | 243,570 | 7,160 | 2,817,234 | 1.0 |
| Pennsylvania | 41,950 | 17,292,656 | 238 | 705,407 | 42,188 | 17,998,063 | 6.5 |
| Rhode Island | 3,980 | 1,749,040 | 2 | 2,576 | 3,982 | 1,751,616 | .6 |
| South Carolina | 3,995 | 1,385,353 | 26 | 58,800 | 4,021 | 1,444,153 | .5 |
| South Dakota | 1,471 | 569,881 | 1 | 3,321 | 1,472 | 573,202 | .2 |
| Tennessee | 13,339 | 4,302,054 | 12 | 23,389 | 13,351 | 4,325,443 | 1.6 |
| Texas | 28,693 | 9,623,774 | 410 | 980,620 | 29,103 | 10,604,394 | 3.8 |
| Utah | 5,422 | 1,730,403 | 24 | 58,230 | 5,446 | 1,788,633 | .6 |
| Vermont | 1,114 | 470,216 | 7 | 7,600 | 1,121 | 477,816 | .2 |
| Virginia | 7,456 | 3,307,845 | 515 | 1,371,327 | 7,971 | 4,679,172 | 1.7 |
| Washington | 15,258 | 5,072,882 | 305 | 860,111 | 15,563 | 5,932,993 | 2.1 |
| West Virginia | 3,843 | 1,673,536 | 3 | 5,304 | 3,846 | 1,678,840 | .6 |
| Wisconsin | 13,400 | 4,788,526 | 122 | 431,896 | 13,522 | 5,220,422 | 1.9 |
| Wyoming | 935 | 430,035 | 25 | 64,874 | 960 | 494,909 | .2 |
| Alaska | 22 | 27,924 | 1 | 2,925 | 23 | 30,849 | [2] |
| Hawaii | 70 | 32,467 | | | 70 | 32,467 | [2] |
| Total | 653,646 | 251,047,756 | 9,107 | 25,593,238 | 662,753 | 276,640,994 | 100.0 |

[1] Excludes adjustments under the original Act, amendment of April 1936, and Section 6 catastrophe loans for +195 loans representing —$99,629.
[2] Less than 0.05 percent.



California, Illinois, Pennsylvania, Michigan, and New Jersey—more than $15,000,000 of loans were reported for insurance under Title I during the year.

New York continued to account for the largest volume of property improvement loans insured, reporting nearly $40,000,000 or 14.3 percent, of the national total for 1940, a slight decrease from 15.0 percent recorded in 1939 and 17.9 percent in 1938. California ranked second, reporting 10.4 percent for 1940, followed by Illinois with 6.8 percent, Pennsylvania 6.5 percent, and Michigan 6.4 percent.

New small homes financed under Title I have been constructed with FHA insured funds in each of the 48 States and in Alaska. The 9,107 homes securing mortgages totaling $25,593,238 accounted for 9.3 percent of the total amount of property improvement loans insured during 1940. This compares with 10.9 percent in 1939 and 7.3 percent in 1938.

Seven States each reported for insurance more than $1,000,000 of class 3 loans during 1940. The combined total for these States of approximately $18,500,000 represented nearly three-fourths of the new small homes financed under Title I during the year. California alone accounted for $10,423,134, or 40.7 percent, of the national volume of class 3 loans. Furthermore, one of every three dollars insured under Title I during the year for the improvement of California properties financed new small home construction.

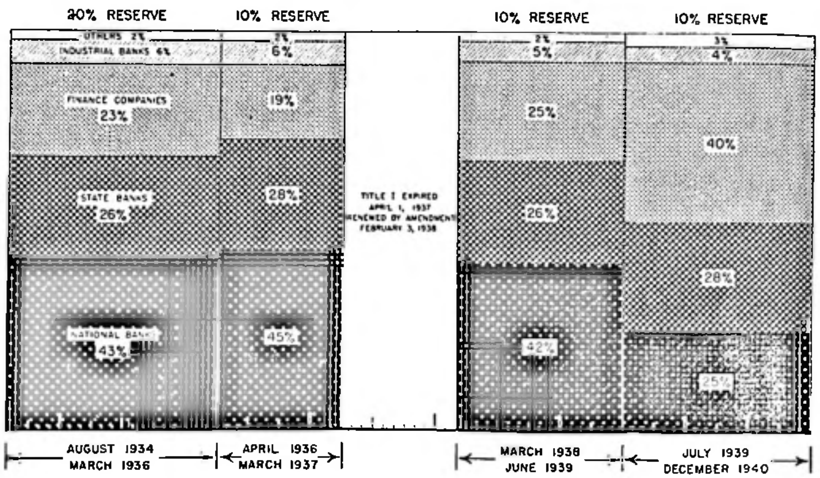
A distribution of the property improvement loans insured during 1940 by State of property location appears in Table 5.

### Financial Institution Activity

The number of institutions which are financing property-improvement loans under the current provisions of Title I had reached 3,045 by December 31, 1940, an increase during the year of 557 from the 2,488 participating in the last half of 1939 under the new reserve established by the amendments of June 3 that year. These additional institutions, principally national and state banks, provided new sources of funds for many borrowers whose areas were not formerly serviced. While these represent fewer institutions than were active under the previous amendments, as indicated in Table 6, it is interesting to note that a number of large institutions have increased their branch-office business and that finance companies which handle their business through local dealers, accounted for a much larger proportion of the total notes insured than in previous years.

National banks and state banks and trust companies financed 52.6 percent of the loans insured under the June 1939 amendment, reporting, respectively, 25.1 percent and 27.5 percent of the total. Whereas the volume of loans attributable to national banks has declined from the 42.1 percent maintained under the February 1938 amendment, State banks have shown a relative increase under the present amend-

CHART 3—DISTRIBUTION OF INSURED PROPERTY IMPROVEMENT LOANS BY TYPE OF LENDING INSTITUTION, BY YEARS, 1934–1940




ment. The 42 finance companies now operating under the Title I program (eight less than were active under the February 1938 amendment) have increased their proportionate share of the total volume of loans insured under the June 1939 amendment to 40.4 percent as compared with 24.4 percent under the previous amendment.

Chart 3 shows a percentage distribution of the amount of insured property-improvement loans by type of lending institution reporting the loans, by type of reserve, and by date of amendment from the original Act of 1934 through 1940. Lending activity, by type of institution, is presented in Table 6.

TABLE 6.—*Activity of lending institutions: Number of active institutions, volume of loans insured during 1940, and percentage of amount of all loans insured by FHA under the original and amended Act, cumulative 1934–1940*

| Type of institution | Number of active institutions | | | | Volume of loans insured during 1940 [1] | | Percentage distribution of amount insured | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Original 20 percent reserve of June 1934 | 10 percent reserve under amendment of— | | | | | Original 20 percent reserve of June 1934 | 10 percent reserve under amendment of— | | |
| | | April 1936 | February 1938 | June 1939 | Number | Amount | | April 1936 | February 1938 | June 1939 |
| National banks | 2,748 | 1,929 | 1,718 | 1,418 | 157,996 | $69,758,602 | 43.5 | 45.2 | 42.1 | 25.1 |
| State banks | 2,940 | 1,861 | 1,568 | 1,296 | 154,658 | 73,880,678 | 25.6 | 27.8 | 20.4 | 27.5 |
| Finance companies | 146 | 87 | 50 | 42 | 313,133 | 111,944,905 | 23.3 | 19.5 | 24.4 | 40.4 |
| Industrial banks | 74 | 62 | 60 | 46 | 27,922 | 11,934,257 | 5.8 | 5.9 | 5.4 | 4.2 |
| Savings and loan associations | 288 | 145 | 153 | 129 | 3,811 | 3,780,185 | .9 | .6 | 1.0 | 1.2 |
| Savings banks | 60 | 41 | 53 | 50 | 3,399 | 1,381,933 | .7 | .8 | .6 | .5 |
| All others [2] | 33 | 29 | 27 | 63 | 1,834 | 3,960,434 | .1 | .2 | .1 | 1.1 |
| Total | 6,289 | 4,154 | 3,629 | 3,045 | 662,753 | 276,640,994 | 100.0 | 100.0 | 100.0 | 100.0 |

[1] Includes adjustments during 1940 of 4,255 loans for $345,170 insured under the February 1938 amendment.
[2] Includes insurance companies, mortgage companies, production credit associations, Federal agencies and credit unions.



## INSURANCE CLAIMS PAID ON DEFAULTED NOTES

QUALIFIED lending institutions originally were insured against losses incurred on loans made up to an aggregate of 20 percent of the total net amount of insured notes held by them, as authorized under the original Act of 1934. At the request of the Administrator, the amendment of April 1936 reduced the amount of $200,000,000 made available for the payment of claims for insurance under the original Act to $100,000,000 and the amount for which insurance might be claimed from 20 percent to 10 percent of the aggregate amount of loans financed under the amendment by each lending institution. The amount of insurance was continued at 10 percent of the aggregate amount of loans made under the provisions of the amendments of February 1938 and of June 1939. The total amount of claims for insurance for which the Administrator may be liable under Title I was also limited to $100,000,000, plus the amount of insurance premiums paid by lending institutions.

### Volume of Insurance Claims Paid

The Administrator had paid 122,098 claims for insurance by December 31, 1940, acquiring defaulted notes with an outstanding balance of $30,511,450 upon the settlement of these claims At that date recoveries on these defaulted notes totaled $10,776,128 of which $6,493,617 were actual cash collections from the original makers and $4,282,511 credits on repossessed properties transferred to the Procurement Division of the Treasury Department and other Government agencies. The $30,511,450 of insurance claims paid minus the recoveries of $10,776,128 left an unrecovered balance of $19,735,322 in claims paid through December 1940.

Insurance claims paid under Title I represent reimbursements to

CHART 4—INSURANCE RESERVES ESTABLISHED AND CLAIMS PAID, 1934–1940

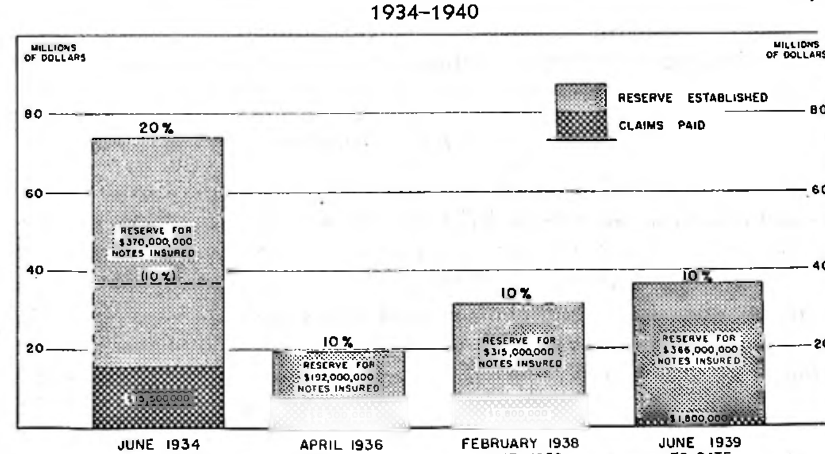


TABLE 7.—*Yearly volume of insurance claims paid: Amount of claims paid under the original and amended Act, and total volume of property improvement loans insured by FHA, 1934–1940*

| Year | Amount of insurance claims paid | | | | Total insurance claims paid | | Total property improvement loans insured | |
|---|---|---|---|---|---|---|---|---|
| | Original 20 percent reserve of June 1934 | 10 percent reserve under amendment of— | | | | | | |
| | | April 1936 | February 1938 | June 1939 | Number | Amount | Number | Amount |
| 1934 | | | | | | | 72, 658 | $30, 450, 583 |
| 1935 | $447, 448 | | | | 1, 288 | $447, 448 | 635, 747 | 223, 620, 146 |
| 1936 | 5, 835, 876 | $49, 009 | | | 25, 315 | 5, 884, 885 | 017, 607 | 246, 149, 913 |
| 1937 | 5, 226, 086 | 1, 664, 811 | | | 28, 824 | 6, 890, 897 | 124, 758 | 60, 382, 508 |
| 1938 | 2, 995, 022 | 2, 919, 848 | $101, 436 | | 29, 433 | 6, 016, 306 | 382, 325 | 172, 747, 308 |
| 1939 | 755, 840 | 1, 355, 024 | 2, 613, 676 | $3, 806 | 18, 566 | 4, 728, 346 | 513, 091 | 233, 067, 349 |
| 1940 | 250, 443 | 480, 314 | 4, 048, 218 | 1, 764, 593 | 18, 672 | 6, 543, 568 | 662, 948 | 276, 541, 365 |
| Total | 15, 510, 715 | 6, 469, 006 | 6, 763, 330 | 1, 768, 399 | 122, 098 | 30, 511, 450 | 3, 000, 224 | 1, 242, 959, 262 |

qualified lending institutions for losses totaling $15,510,715 incurred under the 20-percent reserve established by the original act of 1934, while payments of $6,469,006, $6,763,330, and $1,768,399 were made to settle claims on notes insured under the three 10-percent reserves established by the amendments of April 1936, February 1938, and the present amendment of June 1939.

The 29,433 insurance claims paid during 1938 represent the largest number settled in any one year since the beginning of FHA operations in 1934. The amount of insurance claims paid during 1937, however, exceeds all other yearly payments.

Chart 4 illustrates the volume of reserves established under the original and amended Act for property improvement loans insured and the insurance claims paid on defaulted notes. Of the total amount of reserves established, some $57,000,000 had been released as notes matured or were otherwise paid up in full. Thus the balance between the $100,000,000 plus insurance premiums and the amount paid out in claims serves as a rotating fund which makes possible the insurance of an additional volume of notes. Insurance claims paid under each reserve and notes insured by years are shown in Table 7.

### Claims by Property Location

The proportion of property improvement and modernization loans insured since 1934 on which FHA had been called upon to pay insurance claims equaled 2.45 percent of the cumulative total reported through December 1940. In 19 States the ratio of claims paid to notes insured was greater than the national average of 2.45 percent. In only one State, however, did the ratio exceed 3.50 percent. The highest claim ratio was reported for Arkansas, where insurance claims were paid on 4.97 percent of the amount of loans insured. Claim ratios were reported ranging from 2 percent to 3 percent in 25 States, and in 17 States, the District of Columbia, Alaska, and in Hawaii



TABLE 8.—*State distribution of claims paid: Defaulted notes insured under Title I of original and amended Act, and ratio of amount of claims paid to notes insured by FHA, cumulative 1934–1940*

| Location of property | Volume of insurance claims paid | | Claims paid as percent of amount of notes insured | Location of property | Volume of insurance claims paid | | Claims paid as percent of amount of notes insured |
|---|---|---|---|---|---|---|---|
| | Number | Amount | | | Number | Amount | |
| Alabama | 1, 213 | $261, 279 | 2. 37 | New Hampshire | 427 | $115, 151 | 2. 82 |
| Arizona | 730 | 216, 375 | 2. 51 | New Jersey | 11, 483 | 2, 700, 202 | 3. 50 |
| Arkansas | 1, 865 | 388, 579 | 4. 97 | New Mexico | 193 | 56, 719 | 1. 89 |
| California | 13, 905 | 4, 153, 872 | 2. 52 | New York | 20, 412 | 6, 472, 481 | 2. 90 |
| Colorado | 528 | 113, 958 | 1. 50 | North Carolina | 1, 186 | 233, 216 | 2. 37 |
| Connecticut | 1, 464 | 416, 252 | 1. 99 | North Dakota | 141 | 31, 524 | 1. 34 |
| Delaware | 196 | 74, 947 | 2. 42 | Ohio | 3, 625 | 834, 735 | 1. 76 |
| District of Col. | 432 | 127, 260 | 1. 57 | Oklahoma | 1, 725 | 331, 603 | 2. 75 |
| Florida | 2, 767 | 754, 793 | 3. 20 | Oregon | 1, 551 | 367, 880 | 2. 37 |
| Georgia | 1, 804 | 404, 993 | 2. 61 | Pennsylvania | 7, 265 | 1, 696, 578 | 2. 30 |
| Idaho | 602 | 134, 282 | 2. 87 | Rhode Island | 760 | 219, 015 | 2. 33 |
| Illinois | 4, 641 | 1, 062, 655 | 1. 55 | South Carolina | 988 | 194, 491 | 3. 40 |
| Indiana | 3, 307 | 697, 561 | 2. 08 | South Dakota | 120 | 31, 839 | 1. 49 |
| Iowa | 061 | 230, 046 | 1. 73 | Tennessee | 1, 424 | 315, 033 | 2. 01 |
| Kansas | 823 | 176, 665 | 2. 37 | Texas | 4, 626 | 966, 160 | 2. 46 |
| Kentucky | 1, 247 | 301, 727 | 2. 61 | Utah | 478 | 96, 269 | 1. 48 |
| Louisiana | 1, 546 | 248, 199 | 2. 54 | Vermont | 217 | 67, 889 | 3. 24 |
| Maine | 291 | 88, 573 | 2. 27 | Virginia | 1, 122 | 308, 894 | 1. 74 |
| Maryland | 1, 426 | 373, 889 | 1. 84 | Washington | 3, 840 | 841, 303 | 2. 58 |
| Massachusetts | 3, 047 | 1, 081, 336 | 2. 62 | West Virginia | 442 | 100, 371 | 1. 99 |
| Michigan | 8, 272 | 1, 460, 100 | 2. 23 | Wisconsin | 1, 077 | 302, 331 | 1. 57 |
| Minnesota | 986 | 242, 107 | 1. 04 | Wyoming | 104 | 37, 100 | 1. 76 |
| Mississippi | 1, 121 | 250, 641 | 2. 91 | Alaska | 13 | 3, 793 | 1. 11 |
| Missouri | 3, 074 | 815, 238 | 3. 07 | Hawaii | 5 | 2, 507 | .53 |
| Montana | 145 | 37, 325 | .80 | | | | |
| Nebraska | 565 | 121, 152 | 2. 01 | Total | 122, 098 | 30, 511, 450 | 2. 45 |
| Nevada | 107 | 38, 572 | 1. 50 | | | | |

claims were paid on less than 2 percent of the property improvement and modernization loans insured by December 31, 1940.

A distribution of the volume of insurance claims paid by State of property location appears in Table 8. Also shown is the ratio of claims paid to notes insured.

### Claims Paid to Various Types of Institutions

As of the year end 1940, all but a small amount of notes insured under the original reserve and those insured under the April 1936 amendment had been repaid by the borrower. At that date insurance claims had been paid by FHA to only 2,224 of the 6,289, or approximately one-third of the institutions financing insured loans under the original 20-percent reserve, and to 1,314 of the 4,154 institutions active under the April 1936 amendment. As of the same date insurance claims had been paid to 1,078 of the 3,629 institutions active under the February 1938 amendment, and to 465 of the 3,045 institutions active under the June 1939 amendment. The average note financed by all institutions under all reserves amounted to $413, and claims for insurance paid at that date on all defaulted notes averaged $250 each.

The distribution of the number of institutions to which claims for insurance were paid, the total volume of claims paid, and the average note insured and claim paid for each type of lending institution are shown in Table 9.

TABLE 9.—*Type of institution receiving insurance claim payments: Number of institutions to which claims for insurance were paid, the average claim paid, and average note insured by FHA, cumulative 1934–1940*

| Type of institution | Number of institutions receiving insurance claim payments | | | | Volume of insurance claims paid on defaulted notes | | Percentage distribution | | Average | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Original 20-percent reserve of June 1934 | 10-percent reserve under amendment of— April 1936 | February 1938 | June 1939 | Number | Amount | Claim paid | Notes insured | Claim paid | Note insured |
| National banks | 1,080 | 637 | 526 | 229 | 40,436 | $10,730,569 | 35.17 | 38.00 | $265 | $436 |
| State banks | 866 | 513 | 433 | 181 | 23,114 | 6,086,897 | 19.95 | 20.72 | 263 | 452 |
| Finance companies | 128 | 75 | 40 | 21 | 45,545 | 11,074,257 | 36.29 | 28.03 | 243 | 355 |
| Industrial banks | 66 | 45 | 42 | 24 | 12,100 | 2,359,987 | 7.73 | 5.23 | 194 | 391 |
| Savings and loan associations | 51 | 22 | 15 | 7 | 277 | 105,804 | .35 | .96 | 382 | 642 |
| Savings banks | 24 | 16 | 16 | 3 | 436 | 123,981 | .41 | .64 | 284 | 414 |
| All others [1] | 9 | 6 | 6 | ------ | 100 | 29,955 | .10 | .42 | 300 | 1,201 |
| Total | 2,224 | 1,314 | 1,078 | 465 | 122,008 | 30,511,450 | 100.00 | 100.00 | 250 | 413 |

[1] Includes insurance companies, mortgage companies, production credit associations, Federal agencies, and credit unions.

National banks, which have financed 38.0 percent of the total notes insured since the beginning of operations, have received insurance claim payments from FHA on 2.27 percent of the total amount they have reported for insurance, as shown in Chart 5 and Table 10. Finance companies, which have reported 28.0 of the notes insured by all institutions, have a claim ratio of 3.18 percent; and industrial banks, accounting for only 5.2 percent of the total notes insured, have a claim ratio of 3.63 percent.

Table 10 indicates that finance companies and national banks were paid the highest proportion of insurance claims under the provisions of the original Act and each of the amendments, with the exception of the June 1939 amendment. Under the 10-percent reserve established by this amendment 21 finance companies were paid 49.53 percent of the total claims paid while 181 State banks received 25.31 percent.

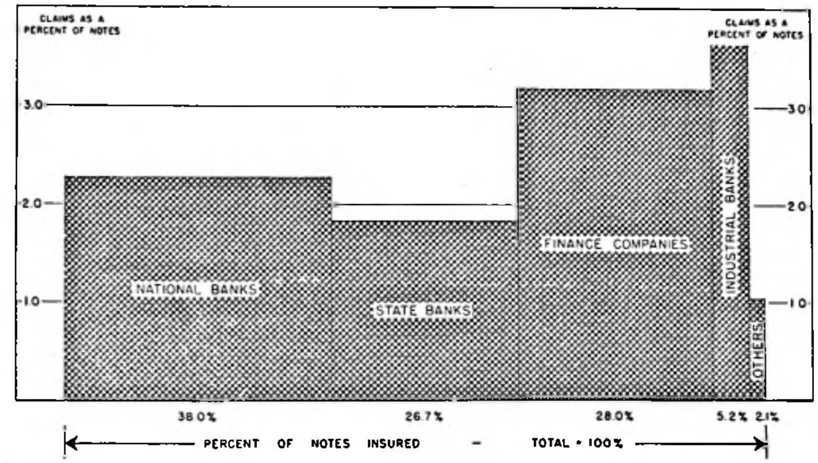
TABLE 10.—*Insurance claims by type of lending institution: Percentage of amount of claims paid and ratio of claims paid to notes insured by FHA, 1934–1940*

| Type of institution | Percentage distribution of amount of insurance claims paid | | | | Amount of claims paid as a percentage of notes insured through December 1940 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Original 20-percent reserve of June 1934 | 10-percent reserve under amendment of— April 1936 | February 1938 | June 1939 | Original 20-percent reserve of June 1934 | 10-percent reserve under amendment of— April 1936 | February 1938 | June 1939 | All reserves |
| National banks | 33.82 | 39.46 | 38.28 | 19.39 | 3.26 | 2.94 | 1.95 | 0.37 | 2.27 |
| State banks | 19.18 | 20.93 | 19.37 | 25.31 | 3.13 | 2.53 | 1.58 | .45 | 1.83 |
| Finance companies | 36.87 | 31.51 | 36.09 | 49.53 | 6.62 | 5.44 | 3.18 | .50 | 3.18 |
| Industrial banks | 9.44 | 6.92 | 5.35 | 4.91 | 6.86 | 3.98 | 2.15 | .56 | 3.63 |
| Savings and loan associations | .26 | .33 | .48 | .06 | 1.26 | 1.80 | 1.01 | .27 | .88 |
| Savings banks | .37 | .59 | .37 | .20 | 2.12 | 2.55 | 1.23 | .20 | 1.55 |
| All others [1] | .06 | .26 | .06 | -------- | 2.23 | 5.29 | .06 | -------- | .58 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 4.19 | 3.37 | 2.15 | .48 | 2.45 |

[1] Includes insurance companies, mortgage companies, production credit associations, Federal agencies, and credit unions.



CHART 5—CLAIMS PAID AS A PERCENT OF NOTES INSURED, BY TYPE OF INSTITUTION, 1934–1940




A percentage distribution of the amount of insurance claims paid to each type of lending institution and the ratio of claims paid to notes insured by type of reserve are shown in Table 10.

## CHARACTERISTICS OF NOTES INSURED

A SUMMARIZATION of the tables and charts presented in the following pages reveals that the typical borrower in 1940 was granted an FHA loan averaging $420. As in the past, he arranged to terminate his loan within three years by a monthly payment of approximately $13. With the loan proceeds he financed improvements to his home, including either a new plumbing and heating system, or exterior and interior finishing, roofing repairs and reroofing, or structural additions and alterations.

The several types of property and types of improvement financed with the proceeds of the more than 650,000 loans insured under Title I during 1940 and the yearly trend from 1938 through 1940 are presented in the following pages. Also shown are distributions by size and by duration of the loans insured during 1940 and the yearly trend from 1938 through 1940.

### Type of Improvement Financed

Repairs to and the installation of heating equipment constituted the major item of expenditure for the largest number and amount of the property improvement loans insured under Title I during the year: 189,259 notes aggregating $66,315,389 or 28.7 percent of the number and 24.0 percent of the amount. It is to be noted that these loans may include amounts for repairs other than the major type reported by the lending institution. Of the $66,315,389 reported for heating, a part undoubtedly was expended on such other improvements as roofing, painting, and plumbing.

Additions and alterations, the second ranking type of improvement financed, represented 13.1 percent of the number and 17.6 percent of the amount of loans insured during 1940. Exterior painting and class 3, new residential construction ranked third and fourth as the major type of improvement financed followed by plumbing, roofing and miscellaneous repairs.

All improvement loans insured under Title I averaged $420 during the past year. The class 3, new small home loans averaged $2,983, by far the largest reported for the various types of improvements listed in Table 11. This average includes the loan charges and exceeds $2,500 since the majority of notes are discount notes. However, the net proceeds to the borrower are limited by statute to $2,500. The smallest average loan amounted to $238 and financed roofing repairs or reroofing. The number and amount of loans insured during 1940 by type of property and type of improvement financed are shown in Table 11.

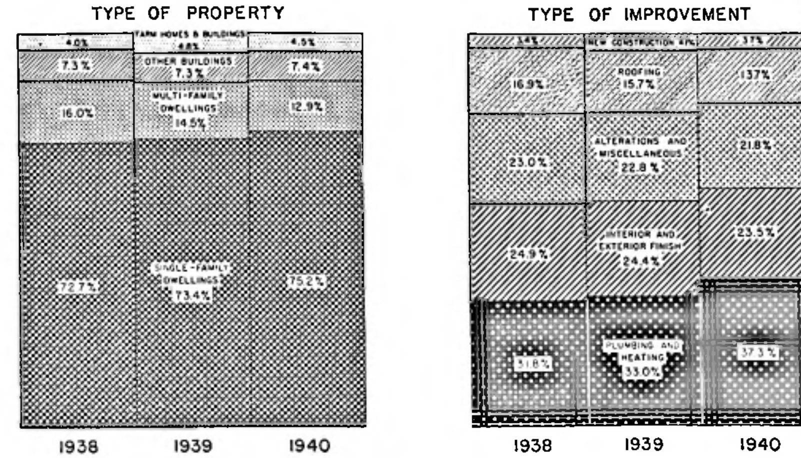
TABLE 11.—*Type of property and of improvement financed: Property improvement loans insured by FHA, 1940*

| Major type of improvement [1] | Type of property improved | | | | | | |
|---|---|---|---|---|---|---|---|
| | Single-family dwellings | Multi-family dwellings | Commercial and industrial | Farm homes and buildings | Other | Total [2] | Percent of total |
| | *Number* | *Number* | *Number* | *Number* | *Number* | *Number* | *Number* |
| New residential construction | 8,456 | 22 | ----- | 2 | ----- | 8,480 | 1.3 |
| New nonres. const. | 23 | 10 | 1,737 | 2,527 | 11,842 | 16,130 | 2.4 |
| Alterations | 62,964 | 10,840 | 5,905 | 3,922 | 2,377 | 86,008 | 13.1 |
| Exterior painting | 91,634 | 14,613 | 1,292 | 4,311 | 1,166 | 113,016 | 17.2 |
| Interior finish | 30,798 | 7,568 | 1,815 | 553 | 658 | 41,392 | 6.3 |
| Roofing | 73,670 | 8,428 | 1,522 | 5,464 | 1,117 | 90,201 | 13.7 |
| Plumbing | 41,704 | 9,502 | 1,504 | 3,368 | 826 | 56,904 | 8.6 |
| Heating | 147,301 | 28,458 | 6,603 | 4,319 | 2,578 | 189,259 | 28.7 |
| Miscellaneous | 38,732 | 5,328 | 6,129 | 4,880 | 2,030 | 57,099 | 8.7 |
| Total | 495,282 | 84,709 | 26,507 | 29,346 | 22,594 | 658,498 | 100.0 |
| Percent of total | 75.2 | 12.9 | 4.0 | 4.5 | 3.4 | 100.0 | ----- |
| | *Amount* | *Amount* | *Amount* | *Amount* | *Amount* | *Amount* | *Average amount* |
| New residential construction | $25,236,411 | $51,808 | ----- | $3,713 | ----- | $25,291,932 | [3] $2,983 |
| New nonres. const. | 11,029 | 12,952 | $2,167,946 | 1,342,066 | $4.474,613 | 8,008,606 | 496 |
| Additions and alterations | 29,383,928 | 8,669,114 | 6,841,149 | 2,060,559 | 1,648,201 | 48,602,951 | 565 |
| Exterior painting | 36,694,056 | 7,380,554 | 905,894 | 1,938,237 | 656,528 | 47,575,269 | 421 |
| Interior finish | 10,564,183 | 4,192,909 | 1,641,339 | 218,728 | 478,033 | 17,095,192 | 413 |
| Roofing | 16,645,275 | 2,302,446 | 674,391 | 1,435,762 | 396,580 | 21,454,454 | 238 |
| Plumbing | 13,339,730 | 6,055,212 | 1,014,733 | 1,287,279 | 497,543 | 22,194,497 | 390 |
| Heating | 45,717,808 | 13,491,457 | 4,090,971 | 1,461,072 | 1,554,081 | 66,315,389 | 350 |
| Miscellaneous | 10,871,611 | 2,874,195 | 2,935,296 | 1,891,085 | 1,185,353 | 19,757,540 | 346 |
| Total | 188,464,031 | 45,030,047 | 20,271,713 | 11,638,501 | 10,890,932 | 276,295,824 | 420 |
| Average amount | 381 | 531 | 765 | 397 | 482 | 420 | ----- |

[1] Type of improvement to which major portion of the loan proceeds was devoted.
[2] Excludes adjustments under the original Act, amendments of April 1936 and February 1938, and Section six catastrophe loans for 4,450 loans representing $245,541.
[3] Includes finance charges and any fees permitted by the regulations of the Administrator.



CHART 6—TYPE OF PROPERTY IMPROVED AND TYPE OF IMPROVEMENT FINANCED, AS REPORTED BY LENDING INSTITUTIONS, BY YEARS, 1938–1940




Type of Property Improved

Three of every four Title I loans insured, financed construction or improvements to single-family dwellings. Further, the $188,464,031 of loans on this type of property accounted for over two-thirds of the total dollar volume of Title I loans insured during the year. Loans to improve nonfarm residential properties represented 88.1 percent of the total number insured during 1940, and commercial, farm, and miscellaneous properties were improved with the proceeds representing 7.3 percent, 4.2 percent, and 4.0 percent, respectively, of the $276,295,824 total for the year. The miscellaneous properties improved included private garages, schools, and other institutional properties such as hospitals and orphanages.

There have been relatively few changes in the distribution of loans by type of improvement since 1938. It is significant that plumbing and heating improvements have increased in number during the three-year period from 31.8 percent in 1938 to 37.3 percent of the total

TABLE 12.—*Trend in type of property improved and type of improvement financed: Percentage distribution of the number of loans insured by FHA, 1938–1940*

| Type of property | Percent of number of loans insured | | | Major type of improvement [1] | Percent of number of loans insured | | |
|---|---|---|---|---|---|---|---|
| | 1938 | 1939 | 1940 | | 1938 | 1939 | 1940 |
| Single family dwellings | 72.7 | 73.4 | 75.2 | New residential construction | 1.6 | 2.1 | 1.3 |
| Multifamily dwellings | 16.0 | 14.5 | 12.9 | New nonresidential construction | 1.8 | 2.0 | 2.4 |
| Commercial and industrial | 3.7 | 3.7 | 4.0 | Additions and alterations | 15.2 | 14.3 | 13.1 |
| Farm homes and buildings | 4.0 | 4.8 | 4.5 | Exterior painting | 18.3 | 18.4 | 17.2 |
| Other | 3.6 | 3.6 | 3.4 | Interior finish | 6.6 | 6.0 | 6.3 |
| Total | 100.0 | 100.0 | 100.0 | Roofing | 16.9 | 15.7 | 13.7 |
| | | | | Plumbing | 7.1 | 8.3 | 8.6 |
| | | | | Heating | 24.7 | 24.7 | 28.7 |
| | | | | Miscellaneous | 7.8 | 8.5 | 8.7 |
| | | | | Total | 100.0 | 100.0 | 100.0 |

[1] Type of improvement to which major portion of the loan proceeds was devoted.

insured in 1940, while loans financing roofing repairs and additions and alterations have declined during this three-year period.

Chart 6 and Table 12 indicate the trend in the type of property improved and the type of improvement financed, by years, since the revival of Title I insuring operations under the February 1938 amendments. The chart reveals a yearly increase in the proportion of the number of loans financed to improve single-family dwellings and a corresponding decrease in the multifamily dwellings improved. This may be due in part to the reduction in the maximum insured loan authorized from $10,000 under the February 1938 amendment to $2,500 under the amendment of June 3, 1939.

### Size of Insured Loan

The maximum loan authorized in the Act as amended June 3, 1939, is limited to $2,500 in net proceeds to the borrower. Under the February 1938 amendment, expired July 1, 1939, insured loans were authorized up to $10,000 for financing improvements to existing structures, and up to $2,500 for new construction.

The average Title I loan insured during 1940 amounted to $420. This compares with an average of $456 during 1939 and $458 during 1938. Three out of every ten loans insured from 1938 through 1940 were written for an amount of less than $200, and more than half of the total loans insured had a face amount of less than $300.

Chart 7 shows graphically the trend in the face amount of property improvement loans insured by years since the adoption of the February 1938 amendment, and in Table 13 is reported the percentage distribution of the number and amount of these loans classified by the face amount. Included in the face amount of the loan are the net proceeds to the borrower, the finance charges for the loan, and any fees authorized by the regulations of the Administrator.

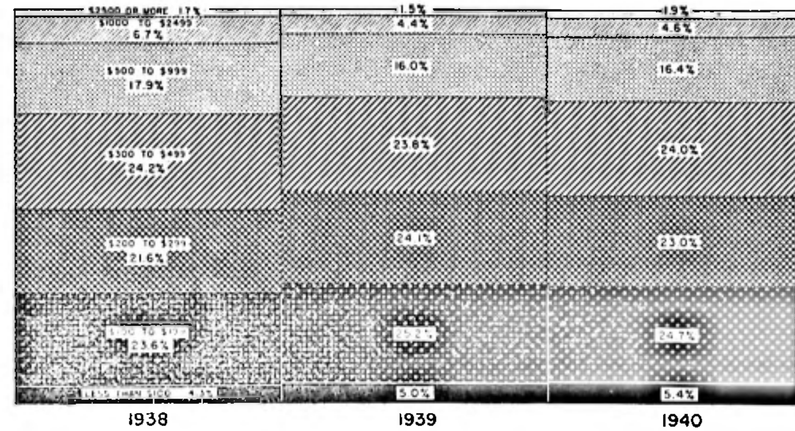
TABLE 13.—*Size of loan: Percentage distribution of the number and amount of property improvement loans insured by FHA, 1938–1940*

| Face amount of loan [1] | Percentage distribution of the number of loans insured | | | Percentage cumulation of number 1938–40 | Percentage distribution of the amount of loans insured | | | Percentage cumulation of amount 1938–40 |
|---|---|---|---|---|---|---|---|---|
| | 1938 | 1939 | 1940 | | 1938 | 1939 | 1940 | |
| Less than $100 | 4.3 | 5.0 | 5.4 | 5.0 | 0.7 | 1.0 | 1.0 | 0.9 |
| $100 to $199 | 23.6 | 25.2 | 24.7 | 20.5 | 7.5 | 9.3 | 8.7 | 9.3 |
| $200 to $299 | 21.6 | 24.1 | 23.0 | 52.3 | 11.5 | 14.6 | 13.4 | 22.3 |
| $300 to $399 | 14.7 | 14.3 | 14.2 | 66.7 | 11.0 | 12.2 | 11.6 | 33.8 |
| $400 to $499 | 9.5 | 9.5 | 9.8 | 76.4 | 9.2 | 10.5 | 10.4 | 43.8 |
| $500 to $599 | 7.7 | 7.4 | 7.5 | 83.9 | 9.3 | 10.2 | 9.9 | 53.6 |
| $600 to $799 | 6.6 | 5.6 | 5.8 | 89.9 | 9.8 | 9.5 | 9.4 | 63.2 |
| $800 to $999 | 3.6 | 3.0 | 3.1 | 93.1 | 6.9 | 6.6 | 6.4 | 69.8 |
| $1,000 to $1,499 | 4.1 | 2.9 | 3.1 | 96.5 | 10.8 | 8.5 | 8.8 | 79.2 |
| $1,500 to $1,999 | 1.5 | .9 | .9 | 97.6 | 5.8 | 3.7 | 3.9 | 83.7 |
| $2,000 to $2,499 | 1.1 | .6 | .6 | 98.3 | 5.3 | 3.0 | 3.0 | 87.4 |
| $2,500 to $2,999 [2] | .9 | .8 | 1.2 | 99.3 | 5.5 | 5.2 | 7.7 | 94.0 |
| $3,000 or more [2] | .8 | .7 | .7 | 100.0 | 6.7 | 5.7 | 5.8 | 100.0 |
| Total | 100.0 | 100.0 | 100.0 | | 100.0 | 100.0 | 100.0 | |
| Size of loan: Average | $458 | $456 | $420 | Median | $304 | $282 | $287 | |

[1] Includes finance charges.
[2] Insured net proceeds to borrower may not exceed $2,500 under the provisions of the June 1939 amendment.



CHART 7—FACE AMOUNT OF PROPERTY IMPROVEMENT LOANS INSURED BY YEARS, 1938–1940




### Duration of Insured Loans

The June 1939 amendment provided for loans insured under Title I a maximum maturity of 3 years and 32 days, except that for loans financing new construction, to be used in whole or in part for residential purposes, a duration of 15 years and 5 months from the date of the note was permitted. Loans for new nonresidential agricultural structures when secured by a first mortgage or its equivalent were permitted a maximum maturity of 15 years and 1 month. Regulations of the Administrator under the February 1938 amendment authorized a maximum term of 5 years and 32 days for other than new residential structure loans and 7 years and 32 days for loans financing new residential structures.

TABLE 14.—*Duration of loan: Percentage distribution of the number and amount of property-improvement loans insured by FHA, 1938–1940*

| Duration of loan [1] | Percentage distribution of the number of loans insured | | | Percentage cumulation of number 1938–40 | Percentage distribution of the amount of loans insured | | | Percentage cumulation of amount 1938–40 |
|---|---|---|---|---|---|---|---|---|
| | 1938 | 1939 | 1940 | | 1938 | 1939 | 1940 | |
| 6 months | 0.9 | 0.5 | 0.5 | 0.6 | 0.4 | 0.3 | 0.3 | 0.3 |
| 12 months | 15.2 | 13.0 | 12.4 | 13.8 | 6.1 | 5.2 | 5.1 | 5.7 |
| 18 months | 9.4 | 9.2 | 8.8 | 22.8 | 4.5 | 4.4 | 4.3 | 10.1 |
| 24 months | 16.5 | 15.1 | 13.3 | 37.3 | 10.9 | 9.7 | 8.6 | 19.5 |
| 30 months | 4.3 | 3.9 | 4.1 | 41.4 | 3.1 | 2.5 | 2.6 | 22.2 |
| 36 months | 46.8 | 57.0 | 59.8 | 97.6 | 53.0 | 69.0 | 71.6 | 88.8 |
| 48 months | 1.1 | (2) | (2) | 97.9 | 2.4 | .1 | (2) | 89.4 |
| Over 48 months | 5.8 | 1.3 | 1.1 | 100.0 | 19.6 | 8.8 | 7.5 | 100.0 |
| Total | 100.0 | 100.0 | 100.0 | | 100.0 | 100.0 | 100.0 | |
| Duration in months: Average [3] | 29.9 | 30.2 | 31.8 | Median [3] | 36.5 | 36.9 | 37.0 | |

[1] Stated periods shown are those which represent large concentrations of property improvement loans.
[2] Less than 0.05 percent.
[3] Average and median durations are based on number of loans insured.

CHART 8—DURATION OF INSURED PROPERTY IMPROVEMENT LOANS, BY YEARS, 1938–1940

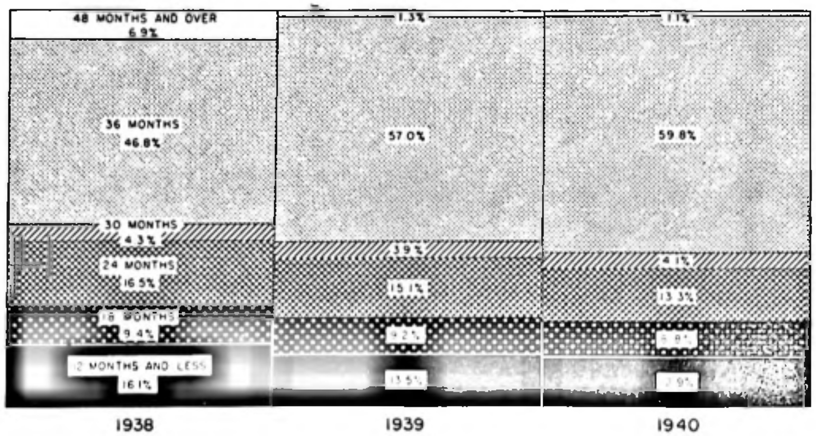



Chart 8 shows the trend in the duration of property improvement loans insured each year since 1938, and Table 14 presents a percentage distribution of the number and amount of loans by monthly duration for the same period.

## NEW SMALL HOME CONSTRUCTION FINANCED UNDER TITLE I

Class 3 loans financing the construction of new structures to be used wholly or in part for residential purposes were first provided by the amendment of February 1938. The present amendment of June 1939 retained authorization for this form of insurance, but with a significant change from the previous amendment in that an insurance premium was charged for the insurance of loans under Title I after July 1, 1939. The amendment further provided that the insurance premium was not to exceed three-fourths of 1 percent per annum of the net proceeds of the loan.

The regulation of the Administrator governing the insurance premium for class 3 loans fixed the charge at one-half of 1 percent per annum of the net proceeds advanced to the borrower. Moreover, this insurance premium may not increase the cost of the loan to the borrower beyond the maximum discount established by the regulations.

New structure loans insured under Title I must be secured by a first mortgage covering the property improved; however, lending institutions are not required to take security for class 1 and class 2 loans advanced to improve existing properties and new nonresidential structures. The mortgagee may elect to finance either a discount or an interest bearing class 3 note. The insurance premium was set by the regulations of the Administrator at one-half of 1 percent per



annum of the net proceeds of a discount note and may be paid annually in advance during the term of the loan. For interest-bearing notes the annual insurance premium was set at one-half of 1 percent of the original principal amount of the note.

By December 31, 1940, lending institutions had financed 25,735 new small-home loans for $63,507,387, of which those insured under the June 1939 amendment had met the construction and property standards established by the Administrator. Of this total, 9,107 for $25,593,238 were insured during 1940, 10,783 for $25,347,784 during 1939, and 5,845 for $12,566,365 were insured during the 10 months of operations in 1938 under the February amendment of that year.

A survey of the class 3 loans insured reveals that the typical borrower received a loan the face amount of which was $2,621 and the net proceeds not over $2,500, the maximum permitted under the provisions of the June 1939 amendment. His average income was $2,178, from which a monthly payment of $15 is made to retire the loan within 14.3 years, the average duration period. Borrowers are permitted 15 years and 5 months in which to repay new small-home loans insured under Title I. The average valuation of the property securing this loan was $2,920.

Claims for insurance paid to qualified lending institutions on defaulted class 3 loans have totaled 265 for $508,305 since the payment of the first claims on new small-home loans in August 1939 through December 1940. Of these, 36 for $79,551 were settled during 1939 and 229 for $428,754 during 1940. Claims for insurance had been paid on 0.21 percent of the amount of class 3 new small-home loans insured at December 31, 1939, and on 0.80 percent at December 31, 1940.

# *Part IV*

# HOME MORTGAGE INSURANCE UNDER TITLE II

THE principal operations of the FHA center about the insurance under Section 203 of Title II of mortgages on one- to four-family homes. This program made possible for the first time the financing of an individual residential property with a single long term, amortized, high percentage of value mortgage loan at a minimum interest rate. An examination by trained underwriters of the house, the neighborhood, and the borrower's capacity to pay assures both the purchaser and the lender that the transaction meets the standards necessary to make the mortgage eligible for FHA insurance and represents a reasonable risk for the mortgagee as well as a sound obligation for the borrower.

FHA insurance covers the full amount of the mortgage outstanding at the time of default. A lending institution has the option of retaining title to a foreclosed property or of turning it over to the FHA, and receiving debentures to the extent of the value of the mortgage on the property as determined by FHA regulations. These debentures currently bear interest at the rate of 2¾ percent. FHA insurance is paid for by the borrower; a premium of one-half of 1 percent on the annual outstanding balance is paid over the full term of the mortgage and as a part of the monthly payment. The lending institution in turn services the mortgage by collecting monthly payments which include interest, amortization, and mortgage insurance as well as taxes and fire insurance. In this way, a family purchasing its home makes regular monthly payments similar to rent which lead to eventual debt-free home ownership without such budgetary strains as are caused by lump-sum tax payments or periodic refinancing under the old-time, nonamortized, first- and second-mortgage type of financing.

Under the FHA plan home ownership has been brought within easy reach of moderate and low-income American families to whom thrift and a home of their own represent the attainment of an ideal.

## VOLUME AND STATUS OF INSURING OPERATIONS

ALL applications for insurance of small-home mortgages are received in FHA insuring offices from lending institutions, not from the individual borrower. The first selection, therefore, is made by the lending institution itself.



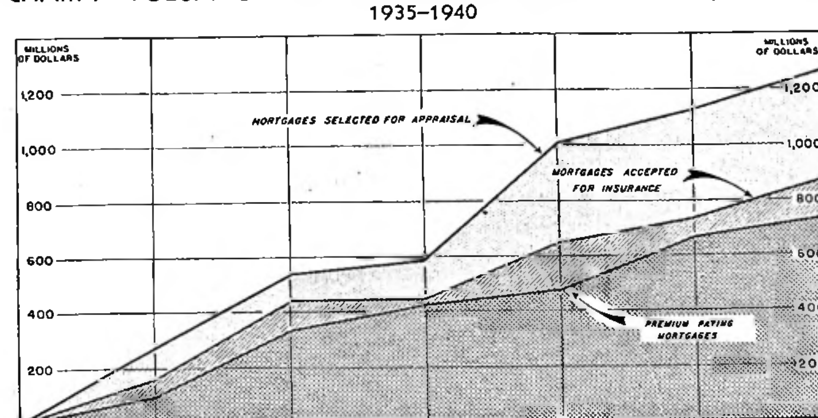
Applications for mortgage insurance are submitted by the lending institution with appraisal fees attached. If a loan is clearly ineligible for insurance, the lending institution is notified and the appraisal fee and application are returned. If the first review indicates examination is to be made, the accompanying check for appraisal fee is deposited to the account of the Administration, and the mortgage is entered into the figures which are reported each month as "mortgages selected for appraisal."

If the case passes preliminary examination, it is routed through the underwriting department, where the property is appraised, the credit of the borrower analyzed, and the terms of the mortgage scrutinized to determine whether it is a reasonable insurance risk for the Administration to assume. If this examination reveals that the risk should not be assumed, the application is rejected. In some cases, changes in the transaction are suggested which will so recast the mortgage as to make it acceptable for insurance.

If the mortgage meets all the tests, a commitment is issued to the mortgagee to insure the mortgage when it is executed in accordance with the terms of the application. No commitments are entered in the series "mortgages accepted for insurance" except when the individual borrower is approved. On mortgages presented by mortgagees covering homes to be constructed by operative builders for sale, a "conditional commitment" only is issued. This conditional commitment issued to the lending institution provides that FHA will insure a mortgage of a given amount when the building is constructed in accordance with plans and specifications and the property has been purchased by an individual mortgagor who meets the credit risk requirements of FHA.

When the mortgage is executed in accordance with the terms of the commitment and presented to the FHA insuring office, it is

CHART 9—VOLUME OF HOME MORTGAGE INSURING ACTIVITY, BY YEARS, 1935–1940



endorsed for insurance and the first annual insurance premium is collected. The mortgage is then entered on the books as a "premium-paying mortgage." If the mortgage covers a house to be constructed, it cannot become a premium-paying mortgage until construction is completed free of liens.

In the case of new homes, there is allowed a period of not more than 8 months between the issuance of the commitment to insure and the final closing of the transaction and the recordation of a "premium-paying mortgage," and in the case of existing homes, a period of 90 days is allowed. If at the end of the stated period the commitment to insure is not converted to a premium-paying mortgage, it is entered as an "expired commitment" and is no longer included in the total reported as "net mortgages accepted for insurance."

### Total for the Year

Mortgages selected for appraisal by the FHA during 1940 numbered 282,880 for $1,271,983,776, an increase of 11.3 percent over the preceding year. In line with this trend, mortgages accepted for insurance, with firm commitments issued to mortgagees, increased 11.9

TABLE 15.—*Trend of selected, accepted, and insured mortgages: Gross face amount of 1- to 4-family home mortgages reported by FHA insuring offices, 1935–1940*

| Month and year | Mortgages selected for appraisal | | Mortgages accepted for insurance | | Premium-paying mortgages | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| 1935 | 69,196 | $270,010,238 | 42,147 | $170,594,864 | 23,397 | $93,882,012 |
| 1936 | 131,802 | 538,885,269 | 109,611 | 438,440,153 | 77,231 | 308,945,106 |
| 1937 | 137,631 | 580,468,385 | 108,738 | 447,519,716 | 102,076 | 424,372,099 |
| 1938 | 223,980 | 1,010,584,906 | 140,895 | 647,949,074 | 109,279 | 473,246,124 |
| **1939** | | | | | | |
| January | 17,235 | 77,594,030 | 9,089 | 42,217,800 | 12,787 | 55,382,500 |
| February | 19,262 | 86,213,375 | 9,839 | 41,223,700 | 10,329 | 44,383,400 |
| March | 27,006 | 121,689,493 | 14,935 | 63,485,800 | 11,750 | 50,362,800 |
| April | 23,502 | 105,666,161 | 15,119 | 64,895,200 | 10,713 | 46,218,950 |
| May | 24,087 | 109,442,140 | 17,205 | 73,701,350 | 11,509 | 49,442,650 |
| June | 22,265 | 101,500,504 | 19,047 | 82,321,770 | 14,184 | 60,910,500 |
| July | 18,462 | 84,482,450 | 12,074 | 52,603,100 | 12,016 | 51,158,570 |
| August | 21,573 | 98,482,510 | 14,143 | 62,268,500 | 15,019 | 65,051,700 |
| September | 20,215 | 91,671,025 | 14,138 | 62,008,200 | 12,368 | 53,426,900 |
| October | 21,683 | 99,250,957 | 16,774 | 74,215,981 | 13,835 | 61,138,431 |
| November | 17,604 | 80,699,335 | 14,672 | 65,012,768 | 14,973 | 67,148,153 |
| December | 14,608 | 67,100,340 | 12,087 | 53,190,718 | 14,204 | 64,791,600 |
| Total | 247,502 | 1,123,792,380 | 170,112 | 737,153,887 | 153,747 | 669,416,154 |
| **1940** | | | | | | |
| January | 15,507 | 70,922,630 | 11,141 | 48,830,737 | 14,673 | 65,057,900 |
| February | 18,658 | 84,504,943 | 10,482 | 44,080,109 | 11,604 | 51,597,929 |
| March | 25,095 | 113,918,457 | 14,695 | 63,602,070 | 10,519 | 46,182,480 |
| April | 28,684 | 128,231,968 | 17,760 | 76,873,590 | 10,941 | 47,712,511 |
| May | 28,811 | 129,184,811 | 18,477 | 79,930,462 | 12,232 | 53,577,673 |
| June | 24,308 | 109,380,220 | 19,542 | 84,356,600 | 12,418 | 54,356,700 |
| July | 26,757 | 119,691,660 | 20,291 | 88,073,500 | 13,900 | 60,315,700 |
| August | 27,244 | 121,960,400 | 20,575 | 89,379,400 | 14,564 | 62,969,000 |
| September | 26,155 | 116,200,940 | 19,490 | 84,689,409 | 15,740 | 68,332,100 |
| October | 25,060 | 116,355,620 | 21,236 | 92,082,874 | 18,288 | 80,019,974 |
| November | 18,508 | 83,828,847 | 15,407 | 66,754,377 | 15,741 | 68,866,577 |
| December | 17,133 | 77,743,280 | 13,185 | 56,877,800 | 17,673 | 77,501,800 |
| Total | 282,880 | 1,271,983,776 | 202,281 | 876,431,018 | 168,293 | 736,490,344 |
| Cumulative | 1,092,991 | 4,804,724,954 | 782,784 | 3,318,097,712 | 634,023 | 2,706,352,739 |



percent, or to 202,281 for $876,431,018, and premium-paying mortgages 11.0 percent, to 168,293 for $736,490,344. These percentage increases approximate those of 1939 over the preceding year when mortgages selected for appraisal increased 11.2 percent, indicating a steadily climbing volume of home financing under the FHA plan.

Table 15 reports the totals by months during 1939 and 1940 and by years for the earlier periods.

### Cumulative Status Through December 1940

Since the beginning of operations, as indicated in Table 16, FHA has selected for appraisal 1,092,991 small home mortgages for $4,804,724,954, of which 782,784 for $3,318,097,712 were accepted for insurance, and of these 634,023 for $2,706,352,739 had become premium-paying by December 31, 1940.

TABLE 16.—*Status of FHA mortgage insurance operations: Disposition of face amount of total and of farm 1- to 4-family home mortgage applications received, as reported by FHA insuring offices, cumulative 1935–1940*

| Status of operations | All mortgages | | Farm mortgages only [1] | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| Mortgage insurance in force | 582,936 | $2,295,550,217 | (2) | (2) |
| Amount amortized | | 182,188,529 | (2) | (2) |
| Mortgage insurance outstanding (face amount) | 582,936 | 2,477,744,746 | 885 | $3,421,800 |
| Mortgage insurance terminated [3] | 51,087 | 228,607,993 | 21 | 89,800 |
| Total mortgages insured | 634,023 | 2,706,352,739 | 906 | 3,511,600 |
| Firm commitments outstanding | 77,315 | 342,772,462 | 256 | 1,031,300 |
| Net mortgages accepted for insurance [4] | 711,338 | 3,049,125,201 | 1,162 | 4,542,900 |
| Firm commitments expired [4] [5] | 71,446 | 268,972,511 | 455 | 1,671,800 |
| Gross mortgages accepted for insurance | 782,784 | 3,318,097,712 | 1,617 | 6,214,700 |
| Conditional commitments outstanding | 48,585 | 218,530,250 | 4 | 19,800 |
| Conditional commitments expired [5] | 59,118 | 270,304,536 | 14 | 50,600 |
| Total commitments issued | 890,487 | 3,806,932,498 | 1,635 | 6,285,100 |
| Rejections and withdrawals [5] | 196,747 | 971,244,076 | 3,077 | 14,094,603 |
| Total mortgages processed | 1,087,234 | 4,778,176,574 | 4,712 | 20,379,703 |
| Cases in process of examination | 5,757 | 26,548,380 | 155 | 1,256,300 |
| Total mortgages selected for appraisal | 1,092,991 | 4,804,724,954 | 4,867 | 21,636,003 |

[1] Regulations relative to the insurance of farm mortgages became effective May 16, 1938.
[2] Data not available separately for farm mortgages.
[3] As reported by the Comptroller's Division in Washington.
[4] Total firm commitments outstanding, accepted, and expired as reported by insuring offices differ from property location figures as shown in Table 1 because of the lag in tabulation of mortgages by property location in Washington.
[5] Excludes cases reopened.

### Disposition of Cases Closed Each Year

At the end of each year there remains in process, or outstanding as conditional or formal commitments to insure, a percentage of the mortgages selected for appraisal by FHA during the year. Of the cases closed out from the beginning of operations in 1935 to the end of 1940, either through rejection of the application for mortgage insurance by FHA, or through a mortgagee permitting a commitment to insure to lapse, or through endorsement of the commitment for mortgage insurance through payment of the first insurance premium, 20.5

TABLE 17.—*Disposition of cases closed by FHA: 1- to 4-family home mortgages, 1935–1940*

| Disposition of cases closed [1] | Percentage distribution | | | | | | |
|---|---|---|---|---|---|---|---|
| | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | 1935–40 |
| Rejections [2] | 41.6 | 17.5 | 13.9 | 24.3 | 20.9 | 18.8 | 20.5 |
| Conditional commitments expired | .2 | 1.5 | 5.0 | 5.9 | 8.3 | 8.2 | 6.1 |
| Total rejections and conditional commitments expired | 41.8 | 19.0 | 18.9 | 30.2 | 29.2 | 27.0 | 26.6 |
| Formal commitments: | | | | | | | |
| Expired | 4.8 | 10.3 | 12.7 | 8.2 | 6.0 | 4.2 | 7.4 |
| Premium-paying | 53.4 | 70.7 | 68.4 | 61.6 | 64.8 | 68.8 | 66.0 |
| Total accepted for insurance | 58.2 | 81.0 | 81.1 | 69.8 | 70.8 | 73.0 | 73.4 |
| Total cases closed | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

[1] Excludes cases still in process and commitments outstanding at end of year.
[2] Excludes cases reopened.

percent were rejected or withdrawn, 13.5 percent expired in the commitment stage and the balance, or 66.0 percent, became premium-paying mortgages.

Analysis of rejections by FHA through 1940 reveals that approximately half were due to a low rating of the borrower's credit, over one-fourth because of the property, and less than one-fourth because of the neighborhood.

## MORTGAGEE INSTITUTION ACTIVITY

OVER 8,000 lending institutions of all types have participated in the FHA mortgage financing program and have invested in the six-year period, 1935–40, close to $3,000,000,000 in insured mortgages. In this section of the report is to be found a distribution by type of institution of the volume of small home mortgages originated, transferred, and held.

### Types of Institutions Originating Mortgages

During each successive year of FHA operations the volume of small home mortgages accepted for insurance has shown an increase. However, the relative percentage of originations accounted for by the various types of institutions has tended to vary, as is indicated in Chart 10. National and State banks, while jointly originating the largest percentage of mortgages in each year, accounted for but 44.9 percent of those originated in 1940 as against 70.3 percent in 1935.

The volume of mortgages accepted for insurance as distributed among the various types of originating institutions for each year since 1935 is shown in Table 18. With a volume in excess of $880,000,000, the year 1940 registered a gain of 18.8 percent over the preceding year and 35.4 percent over 1938. For every type of institution gains in the amount of mortgages originated were recorded, with some types, notably insurance companies, showing a percentage gain considerably above the national average.



TABLE 18.—*Type of institution originating mortgages: Face amount of 1- to 4-family home mortgages, accepted for insurance by FHA, 1935–1940*

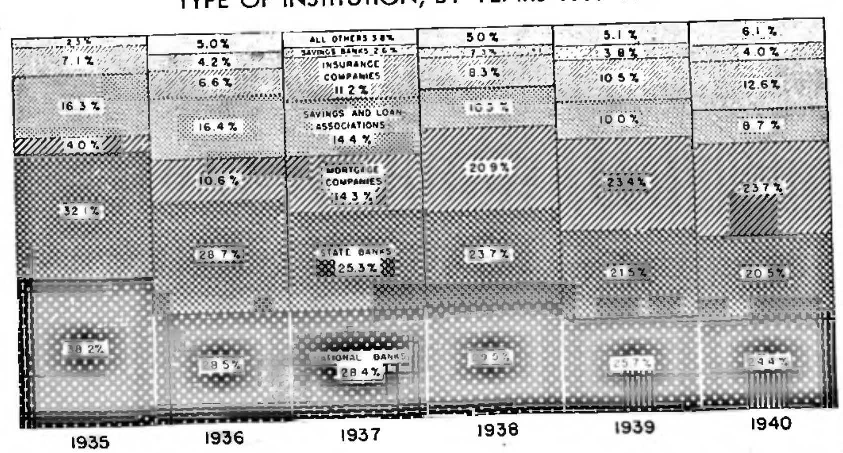
| Type of institution | Dollar amount of gross mortgages [1] originated | | | | | | Percent of 1940 mortgages [2] on— | |
|---|---|---|---|---|---|---|---|---|
| | 1935 [3] | 1936 [3] | 1937 | 1938 | 1939 | 1940 | Local properties | Out-of-State properties |
| | (000 omitted) | | | | | | | |
| National banks | $67,313 | $109,188 | $127,848 | $191,665 | $190,313 | $214,934 | 98.5 | 1.5 |
| State banks | 56,671 | 109,914 | 113,647 | 154,368 | 159,813 | 180,886 | 98.8 | 1.2 |
| Savings and loan associations | 28,781 | 62,050 | 64,618 | 67,012 | 73,768 | 76,376 | 96.7 | 3.3 |
| Mortgage companies | 7,106 | 40,600 | 64,168 | 136,319 | 173,758 | 209,022 | 88.5 | 11.5 |
| Insurance companies | 12,517 | 25,348 | 50,316 | 53,744 | 77,511 | 110,468 | 44.4 | 55.6 |
| Savings banks | 4,067 | 16,048 | 11,925 | 14,669 | 28,228 | 34,762 | 99.5 | .5 |
| Federal agencies [4] | | | | | 32 | 955 | 0 | 100.0 |
| All others [5] | 125 | 18,856 | 17,078 | 32,383 | 37,641 | 53,062 | 20.9 | 79.1 |
| Total | 176,580 | 382,604 | 449,600 | 650,160 | 741,064 | 880,465 | 84.5 | 15.5 |

[1] The type of institution subtotals in this and in the following table disagree slightly. The reason is that the figures in the following table are based upon individual mortgage cards which indicate the type of institution at the time of issuance of the FHA insurance commitment, whereas figures in this table are based upon summary mortgagee cards for each type of institution as of the year end. In each case where a mortgagee changes to a different type of institution during the year, the type of institution subtotals shown in these two tables are thrown out of balance in the amount of its commitments issued prior to change.
[2] Based on State location of head office of mortgagee institution.
[3] Mortgages originated in January 1936 are included in year 1935. The distributions for 1935 and 1936 are based on net totals.
[4] The RFC Mortgage Company and the U. S. Housing Corporation.
[5] Includes investment companies, finance companies, endowed institutions, private and State benefit funds, etc.

As in former years, most mortgages accepted for insurance from private institutions were to cover properties located in the same State as the head office of the mortgagee. Insurance companies and miscellaneous-type institutions were the notable exception to the rule during 1940, with 55.6 percent and 79.1 percent respectively, of their acceptances secured by out-of-State homes.

Mortgage companies, on the other hand, accounted for 23.7 percent of the originations in 1940 and only 4.0 percent in 1935. Insurance companies, savings banks, and miscellaneous-type institutions have increased their relative share of originations, while savings and loan associations have accounted for a declining share.

CHART 10—DISTRIBUTION OF INSURED MORTGAGES ORIGINATED BY TYPE OF INSTITUTION, BY YEARS 1935–1940

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### Type of Institution Originating Mortgages by States

In Table 19 is presented a State distribution by property location of mortgage originations during 1940 by each type of institution. It is possible through the use of this data to assay the importance of any type lending institution in a particular State. For example, in New York with a volume in excess of $57,000,000, the savings banks accounted for 31.6 percent as compared with 15.1 percent for national banks. This situation is reversed in California where, with a volume above $157,000,000, the national banks originated 60.6 percent and the savings banks but 18.4 percent.

TABLE 19.—*Type of institution originating mortgages in each State: Gross face amount of 1- to 4-family home mortgages accepted for insurance, 1940*

| Location of property | Type of lending institution | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | All types | National banks | State banks | Savings and loan associations | Mortgage companies | Insurance companies | Savings banks | All others |
| | (000 omitted) | | | | | | | |
| Alabama | $7,560 | $2,294 | $828 | $20 | $1,550 | $1,648 | $9 | $1,211 |
| Arizona | 3,603 | 1,658 | 1,372 | 342 | 215 | — | 16 | — |
| Arkansas | 3,892 | 303 | 1,335 | 502 | 831 | 831 | — | — |
| California | 157,096 | 95,181 | 34,910 | 4,118 | 2,428 | 5,819 | 2,897 | 11,743 |
| Colorado | 9,171 | 1,230 | 273 | 2,360 | 4,427 | 608 | — | 273 |
| Connecticut | 8,747 | 1,169 | 2,307 | 312 | 930 | 1,673 | 1,523 | 833 |
| Delaware | 1,473 | 131 | 390 | — | 580 | 353 | 4 | 9 |
| Dist. of Col | 3,069 | 149 | 606 | 158 | 1,183 | 743 | 41 | 180 |
| Florida | 22,178 | 1,583 | 2,415 | 2,434 | 11,019 | 1,925 | 5 | 2,797 |
| Georgia | 13,022 | 900 | 734 | 1,479 | 4,727 | 1,551 | — | 3,541 |
| Idaho | 3,528 | 1,032 | 1,028 | 33 | 724 | 31 | — | 680 |
| Illinois | 68,552 | 16,237 | 9,719 | 7,820 | 24,785 | 5,318 | 2 | 4,671 |
| Indiana | 34,576 | 5,440 | 11,761 | 2,437 | 5,364 | 8,096 | 80 | 1,398 |
| Iowa | 9,454 | 1,327 | 3,066 | 526 | 3,260 | 1,119 | 105 | 42 |
| Kansas | 8,656 | 1,385 | 1,033 | 2,152 | 2,528 | 1,404 | — | 154 |
| Kentucky | 5,763 | 238 | 531 | 543 | 3,730 | 689 | — | 32 |
| Louisiana | 8,932 | 822 | 1,155 | 1,868 | 1,542 | 3,521 | — | 24 |
| Maine | 1,817 | 512 | 637 | — | — | 163 | 505 | — |
| Maryland | 14,412 | 1,834 | 2,223 | 4,053 | 3,190 | 2,571 | 140 | 401 |
| Massachusetts | 5,434 | 760 | 325 | 1,749 | 93 | 368 | 2,122 | 17 |
| Michigan | 78,331 | 11,000 | 20,453 | 6,086 | 25,720 | 10,977 | 3,397 | 689 |
| Minnesota | 11,256 | 2,225 | 1,167 | 402 | 3,420 | 3,034 | 70 | 938 |
| Mississippi | 4,214 | 197 | 997 | 81 | 2,241 | 698 | — | — |
| Missouri | 19,689 | 2,778 | 6,535 | 1,331 | 3,652 | 3,964 | — | 1,429 |
| Montana | 2,956 | 234 | 1,087 | 814 | 236 | 522 | — | 63 |
| Nebraska | 5,507 | 611 | 200 | 413 | 1,881 | 2,363 | — | 39 |
| Nevada | 1,205 | 1,098 | 29 | 78 | — | — | — | — |
| New Hampshire | 1,295 | 486 | 339 | — | — | 10 | 460 | — |
| New Jersey | 40,610 | 10,219 | 10,511 | 2,870 | 11,393 | 4,323 | 548 | 746 |
| New Mexico | 3,092 | 1,734 | 70 | 417 | 810 | — | — | 52 |
| New York | 57,053 | 8,591 | 7,301 | 6,629 | 15,089 | 1,079 | 18,009 | 355 |
| North Carolina | 12,608 | 944 | 1,548 | 404 | 1,046 | 6,700 | — | 1,966 |
| North Dakota | 626 | 222 | 146 | 94 | 49 | 81 | — | 34 |
| Ohio | 47,236 | 4,355 | 16,202 | 7,094 | 7,337 | 9,018 | 1,279 | 1,951 |
| Oklahoma | 13,660 | 2,252 | 230 | 1,576 | 2,816 | 2,100 | — | 4,686 |
| Oregon | 6,981 | 1,302 | 39 | 498 | 3,263 | 589 | 87 | 1,203 |
| Pennsylvania | 48,011 | 8,785 | 14,014 | 2,250 | 19,024 | 1,793 | 1,248 | 897 |
| Rhode Island | 3,104 | 864 | 800 | 544 | 5 | 436 | 276 | 89 |
| South Carolina | 5,732 | 1,317 | 945 | 1,245 | — | 1,535 | — | 690 |
| South Dakota | 1,901 | 702 | 393 | 31 | 8 | 679 | — | 28 |
| Tennessee | 11,562 | 513 | 1,898 | 1,345 | 2,895 | 4,463 | — | 448 |
| Texas | 42,486 | 2,520 | 2,246 | 3,006 | 18,509 | 10,016 | — | 6,090 |
| Utah | 6,432 | 556 | 3,651 | 1,150 | 65 | 153 | — | 857 |
| Vermont | 1,114 | 497 | 298 | 99 | — | 5 | 215 | — |
| Virginia | 17,235 | 2,341 | 3,881 | 1,209 | 4,585 | 2,560 | 146 | 2,513 |
| Washington | 20,415 | 3,375 | 1,148 | 2,321 | 8,416 | 1,850 | 1,634 | 1,671 |
| West Virginia | 6,461 | 3,354 | 463 | 59 | 453 | 1,573 | — | 559 |
| Wisconsin | 11,504 | 2,428 | 4,924 | 894 | 1,706 | 1,246 | 36 | 270 |
| Wyoming | 3,242 | 2,405 | 506 | 294 | — | — | — | 37 |
| Alaska | 317 | 112 | 99 | 106 | — | — | — | — |
| Hawaii | 1,596 | 1,227 | 369 | — | — | — | — | — |
| Puerto Rico | 2,099 | — | 2,099 | — | — | — | — | — |
| Total | 880,465 | 213,588 | 181,335 | 76,336 | 207,830 | 110,198 | 34,854 | 56,324 |



### Local and Out-of-State Mortgage Lending

Of the mortgages originated during 1940, 84.5 percent were on residential properties located within the same State as the head office of the mortgagee. This percentage compares with 86.8 percent during 1939. Considerable variations exist among the States, however,

TABLE 20.—*State distribution of local and out-of-State mortgage lending: Gross face amount of 1- to 4-family home mortgages accepted for insurance by FHA, 1940*

| State | Mortgages originated by institutions with head office in State | | | | Mortgages covering properties located in State | | |
|---|---|---|---|---|---|---|---|
| | Total amount | Covering out-of-State properties | | Covering in-State properties | Total amount | Originated by out-of-State institutions | |
| | | Amount | As percent of State total | | | Amount | As percent of State total |
| Alabama | $9,045,800 | $3,756,100 | 41.5 | $5,289,700 | $7,560,287 | $2,270,587 | 30.0 |
| Arizona | 3,603,200 | | | 3,603,200 | 3,603,200 | | |
| Arkansas | 3,148,500 | 103,100 | 3.3 | 3,045,400 | 3,892,200 | 846,800 | 21.8 |
| California | 145,890,800 | 3,747,500 | 2.6 | 142,143,300 | 157,096,500 | 14,953,200 | 9.5 |
| Colorado | 8,326,500 | 51,200 | .6 | 8,275,300 | 9,171,100 | 895,800 | 9.8 |
| Connecticut | 12,524,800 | 5,081,600 | 40.6 | 7,443,200 | 8,747,300 | 1,304,100 | 14.9 |
| Delaware | 4,286,700 | 3,411,400 | 79.6 | 875,300 | 1,473,000 | 597,700 | 40.6 |
| District of Col. | 7,233,200 | 5,174,000 | 71.5 | 2,059,200 | 3,068,700 | 1,009,500 | 32.9 |
| Florida | 17,192,750 | | | 17,192,750 | 22,178,050 | 4,985,300 | 22.5 |
| Georgia | 7,968,100 | 40,400 | .5 | 7,927,700 | 13,021,600 | 5,093,900 | 39.1 |
| Idaho | 1,477,100 | 42,700 | 2.9 | 1,434,400 | 3,528,265 | 2,093,865 | 59.3 |
| Illinois | 63,624,331 | 3,996,900 | 6.3 | 59,627,431 | 68,551,931 | 8,924,500 | 13.0 |
| Indiana | 33,338,900 | 4,724,400 | 14.2 | 28,614,500 | 34,576,600 | 5,902,100 | 17.2 |
| Iowa | 7,825,500 | 1,528,300 | 19.5 | 6,297,200 | 9,454,100 | 3,156,900 | 33.4 |
| Kansas | 7,030,000 | 105,500 | 1.5 | 6,924,500 | 8,655,400 | 1,730,900 | 20.0 |
| Kentucky | 9,289,550 | 4,473,600 | 48.2 | 4,815,050 | 5,763,050 | 947,100 | 16.4 |
| Louisiana | 5,281,900 | 68,300 | 1.3 | 5,213,600 | 8,931,600 | 3,718,000 | 41.6 |
| Maine | 1,444,100 | 5,400 | .4 | 1,438,700 | 1,817,100 | 378,400 | 20.8 |
| Maryland | 13,031,100 | 2,229,300 | 17.1 | 10,801,800 | 14,412,400 | 3,610,600 | 25.1 |
| Massachusetts | 5,662,200 | 311,700 | 5.5 | 5,350,500 | 5,433,900 | 83,400 | 1.5 |
| Michigan | 71,438,500 | | | 71,438,500 | 78,331,000 | 6,892,500 | 8.8 |
| Minnesota | 50,377,290 | 40,275,890 | 70.9 | 10,101,400 | 11,256,000 | 1,154,600 | 10.3 |
| Mississippi | 3,826,700 | 402,700 | 10.5 | 3,424,000 | 4,213,700 | 789,700 | 18.7 |
| Missouri | 20,668,750 | 4,881,850 | 23.6 | 15,786,900 | 19,688,700 | 3,901,800 | 19.8 |
| Montana | 2,117,100 | 2,000 | .1 | 2,115,100 | 2,955,700 | 840,600 | 28.4 |
| Nebraska | 5,350,400 | 1,099,900 | 20.6 | 4,250,500 | 5,506,500 | 1,256,000 | 22.8 |
| Nevada | 1,208,500 | 3,800 | .3 | 1,204,700 | 1,204,700 | | |
| New Hamp. | 1,276,500 | 24,900 | 2.0 | 1,251,600 | 1,295,000 | 43,400 | 3.4 |
| New Jersey | 61,476,200 | 26,210,700 | 42.6 | 35,265,500 | 40,610,003 | 5,344,503 | 13.2 |
| New Mexico | 2,042,400 | | | 2,042,400 | 3,092,100 | 1,049,700 | 33.9 |
| New York | 58,712,400 | 3,013,100 | 5.1 | 55,699,300 | 57,052,690 | 1,353,390 | 2.4 |
| North Carolina | 6,660,800 | 386,300 | 5.8 | 6,274,500 | 12,608,200 | 6,333,700 | 50.2 |
| North Dakota | 640,900 | 130,300 | 20.3 | 510,600 | 626,140 | 115,540 | 18.5 |
| Ohio | 45,627,200 | 6,100,300 | 13.4 | 39,526,900 | 47,235,700 | 7,708,800 | 16.3 |
| Oklahoma | 13,026,450 | 2,000 | (1) | 13,024,450 | 13,659,550 | 635,100 | 4.6 |
| Oregon | 6,252,200 | 1,031,900 | 16.5 | 5,220,300 | 6,981,000 | 1,760,700 | 25.2 |
| Pennsylvania | 47,484,800 | 1,098,200 | 2.3 | 46,386,600 | 48,011,200 | 1,624,699 | 3.4 |
| Rhode Island | 2,523,300 | 5,400 | .2 | 2,517,900 | 3,103,700 | 585,800 | 18.9 |
| South Carolina | 5,271,800 | 733,500 | 13.9 | 4,538,300 | 5,732,800 | 1,194,500 | 20.8 |
| South Dakota | 1,282,600 | 2,800 | .2 | 1,279,800 | 1,901,300 | 621,500 | 32.7 |
| Tennessee | 10,824,200 | 1,038,400 | 9.6 | 9,785,800 | 11,562,164 | 1,776,304 | 15.4 |
| Texas | 30,747,800 | 3,093,200 | 10.1 | 27,654,600 | 42,480,350 | 14,831,750 | 34.9 |
| Utah | 6,671,800 | 1,097,100 | 16.4 | 5,574,700 | 6,431,600 | 856,900 | 13.3 |
| Vermont | 4,858,800 | 3,749,000 | 77.2 | 1,109,800 | 1,113,600 | 3,800 | .3 |
| Virginia | 11,939,700 | 1,020,300 | 8.5 | 10,919,400 | 17,234,700 | 6,315,300 | 36.6 |
| Washington | 17,891,000 | 1,033,800 | 5.8 | 16,857,200 | 20,415,300 | 3,558,100 | 17.4 |
| West Virginia | 4,318,600 | 70,000 | 1.6 | 4,248,600 | 6,461,200 | 2,212,600 | 34.2 |
| Wisconsin | 10,530,200 | 37,800 | .4 | 10,492,400 | 11,504,000 | 1,011,600 | 8.8 |
| Wyoming | 3,225,300 | 66,800 | 2.1 | 3,158,500 | 3,241,500 | 83,000 | 2.6 |
| Alaska | 317,100 | | | 317,100 | 317,100 | | |
| Hawaii | 1,596,300 | | | 1,596,300 | 1,596,300 | | |
| Puerto Rico | 2,099,000 | | | 2,099,000 | 2,099,000 | | |
| Federal agencies [2] | 955,258 | 955,258 | 100.0 | | | | |
| Total | 880,464,879 | 136,418,598 | 15.5 | 744,046,281 | 880,464,879 | 136,418,598 | 15.5 |

[1] Less than 0.05 percent. [2] The RFC Mortgage Company and the U. S. Housing Corporation.

as Table 20 indicates. Minnesota, for example, which contains the head office of a company operating on a nation-wide basis, had 79.9 percent of the mortgages financed by its institutions placed on out-of-State properties; conversely, 59.3 percent of the mortgages originated on Idaho properties during the year were financed by out-of-State institutions.

### Number of Institutions Originating, Holding, and Transferring Mortgages

The number of each type of institution active in originating mortgages in the years 1937 to 1940, inclusive, is set forth in Table 21. Fewer national and state banks, and savings and loan associations originated insured mortgages during 1940 than in the two previous years, accounting, in large part, for the decline shown in the total number of institutions active in originations during those years. The number of active mortgage companies and insurance companies, however, has shown an increase or remained stationary during each year shown, while a Federal agency appeared for the first time in 1939 and was joined by another in 1940.

Table 21 also indicates that, on a cumulative basis through 1940, more institutions hold premium-paying mortgages than originate mortgages accepted for insurance, and that more institutions purchase premium-paying mortgages than sell them. There were 8,329 institutions reported as holding premium-paying mortgages on December 31, 1940, as compared with 7,785 which had originated mortgages accepted for insurance through that date, and 3,642 which had purchased premium-paying mortgages as against 2,681 which had sold them. It is apparent, therefore, that some institutions prefer to build their portfolio of insured mortgages through the purchase of premium-paying mortgages rather than by originating the mortgages themselves.

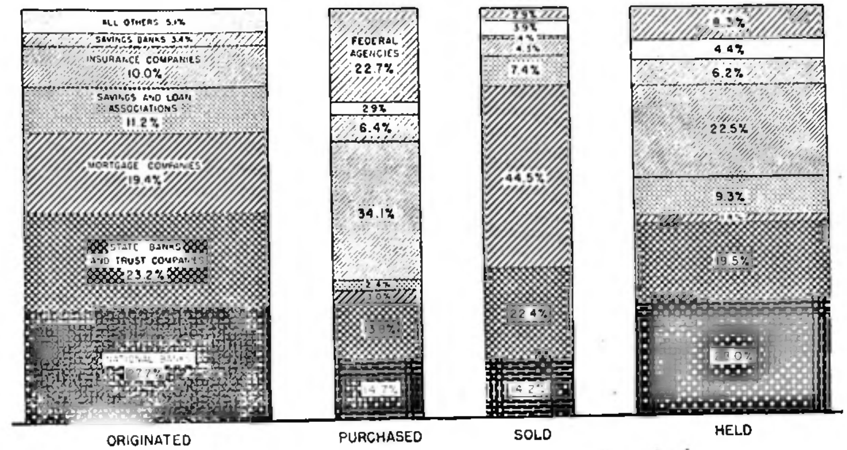
TABLE 21.—*Number of institutions originating, holding, and transferring mortgages: Institutions originating gross 1- to 4-family home mortgages and purchasing, selling (inclusive of resales), and holding in portfolio mortgages insured by FHA, cumulative, 1935–1940*

| Type of institution | Number originating gross mortgages accepted in— | | | | Net cumulative number to date | | | |
|---|---|---|---|---|---|---|---|---|
| | 1937 | 1938 | 1930 | 1040 | Originating | Purchasing | Selling | Holding |
| National banks | 1,357 | 1,535 | 1,520 | 1,453 | 2,383 | 1,228 | 720 | 2,634 |
| State banks | 1,512 | 1,763 | 1,668 | 1,644 | 2,889 | 1,531 | 871 | 3,259 |
| Savings and loan associations | 965 | 1,062 | 969 | 789 | 1,705 | 327 | 552 | 1,578 |
| Mortgage companies | 144 | 204 | 233 | 233 | 285 | 128 | 275 | 242 |
| Insurance companies | 105 | 185 | 204 | 209 | 285 | 234 | 171 | 318 |
| Savings banks | 84 | 104 | 118 | 100 | 168 | 120 | 37 | 198 |
| Federal agencies [1] | | | 1 | 2 | 2 | 3 | 4 | 3 |
| All others [2] | 29 | 42 | 43 | 38 | 68 | 71 | 42 | 97 |
| Total | 4,220 | 4,895 | 4,756 | 4,477 | 7,785 | 3,642 | 2,081 | 8,329 |

[1] Includes RFC Mortgage Company, the Federal National Mortgage Association, the Federal Deposit Insurance Corporation, and the U. S. Housing Corporation.
[2] Includes investment companies, finance companies, endowed institutions, private and State benefit funds, etc.



CHART 11—INSURED MORTGAGES ORIGINATED, TRANSFERRED, AND HELD BY TYPE OF INSTITUTION, CUMULATIVE, 1935–1940




### Mortgages Transferred and Held in Portfolio

The relative percentage of total mortgages held by each type of institution and its percentage of total originations, purchases and sales may vary considerably. It is indicated in Table 22, for example, that while insurance companies had originated 10.0 percent of the mortgages accepted for insurance through 1940, they held 22.5 percent of total holdings, and had purchased 34.1 percent and sold only 4.3 percent of all insured mortgages transferred. Federal agencies hold only 8.3 percent of the total amount of mortgages insured.

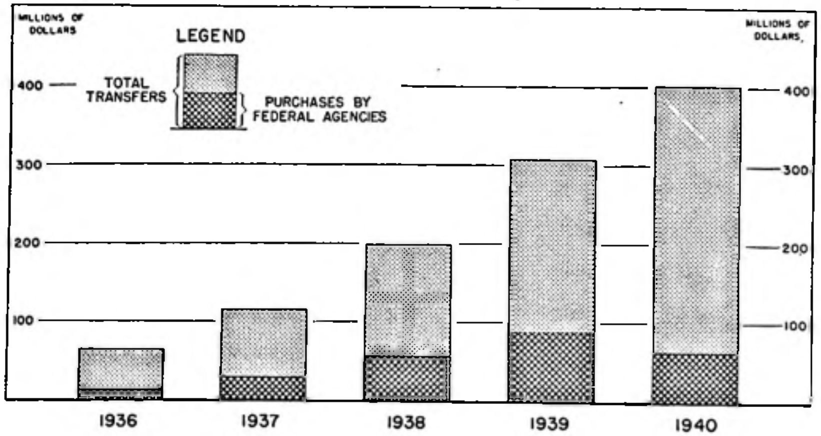
TABLE 22.—*Type of institution originating, transferring, and holding mortgages: Face amount of mortgages accepted for insurance and insured mortgages transferred (inclusive of resales) and held, cumulative 1935–1940*

[000 omitted]

| Type of institution | Mortgages originated [1] | | Mortgages purchased | | Mortgages sold | | Mortgages held in portfolio | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| National banks | $842,696 | 27.7 | $159,747 | 14.7 | $154,947 | 14.2 | $673,580 | 28.0 |
| State banks | 708,420 | 23.2 | 150,084 | 13.8 | 244,352 | 22.5 | 469,369 | 19.5 |
| Savings and loan associations | 312,422 | 11.2 | 26,192 | 2.4 | 79,950 | 7.4 | 224,328 | 9.3 |
| Mortgage companies | 580,593 | 19.4 | 32,309 | 3.0 | 484,746 | 44.5 | 43,518 | 1.8 |
| Insurance companies | 305,408 | 10.0 | 371,641 | 34.1 | 46,698 | 4.3 | 541,561 | 22.5 |
| Savings banks | 102,300 | 3.4 | [4] 69,895 | 6.4 | 4,769 | .4 | 149,239 | 6.2 |
| Federal agencies [2] | 986 | ([3]) | [4] 246,918 | 22.7 | [4] 31,574 | 2.9 | 201,031 | 8.3 |
| All others [5] | 155,594 | 5.1 | 32,064 | 2.9 | 41,814 | 3.8 | 106,571 | 4.4 |
| Total [6] | 3,047,419 | 100.0 | 1,088,850 | 100.0 | 1,088,850 | 100.0 | 2,409,197 | 100.0 |

[1] Net mortgages accepted for insurance.
[2] Includes the RFC Mortgage Company, Federal National Mortgage Association, the Federal Deposit Insurance Corporation, and the U. S. Housing Corporation.
[3] Less than 0.05 percent.
[4] Excludes the transfer of 10,560 mortgages for $41,967,398 between the RFC Mortgage Company and the Federal National Mortgage Association, and 30 mortgages for $39,794 between the RFC Mortgage Company and the U. S. Housing Corporation. Figures are based upon FHA records of mortgage transfers.
[5] Includes investment companies, finance companies, endowed institutions, private and State benefit funds, etc.
[6] Net mortgages accepted for insurance include 83,154 firm commitments outstanding for the amount of $341,066,277 and premium-paying mortgages exclude 51,087 mortgages for $228,607,993 on which insurance had been terminated as of Dec. 31, 1940; hence, mortgages accepted for insurance, minus sales and plus purchases, do not yield the total held in portfolio.

CHART 12—VOLUME OF INSURED MORTGAGES PURCHASED AND SOLD, BY YEARS, 1936–1940




**Yearly Trend in the Transfer of Insured Mortgages**

For each year since FHA began operations the volume of mortgage transfers, inclusive of resales, has shown an increase. They have risen from about $65,000,000 in 1935–36 to more than $400,000,000 during 1940. The volume of net mortgages accepted for insurance by FHA has also increased, or from approximately $559,000,000 in 1935–36 to more than $839,000,000 in 1940. Relatively, however, mortgage transfers have experienced a more rapid increase. Transfers represented 11.6 percent of the net mortgages accepted for insurance during 1935–36, and rose steadily each year until these transfers during 1940 were 47.7 percent of the amount of mortgages accepted for insurance during that year.

Data concerning mortgage transfers and mortgage acceptances are shown in Table 23 below.

**Purchases and Sales by Federal Agencies**

Mortgage purchases by the Federal agencies have contributed substantially to the activity of the market for insured mortgages, as Table 24 indicates. In 1940, however, purchases by Federal agencies

TABLE 23.—*Trend of transfers and acceptances: Face amount of net 1- to 4-family home mortgages accepted for FHA insurance, and premium-paying mortgage transfers, 1936–1940*

| Year | Mortgage transfers [1] | | Net mortgages accepted | | Yearly transfers as a percent of mortgages | | Cumulative transfers as a percent of cumulative acceptances |
|---|---|---|---|---|---|---|---|
| | During year | Cumulative total | Yearly increase | Cumulative total | Added during year | Cumulative accepted | |
| 1935–36 | $64,730,544 | $64,730,544 | $559,273,916 | $559,273,916 | 11.6 | 11.6 | 11.6 |
| 1937 | 115,413,128 | 180,143,672 | 376,676,757 | 935,950,673 | 30.6 | 12.3 | 19.2 |
| 1938 | 199,264,860 | 379,408,532 | 593,158,510 | 1,529,109,183 | 33.6 | 13.0 | 24.8 |
| 1939 | 308,850,215 | 688,258,747 | 679,229,994 | 2,208,339,177 | 45.5 | 14.0 | 31.2 |
| 1940 | 400,591,159 | 1,088,849,906 | 839,079,839 | 3,047,419,016 | 47.7 | 13.1 | 35.7 |

[1] Includes resales but excludes inter-Federal agency transfers, as determined by FHA records.



TABLE 24.—*Federal agency [1] transfers: Face amount of 1- to 4-family FHA-insured home mortgages purchased and sold (including resales), 1935–1940*

| Year | Purchases | | Sales | | Mortgages added to portfolio [2] | |
|---|---|---|---|---|---|---|
| | Amount | As a percent of all purchases | Amount | As a percent of all sales | Amount | As a percent of net mortgages accepted |
| 1935–36 | $10,241,576 | 15.8 | $73,310 | 0.1 | $10,168,266 | 1.8 |
| 1937 | 28,720,029 | 24.9 | 6,426,050 | 5.6 | 22,293,979 | 5.9 |
| 1938 | 56,447,085 | 28.3 | 10,488,871 | 5.3 | 45,958,214 | 7.7 |
| 1939 | 87,864,645 | 28.4 | 9,001,900 | 2.9 | 78,862,745 | 11.6 |
| 1940 | 63,644,360 | 15.9 | 5,584,389 | 1.4 | 58,059,971 | 6.9 |
| Total | 246,917,695 | 22.7 | 31,574,520 | 2.9 | 215,343,175 | 7.1 |

[1] Includes The RFC Mortgage Company, the Federal National Mortgage Association, the Federal Deposit Insurance Corporation, and the U. S. Housing Corporation; excludes on a cumulative basis the transfer among the Federal agencies of 10,590 mortgages in the amount of $42,007,192. Figures are based upon FHA records of mortgage transfers.
[2] Amount includes mortgages terminated.

declined both in volume and as a proportion of the total transfers taking place during the year. Cumulatively through 1940 their purchases totaled almost $247,000,000, or 22.7 percent of total purchases, considerably less than the percentage of total purchased by National and State banks and insurance companies. The volume of Federal agency sales, however, has been quite small, only 2.9 percent of the total, or approximately $32,000,000. The difference between their purchases and sales, over $215,000,000, exclusive of mortgage terminations, has been added to their mortgage holdings.

**State Distribution of Mortgage Transfers**

At the close of 1940 mortgage transfers amounted to nearly $1,089,000,000 and represented the purchase of insured mortgages secured by homes located in every State and Alaska, Hawaii, and Puerto Rico. This volume represented 35.7 percent of the total of over $3,047,000,000 net mortgages accepted for insurance by FHA. Of the net acceptances, 27.6 percent had been purchased by private financing institutions and 8.1 percent by the Federal agencies. Among the States great variations exist in the percentage which purchases bear to mortgages accepted for insurance, and the percent of acceptances purchased by private institutions and Federal agencies. In Wyoming, for example, purchases were 70.6 percent of acceptances, while they were only 3.7 percent in Vermont. Private institution purchases were 59.3 percent of acceptances in Delaware and but 3.7 percent in California, while the Federal agencies purchased 42.2 percent of the mortgages accepted for insurance on Florida homes with no mortgage purchases in Nevada, New Hampshire, Vermont, and Hawaii. Data for all States are presented in Table 25.

TABLE 25.—*State distribution of Federal agency and private institution purchases: Face amount of 1- to 4-family FHA-insured home mortgage purchases (including resales), cumulative 1935–1940*

| Location of property | Net mortgages accepted by FHA to date | Total purchases | | Federal agency purchases [1] | | Private institutions [2] | |
|---|---|---|---|---|---|---|---|
| | | Amount | As a percent of net accept-ances | Amount | As a percent of net accept-ances | Amount | As a percent of net accept-ances |
| Alabama | $25,762,472 | $6,677,985 | 25.9 | $1,727,100 | 6.7 | $4,950,885 | 19.2 |
| Arizona | 14,412,446 | 5,977,423 | 41.5 | 1,779,297 | 12.4 | 4,198,126 | 29.1 |
| Arkansas | 13,552,460 | 4,216,125 | 31.1 | 2,953,135 | 21.8 | 1,262,990 | 9.3 |
| California | 553,507,546 | 24,508,105 | 4.4 | 3,971,950 | .7 | 20,536,155 | 3.7 |
| Colorado | 26,203,568 | 13,484,550 | 51.5 | 1,050,100 | 4.0 | 12,434,450 | 47.5 |
| Connecticut | 29,305,845 | 10,272,200 | 35.1 | 375,780 | 1.3 | 9,896,420 | 33.8 |
| Delaware | 6,576,100 | 4,016,804 | 61.1 | 120,200 | 1.8 | 3,896,604 | 59.3 |
| District of Col. | 13,272,250 | 5,387,630 | 40.6 | 1,216,750 | 9.2 | 4,170,880 | 31.4 |
| Florida | 74,475,901 | 47,681,442 | 64.0 | 31,457,340 | 42.2 | 16,224,102 | 21.8 |
| Georgia | 46,437,252 | 15,402,165 | 33.2 | 5,752,200 | 12.4 | 9,649,965 | 20.8 |
| Idaho | 11,610,355 | 4,488,240 | 38.7 | 633,700 | 5.5 | 3,854,540 | 33.2 |
| Illinois | 203,693,944 | 98,730,392 | 48.5 | 32,715,050 | 16.1 | 66,015,342 | 32.4 |
| Indiana | 102,589,141 | 30,065,612 | 29.3 | 7,335,200 | 7.1 | 22,730,412 | 22.2 |
| Iowa | 24,917,599 | 5,951,690 | 23.9 | 823,300 | 3.3 | 5,128,390 | 20.6 |
| Kansas | 33,289,217 | 16,605,495 | 49.9 | 5,244,955 | 15.8 | 11,360,540 | 34.1 |
| Kentucky | 27,711,961 | 15,234,722 | 55.0 | 4,644,010 | 16.8 | 10,590,712 | 38.2 |
| Louisiana | 26,542,140 | 6,680,500 | 25.1 | 2,926,500 | 11.0 | 3,754,000 | 14.1 |
| Maine | 6,089,280 | 416,300 | 6.8 | 76,500 | 1.2 | 339,800 | 5.6 |
| Maryland | 51,663,685 | 17,293,850 | 33.5 | 3,885,550 | 7.5 | 13,408,300 | 26.0 |
| Massachusetts | 26,773,487 | 1,936,730 | 7.2 | 48,100 | .2 | 1,888,630 | 7.0 |
| Michigan | 245,773,075 | 129,850,720 | 52.8 | 45,917,050 | 18.7 | 83,933,670 | 34.1 |
| Minnesota | 40,392,454 | 14,739,991 | 36.5 | 571,680 | 1.4 | 14,168,311 | 35.1 |
| Mississippi | 18,284,689 | 7,385,708 | 40.3 | 3,007,680 | 16.4 | 4,378,028 | 23.9 |
| Missouri | 76,337,897 | 34,768,095 | 45.5 | 1,628,600 | 2.1 | 33,139,495 | 43.4 |
| Montana | 8,377,041 | 1,235,300 | 14.7 | 594,800 | 7.1 | 640,500 | 7.6 |
| Nebraska | 16,113,919 | 5,761,950 | 35.7 | 2,810,350 | 17.4 | 2,951,600 | 18.3 |
| Nevada | 4,912,205 | 200,025 | 4.1 | | | 200,025 | 4.1 |
| New Hampshire | 5,075,451 | 167,380 | 3.3 | | | 167,380 | 3.3 |
| New Jersey | 160,346,473 | 60,749,562 | 37.9 | 3,539,904 | 2.2 | 57,209,658 | 35.7 |
| New Mexico | 8,346,375 | 3,418,450 | 41.0 | 2,368,650 | 28.4 | 1,049,800 | 12.6 |
| New York | 231,302,299 | 124,760,134 | 53.9 | 4,902,085 | 2.1 | 119,858,049 | 51.8 |
| North Carolina | 35,877,239 | 16,848,720 | 46.9 | 2,881,670 | 8.0 | 13,967,050 | 38.9 |
| North Dakota | 2,998,345 | 853,040 | 28.4 | 268,000 | 8.9 | 585,040 | 19.5 |
| Ohio | 186,570,575 | 56,901,432 | 30.5 | 1,313,600 | .7 | 55,587,832 | 29.8 |
| Oklahoma | 42,564,342 | 25,090,960 | 58.9 | 15,164,580 | 35.6 | 9,926,380 | 23.3 |
| Oregon | 19,954,100 | 5,560,600 | 27.9 | 1,870,200 | 9.4 | 3,690,400 | 18.5 |
| Pennsylvania | 172,431,816 | 81,160,514 | 47.0 | 422,450 | .2 | 80,738,064 | 46.8 |
| Rhode Island | 11,504,220 | 1,224,250 | 10.6 | 100,250 | .9 | 1,124,000 | 9.7 |
| South Carolina | 18,536,438 | 9,614,209 | 51.9 | 3,647,609 | 19.7 | 5,966,600 | 32.2 |
| South Dakota | 6,187,430 | 618,150 | 10.0 | 77,900 | 1.3 | 540,250 | 8.7 |
| Tennessee | 44,561,359 | 22,959,620 | 51.5 | 6,448,150 | 14.5 | 16,511,470 | 37.0 |
| Texas | 139,573,227 | 66,446,615 | 47.6 | 18,044,929 | 12.9 | 48,401,686 | 34.7 |
| Utah | 22,313,615 | 8,893,725 | 39.9 | 1,872,600 | 8.4 | 7,021,125 | 31.5 |
| Vermont | 5,239,687 | 195,475 | 3.7 | | | 195,475 | 3.7 |
| Virginia | 58,880,449 | 22,002,760 | 37.3 | 3,439,740 | 5.8 | 18,563,020 | 31.5 |
| Washington | 61,359,365 | 22,121,170 | 36.0 | 8,299,500 | 13.5 | 13,821,670 | 22.5 |
| West Virginia | 23,057,060 | 8,420,850 | 36.5 | 3,708,100 | 16.1 | 4,712,750 | 20.4 |
| Wisconsin | 41,015,144 | 13,094,950 | 31.9 | 163,000 | .4 | 12,931,950 | 31.5 |
| Wyoming | 11,003,948 | 7,777,830 | 70.6 | 4,141,140 | 37.6 | 3,636,690 | 33.0 |
| Alaska | 1,512,460 | 733,961 | 48.5 | 730,961 | 48.3 | 3,000 | .2 |
| Hawaii | 6,164,670 | 20,000 | .3 | | | 20,000 | .3 |
| Puerto Rico | 2,465,000 | 245,800 | 10.0 | 245,800 | 10.0 | | |
| Total | 3,047,419,016 | 1,088,849,906 | 35.7 | 246,917,695 | 8.1 | 841,932,211 | 27.6 |

[1] Includes the RFC Mortgage Company, the Federal National Mortgage Association, the Federal Deposit Insurance Corporation, and the U. S. Housing Corporation; excludes the transfer of 10,560 mortgages for $41,967,398 between the RFC Mortgage Company and the Federal National Mortgage Association and 30 mortgages for $39,794 between the U. S. Housing Corporation and The RFC Mortgage Company. Figures are based on FHA records of mortgage transfers.

[2] These transfers are on the basis of reports tabulated and audited by FHA, not as already recorded by individual institutions; hence, the amount actually transferred is somewhat larger.



## TERMINATIONS, FORECLOSURES, AND DELINQUENCIES

DURING the six years 1935–40, the FHA has insured 634,023 mortgages, of which 582,936, or 91.94 percent, were in force on December 31, 1940. On 51,087, or 8.06 percent, the insurance had been terminated. Of the mortgages terminated, 268 had been found ineligible for insurance after the payment of the insurance premium, 102 had matured, 13,973 were refinanced with new insured mortgages, and 33,936 had been paid in full prior to maturity.

The balance of the terminations, or 2,808 cases, represented mortgage foreclosures. Of these the mortgagee retained title to the properties, in 497 cases, thus surrendering claims for insurance, and had in 2,311 of the foreclosed cases, transferred property title to FHA in exchange for debentures.

To the 2,808 mortgages with foreclosures completed at the end of 1940 must be added 739 foreclosed mortgages secured by properties which were still held by the mortgagees subject to redemption by the mortgagor or with claims pending for insurance. These comprise a total of 3,547 mortgage foreclosures by mortgagees, or 0.56 percent of the total premium-paying mortgages through 1940, and 0.50 percent of the net mortgages accepted for insurance.

Delinquencies of insured mortgages have shown a downward trend for the last 3 years, a mortgage being considered delinquent when the

TABLE 26.—*Status of terminations, foreclosures, and delinquencies: Number and percentage distribution of total 1- to 4-family home mortgages insured by FHA, cumulative 1935–1940*

| Status or disposition | Mortgages | | Percent of total |
|---|---|---|---|
| | Number | Percent | |
| TERMINATIONS: | | | |
| Matured mortgages | 102 | 0.20 | 0.02 |
| Prepaid mortgages refinanced through new insured mortgages | 13,973 | 27.35 | 2.20 |
| Mortgages prepaid in full | 33,936 | 66.43 | 5.35 |
| Ineligible mortgages canceled | 268 | .53 | .04 |
| Properties retained by mortgagees after foreclosure | 497 | .97 | .08 |
| Properties transferred to FHA after foreclosure | 2,311 | 4.52 | .37 |
| Total terminations | 51,087 | 100.00 | 8.06 |
| Mortgages in force | 582,936 | | 91.94 |
| Total mortgages insured | 634,023 | | 100.00 |
| FORECLOSURES: | | | |
| Subject to redemption or pending claims for insurance | 730 | 20.84 | .12 |
| Properties retained by mortgagee | 497 | 14.01 | .08 |
| Properties transferred to FHA | 2,311 | 65.15 | .36 |
| Total foreclosures | 3,547 | 100.00 | .56 |
| Mortgages insured minus foreclosures | 630,476 | | 99.44 |
| Total mortgages insured | 634,023 | | 100.00 |
| DELINQUENCIES: | | | |
| Minor: reinstatement expected or indefinite | 8,304 | 75.84 | 1.42 |
| Serious: foreclosure imminent or started | 1,906 | 17.41 | .33 |
| Foreclosed properties held for redemption or pending claims against insurance | 739 | 6.75 | .13 |
| Total delinquencies | 10,949 | 100.00 | 1.88 |
| Mortgages in good standing | 571,987 | | 98.12 |
| Total mortgages in force | 582,936 | | 100.00 |

mortgagee reports the mortgagor past due on one monthly payment. At the close of 1940 only 1.88 percent of the total insured mortgages in force had been reported delinquent, as compared with 1.97 percent and 2.45 percent delinquent at the end of 1939 and 1938, respectively.

Of the 10,949 mortgages either delinquent or under process of foreclosure subject to redemption or with claim filed for insurance through 1940, minor delinquencies represented 75.84 percent. Serious delinquencies, those cases on which foreclosure was considered either imminent or had actually been started, numbered 1,906 cases and amounted to 17.41 percent of total delinquent cases, while the remaining delinquencies, 739 or 6.75 percent of the total, represented foreclosed properties either held by the mortgagee subject to redemption or with claim filed for insurance. Data on terminations, foreclosures and delinquencies cumulative through 1940 are shown in Table 26.

### Yearly Trend of Terminations, Foreclosures, and Delinquencies

TOTAL mortgage insurance terminations during 1940 increased substantially over the previous year, numbering 22,829 as against 12,865. Cumulative through the end of these years, terminations amounted to 8.06 percent of the mortgages insured through 1940, and 6.07 percent through 1939. Foreclosures in 1940 numbered 1,452, an increase of 26.4 percent over 1,149 during 1939. On a cumulative basis, the 3,547 foreclosures up to the end of 1940 represented 0.56 percent of all mortgages insured through 1940, compared with 0.45 percent through 1939. These include foreclosed properties retained by the mortgagee, as well as those tendered to the Administrator in exchange for debentures.

The number of seriously delinquent cases increased by only 149 during 1940, as against 896 in 1939; cumulatively on a percentage basis they represented 0.33 percent of the insured mortgages in force on December 31, 1940, and 0.40 percent at the close of 1939.

TABLE 27.—*Trend of terminations, foreclosures, and serious delinquencies: Total 1- to 4-family home mortgages insured by FHA, cumulative 1935–1940*

| Year | Terminations | | | Foreclosures | | | Serious delinquencies | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number for the year | Cumulative through end of year | | Number for the year | Cumulative through end of year | | Number for the year | Cumulative through end of year | |
| | | Number | Percent of total insured | | Number | Percent of total insured | | Number | Percent insured mortgages in force |
| 1935 | 95 | 95 | 0.41 | 2 | 2 | 0.01 | (1) | (1) | |
| 1936 | 1,362 | 1,457 | 1.45 | 30 | 32 | .03 | 45 | 45 | 0.05 |
| 1937 | 5,065 | 6,522 | 3.22 | 218 | 250 | .12 | 334 | 370 | .19 |
| 1938 | 8,871 | 15,393 | 4.93 | 690 | 940 | .30 | 482 | 861 | .29 |
| 1939 | 12,865 | 28,258 | 6.07 | 1,149 | 2,095 | .45 | 896 | 1,757 | .40 |
| 1940 | 22,829 | [2] 51,087 | 8.06 | 1,452 | 3,547 | .56 | 149 | 1,906 | .33 |

[1] Not reported. [2] Includes 13,973 prepaid mortgages refinanced through FHA.



### State Distribution of Terminations, Foreclosures, and Delinquencies

The State distribution of terminations, foreclosures, and serious delinquencies is shown in Table 28. The terminations and foreclosures are related to the net mortgages accepted for insurance secured

TABLE 28.—*State distribution of terminations, foreclosures, and serious delinquencies: Cumulative number of 1- to 4-family home mortgages insured, 1935–1940*

| Location of property | Net mortgages accepted [1] | Terminations [2] | | Foreclosures [3] | | Serious delinquencies [4] | |
|---|---|---|---|---|---|---|---|
| | | Number | As percent of mortgages accepted | Number | As percent of mortgages accepted | Number | As percent of accepted mortgages in force |
| Alabama | 6,822 | 434 | 6.36 | 27 | 0.40 | 14 | 0.22 |
| Arizona | 4,004 | 328 | 8.19 | 14 | .35 | 10 | .27 |
| Arkansas | 4,322 | 426 | 9.86 | 35 | .81 | 21 | .54 |
| California | 130,343 | 9,135 | 7.01 | 237 | .18 | 181 | .15 |
| Colorado | 7,157 | 551 | 7.70 | 25 | .35 | 6 | .09 |
| Connecticut | 5,887 | 440 | 7.47 | 35 | .59 | 7 | .13 |
| Delaware | 1,371 | 103 | 7.51 | 22 | 1.60 | 4 | .32 |
| District of Columbia | 2,175 | 173 | 7.95 | 1 | .05 | 5 | .25 |
| Florida | 10,117 | 838 | 4.38 | 91 | .48 | 71 | .39 |
| Georgia | 12,034 | 644 | 5.35 | 64 | .53 | 14 | .12 |
| Idaho | 3,530 | 289 | 8.17 | 14 | .40 | 5 | .15 |
| Illinois | 40,170 | 3,612 | 8.99 | 104 | .26 | 90 | .25 |
| Indiana | 26,704 | 1,821 | 6.82 | 61 | .23 | 59 | .24 |
| Iowa | 6,638 | 617 | 9.29 | 13 | .20 | 12 | .20 |
| Kansas | 9,767 | 944 | 9.67 | 227 | 2.32 | 89 | 1.01 |
| Kentucky | 6,198 | 576 | 9.29 | 57 | .92 | 31 | .55 |
| Louisiana | 6,753 | 361 | 5.35 | 22 | .33 | 15 | .23 |
| Maine | 2,027 | 166 | 8.19 | 24 | 1.18 | 8 | .43 |
| Maryland | 11,584 | 788 | 6.80 | 43 | .37 | 28 | .26 |
| Massachusetts | 5,417 | 696 | 12.85 | 118 | 2.18 | 44 | .93 |
| Michigan | 52,452 | 3,046 | 5.81 | 371 | .71 | 181 | .37 |
| Minnesota | 10,163 | 1,135 | 11.17 | 57 | .56 | 19 | .21 |
| Mississippi | 5,721 | 436 | 7.62 | 53 | .93 | 16 | .30 |
| Missouri | 18,207 | 1,420 | 7.85 | 157 | .86 | 51 | .30 |
| Montana | 2,288 | 249 | 10.88 | 3 | .13 | 9 | .44 |
| Nebraska | 4,386 | 465 | 10.60 | 25 | .57 | 14 | .36 |
| Nevada | 1,099 | 122 | 11.10 | | | | |
| New Hampshire | 1,375 | 225 | 16.36 | 16 | 1.16 | 13 | 1.13 |
| New Jersey | 33,314 | 1,915 | 5.75 | 370 | 1.11 | 114 | .36 |
| New Mexico | 2,319 | 118 | 5.09 | 1 | .04 | 2 | .09 |
| New York | 45,862 | 1,962 | 4.28 | 353 | .77 | 177 | .40 |
| North Carolina | 8,534 | 495 | 5.80 | 39 | .46 | 15 | .19 |
| North Dakota | 929 | 77 | 8.29 | 6 | .65 | 2 | .23 |
| Ohio | 39,955 | 5,105 | 12.78 | 126 | .32 | 105 | .30 |
| Oklahoma | 11,156 | 746 | 6.69 | 50 | .53 | 55 | .53 |
| Oregon | 5,977 | 373 | 6.24 | 11 | .18 | 17 | .30 |
| Pennsylvania | 39,822 | 2,241 | 5.63 | 167 | .42 | 98 | .26 |
| Rhode Island | 2,542 | 189 | 7.44 | 22 | .87 | 6 | .25 |
| South Carolina | 4,875 | 264 | 5.42 | 39 | .80 | 28 | .61 |
| South Dakota | 2,111 | 193 | 9.14 | 19 | .90 | 4 | .21 |
| Tennessee | 11,991 | 629 | 5.25 | 99 | .83 | 32 | .28 |
| Texas | 36,423 | 1,571 | 4.31 | 91 | .25 | 105 | .30 |
| Utah | 5,983 | 580 | 9.69 | 29 | .48 | 10 | .19 |
| Vermont | 1,563 | 208 | 13.31 | 21 | 1.34 | 19 | 1.40 |
| Virginia | 12,954 | 777 | 6.00 | 68 | .52 | 20 | .16 |
| Washington | 17,915 | 1,586 | 8.85 | 57 | .32 | 29 | .18 |
| West Virginia | 5,113 | 300 | 5.87 | 10 | .20 | 14 | .29 |
| Wisconsin | 8,403 | 895 | 10.65 | 37 | .44 | 24 | .32 |
| Wyoming | 3,414 | 603 | 17.66 | 6 | .18 | 9 | .32 |
| Alaska | 342 | 42 | 12.28 | 1 | .29 | | |
| Hawaii | 1,524 | 169 | 11.09 | | | 4 | .30 |
| Puerto Rico | 430 | | | | | | |
| Total | 711,177 | 51,087 | 7.18 | 3,547 | .50 | 1,906 | .29 |
| Based on 634,023 insured mortgages | | | 8.06 | | .56 | | .30 |
| Based on 582,936 insured mortgages outstanding | | | | | | | .33 |

[1] By present method of tabulation, insured mortgages are not available by State location of property. Net mortgages accepted include 77,154 firm commitments outstanding.

[2] Includes mortgages matured, prepaid, or canceled, and 2,808 terminated foreclosed.

[3] The 3,547 foreclosures include terminated mortgages on 497 properties retained by mortgagee, 2,311 properties transferred to FHA at the foreclosure sale, and 730 foreclosed properties subject to redemption or pending settlement prior to termination of insurance.

[4] Includes mortgages for which foreclosure seems imminent or on which foreclosure proceedings have been started. Percentage based upon net mortgages accepted less terminations.

by properties located within each State in order to yield a comparison of insured cases terminated with the volume of insurance written in each State. The serious delinquencies are compared to insured mortgages in force to serve as an indication of possible subsequent foreclosures among those outstanding as of December 31, 1940.

A comparison of terminations, foreclosures, and delinquencies with premium-paying mortgages is also given but only for total premium-paying, such data not being available by State break-down. The ratio of terminations and foreclosures to the total net mortgages accepted for insurance in all States is 7.18 and 0.50 percent, respectively, while the ratio of serious delinquencies to accepted mortgages in force for all States is 0.29 percent.

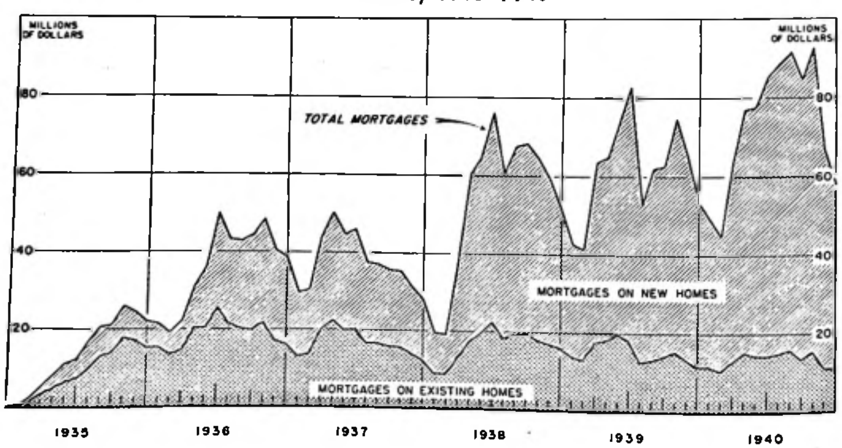
## TRENDS AND DISTRIBUTION OF NEW AND EXISTING HOME MORTGAGES

THIS section is devoted to the yearly and monthly quantitative trends in new- and existing- home mortgages accepted for FHA insurance and to a State distribution of 1940 mortgages. New homes are defined as those constructed under FHA inspection or completed not more than 12 months prior to FHA insurance; existing homes are those more than 1 year old at time of acceptance for insurance.

### Monthly Trend of New and Existing Home Mortgages

The yearly volume of mortgages on new homes has increased from $60,248,256 in 1935 to $721,462,431 in 1940, whereas the volume of existing-home mortgages has declined slightly since 1936 to $159,002,448 in 1940. In consequence of the marked increase in volume of new-home mortgages and of the simultaneous decrease in volume of existing-home mortgages accepted for FHA insurance, the proportion of new homes increased from approximately 40 percent in 1936 to

CHART 13—VOLUME OF MORTGAGES ACCEPTED FOR INSURANCE, BY MONTHS, 1935–1940






over 80 percent in 1940. This latter percentage noticeably exceeds the 75 percent minimum proportion of new- to total-home mortgages required by the 1939 amendment to the National Housing Act.

Although the total dollar amount of new-home mortgages accepted for FHA insurance increased sharply over the 6-year period, the average face amount of principal has declined steadily. Therefore, the benefits of home ownership under the FHA plan have reached an even larger number of families than the actual yearly dollar increase indicates.

In October of 1940, FHA accepted for insurance over $77,000,000 of new-home mortgages, the greatest monthly volume to date. During the 1940 calendar year, moreover, new-home mortgage acceptances exceeded $50,000,000 in 9 of the 12 months. By number, this monthly volume represents about 12,000 to 17,000 home mortgages.

Chart 13 presents not only the substantial yearly growth in the volume of new home mortgages accepted for FHA insurance, but also the fluctuations within any calendar year. The wide fluctuations obviously reflect in large degree the seasonal character of the home building industry. The seasonal pattern is to some extent obscured,

TABLE 29.—*Trend of new and existing home mortgages: Gross number and face amount of 1- to 4-family home mortgages accepted for FHA insurance, 1935–1940*

| Month and year | New homes [1] | | Existing homes [1] | | Total | | New homes as a percent of total [1] | |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| 1935 | 12,360 | $60,248,256 | 29,787 | $110,346,608 | 42,147 | $170,594.864 | 29.3 | 35.3 |
| 1936 | 45,562 | 212,279,801 | 64,049 | 226,169,352 | 109,611 | 438,449,153 | 41.6 | 48.4 |
| 1937 | 53,552 | 248,948,357 | 55,111 | 200,651,725 | 108,663 | 449,600,082 | 49.3 | 55.4 |
| 1938 | 97,645 | 450,962,208 | 52,057 | 190,197,893 | 149,702 | 650,160,101 | 65.2 | 69.4 |
| 1939: | | | | | | | | |
| January | 6,396 | 28,842,900 | 3,601 | 13,667,339 | 9,997 | 42,510,239 | 64.0 | 67.8 |
| February | 6,387 | 28,484,700 | 3,440 | 12,880,003 | 9,827 | 41,364,703 | 65.0 | 68.9 |
| March | 10,287 | 46,182,679 | 4,652 | 17,516,165 | 14,939 | 63,698,844 | 68.9 | 72.5 |
| April | 10,407 | 46,936,230 | 4,678 | 18,078,000 | 15,085 | 65,014,230 | 69.0 | 72.2 |
| May | 12,057 | 54,467,694 | 5,209 | 19,498,280 | 17,266 | 73,965,974 | 69.8 | 73.6 |
| June | 14,359 | 64,920,224 | 4,759 | 18,055,900 | 19,118 | 82,976,124 | 75.1 | 78.2 |
| July | 8,790 | 40,341,145 | 3,298 | 12,524,380 | 12,088 | 52,865,525 | 72.7 | 76.3 |
| August | 10,709 | 49,083,195 | 3,335 | 13,070,580 | 14,044 | 62,153,775 | 76.3 | 79.0 |
| September | 10,669 | 48,684,451 | 3,498 | 13,949,060 | 14,167 | 62,633,511 | 75.3 | 77.7 |
| October | 13,020 | 59,489,740 | 3,799 | 15,265,898 | 16,819 | 74,755,638 | 77.4 | 79.6 |
| November | 11,408 | 52,421,444 | 3,346 | 13,162,289 | 14,754 | 65,583,733 | 77.3 | 79.9 |
| December | 9,242 | 42,102,300 | 2,876 | 11,440,168 | 12,118 | 53,542,468 | 76.3 | 78.6 |
| Total 1939 | 123,731 | 561,950,702 | 46,491 | 179,108,062 | 170,222 | 741,064,764 | 72.7 | 75.8 |
| 1940: | | | | | | | | |
| January | 8,352 | 37,706,400 | 2,792 | 11,446,837 | 11,144 | 49,153,237 | 74.9 | 76.7 |
| February | 7,799 | 34,520,700 | 2,610 | 10,397,735 | 10,409 | 44,918,435 | 74.9 | 76.9 |
| March | 11,584 | 51,361,531 | 3,111 | 12,492,270 | 14,695 | 63,853,801 | 78.8 | 80.4 |
| April | 13,966 | 61,773,200 | 3,751 | 15,252,756 | 17,717 | 77,025,956 | 78.8 | 80.2 |
| May | 14,242 | 63,390,400 | 3,664 | 14,345,846 | 17,906 | 77,736,246 | 79.5 | 81.5 |
| June | 16,054 | 71,179,000 | 3,640 | 14,195,200 | 19,694 | 85,374,200 | 81.5 | 83.4 |
| July | 16,628 | 74,005,900 | 3,711 | 14,658,500 | 20,339 | 88,664,400 | 81.8 | 83.5 |
| August | 17,068 | 75,915,200 | 3,917 | 15,767,040 | 20,985 | 91,682,240 | 81.3 | 82.8 |
| September | 15,995 | 71,138,100 | 3,431 | 13,632,259 | 19,426 | 84,770,359 | 82.3 | 83.9 |
| October | 17,436 | 77,440,200 | 3,843 | 15,291,615 | 21,279 | 92,731,815 | 81.9 | 83.5 |
| November | 12,538 | 55,919,000 | 2,783 | 10,855,200 | 15,321 | 66,774,200 | 81.8 | 83.7 |
| December | 10,671 | 47,112,800 | 2,665 | 10,667,190 | 13,336 | 57,779,990 | 80.0 | 81.5 |
| Total 1940 | 162,333 | 721,462,431 | 39,918 | 159,002,448 | 202,251 | 880,464,879 | 80.3 | 81.9 |

[1] For the months January 1935 through April 1936, net mortgages on homes accepted any time after completion of construction are included in this table as existing homes. Beginning with May 1936, gross mortgages on homes accepted within 12 months after completion of construction are included as new homes.

however, by such extraneous factors as the sharp initial growth of FHA, the recession of the autumn of 1937, the liberalizing amendment of 1938 and the lag between construction, mortgages selected, and mortgages accepted for insurance. Nevertheless, unmistakable seasonality characterizes FHA activity.

Experience indicates a tendency toward subnormal FHA activity from about November through February. During March, through May or June the volume usually reaches a yearly peak. The summer slump, which occurs about June or July, gives way to a secondary revival usually lasting from July or August until October.

TABLE 30.—*State distribution of mortgages accepted for insurance: Gross number and face amount of 1- to 4-family home mortgages accepted for insurance by FHA, 1940*

| Location of property | New homes | | Existing homes | | Total | | New homes as a percent of total | |
|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| Alabama | 1,634 | $6,661,300 | 259 | $898,987 | 1,893 | $7,560,287 | 86.3 | 88.1 |
| Arizona | 779 | 2,847,800 | 230 | 755,400 | 1,009 | 3,603,200 | 77.2 | 79.0 |
| Arkansas | 838 | 3,038,000 | 286 | 854,200 | 1,124 | 3,892,200 | 74.6 | 78.1 |
| California | 30,943 | 131,715,900 | 6,005 | 25,380,600 | 36,948 | 157,096,500 | 83.7 | 83.8 |
| Colorado | 1,707 | 6,805,500 | 691 | 2,365,600 | 2,398 | 9,171,100 | 71.2 | 74.2 |
| Connecticut | 1,502 | 7,544,800 | 223 | 1,202,500 | 1,725 | 8,747,300 | 87.1 | 86.3 |
| Delaware | 277 | 1,295,100 | 40 | 177,900 | 317 | 1,473,000 | 87.4 | 87.9 |
| District of Columbia | 527 | 2,815,600 | 38 | 253,100 | 565 | 3,068,700 | 93.3 | 91.8 |
| Florida | 5,442 | 20,787,150 | 400 | 1,390,900 | 5,842 | 22,178,050 | 93.2 | 93.7 |
| Georgia | 2,817 | 11,263,800 | 528 | 1,757,800 | 3,345 | 13,021,600 | 84.2 | 86.5 |
| Idaho | 756 | 2,695,700 | 292 | 832,565 | 1,048 | 3,528,265 | 72.1 | 76.4 |
| Illinois | 7,499 | 41,416,131 | 5,527 | 27,135,800 | 13,026 | 68,551,931 | 57.6 | 60.4 |
| Indiana | 5,712 | 25,453,300 | 2,648 | 9,123,300 | 8,360 | 34,576,600 | 68.3 | 73.6 |
| Iowa | 1,824 | 7,764,500 | 522 | 1,689,600 | 2,346 | 9,454,100 | 77.7 | 82.1 |
| Kansas | 1,770 | 7,309,200 | 470 | 1,346,200 | 2,240 | 8,655,400 | 79.0 | 84.4 |
| Kentucky | 1,257 | 5,267,650 | 111 | 495,400 | 1,368 | 5,763,050 | 91.9 | 91.4 |
| Louisiana | 1,950 | 8,316,400 | 152 | 615,200 | 2,102 | 8,931,600 | 92.8 | 93.1 |
| Maine | 249 | 952,500 | 347 | 864,600 | 596 | 1,817,100 | 41.8 | 52.4 |
| Maryland | 3,025 | 13,345,400 | 238 | 1,067,000 | 3,263 | 14,412,400 | 92.7 | 92.6 |
| Massachusetts | 857 | 3,871,900 | 319 | 1,562,000 | 1,176 | 5,433,900 | 72.9 | 71.3 |
| Michigan | 14,625 | 67,617,200 | 2,637 | 10,713,800 | 17,262 | 78,331,000 | 84.7 | 86.3 |
| Minnesota | 2,090 | 9,401,300 | 466 | 1,854,700 | 2,556 | 11,256,000 | 81.8 | 83.5 |
| Mississippi | 1,139 | 3,853,400 | 115 | 360,300 | 1,254 | 4,213,700 | 90.8 | 91.4 |
| Missouri | 3,699 | 16,244,200 | 977 | 3,444,500 | 4,676 | 19,688,700 | 79.1 | 82.5 |
| Montana | 544 | 2,197,700 | 226 | 758,000 | 770 | 2,955,700 | 70.6 | 74.4 |
| Nebraska | 780 | 3,380,100 | 688 | 2,126,400 | 1,468 | 5,506,500 | 53.1 | 61.4 |
| Nevada | 222 | 1,111,200 | 23 | 93,500 | 245 | 1,204,700 | 90.6 | 92.2 |
| New Hampshire | 152 | 650,600 | 204 | 644,400 | 356 | 1,295,000 | 42.7 | 50.2 |
| New Jersey | 6,885 | 33,660,800 | 1,751 | 6,949,203 | 8,636 | 40,610,003 | 79.7 | 82.9 |
| New Mexico | 736 | 2,890,400 | 93 | 201,700 | 829 | 3,092,100 | 88.8 | 90.6 |
| New York | 10,107 | 51,691,100 | 1,075 | 5,361,590 | 11,182 | 57,052,690 | 90.4 | 90.6 |
| North Carolina | 2,627 | 10,999,500 | 408 | 1,608,700 | 3,035 | 12,608,200 | 86.6 | 87.2 |
| North Dakota | 126 | 532,500 | 33 | 93,640 | 159 | 626,140 | 79.2 | 85.0 |
| Ohio | 6,325 | 33,004,200 | 3,152 | 14,231,500 | 9,477 | 47,235,700 | 66.7 | 69.9 |
| Oklahoma | 3,024 | 11,668,850 | 598 | 1,990,700 | 3,622 | 13,659,550 | 83.5 | 85.4 |
| Oregon | 1,475 | 5,664,300 | 443 | 1,316,700 | 1,918 | 6,981,000 | 76.9 | 81.1 |
| Pennsylvania | 8,032 | 38,905,100 | 2,431 | 9,106,199 | 10,463 | 48,011,299 | 76.8 | 81.0 |
| Rhode Island | 569 | 2,634,200 | 113 | 469,500 | 682 | 3,103,700 | 83.4 | 84.9 |
| South Carolina | 1,421 | 5,414,800 | 97 | 318,000 | 1,518 | 5,732,800 | 93.6 | 94.5 |
| South Dakota | 325 | 1,281,800 | 265 | 619,500 | 590 | 1,901,300 | 55.1 | 67.4 |
| Tennessee | 2,872 | 10,665,000 | 245 | 897,164 | 3,117 | 11,562,164 | 92.1 | 92.2 |
| Texas | 10,626 | 40,756,550 | 474 | 1,729,800 | 11,100 | 42,486,350 | 95.7 | 95.9 |
| Utah | 1,373 | 5,580,900 | 226 | 850,700 | 1,599 | 6,431,600 | 85.9 | 86.8 |
| Vermont | 155 | 658,000 | 133 | 455,600 | 288 | 1,113,600 | 53.8 | 59.1 |
| Virginia | 3,331 | 15,652,600 | 371 | 1,582,100 | 3,702 | 17,234,700 | 90.0 | 90.8 |
| Washington | 3,472 | 14,106,800 | 2,054 | 6,308,500 | 5,526 | 20,415,300 | 62.8 | 69.1 |
| West Virginia | 1,039 | 5,075,300 | 338 | 1,385,900 | 1,377 | 6,461,200 | 75.5 | 78.6 |
| Wisconsin | 2,067 | 9,871,300 | 362 | 1,632,700 | 2,429 | 11,504,000 | 85.1 | 85.8 |
| Wyoming | 499 | 2,002,300 | 410 | 1,239,200 | 909 | 3,241,500 | 54.9 | 61.8 |
| Alaska | 58 | 278,600 | 9 | 38,500 | 67 | 317,100 | 86.6 | 87.9 |
| Hawaii | 303 | 1,306,800 | 73 | 289,500 | 376 | 1,596,300 | 80.6 | 81.9 |
| Puerto Rico | 270 | 1,627,400 | 102 | 471,600 | 372 | 2,099,000 | 72.6 | 77.5 |
| Total | 162,333 | 721,462,431 | 39,918 | 159,002,448 | 202,251 | 880,464,879 | 80.3 | 81.9 |



### State Distribution of Mortgages Accepted in 1940

California, with nearly $132,000,000 new-home mortgages accepted for FHA insurance in 1940, accounted for almost twice the volume of Michigan, the second ranking State, which reported about $68,000,000. New York, with almost $52,000,000 new-home mortgages, stood third.

In refinancing mortgages with FHA insurance, Illinois surpassed all other States by attaining a level of $27,000,000 in 1940. This volume greatly exceeded that of all other States except California.

New-home mortgages as a percent of all mortgages accepted for FHA insurance in 1940, varied widely among the States. For Texas, 95.9 percent of the dollar volume covered new-home mortgages, for South Carolina 94.5 percent, and for Florida 93.7 percent. For New Hampshire and Maine, only 50.2 and 52.4 percent respectively of the mortgages accepted for insurance were secured by new homes. State and regional shifts in industry and population, as well as the relative extent and duration of previous building activity, strongly influence these interstate differences.

### Mortgages by City-size Groups

Almost four of every five new-home mortgages accepted for FHA insurance are secured by properties located inside metropolitan districts. The proportion inside rose sharply from 1937 to 1938 and then remained on a plateau from 1938 through 1940. See Table 31 and Chart 14.

Practically all of the relative increase in FHA new-home loans inside metropolitan districts is attributable to the several city-size groups of less than 50,000 population. This appears to be largely the consequence of the population growth during the last 10 years, for, as also is indicated in Table 31, it is in these same groups that the increment in United States population from 1930 to 1940 was greatest.

Possibly one reason for the increase in the proportion of FHA new home mortgage insurance inside metropolitan districts is that the 1938 amendment permitted more liberal terms of purchase which brought new home ownership within the reach of many urban tenants.

Inasmuch as home ownership has more typically characterized families dwelling in small towns than those in large cities, it appears normal that the greater relative gains should have taken place inside metropolitan districts than outside.

That most of this increase occurred in the so-called rural nonfarm places and in incorporated places of less than 2,500 population probably results jointly from the fact that in these satellite areas land prices and construction costs tend to run noticeably lower than those in the central cities and that these generally are the areas in which a house can be bought at a price low enough to permit financing within the $5,400 mortgage principal limitations which give the home buyer the advantage of the more liberalized FHA plan.

CHART 14—LOCATION OF PROPERTY COVERING MORTGAGES ACCEPTED, BY CITY-SIZE GROUPS, 1937-1940

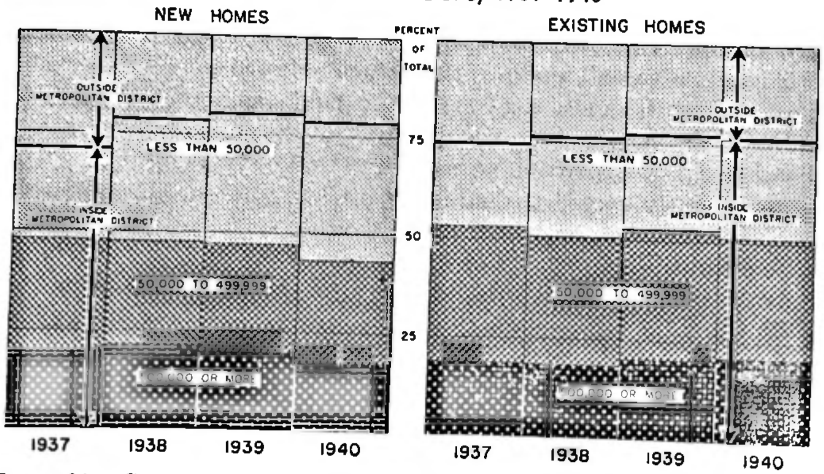



TABLE 31.—*City-size groups inside and outside metropolitan districts: New and existing 1- to 4-family home mortgages accepted for insurance by FHA in Continental U. S., 1937–40, and U. S. nonfarm population, 1940*

| City size group | Percentage distribution[1] | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | New homes | | | | Nonfarm population[2] | | Existing homes | | | |
| | 1937 | 1938 | 1939 | 1940 | Increase 1930 to 1940 | Total in 1940 | 1937 | 1938 | 1939 | 1940 |
| Inside metropolitan districts: | | | | | | | | | | |
| 1,000,000 or more | 16.4 | 18.1 | 16.4 | 13.8 | 9.5 | 15.7 | 11.5 | 13.6 | 14.7 | 15.8 |
| 500,000 to 999,999 | 3.2 | 3.1 | 3.2 | 3.3 | 7.8 | 6.3 | 6.9 | 4.7 | 5.4 | 5.0 |
| 500,000 or more | 19.6 | 21.2 | 19.6 | 17.1 | 17.3 | 22.0 | 18.4 | 18.3 | 20.1 | 20.8 |
| 250,000 to 499,999 | 9.2 | 8.8 | 9.4 | 8.7 | −1.4 | 7.7 | 15.4 | 13.0 | 13.4 | 12.0 |
| 100,000 to 249,999 | 10.8 | 9.8 | 10.1 | 9.1 | 2.8 | 7.7 | 10.1 | 10.5 | 10.0 | 9.1 |
| 50,000 to 99,999 | 8.0 | 7.8 | 8.2 | 8.4 | 9.6 | 7.2 | 9.2 | 9.2 | 9.8 | 9.4 |
| 50,000 to 499,999 | 28.0 | 26.4 | 27.7 | 26.2 | 11.0 | 22.6 | 34.7 | 32.7 | 33.2 | 30.5 |
| 25,000 to 49,999 | 2.4 | 2.9 | 2.7 | 2.7 | 7.5 | 3.2 | 3.6 | 3.5 | 3.5 | 3.6 |
| 10,000 to 24,999 | 5.9 | 7.0 | 7.2 | 7.2 | 3.1 | 3.8 | 6.5 | 7.7 | 7.1 | 7.8 |
| 5,000 to 9,999 | 4.2 | 4.3 | 4.6 | 4.8 | 2.8 | 2.0 | 4.2 | 4.6 | 4.0 | 4.4 |
| 2,500 to 4,999 | 2.4 | 2.7 | 3.0 | 3.4 | .5 | 1.0 | 2.2 | 2.3 | 2.2 | 2.3 |
| Rural nonfarm[3] | 8.5 | 14.0 | 15.7 | 17.3 | 23.3 | 7.4 | 4.6 | 7.2 | 7.1 | 7.3 |
| Less than 50,000 | 23.4 | 30.9 | 33.2 | 35.4 | 37.2 | 17.4 | 21.1 | 25.3 | 23.9 | 25.4 |
| Total inside | 71.0 | 78.5 | 80.5 | 78.7 | 65.5 | 62.0 | 74.2 | 76.3 | 77.2 | 76.7 |
| Outside metropolitan districts: | | | | | | | | | | |
| 25,000 to 49,999 | 4.1 | 3.0 | 3.3 | 3.5 | 3.6 | 4.2 | 4.6 | 4.1 | 4.0 | 4.1 |
| 10,000 to 24,999 | 5.7 | 5.4 | 4.0 | 5.2 | 6.6 | 6.0 | 6.2 | 6.0 | 5.6 | 5.8 |
| 5,000 to 9,999 | 4.0 | 3.9 | 3.3 | 3.4 | 6.1 | 4.6 | 3.4 | 3.8 | 3.4 | 3.7 |
| 2,500 to 4,999 | 3.2 | 3.1 | 2.7 | 2.9 | 3.0 | 3.9 | 3.0 | 3.3 | 2.9 | 2.9 |
| Rural nonfarm[3] | 12.0 | 6.1 | 5.3 | 6.3 | 15.2 | 10.3 | 8.6 | 6.5 | 6.9 | 6.8 |
| Total outside | 29.0 | 21.5 | 19.5 | 21.3 | 34.5 | 38.0 | 25.8 | 23.7 | 22.8 | 23.3 |
| Grand total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

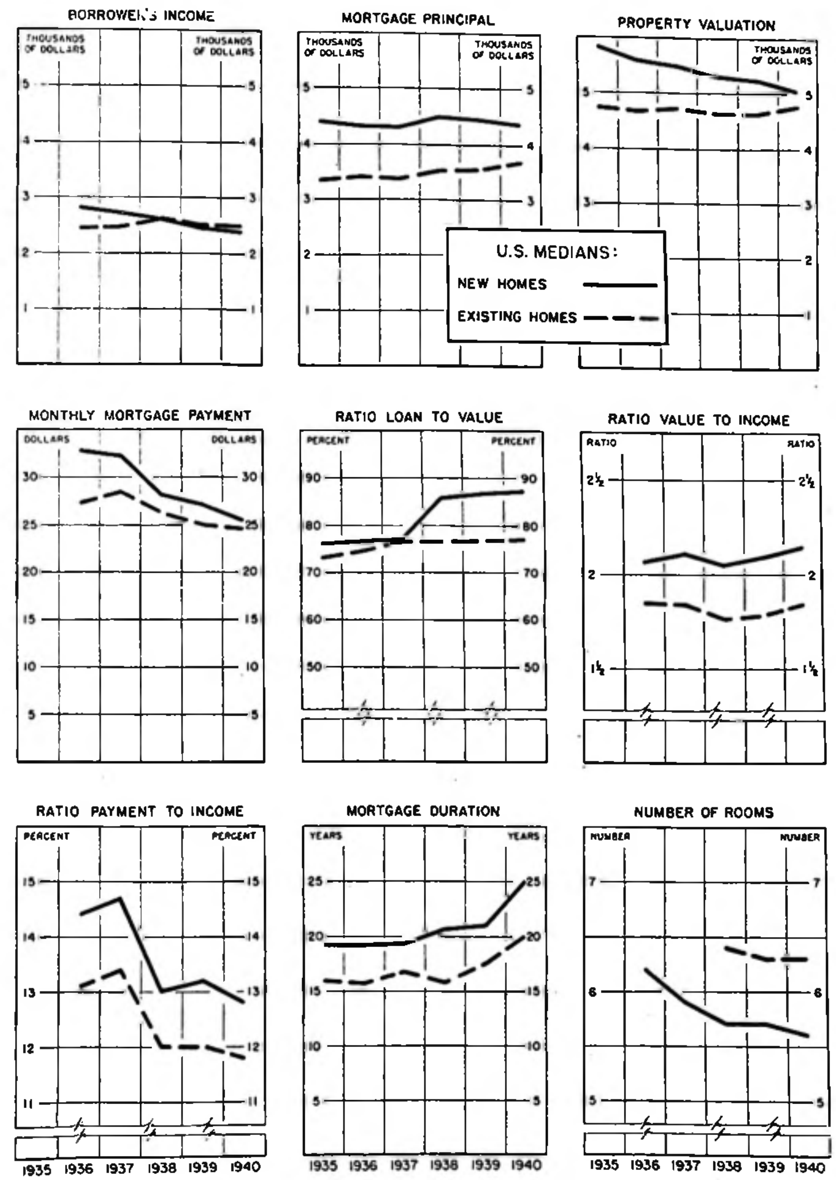
[1] All data are based upon the metropolitan districts established in the 1940 Census. By definition, a metropolitan district includes one or more central cities of 50,000 or more population.
[2] Based on an FHA estimate of the U. S. continental nonfarm population.
[3] Includes also incorporated places of less than 2,500 population.



## CHARACTERISTICS OF INSURED HOME MORTGAGES

CONDITIONS increasingly favorable to buyers have been made available under the FHA plan of amortized financing of new-home mortgages. The annual family income of the typical (median) new-home

CHART 15—TRENDS IN HOME MORTGAGE FINANCING UNDER THE FHA PLAN



mortgagor of 1940 amounted to $2,381, some $433 under that of the 1936 new-home purchaser. Similarly, the median monthly payment to principal and interest of $25.39 for 1940 new-home buyers had declined about $7.37 from the 1936 level, the first year for which data are available.

Inasmuch as the relative drop in mortgage payment exceeded the drop in income level during this period, payment as a percent of the borrower's income declined also. By 1940 this percentage for new-home buyers had declined to 12.8.

Total valuation of the typical new home purchased in 1940 under an FHA-insured mortgage was $5,059, an amount $823 below that of the typical 1935 new home. A partial explanation of this lower price is the decline in number of rooms. The median number of rooms in new homes had dropped to 5.6 in 1940 from 6.2 in 1936. Property valuation increased to 1.97 times the borrower's annual income in 1940 from 1.90 in 1936. This relative increase in the face of a substantial drop in valuation, of course, resulted from the even larger proportional decline in typical borrower's annual income.

Despite the marked decrease in income level and in property valuation, the typical new-home mortgage of $4,358 for 1940 constituted a decline of only $54 from 1935. This negligible decrease in mortgage principal concurrent with the sharp drop in property valuation largely was made possible by the 1938 amendment enabling the FHA to insure mortgages having a higher loan to value ratio.

Typically, under the FHA plan, the 1940 new-home buyer mortgaged his home for 87.0 percent of its valuation, compared with 76.1 percent for 1935. Also, his 1940 mortgage covered a term of 25 years, whereas in 1935 the typical term was 19.3 years. The 1938 amendment raised the maximum permissible term from 20 to 25 years. This increased mortgage term bears directly upon the previously mentioned reduced monthly mortgage payments, inasmuch as the interest and mortgage principal are amortized over a 6 year longer period.

For existing-home buyers, mortgage-financing conditions under the FHA plan also became more liberal, although not to the same extent as for new-home buyers. The existing-home buyer of 1940 earned $2,485, a decline of over $100 from 1938. Mortgage payments declined to $24.51 in 1940, almost $4 below the 1937 payment. Ratio of mortgage payment to income declined to 11.8 percent for 1940.

The typical existing home purchased in 1940 under the FHA plan was valued at $4,770, a noticeable increase over 1939 and 1938.

The amount of principal of existing home mortgages increased to $3,687 in 1940, a figure about $342 above that of 1935. During the same period, ratio of loan to value increased from 73.1 to 76.8 percent, and mortgage term from 16.0 to 20.0 years.



### Mortgage Principal

Mortgages of $3,000 to $5,999 represented 78.4 percent of all new-home mortgages accepted for insurance in 1940. This constitutes a substantial increase from 56.5 percent in 1936. The more favorable terms to new-home buyers with mortgages under $5,400 permitted under the 1938 amendment has probably contributed to this increase. Concurrently, the proportion of new-home mortgages of $6,000 or more decreased from 23.2 percent in 1936 to 10.7 percent in 1940.

Existing home mortgages of $3,000 to $5,999 likewise increased from 46.0 percent in 1936 to 55.4 percent in 1940, an increase greater than that for new-home mortgages. The percentage of existing home mortgages in each mortgage principal interval from $8,000 up and below $3,000 is substantially larger than for new-home mortgages.

CHART 16—ORIGINAL PRINCIPAL AMOUNT OF MORTGAGES ON NEW AND EXISTING HOMES INSURED DURING 1940

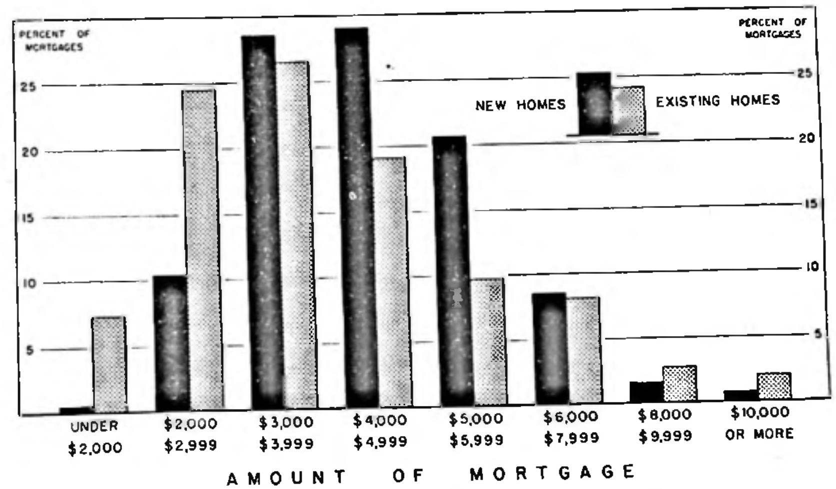



TABLE 32.—*Amount of mortgage principal: New and existing, 1- to 4-family home mortgages accepted for insurance by FHA, 1936–1940*

| Mortgage principal | Percentage distribution of new homes | | | | | Percentage distribution of existing homes | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1936 [1] | 1937 | 1938 | 1939 | 1940 | 1936 [1] | 1937 | 1938 | 1939 | 1940 |
| Less than $2,000 | 4.3 | 3.1 | 1.1 | 0.6 | 0.5 | 15.1 | 12.9 | 10.5 | 9.2 | 7.3 |
| $2,000 to $2,999 | 16.0 | 15.0 | 10.6 | 9.7 | 10.4 | 25.6 | 28.1 | 26.3 | 26.5 | 24.5 |
| $3,000 to $3,999 | 22.9 | 25.0 | 24.9 | 26.5 | 28.6 | 22.3 | 25.0 | 25.2 | 26.1 | 26.6 |
| $4,000 to $4,999 | 20.4 | 22.6 | 27.3 | 20.3 | 29.1 | 15.1 | 16.0 | 16.8 | 17.7 | 19.1 |
| $5,000 to $5,999 | 13.2 | 13.7 | 21.2 | 22.0 | 20.7 | 8.0 | 7.7 | 8.8 | 8.8 | 9.7 |
| $6,000 to $6,999 | 8.8 | 8.7 | 7.4 | 6.5 | 6.1 | 5.3 | 4.5 | 5.3 | 5.2 | 5.6 |
| $7,000 to $7,999 | 4.9 | 4.0 | 3.4 | 2.7 | 2.4 | 2.7 | 2.0 | 2.4 | 2.2 | 2.5 |
| $8,000 to $8,999 | 3.1 | 2.7 | 1.9 | 1.4 | 1.1 | 1.8 | 1.4 | 1.7 | 1.7 | 1.8 |
| $9,000 to $9,999 | 2.0 | 1.4 | .6 | .4 | .4 | .9 | .7 | .7 | .7 | .9 |
| $10,000 to $11,999 | 2.1 | 2.0 | .9 | .5 | .4 | 1.3 | .9 | 1.2 | 1.1 | 1.1 |
| $12,000 to $16,000 | 2.3 | 1.8 | .7 | .4 | .3 | 1.3 | .8 | 1.1 | .8 | .9 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average mortgage | $4,711 | $4,633 | $4,601 | $4,511 | $4,424 | $3,756 | $3,615 | $3,825 | $3,823 | $3,977 |
| Median mortgage | 4,333 | 4,304 | 4,491 | 4,450 | 4,358 | 3,413 | 3,361 | 3,520 | 3,547 | 3,687 |

[1] Computations based on premium-paying mortgages.

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### Duration of Mortgage

Some 63.8 percent of the new-home mortgages accepted for FHA insurance in 1940 were to be amortized over a 25-year period, the maximum allowable term. This represents a sharp increase over the 37.9 percent figure for 1939 and the 29.6 percent for 1938. Only 3.5 percent of the new-home mortgages accepted for insurance in 1940 will mature in less than 20 years, whereas the comparable figure for 1935 approximated 73 percent. Prior to 1938, the FHA was not authorized to insure mortgages having a term of more than 20 years.

Over half, 52.1 percent, of all existing-home mortgages accepted in 1940 had a duration of 20 years. The comparable figure for 1935 was 21.0 percent.

CHART 17—DURATION OF MORTGAGES ON NEW AND EXISTING HOMES INSURED DURING 1940

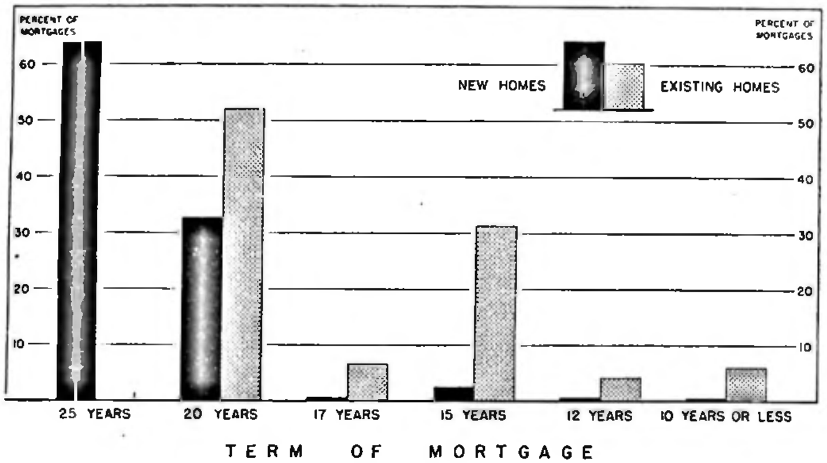



TABLE 33.—*Duration of mortgage: New and existing, 1- to 4-family home mortgages accepted for insurance by FHA, 1935–1940*

| Term of mortgage [1] | Percentage distribution of new homes | | | | | | Percentage distribution of existing homes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1935 | 1936 [2] | 1937 [2] | 1938 | 1939 | 1940 | 1935 | 1936 [2] | 1937 [2] | 1938 | 1939 | 1940 |
| 25 years | (3) | (3) | (3) | 29.6 | 37.9 | 63.8 | (3) | (3) | (3) | (3) | (3) | (3) |
| 24 years | (3) | (3) | (3) | 11.7 | 10.8 | (4) | (3) | (3) | (3) | (3) | (3) | (3) |
| 20 years | 27.1 | 15.0 | 7.3 | 41.9 | 43.3 | 32.7 | 21.0 | 14.0 | 8.6 | 31.9 | 41.3 | 52.1 |
| 19 years | 39.0 | 53.0 | 73.2 | 8.7 | 3.6 | (4) | 26.7 | 32.3 | 39.7 | 10.4 | 6.7 | (4) |
| 17 years | 5.0 | 3.2 | 1.3 | .5 | .3 | .4 | 1.8 | 1.8 | 1.9 | 2.3 | 3.7 | 6.6 |
| 15 years | 21.0 | 20.6 | 14.1 | 6.0 | 3.1 | 2.4 | 28.5 | 31.8 | 34.1 | 38.8 | 35.2 | 31.3 |
| 12 years | 2.2 | 2.0 | 1.1 | .6 | .5 | .4 | 5.9 | 6.0 | 5.7 | 6.9 | 5.7 | 4.0 |
| 10 years | 4.7 | 4.5 | 2.8 | .9 | .5 | .3 | 13.2 | 11.7 | 8.5 | 8.4 | 6.2 | 5.2 |
| 8 years | .7 | .5 | .1 | .1 | (4) | (4) | 1.6 | 1.3 | .9 | .9 | .8 | .6 |
| 5 years | .3 | .3 | .1 | (4) | (4) | (4) | 1.3 | 1.1 | .6 | .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 |
| Average duration | 17.6 | 17.7 | 18.4 | 21.4 | 22.0 | 23.0 | 16.0 | 16.2 | 16.5 | 16.3 | 16.9 | 17.3 |
| Median duration | 19.3 | 19.3 | 19.4 | 20.8 | 21.0 | 25.0 | 16.0 | 15.9 | 16.9 | 15.9 | 17.5 | 20.0 |

[1] Years presented are those permitted by administrative regulation of February 1938.
[2] Computations based upon insured mortgages.
[3] Ineligible for insurance of more than 20 years' duration.
[4] Less than 0.05 percent.



### Ratio of Loan to Value

Over two-thirds, 66.8 percent, of the new-home mortgages accepted for FHA insurance in 1940 represented from 86 to 90 percent of the total property valuation. Moreover, only 8.2 percent of the 1940 new-home mortgages covered less than 76 percent of the property valuation, a precipitous decline from the 48.4 percentage of 1935. In 1938, the maximum ratio of loan to value for new-home mortgages was raised from 80 to 90 percent.

Although the upper limit of 80 percent for existing-home mortgages has not been raised, the proportion of buyers obtaining a loan to value ratio of 76 to 80 percent has increased from 40.3 percent in 1935 to 63.3 percent in 1940. Thus, buyers of both new and existing homes usually avail themselves of ratios very near the top limit.

CHART 18—RATIO OF LOAN TO PROPERTY VALUE, FOR MORTGAGES INSURED DURING 1940

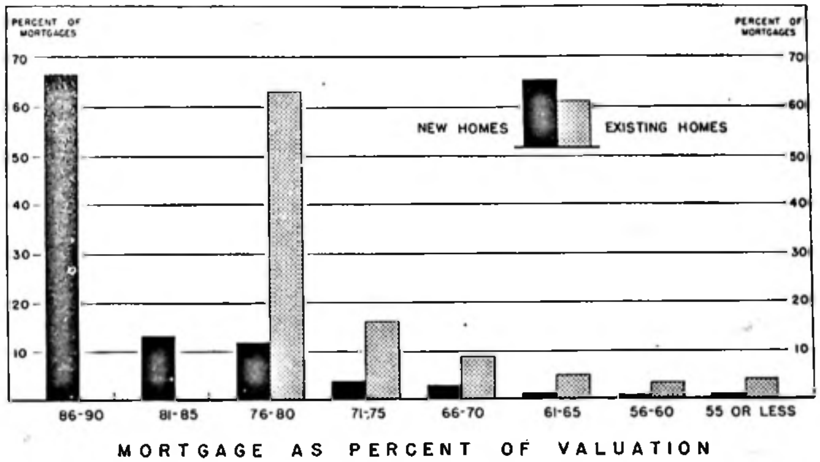



TABLE 34.—*Ratio of loan to value: New and existing, 1- to 4-family home mortgages accepted for insurance by FHA, 1935–1940*

| Loan as a percent of value [1] | Percentage distribution of new homes | | | | | | Percentage distribution of existing homes | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1935 | 1936 | 1937 [2] | 1938 | 1939 | 1940 | 1935 | 1936 | 1937 [2] | 1938 | 1939 | 1940 |
| 86 to 90 | (3) | (3) | (3) | 49.0 | 59.6 | 66.8 | (3) | (3) | (3) | (3) | (3) | (3) |
| 81 to 85 | (3) | (3) | (3) | 13.7 | 13.7 | 13.2 | (3) | (3) | (3) | (3) | (3) | (3) |
| 76 to 80 | 51.6 | 59.7 | 67.4 | 24.6 | 16.1 | 11.8 | 40.3 | 45.0 | 54.9 | 55.7 | 58.4 | 63.3 |
| 71 to 75 | 18.7 | 16.9 | 15.6 | 6.1 | 4.7 | 3.6 | 16.9 | 16.5 | 17.9 | 17.4 | 16.8 | 16.2 |
| 66 to 70 | 12.5 | 10.1 | 8.1 | 3.4 | 3.6 | 2.7 | 12.8 | 13.0 | 11.2 | 11.1 | 10.7 | 8.6 |
| 61 to 65 | 7.1 | 5.5 | 4.0 | 1.3 | 1.1 | .8 | 9.3 | 7.8 | 5.9 | 6.3 | 5.5 | 4.7 |
| 56 to 60 | 4.7 | 3.9 | 2.4 | 1.0 | .6 | .5 | 7.1 | 6.5 | 4.3 | 4.3 | 3.9 | 3.2 |
| 51 to 55 | 2.2 | 1.7 | 1.1 | .4 | .2 | .2 | 4.4 | 3.7 | 2.1 | 2.0 | 2.0 | 1.7 |
| 50 or less | 3.2 | 2.2 | 1.4 | .5 | .4 | .4 | 9.2 | 7.5 | 3.7 | 3.2 | 2.7 | 2.3 |
| 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 |
| Average loan as a percent of average value | 73.0 | 73.9 | 75.3 | 82.4 | 83.7 | 84.7 | 69.0 | 70.4 | 73.7 | 73.9 | 74.4 | 75.1 |
| Median percent | 76.1 | 76.6 | 77.0 | 85.6 | 86.6 | 87.0 | 73.1 | 74.5 | 76.4 | 76.4 | 76.6 | 76.8 |

[1] Includes valuation of house, all other physical improvements, and land.
[2] Computations based on insured mortgages.
[3] Homes ineligible for mortgages of more than 80 percent of property valuation.

## CHARACTERISTICS OF PROPERTIES

ANALYSES of properties securing mortgages accepted for FHA insurance cover property valuation, number of rooms, garage capacity, exterior material of construction, and land valuation of properties inside and outside metropolitan districts for single-family new and existing homes.

### Dwelling Units and FHA Valuation

Some 99.0 percent of all new-home mortgages accepted for insurance in 1940 were secured by single-family homes. Two family structures constituted 0.7 percent of the total. Four-family homes, 0.2 percent of total, were twice as numerous as the three-family structures. Even as early as 1936, about 95.4 percent of the homes underlying FHA accepted mortgages were of the single-family type.

Existing homes securing mortgages accepted for FHA insurance also are predominately single-family structures, although somewhat fewer in proportion than is true of new homes. About 92.7 percent of existing homes contain only one dwelling, 6.1 percent contain two dwellings, and 0.7 percent contain three dwellings. More of the existing homes have three dwelling units than have four dwelling units.

Average valuation of new homes has declined for each dwelling unit size. Valuation of single-family homes decreased over $1,100 from 1936 to the 1940 level of $5,199. For four-family homes the drop of $2,672 from 1937 to the 1940 average of $9,971 was even greater.

With existing homes, property valuation declined slightly for one-family and for four-family structures. But for two-family and for three-family structures, property valuation increased somewhat. This is contrary to the FHA experience on new homes. The valuation

TABLE 35.—*Size and average FHA valuation of dwellings: New and existing home mortgages accepted for insurance by FHA, 1936–1940*

| Number of units | New homes | | | | | Existing homes | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1936 [1] | 1937 | 1938 | 1939 | 1940 | 1936 [1] | 1937 | 1938 | 1939 | 1940 |
| **PERCENTAGE DISTRIBUTION** | | | | | | | | | | |
| 1-family | 95.4 | 95.7 | 97.6 | 98.5 | 99.0 | 92.7 | 91.9 | 92.5 | 92.7 | 92.7 |
| 2-family | 3.2 | 3.0 | 1.9 | 1.2 | .7 | 6.0 | 6.9 | 6.4 | 6.2 | 6.1 |
| 3-family | .4 | .4 | .2 | .1 | .1 | .6 | .7 | .6 | .5 | .7 |
| 4-family | 1.0 | .9 | .3 | .2 | .2 | .7 | .5 | .5 | .6 | .5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| **AVERAGE PROPERTY VALUATION [2]** | | | | | | | | | | |
| 1-family | $6,336 | $5,978 | $5,530 | $5,352 | $5,199 | $5,244 | $4,890 | $5,069 | $5,030 | $5,179 |
| 2-family | (3) | 7,231 | 7,310 | 7,190 | 6,976 | (3) | 5,989 | 6,140 | 6,216 | 6,268 |
| 3-family | (3) | 9,045 | 7,979 | 7,456 | 7,932 | (3) | 7,628 | 8,386 | 7,983 | 8,901 |
| 4-family | (3) | 12,643 | 11,375 | 10,442 | 9,971 | (3) | 9,208 | 9,545 | 8,232 | 8,844 |
| Total | 6,436 | 6,002 | 5,587 | 5,386 | 5,223 | 5,353 | 4,975 | 5,179 | 5,137 | 5,296 |

[1] Computations based on insured mortgages.
[2] Includes FHA valuation of house, other physical improvements, and land.
[3] Data not available.



difference between new and existing homes narrowed markedly over the period of FHA operation. In 1936 the valuation of new homes exceeded that of existing homes for each dwelling unit size by from almost $1,100 to over $3,400, whereas in 1940 on one extreme the three-dwelling unit among existing homes exceeded the valuation of new homes by almost $1,000, and on the other extreme the greatest new homes margin amounted to only about $1,100.

Although the total property valuation increases with the number of dwelling units covered by the mortgage, the dwelling unit price decreases with each increase in number of units. Thus, the valuation of new homes averaged $5,199 for a single-family home, $3,488 for each unit in a new two-family home, $2,644 for each unit in a three-family home, and only $2,493 for each unit in a four-family home. Except for the four-family units, this same kind of relationship among family units obtains for each year for both new and existing homes.

### Property Valuation

Well over two-thirds, 69.0 percent, of the new single-family homes securing mortgages accepted for FHA insurance during 1940 were valued at from $3,000 to $5,999 for house and lot combined. Each year the proportion of homes in this valuation bracket has increased. Conversely, with each valuation group above $8,000, the proportion of new homes has decreased yearly until in 1940 only 5.6 percent of the new homes were valued above $8,000. In 1936, new homes valued above $8,000 were relatively four times as numerous, 21.3 percent of the total. See Chart 19 and Table 36.

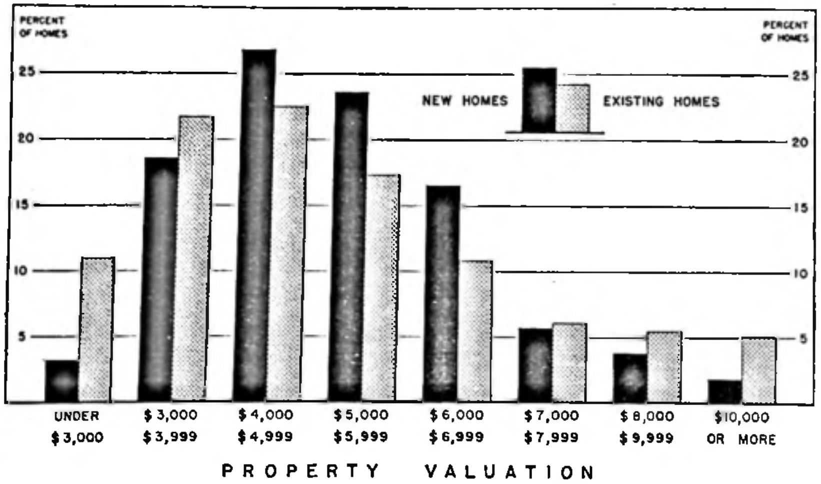
Existing homes are distributed in about the same pattern as are new homes. Relatively three times as many existing homes as new homes, however, are valued under $3,000. Existing homes also relatively outnumber new homes in all valuation groups above $7,000.

TABLE 36.—*Property valuation: New and existing single-family home mortgages accepted for insurance by FHA, 1936–1940*

| Property valuation [1] | Percentage distribution of new homes | | | | | Percentage distribution of existing homes | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1936 | 1937 | 1938 | 1939 | 1940 | 1936 [2] | 1937 [2] | 1938 | 1939 | 1940 |
| Less than $2,000 | 0.7 | 0.3 | 0.1 | 0.1 | 0.1 | 3.3 | 1.6 | 1.9 | 1.5 | 1.2 |
| $2,000 to $2,999 | 6.3 | 4.8 | 3.7 | 2.0 | 3.1 | 12.9 | 12.3 | 12.0 | 11.3 | 9.8 |
| $3,000 to $3,999 | 14.4 | 14.4 | 15.2 | 16.5 | 18.6 | 20.7 | 21.1 | 22.6 | 23.0 | 21.7 |
| $4,000 to $4,999 | 17.5 | 20.1 | 23.5 | 24.9 | 26.8 | 19.4 | 20.4 | 21.4 | 22.5 | 22.5 |
| $5,000 to $5,999 | 17.9 | 19.7 | 22.8 | 24.3 | 23.6 | 14.5 | 16.1 | 15.6 | 15.9 | 17.3 |
| $6,000 to $6,999 | 12.8 | 14.3 | 17.9 | 18.6 | 16.5 | 9.9 | 10.6 | 10.1 | 10.2 | 10.8 |
| $7,000 to $7,999 | 9.1 | 9.4 | 7.5 | 6.4 | 5.7 | 6.4 | 6.5 | 6.1 | 5.8 | 6.1 |
| $8,000 to $9,999 | 10.6 | 9.0 | 5.7 | 4.4 | 3.8 | 6.4 | 6.0 | 5.0 | 5.1 | 5.5 |
| $10,000 to $11,999 | 4.6 | 3.7 | 1.8 | 1.2 | 1.0 | 2.8 | 2.6 | 2.3 | 2.2 | 2.4 |
| $12,000 to $14,999 | 3.2 | 2.4 | 1.0 | .6 | .5 | 1.9 | 1.6 | 1.0 | 1.5 | 1.6 |
| $15,000 or more | 2.9 | 1.9 | .8 | .4 | .3 | 1.8 | 1.2 | 1.4 | 1.0 | 1.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average valuation | $6,255 | $5,978 | $5,530 | $5,352 | $5,199 | [2] $5,244 | [2] $5,170 | $5,069 | $5,030 | $5,179 |
| Median valuation | 5,625 | 5,524 | 5,334 | 5,245 | 5,059 | [2] 4,673 | [2] 4,733 | 4,628 | 4,629 | 4,770 |

[1] FHA valuation includes value of house, all other physical improvements, and land.
[2] Computations based upon single-family home mortgages insured.

CHART 19—FHA VALUATION OF NEW AND EXISTING HOMES, 1940




### Number of Rooms

Almost half, 47.1 percent, of the new homes securing mortgages accepted for FHA insurance in 1940 contained five rooms. Another 21.7 percent in 1940 had four rooms, compared with 9.4 percent for 1936. This obviously is one of the reasons for the decline in average valuation over the several years of FHA operations.

For existing homes, the six-room house was most numerous, representing 35.2 percent of the total in 1940. The five-room house was second, with 32.4 percent. Existing homes of eight or more rooms made up 10.4 percent of the total, as against only 1.1 percent for new homes of the same size. Seven-room houses also are relatively much more numerous among existing than among new homes.

TABLE 37.—*Number of rooms: New and existing single-family home mortgages accepted for insurance by FHA, 1936–1940*

| Number of rooms [1] | Percentage distribution of new homes | | | | | Percentage distribution of existing homes [2] | | |
|---|---|---|---|---|---|---|---|---|
| | 1936 | 1937 | 1938 | 1939 | 1940 | 1938 | 1939 | 1940 |
| 3 or less | 1.1 | 1.0 | 0.8 | 0.9 | 0.9 | 0.6 | 0.6 | 0.6 |
| 4 | 9.4 | 11.9 | 13.8 | 17.2 | 21.7 | 6.0 | 6.9 | 7.0 |
| 5 | 33.3 | 41.4 | 48.2 | 49.1 | 47.1 | 30.0 | 32.4 | 32.4 |
| 6 | 33.2 | 30.2 | 28.4 | 27.8 | 25.7 | 33.2 | 34.7 | 35.2 |
| 7 | 14.0 | 10.6 | 6.5 | 3.8 | 3.5 | 17.0 | 14.7 | 14.4 |
| 8 | 5.5 | 3.3 | 1.6 | .9 | .8 | 7.6 | 6.5 | 6.4 |
| 9 or more | 3.5 | 1.6 | .7 | .3 | .3 | 5.6 | 4.2 | 4.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average number | 5.8 | 5.5 | 5.3 | 5.2 | 5.1 | 6.1 | 5.9 | 5.9 |
| Median number | 6.2 | 5.9 | 5.7 | 5.7 | 5.6 | 6.4 | 6.3 | 6.3 |

[1] Excludes bathrooms, toilet compartments, closets, halls, storage, and similar spaces.
[2] Data are not available for existing homes prior to 1938.

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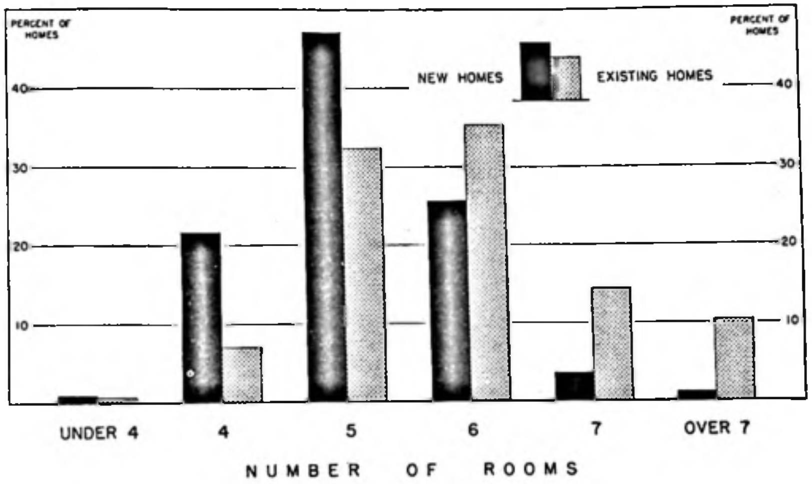
CHART 20—NUMBER OF ROOMS IN NEW AND EXISTING HOMES, 1940




### Garage Capacity

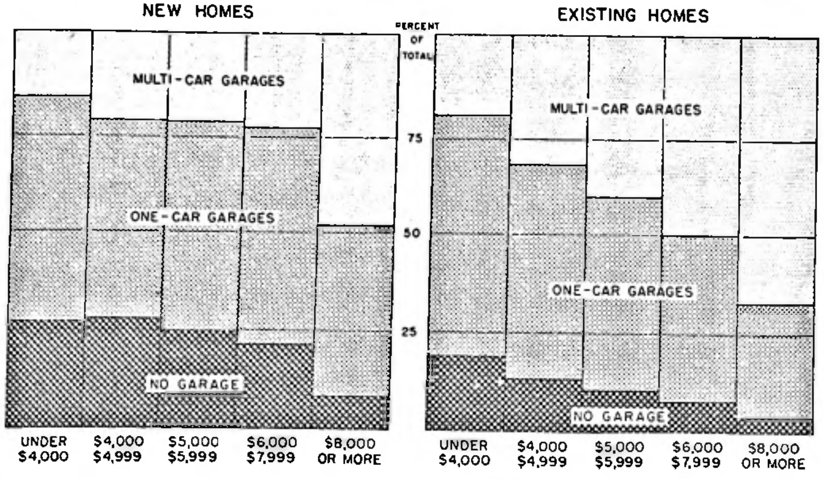
Three of every four new homes securing mortgages accepted for FHA insurance had garages; more than one in five had a garage with two-or-more car capacity. However, the proportion of houses being built without garage facilities has increased yearly. The proportion built with multi-car garages has declined yearly.

TABLE 38.—*Garage capacity: New and existing single-family home mortgages accepted for insurance by FHA, 1940*

| Property valuation [1] | Percentage distribution of new homes | | | | Percentage distribution of existing homes | | | |
|---|---|---|---|---|---|---|---|---|
| | No garage | 1-car garage | Multi-car garage | Total | No garage | 1-car garage | Multi-car garage | Total |
| Less than $2,000 | 54.7 | 37.2 | 8.1 | 100.0 | 29.3 | 58.3 | 12.4 | 100.0 |
| $2,000 to $2,999 | 38.3 | 58.0 | 3.7 | 100.0 | 24.2 | 61.4 | 14.4 | 100.0 |
| $3,000 to $3,999 | 25.0 | 56.4 | 18.6 | 100.0 | 15.9 | 61.0 | 23.1 | 100.0 |
| $4,000 to $4,999 | 27.8 | 50.3 | 21.9 | 100.0 | 13.3 | 54.1 | 32.6 | 100.0 |
| $5,000 to $5,999 | 24.8 | 53.1 | 22.1 | 100.0 | 10.7 | 48.8 | 40.5 | 100.0 |
| $6,000 to $6,999 | 23.9 | 54.0 | 22.1 | 100.0 | 8.8 | 44.1 | 47.1 | 100.0 |
| $7,000 to $7,999 | 14.3 | 57.8 | 27.9 | 100.0 | 6.3 | 38.1 | 55.6 | 100.0 |
| $8,000 to $9,999 | 9.8 | 49.7 | 40.5 | 100.0 | 4.8 | 34.1 | 61.1 | 100.0 |
| $10,000 to $11,999 | 5.6 | 37.4 | 57.0 | 100.0 | 3.5 | 26.5 | 70.0 | 100.0 |
| $12,000 to $14,999 | 3.7 | 27.5 | 68.8 | 100.0 | 3.5 | 24.2 | 72.3 | 100.0 |
| $15,000 or more | 3.4 | 16.8 | 79.8 | 100.0 | 1.4 | 14.5 | 84.1 | 100.0 |
| Total | 24.4 | 53.0 | 22.6 | 100.0 | 12.8 | 50.7 | 36.5 | 100.0 |
| Percentage distribution: | | | | | | | | |
| 1940 | 24.4 | 53.0 | 22.6 | 100.0 | 12.8 | 50.7 | 36.5 | 100.0 |
| 1939 | 20.7 | 53.5 | 25.8 | 100.0 | 11.9 | 51.5 | 36.6 | 100.0 |
| 1938 | 20.0 | 51.8 | 28.2 | 100.0 | 12.7 | 51.2 | 36.1 | 100.0 |
| 1937 | 19.5 | 48.8 | 31.7 | 100.0 | (2) | (2) | (2) | ------- |
| Median valuation: | | | | | | | | |
| 1940 | $4,848 | $5,054 | $5,354 | $5,059 | $4,073 | $4,444 | $5,622 | $4,770 |
| 1939 | 5,222 | 5,199 | 5,370 | 5,245 | 3,883 | 4,307 | 5,402 | 4,620 |
| 1938 | 5,038 | 5,329 | 5,628 | 5,334 | 3,828 | 4,315 | 5,533 | 4,028 |
| 1937 | 4,601 | 5,424 | 6,427 | 5,524 | (2) | (2) | (2) | 4,733 |

[1] Includes FHA valuation of house, all other physical improvements, and land.
[2] Data not available.

CHART 21—GARAGE CAPACITY OF NEW AND EXISTING PROPERTIES, 1940




Property valuation bears a direct relationship to the provision of garages. Thus, garageless houses occur primarily in the lower property valuations, whereas multi-car garages were reported primarily for homes valued above $10,000.

### Exterior Material

Wood was used as the material of exterior construction in 45.1 percent of the new houses securing mortgages accepted for FHA insurance in 1940. This was apparently attributable to the fact that these houses were predominantly moderately priced houses.

CHART 22—EXTERIOR MATERIALS USED IN NEW AND EXISTING HOMES, 1940

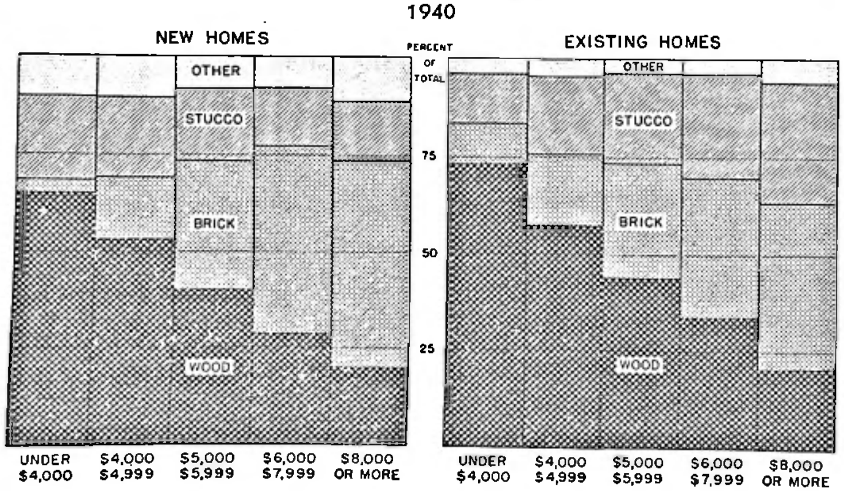





TABLE 39.—*Exterior material of homes by FHA valuation groups: New and existing, single-family home mortgages accepted for insurance by FHA, 1940*

| Property valuation [1] | Percentage distribution of new homes | | | | Percentage distribution of existing homes | | | |
|---|---|---|---|---|---|---|---|---|
| | Wood | Brick | Stucco | Other | Wood | Brick | Stucco | Other |
| Less than $2,000 | 79.1 | 9.3 | 4.6 | 7.0 | 84.8 | 7.2 | 5.2 | 2.8 |
| $2,000 to $2,999 | 82.3 | 1.1 | 8.9 | 7.7 | 75.8 | 9.8 | 10.3 | 4.1 |
| $3,000 to $3,999 | 61.6 | 4.4 | 23.3 | 10.7 | 71.0 | 11.1 | 14.2 | 3.7 |
| $4,000 to $4,999 | 52.9 | 16.1 | 20.4 | 10.6 | 57.2 | 18.3 | 20.3 | 4.2 |
| $5,000 to $5,999 | 39.9 | 33.3 | 18.7 | 8.1 | 44.0 | 29.4 | 23.1 | 3.5 |
| $6,000 to $6,999 | 29.5 | 47.0 | 15.8 | 7.7 | 36.3 | 34.6 | 25.7 | 3.4 |
| $7,000 to $7,999 | 25.8 | 52.2 | 12.9 | 9.1 | 29.5 | 38.1 | 27.8 | 4.6 |
| $8,000 to $9,999 | 21.4 | 53.6 | 14.2 | 10.8 | 22.5 | 42.7 | 29.2 | 5.6 |
| $10,000 to $11,999 | 17.9 | 55.4 | 15.1 | 11.6 | 19.3 | 41.0 | 31.7 | 8.0 |
| $12,000 to $14,999 | 16.1 | 50.5 | 19.7 | 13.7 | 20.1 | 42.8 | 31.8 | 5.3 |
| $15,000 or more | 14.8 | 51.3 | 19.1 | 14.8 | 15.9 | 46.1 | 32.7 | 5.3 |
| All groups | 45.1 | 26.8 | 18.7 | 9.4 | 52.2 | 23.3 | 20.4 | 4.1 |
| Average valuation: | | | | | | | | |
| 1940 | $4,692 | $6,169 | $5,045 | $5,172 | $4,401 | $6,272 | $5,860 | $5,500 |
| 1939 | 4,771 | 6,260 | 5,123 | 5,507 | 4,312 | 6,283 | 5,647 | 5,521 |
| 1938 | 4,802 | 6,507 | 5,414 | 5,771 | 4,321 | 6,238 | 5,717 | 5,809 |
| Median valuation: | | | | | | | | |
| 1940 | 4,599 | 6,044 | 4,863 | 4,868 | 4,178 | 5,797 | 5,372 | 4,853 |
| 1939 | 4,658 | 6,152 | 4,936 | 5,220 | 4,099 | 5,819 | 5,166 | 4,749 |
| 1938 | 4,641 | 6,233 | 5,142 | 5,355 | 4,054 | 5,752 | 5,189 | 4,859 |

[1] Includes FHA valuation of house, all other physical improvements, and land.

Brick exterior predominates as the property valuation increases. For practically all valuation groups, stucco was used much more commonly for existing homes than for new ones.

### Land Valuation by Property Valuation Groups

Land valuation of both new and existing homes located inside metropolitan districts exceeds that of homes located outside metropolitan districts for virtually every valuation group. Without excep-

CHART 23—PROPERTY VALUATION INSIDE AND OUTSIDE METROPOLITAN DISTRICTS, 1940

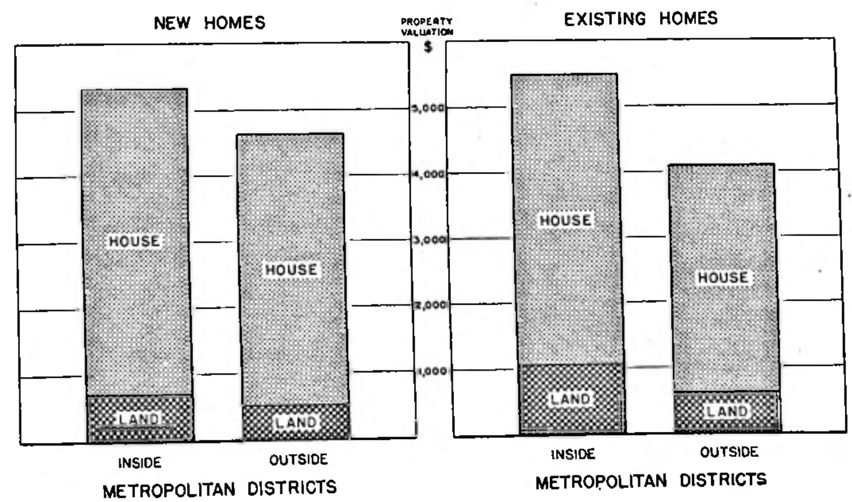


TABLE 40.—*Land valuation characteristics by property valuation groups: New and existing, single-family home mortgages accepted for insurance by FHA, 1940*

| Property valuation [1] | New homes | | | | Existing homes | | | |
|---|---|---|---|---|---|---|---|---|
| | Inside metropolitan districts [2] | | Outside metropolitan districts [2] | | Inside metropolitan districts [2] | | Outside metropolitan districts [2] | |
| | Average land valuation | Land as a percent of property | Average land valuation | Land as a percent of property | Average land valuation | Land as a percent of property | Average land valuation | Land as a percent of property |
| Less than $2,000 | (3) | (3) | $199 | 11.0 | $355 | 20.8 | $262 | 16.5 |
| $2,000 to $2,999 | $303 | 11.1 | 263 | 10.0 | 440 | 17.2 | 352 | 14.2 |
| $3,000 to $3,999 | 402 | 11.4 | 343 | 9.9 | 570 | 16.5 | 476 | 14.1 |
| $4,000 to $4,999 | 553 | 12.5 | 451 | 10.3 | 755 | 17.2 | 628 | 14.5 |
| $5,000 to $5,999 | 654 | 12.1 | 577 | 10.8 | 979 | 18.3 | 790 | 14.9 |
| $6,000 to $6,999 | 848 | 13.5 | 740 | 11.8 | 1,191 | 18.9 | 1,019 | 16.2 |
| $7,000 to $7,999 | 1,078 | 14.7 | 906 | 12.4 | 1,435 | 19.6 | 1,164 | 16.2 |
| $8,000 to $9,999 | 1,325 | 15.4 | 1,199 | 13.0 | 1,798 | 20.8 | 1,611 | 18.7 |
| $10,000 to $11,999 | 1,739 | 16.4 | 1,532 | 14.6 | 2,453 | 23.1 | 2,010 | 19.3 |
| $12,000 to $14,999 | 2,326 | 18.0 | 2,172 | 16.9 | 3,118 | 24.1 | 2,675 | 21.0 |
| $15,000 or more | 3,264 | 18.7 | 3,268 | 18.6 | 4,506 | 25.6 | 4,246 | 25.2 |
| All groups | 698 | 13.1 | 508 | 11.0 | 1,054 | 19.2 | 626 | 15.2 |
| Average: 1940 | 698 | 13.1 | 508 | 11.0 | 1,054 | 19.2 | 626 | 15.2 |
| 1939 | 770 | 13.9 | 534 | 11.4 | 1,049 | 19.7 | 634 | 15.0 |
| 1938 | 848 | 14.7 | 568 | 11.9 | 1,113 | 20.6 | 683 | 16.9 |
| 1937 | 1,011 | 15.0 | 691 | 13.5 | | | | |

[1] Includes FHA valuation of house, other physical improvements, and land.
[2] Data based upon metropolitan districts established in the 1940 Census.
[3] Computations excluded because of small number of cases involved.

tion, land valuation increases directly as property valuation increases; and land valuation tends to increase proportionally more than does house valuation.

## CHARACTERISTICS OF BORROWERS

DATA relating to the income of borrowers whose mortgages were insured by the FHA are presented in this section of the report. These statistics are based upon insured mortgages and concern owner-occupant purchasers of single-family homes. They do not include properties owned by operative builders, absentee landlords, and similar investment mortgagors. Thus, the data attempt to cover primarily the great majority of typical home buyers, and to exclude the relatively few whose incomes do not bear a normal relationship to the mortgages or properties involved.

All mortgage payment data in this section concern only interest and amortization of principal. A buyer must also pay the lending institution monthly such additional items as real-estate taxes, water rent, special assessments, hazard insurance, mortgagee's initial service charges, if any, and FHA mortgage insurance premium.

The first year, these supplementary items increase the buyer's payment by about 35 to 40 percent above the net figures shown in these tables. Of course, these rates may vary sharply with the city, county, or State and may fluctuate from year to year.

### Borrower's Annual Income

Lower income brackets embrace increasing proportions of new-home buyers with FHA insured mortgages. In 1940 some 28.5 percent of the new-home buyers earned less than $2,000 and 56.8 percent earned less than $2,500. The comparable figures for 1936 are 20.4 and 42.2 percent, respectively. That home ownership has been placed within the reach of families of moderate incomes is further supported by the fact that in 1940 only 4.5 percent of the new-home buyers had incomes in excess of $5,000, whereas in 1936, some 14.6 percent earned $5,000 or more.

Half of the new homes securing mortgages insured by FHA in 1940 were purchased by families with annual incomes below $2,381. The income of the typical new-home buyer has declined each successive year from the 1936 median of $2,814. Typical income of existing home buyers, however, has remained at approximately $2,500 from 1936 to 1940. The trend toward smaller equity, smaller mortgage



CHART 24—ANNUAL INCOME OF NEW AND EXISTING HOME PURCHASERS, 1940

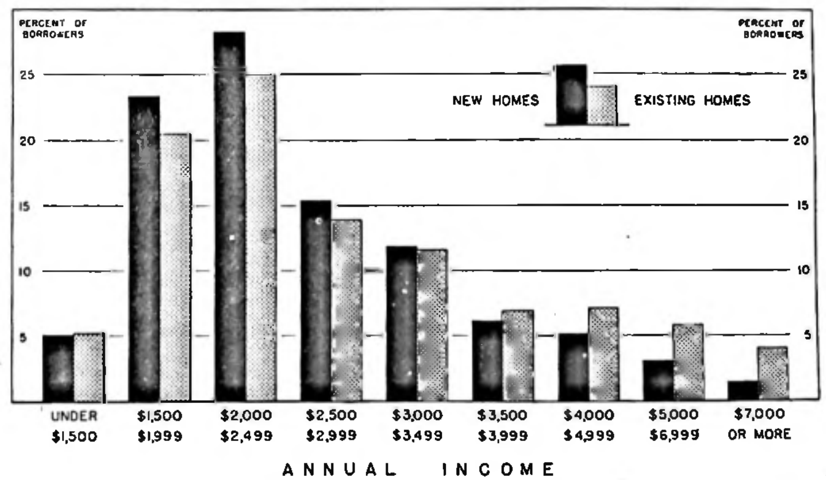



TABLE 41.—*Borrower's annual income: New and existing, single-family home mortgages insured by FHA, 1936–1940*

| Borrower's annual income [1] | Percentage distribution of new homes | | | | | Percentage distribution of existing homes | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1936 | 1937 | 1938 | 1939 | 1940 | 1936 | 1937 | 1938 | 1939 | 1940 |
| Less than $1,000 | 0.5 | 0.2 | 0.2 | 0.1 | 0.2 | 0.7 | 0.3 | 0.3 | 0.3 | 0.2 |
| $1,000 to $1,499 | 4.9 | 3.6 | 3.3 | 3.9 | 4.9 | 7.6 | 5.5 | 4.3 | 5.1 | 5.0 |
| $1,500 to $1,999 | 15.0 | 16.0 | 17.3 | 20.7 | 23.4 | 20.2 | 19.5 | 17.9 | 19.8 | 20.5 |
| $2,000 to $2,499 | 21.8 | 23.0 | 25.8 | 27.6 | 28.3 | 23.8 | 25.6 | 25.0 | 24.8 | 25.0 |
| $2,500 to $2,999 | 12.5 | 14.5 | 16.2 | 16.3 | 15.4 | 11.5 | 12.6 | 13.2 | 14.0 | 13.9 |
| $3,000 to $3,499 | 13.4 | 14.1 | 14.0 | 13.1 | 11.9 | 11.1 | 11.8 | 12.4 | 12.1 | 11.6 |
| $3,500 to $3,999 | 8.0 | 8.7 | 8.1 | 6.8 | 6.2 | 6.9 | 7.6 | 7.5 | 6.9 | 6.9 |
| $4,000 to $4,999 | 9.3 | 8.8 | 7.3 | 6.0 | 5.2 | 7.4 | 7.3 | 7.7 | 7.3 | 7.1 |
| $5,000 to $6,999 | 8.0 | 6.2 | 5.0 | 3.7 | 3.1 | 6.2 | 5.8 | 6.8 | 5.7 | 5.8 |
| $7,000 to $9,999 | 4.3 | 2.5 | 1.8 | 1.2 | .9 | 2.7 | 2.5 | 2.8 | 2.4 | 2.5 |
| $10,000 or more | 2.3 | 1.5 | 1.0 | .6 | .5 | 1.0 | 1.5 | 2.1 | 1.6 | 1.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average income | $3,387 | $3,133 | $2,968 | $2,781 | $2,665 | $3,054 | $3,014 | $3,210 | $3,020 | $3,012 |
| Median income | 2,814 | 2,716 | 2,603 | 2,457 | 2,381 | 2,452 | 2,485 | 2,599 | 2,501 | 2,485 |

[1] Includes family income of owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

principal, smaller mortgage payments, and longer-term mortgage, complement this decrease in average income of new-home buyers.

### Mortgage Payment

The average monthly mortgage payment made by new-home buyers decreased from $37.44 in 1936 to $26.59 in 1940. A monthly payment of less than $30 was undertaken by 73.3 percent of all new-home buyers in 1940. In 1936, only 42.2 percent of the new-home buyers paid less than $30.

Mortgage payments of less than $20 have now become common, for more than one in every five 1940 new-home mortgages with FHA insurance required payments below this level. Only 4.2 percent of the new-home buyers in 1940 undertook monthly mortgage payments of as high as $45, compared with 24.2 percent in 1936.

CHART 25—MONTHLY MORTGAGE PAYMENT ON NEW AND EXISTING HOMES, 1940

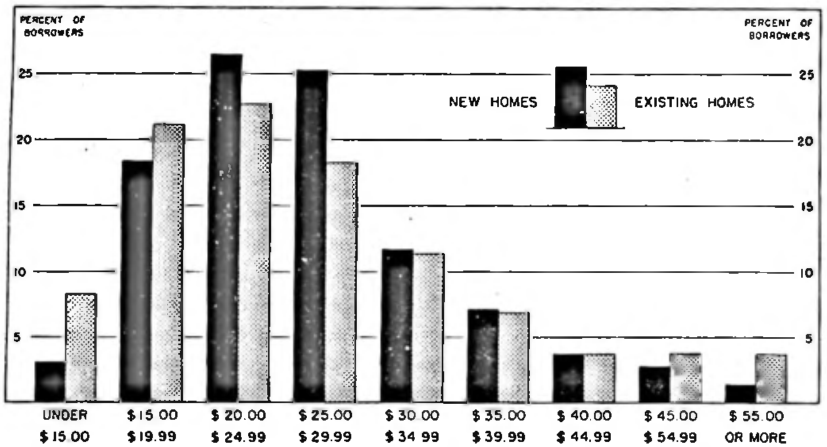



TABLE 42.—*Monthly mortgage payment: New and existing, single-family home mortgages insured by FHA, 1936–1940*

| Monthly payment [1] | Percentage distribution of new homes [2] | | | | | Percentage distribution of existing homes [2] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1936 | 1937 | 1938 | 1939 | 1940 | 1936 | 1937 | 1938 | 1939 | 1940 |
| Less than $10 | 0.3 | 0.1 | 0.2 | 0.1 | 0.1 | 1.5 | 0.7 | 0.9 | 1.2 | 1.1 |
| $10 to $14.99 | 3.2 | 1.6 | 3.0 | 2.3 | 3.0 | 8.3 | 5.8 | 6.7 | 7.5 | 7.2 |
| $15 to $19.99 | 8.0 | 7.5 | 11.7 | 14.1 | 18.4 | 14.4 | 12.6 | 17.8 | 20.2 | 21.2 |
| $20 to $24.99 | 14.2 | 16.6 | 20.4 | 23.1 | 26.5 | 18.4 | 19.1 | 20.1 | 21.3 | 22.7 |
| $25 to $29.99 | 16.5 | 16.0 | 24.3 | 26.3 | 25.3 | 16.9 | 17.3 | 18.7 | 18.8 | 18.3 |
| $30 to $34.99 | 14.1 | 19.2 | 16.9 | 16.5 | 11.7 | 13.1 | 15.7 | 12.9 | 11.9 | 11.4 |
| $35 to $39.99 | 10.8 | 12.6 | 8.8 | 7.1 | 7.1 | 7.7 | 8.9 | 8.2 | 7.3 | 6.9 |
| $40 to $44.99 | 8.7 | 7.4 | 6.3 | 4.6 | 3.7 | 6.1 | 6.1 | 4.4 | 3.8 | 3.7 |
| $45 to $54.99 | 10.3 | 10.0 | 4.8 | 3.7 | 2.8 | 6.3 | 7.3 | 4.9 | 4.1 | 3.8 |
| $55 to $64.99 | 5.8 | 4.0 | 1.8 | 1.2 | .7 | 2.8 | 3.0 | 2.2 | 1.7 | 1.8 |
| $65 to $84.99 | 4.7 | 3.0 | 1.3 | .7 | .5 | 2.6 | 2.1 | 2.1 | 1.5 | 1.3 |
| $85 or more | 3.4 | 2.0 | .5 | .3 | .2 | 1.9 | 1.4 | 1.1 | .7 | .6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average payment | $37.44 | $35.33 | $30.06 | $28.52 | $26.59 | $31.00 | $31.44 | $29.23 | $27.00 | $27.08 |
| Median payment | 32.76 | 32.14 | 28.02 | 26.99 | 25.30 | 27.21 | 28.42 | 26.20 | 24.96 | 24.51 |

[1] For 1936–40, includes interest and amortization of principal; for 1936 and 1937 includes also the FHA insurance premium; and for 1936 includes mortgagee's service charge as well.
[2] Includes owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.



One reason for the smaller mortgage payment is that most buyers choose to amortize their mortgages over a 25-year period in accordance with the provisions of the 1938 amendment. This factor also was instrumental in reducing the median mortgage payment of new-home buyers to a level below that of buyers of existing homes.

See also discussion of mortgage payment on page 76.

### Ratio of Mortgage Payment to Borrower's Annual Income

Three of every four 1940 new-home buyers applied less than 15 percent of their income to mortgage payments. In 1936 only 54.4 percent of the buyers paid this small a proportion of their income.

Buyers' payments on existing home mortgages comprised a smaller proportion of their income than was true of new-home buyers, averag-

CHART 26—RATIO OF MONTHLY MORTGAGE PAYMENTS TO MONTHLY INCOME OF BORROWERS, 1940

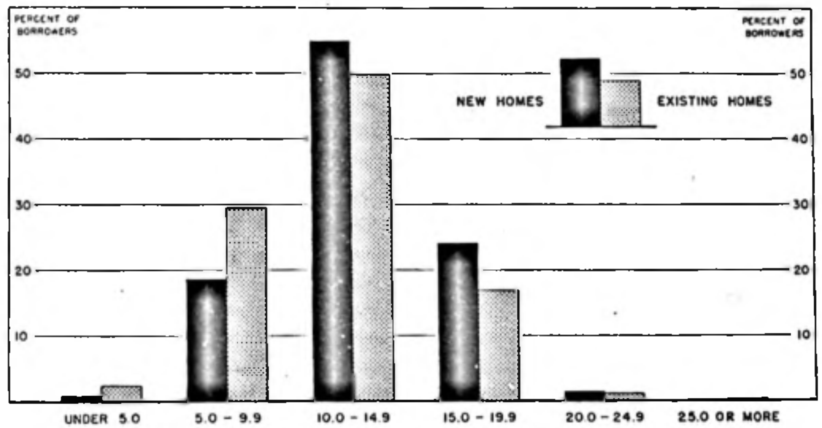



TABLE 43.—*Ratio of mortgage payment to income: New and existing, single-family home mortgages insured by FHA, 1936–1940*

| Payment [1] as percent of borrower's income | Percentage distribution of new homes [2] | | | | | Percentage distribution of existing homes [2] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1936 | 1937 | 1938 | 1939 | 1940 | 1936 | 1937 | 1938 | 1939 | 1940 |
| Less than 5.0 | 1.1 | 0.9 | 0.8 | 0.9 | 0.9 | 1.7 | 1.4 | 2.1 | 2.4 | 2.4 |
| 5.0 to 9.9 | 14.4 | 12.2 | 18.8 | 16.3 | 18.6 | 21.7 | 18.7 | 29.3 | 28.4 | 29.5 |
| 10.0 to 14.9 | 38.9 | 39.5 | 50.6 | 51.1 | 54.9 | 42.6 | 43.7 | 45.8 | 48.1 | 49.9 |
| 15.0 to 19.9 | 34.6 | 37.5 | 26.5 | 29.0 | 24.1 | 25.9 | 28.6 | 19.8 | 19.1 | 16.9 |
| 20.0 to 24.9 | 9.7 | 8.9 | 3.0 | 2.6 | 1.4 | 7.0 | 6.9 | 2.7 | 1.7 | 1.1 |
| 25.0 to 29.9 | 1.2 | .8 | .2 | .1 | .1 | .9 | .6 | .2 | .2 | .1 |
| 30.0 or more | .1 | .2 | .1 | (3) | (3) | .2 | .1 | .1 | .1 | .1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average percent [4] | 13.3 | 13.5 | 12.2 | 12.3 | 12.0 | 12.2 | 12.5 | 10.9 | 10.9 | 10.8 |
| Median percent | 14.4 | 14.7 | 13.0 | 13.2 | 12.8 | 13.1 | 13.4 | 12.0 | 12.0 | 11.8 |

[1] For 1936–40, includes interest and amortization of principal; for 1936 and 1937 includes also the FHA insurance premium; and for 1936 includes mortgagee's service charge as well.
[2] Includes owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.
[3] Less than 0.05 percent.
[4] Average payment as percent of average income.

ing 10.8 percent in 1940 as against 12.0 percent for new-home buyers. This results from the smaller average mortgage principal coupled with the higher average income of existing home buyers.

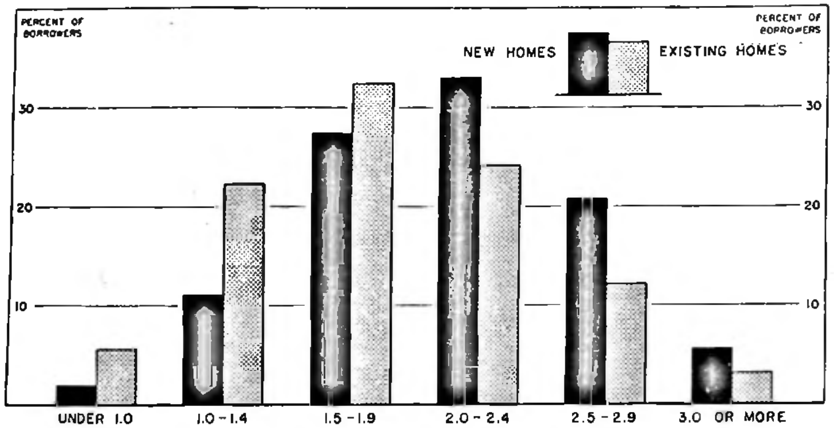
The proportion of income devoted to mortgage payment declines as the income rises. New-home buyers earning less than $1,500 pay more than 15 percent of their income for mortgage amortization, whereas persons earning over $5,000 pay less than 10 percent.

### Ratio of Property Value to Annual Income

Of the new homes securing mortgages insured by FHA in 1940, some 40.5 percent were valued at less than twice the borrower's annual income. In 94.4 percent of the cases the valuation of the new home amounted to less than three times the buyer's income.

The value of existing homes is smaller in proportion to the income of the owner than is the case with new homes. In 1940 approximately

CHART 27—RATIO OF PROPERTY VALUES TO ANNUAL INCOME OF BORROWERS, 1940




PROPERTY VALUATION TIMES INCOME

TABLE 44.—*Ratio of property value to income: New and existing single-family home mortgages insured by FHA, 1936–1940*

| Property value as a proportion of borrower's annual income [1] | Percentage distribution of new homes | | | | | Percentage distribution of existing homes | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1936 | 1937 | 1938 | 1939 | 1940 | 1936 | 1937 | 1938 | 1939 | 1940 |
| Less than ½ | 0.4 | 0.4 | 0.2 | 0.2 | 0.2 | 0.5 | 0.4 | 0.4 | 0.4 | 0.3 |
| ½ to 1 | 3.6 | 3.0 | 2.7 | 2.1 | 1.7 | 6.8 | 6.1 | 6.8 | 6.6 | 5.3 |
| 1 to 1½ | 15.3 | 12.8 | 14.3 | 12.3 | 11.1 | 22.1 | 22.7 | 25.8 | 24.7 | 22.3 |
| 1½ to 2 | 26.8 | 27.5 | 29.7 | 29.9 | 27.5 | 29.0 | 30.9 | 32.1 | 32.9 | 32.5 |
| 2 to 2½ | 26.4 | 29.2 | 30.9 | 30.9 | 33.1 | 21.6 | 22.9 | 21.1 | 22.0 | 24.2 |
| 2½ to 3 | 17.7 | 19.0 | 16.7 | 18.7 | 20.8 | 12.0 | 12.3 | 10.2 | 10.2 | 12.2 |
| 3 to 3½ | 7.2 | 6.2 | 4.4 | 5.0 | 4.8 | 4.9 | 3.5 | 2.7 | 2.5 | 2.0 |
| 3½ or more | 2.6 | 1.9 | 1.1 | .9 | .8 | 2.5 | 1.2 | .9 | .7 | .6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average ratio | 1.90 | 1.93 | 1.89 | 1.93 | 1.97 | 1.72 | 1.71 | 1.62 | 1.65 | 1.70 |
| Median ratio | 2.07 | 2.11 | 2.05 | 2.09 | 2.14 | 1.85 | 1.84 | 1.76 | 1.78 | 1.84 |

[1] Includes owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.



60 percent of the existing homes insured were valued at less than twice the borrower's income. This difference is largely attributable to the higher income level enjoyed by existing home buyers.

As the buyer's annual income increases, the ratio of property value to income decreases. This fact applies to both new- and existing-home buyers. New-home buyers earning less than $3,000 buy houses valued at more than twice that amount. Those earning $5,000 or more typically acquire homes valued at less than 1½ times their income. Existing home buyers with an income of less than $2,000 pay twice their annual income for their properties. See Table 47.

### Property Valuation by Income Groups

The higher the income of a family, the more expensive the home it buys. Almost two-thirds, 63.5 percent, of the new-home buyers with an income of less than $1,000 purchased homes valued below $3,000. Over three-fourths, 75.7 percent of those earning $1,000 to $1,499, bought homes valued under $4,000. The typical (median) 1940 new-home buyer earned $2,381. For the bracket embracing this income, 63.1 percent of the buyers purchased homes valued between $4,000 and $6,000. This is consonant with the typical valuation of $5,059.

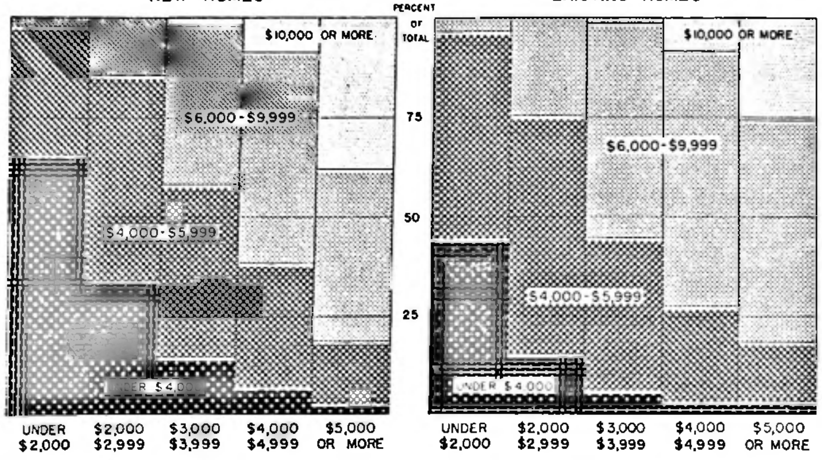
At the higher range of the income distribution, higher valuations are found. Some 50.8 percent of the new-home buyers earning

TABLE 45.—*Property valuation by income groups: New and existing, single-family home mortgages insured by FHA, 1940*

| Borrower's annual income [1] | Percentage distribution of property valuation [2] by income groups | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than $3,000 | $3,000 to $3,999 | $4,000 to $4,999 | $5,000 to $5,999 | $6,000 to $6,999 | $7,000 to $9,999 | $10,000 or more | Total |
| NEW-HOME BUYERS: | | | | | | | | |
| Less than $1,000 | 63.5 | 23.9 | 8.2 | 3.2 | 0.6 | | 0.6 | 100.0 |
| $1,000 to $1,499 | 21.0 | 54.7 | 20.4 | 3.1 | .5 | 0.2 | .1 | 100.0 |
| $1,500 to $1,999 | 4.6 | 32.9 | 40.2 | 18.3 | 3.6 | .4 | (3) | 100.0 |
| $2,000 to $2,499 | 1.9 | 16.1 | 31.1 | 32.0 | 16.4 | 2.5 | (3) | 100.0 |
| $2,500 to $2,999 | .9 | 9.5 | 23.0 | 30.8 | 27.0 | 8.7 | .1 | 100.0 |
| $3,000 to $3,499 | .6 | 6.3 | 15.3 | 26.5 | 31.3 | 19.3 | .7 | 100.0 |
| $3,500 to $3,999 | .4 | 4.3 | 10.8 | 21.3 | 31.2 | 29.1 | 2.9 | 100.0 |
| $4,000 to $4,999 | .4 | 2.9 | 7.8 | 16.2 | 26.5 | 37.9 | 8.3 | 100.0 |
| $5,000 to $6,999 | .6 | 2.7 | 5.3 | 9.9 | 20.5 | 41.6 | 19.4 | 100.0 |
| $7,000 to $9,999 | .8 | 2.8 | 5.3 | 9.9 | 13.4 | 29.1 | 38.7 | 100.0 |
| $10,000 or more | .6 | 3.0 | 4.3 | 8.2 | 12.1 | 21.0 | 50.8 | 100.0 |
| Total | 3.0 | 17.7 | 25.9 | 24.0 | 17.6 | 9.9 | 1.9 | 100.0 |
| EXISTING-HOME BUYERS: | | | | | | | | |
| Less than $1,000 | 65.6 | 18.0 | 8.2 | | 3.3 | 4.9 | | 100.0 |
| $1,000 to $1,499 | 46.2 | 37.9 | 12.7 | 1.8 | .3 | .3 | 0.8 | 100.0 |
| $1,500 to $1,999 | 21.6 | 39.2 | 27.3 | 9.7 | 1.8 | .4 | (3) | 100.0 |
| $2,000 to $2,499 | 10.5 | 28.4 | 30.2 | 20.7 | 7.8 | 2.3 | .1 | 100.0 |
| $2,500 to $2,999 | 6.1 | 19.1 | 26.5 | 25.8 | 14.6 | 7.7 | .2 | 100.0 |
| $3,000 to $3,499 | 3.1 | 13.8 | 23.2 | 24.1 | 19.4 | 15.4 | 1.0 | 100.0 |
| $3,500 to $3,999 | 2.0 | 7.7 | 16.8 | 21.7 | 21.5 | 26.9 | 3.4 | 100.0 |
| $4,000 to $4,999 | 1.5 | 5.4 | 11.1 | 20.0 | 19.4 | 33.9 | 8.7 | 100.0 |
| $5,000 to $6,999 | .7 | 2.1 | 7.2 | 12.9 | 13.8 | 38.1 | 25.2 | 100.0 |
| $7,000 to $9,999 | .3 | 2.5 | 3.4 | 6.1 | 10.2 | 29.0 | 48.5 | 100.0 |
| $10,000 or more | .8 | .6 | 2.8 | 6.4 | 4.2 | 15.5 | 69.7 | 100.0 |
| Total | 11.1 | 22.4 | 22.7 | 17.5 | 10.6 | 10.9 | 4.8 | 100.0 |

[1] Includes family income of owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.
[2] FHA valuation includes value of house, all other physical improvements, and land.
[3] Less than 0.05 percent.

CHART 28—DISTRIBUTION OF PROPERTY VALUATION GROUPS BY BORROWER INCOME GROUPS, 1940




$10,000 or more, for example, purchased homes with an FHA valuation of $10,000 or more; and only 7.9 percent of these buyers bought homes valued under $5,000. Similarly, 38.7 percent of the persons earning $7,000 to $9,999 bought homes of $10,000 or more valuation. For buyers with an income of $4,000 to $6,999, homes valued from $7,000 to $9,999 were most numerous.

Buyers of existing homes exemplified the same general valuation buying habits as were observed for new-home buyers. There is a tendency, however, for more of these homes to be valued below $4,000 and above $7,000 than is the case for new homes. Thus, 46.2 percent of existing-home buyers with an income of $1,000 to $1,499 purchased homes valued under $3,000, compared with only 21.0 percent for new-home buyers. For each income interval through $7,000, the percentage of existing homes exceeded that of new homes in the valuation groups of less than $3,000.

Conversely, for practically each income interval, the proportion of existing homes valued above $10,000 outweighed that for new homes. The tendency is more marked, however, in the higher income brackets. Thus, for existing-home buyers earning over $10,000, some 69.7 percent bought homes valued above $10,000, compared with 50.8 percent for new-home buyers.

### Monthly Mortgage Payment by Income Groups

As the family income increases, the monthly payment to mortgage and interest also increases. Well over half, 58.5 percent, of the new-home buyers earning $1,000 to $1,499 pay from $15 to $20. For the income bracket encompassing the typical income of $2,381, one-third of the borrowers pay $25 to $30 toward interest and principal.



Of the new-home buyers earning $10,000 or more, almost 60 percent pay $45 or more monthly. For this $10,000 or over income group, 17.3 percent paid less than $30, whereas for the typical borrower income group 83.7 percent of the borrowers paid less than $30.

CHART 29—DISTRIBUTION OF MONTHLY MORTGAGE PAYMENTS BY BORROWER INCOME GROUPS, 1940

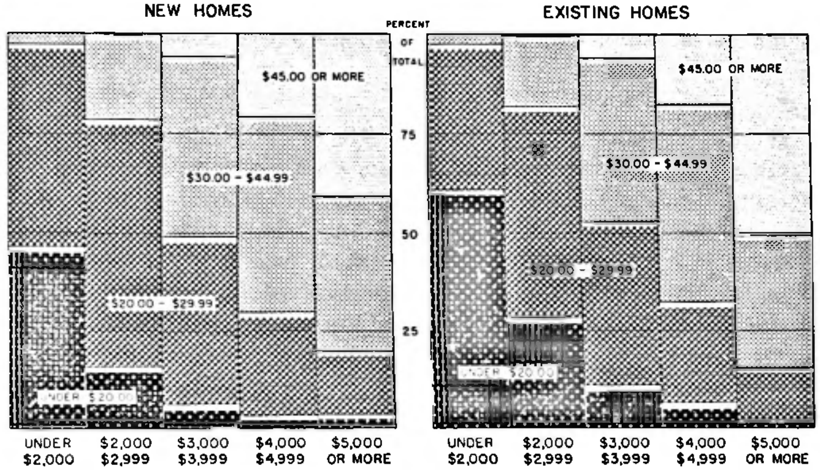



TABLE 46.—*Monthly mortgage payment by income groups: New and existing, single-family home mortgages insured by FHA, 1940*

| Borrower's annual income [1] | Percentage distribution of mortgage payment [2] by income groups | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than $15.00 | $15 to $19.99 | $20 to $24.99 | $25 to $29.99 | $30 to $34.99 | $35 to $44.99 | $45.00 or more | Total |
| NEW-HOME BUYERS: | | | | | | | | |
| Less than $1,000 | 72.4 | 19.5 | 3.8 | 2.5 | 0.6 | 0.6 | 0.6 | 100.0 |
| $1,000 to $1,499 | 22.3 | 58.5 | 16.9 | 1.8 | .3 | .1 | .1 | 100.0 |
| $1,500 to $1,999 | 4.6 | 34.4 | 41.1 | 17.2 | 2.4 | .2 | .1 | 100.0 |
| $2,000 to $2,499 | 1.8 | 16.6 | 32.2 | 33.1 | 12.7 | 3.5 | .1 | 100.0 |
| $2,500 to $2,999 | .9 | 10.0 | 23.8 | 33.5 | 18.6 | 12.6 | .6 | 100.0 |
| $3,000 to $3,499 | .7 | 6.2 | 15.7 | 30.5 | 19.6 | 23.6 | 3.7 | 100.0 |
| $3,500 to $3,999 | .4 | 4.2 | 11.2 | 24.9 | 18.2 | 31.1 | 10.0 | 100.0 |
| $4,000 to $4,999 | .4 | 2.9 | 8.4 | 18.2 | 14.7 | 34.5 | 20.9 | 100.0 |
| $5,000 to $6,999 | .5 | 2.8 | 5.2 | 12.2 | 12.0 | 32.0 | 35.3 | 100.0 |
| $7,000 to $9,999 | .8 | 3.0 | 5.2 | 9.5 | 8.4 | 23.6 | 49.5 | 100.0 |
| $10,000 or more | .6 | 3.5 | 3.7 | 9.5 | 7.8 | 15.3 | 59.6 | 100.0 |
| Total | 3.1 | 18.4 | 26.5 | 25.3 | 11.8 | 10.8 | 4.1 | 100.0 |
| EXISTING-HOME BUYERS: | | | | | | | | |
| Less than $1,000 | 67.3 | 16.4 | 8.2 | -------- | 1.6 | 4.9 | 1.6 | 100.0 |
| $1,000 to $1,499 | 39.6 | 45.5 | 11.7 | 1.7 | .5 | .3 | .7 | 100.0 |
| $1,500 to $1,999 | 16.0 | 38.6 | 30.4 | 12.4 | 2.1 | .4 | .1 | 100.0 |
| $2,000 to $2,499 | 7.1 | 25.3 | 31.2 | 23.5 | 9.9 | 2.8 | .2 | 100.0 |
| $2,500 to $2,999 | 4.2 | 17.2 | 24.4 | 26.6 | 17.0 | 9.9 | .7 | 100.0 |
| $3,000 to $3,499 | 2.7 | 10.5 | 21.1 | 24.5 | 19.3 | 18.5 | 3.4 | 100.0 |
| $3,500 to $3,999 | 1.6 | 6.3 | 15.6 | 19.4 | 20.5 | 26.9 | 9.7 | 100.0 |
| $4,000 to $4,999 | 1.2 | 5.4 | 8.9 | 16.9 | 19.1 | 30.8 | 17.7 | 100.0 |
| $5,000 to $6,999 | .4 | 2.2 | 6.2 | 10.4 | 13.1 | 28.7 | 39.0 | 100.0 |
| $7,000 to $9,999 | -------- | 2.2 | 3.0 | 5.8 | 9.0 | 18.8 | 61.2 | 100.0 |
| $10,000 or more | .3 | 1.1 | 3.1 | 3.9 | 4.7 | 9.4 | 77.5 | 100.0 |
| Total | 8.3 | 21.2 | 22.7 | 18.3 | 11.4 | 10.6 | 7.5 | 100.0 |

[1] Includes family income of owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.
[2] Includes interest and amortization of principal.

Existing-home buyers are committed to monthly mortgage payments of about the same as those of new-home buyers. There is a tendency, however, toward greater proportions of existing- than of new-home buyers with lower and higher payments. For example, 77.5 percent of the existing-home buyers earning $10,000 or more made monthly mortgage payments of $45 or more, whereas only 59.6 percent of the new-home buyers in this income classification assumed payments of $45 or more.

### Relationship of Average Characteristics to Annual Income

The interrelationships for purchasers of all single-family home mortgages insured by FHA in 1940 are set forth in Table 47. As the annual income of the borrower increases, the average amount of mortgage principal, property valuation, and mortgage payment also increase. Conversely, property value as a proportion of annual income, mortgage principal as a proportion of annual income, and annual payment as a percent of annual income decrease as the income increases.

TABLE 47.—*Average characteristics by borrower's annual income: New and existing single-family home mortgages insured by FHA, 1940*

| Borrowers' annual income [1] | Average— | | | | Ratio of— | | Annual payment as a percent of— | | Mortgage as a percent of valuation |
|---|---|---|---|---|---|---|---|---|---|
| | Borrower's annual income | Mortgage principal | Property valuation | Net monthly mortgage payment | Property to annual income | Mortgage to annual income | Annual income | Mortgage | |
| **New-Home Buyers:** | | | | | | | | | |
| Less than $1,000 | $875 | $2,379 | $2,959 | $14.52 | 3.38 | 2.72 | 19.9 | 7.3 | 80.4 |
| $1,000 to $1,499 | 1,308 | 2,951 | 3,504 | 17.25 | 2.68 | 2.26 | 15.8 | 7.0 | 84.2 |
| $1,500 to $1,999 | 1,746 | 3,648 | 4,263 | 21.15 | 2.44 | 2.09 | 14.5 | 7.0 | 85.6 |
| $2,000 to $2,499 | 2,224 | 4,231 | 4,931 | 24.63 | 2.22 | 1.90 | 13.3 | 7.0 | 85.8 |
| $2,500 to $2,999 | 2,690 | 4,628 | 5,416 | 27.27 | 2.01 | 1.72 | 12.2 | 7.1 | 85.5 |
| $3,000 to $3,499 | 3,149 | 5,037 | 5,907 | 30.21 | 1.88 | 1.60 | 11.5 | 7.2 | 85.3 |
| $3,500 to $3,999 | 3,681 | 5,430 | 6,403 | 33.19 | 1.74 | 1.48 | 10.8 | 7.3 | 84.8 |
| $4,000 to $4,999 | 4,373 | 5,894 | 7,047 | 36.87 | 1.61 | 1.35 | 10.1 | 7.5 | 83.6 |
| $5,000 to $6,999 | 5,639 | 6,604 | 8,017 | 41.71 | 1.42 | 1.17 | 8.9 | 7.6 | 82.4 |
| $7,000 to $9,999 | 7,973 | 7,619 | 9,470 | 48.79 | 1.19 | .96 | 7.3 | 7.7 | 80.4 |
| $10,000 or more | 14,224 | 8,628 | 10,045 | 58.03 | .77 | .61 | 4.9 | 8.1 | 78.8 |
| All groups | 2,665 | 4,473 | 5,201 | 26.59 | 1.97 | 1.68 | 12.0 | 7.1 | 85.0 |
| **Existing-Home Buyers:** | | | | | | | | | |
| Less than $1,000 | 856 | 2,089 | 3,032 | 15.51 | 3.54 | 2.44 | 21.7 | 8.9 | 68.9 |
| $1,000 to $1,499 | 1,289 | 2,265 | 3,139 | 16.34 | 2.44 | 1.76 | 15.2 | 8.7 | 72.2 |
| $1,500 to $1,999 | 1,741 | 2,762 | 3,701 | 19.74 | 2.13 | 1.59 | 13.6 | 8.6 | 74.6 |
| $2,000 to $2,499 | 2,221 | 3,259 | 4,333 | 23.10 | 1.95 | 1.47 | 12.5 | 8.5 | 75.2 |
| $2,500 to $2,999 | 2,690 | 3,688 | 4,894 | 25.92 | 1.82 | 1.37 | 11.6 | 8.4 | 75.4 |
| $3,000 to $3,499 | 3,143 | 4,129 | 5,399 | 28.69 | 1.72 | 1.31 | 11.0 | 8.3 | 76.5 |
| $3,500 to $3,999 | 3,684 | 4,653 | 6,153 | 32.17 | 1.67 | 1.26 | 10.5 | 8.3 | 75.6 |
| $4,000 to $4,999 | 4,397 | 5,159 | 6,734 | 35.50 | 1.53 | 1.17 | 9.7 | 8.3 | 76.6 |
| $5,000 to $6,999 | 5,699 | 6,242 | 8,151 | 43.08 | 1.43 | 1.10 | 9.1 | 8.3 | 76.6 |
| $7,000 to $9,999 | 8,035 | 7,715 | 10,144 | 52.38 | 1.26 | .96 | 7.8 | 8.1 | 76.1 |
| $10,000 or more | 13,300 | 9,248 | 12,183 | 62.84 | .92 | .70 | 5.7 | 8.2 | 75.9 |
| All groups | 3,012 | 3,869 | 5,121 | 27.08 | 1.70 | 1.28 | 10.8 | 8.4 | 75.6 |

[1] Includes family income of owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

# *Part V*

# RENTAL HOUSING MORTGAGES UNDER SECTION 207 OF TITLE II

FINANCING the construction of dwellings for rent rather than owner-occupancy through mortgages insured under Section 207 of Title II was provided for in the National Housing Act in order to supply a large segment of the housing market represented by families for whom home ownership was either impractical or financially unattainable.

The introduction of the long-term amortized mortgage in the low-rent apartment field represented a new departure in financing this type of housing as well as a movement toward the garden-type, planned-community, multifamily residential development. The careful planning and control which projects of this kind required made a number of changes in administrative procedure and regulations necessary especially in the early stages of the program. Section 210, for instance (added in February 1938 and repealed in June 1939) provided for a simplification of certain management controls on projects mortgaged for $200,000 or less which could later be incorporated in the Section 207 regulations under which the bulk of FHA rental projects are processed.

The application for insurance of mortgages on rental and group housing projects is submitted to insuring offices by the sponsor with the approval of a mortgagee. After a preliminary examination, the approved applications are further analyzed by rental-housing consultants stationed in a number of insuring offices and routed to Washington for completion of processing.

All commitments to insure are issued in Washington, where the final terms and conditions of the mortgage are determined prior to the closing of the loan and the receipt of the first mortgage insurance premium.

Under the rental-housing program 317 projects, financed with mortgages amounting to $126,952,675, have provided 33,204 dwelling units. Included among these are 51 projects, consisting of 1,290 dwellings, which were financed by insured mortgages embodying certain release-clause provisions. A family may, in accordance with these provisions, acquire title to the home it is renting by refinancing the mortgage, thereby releasing the property from the rental-housing

TABLE 48.—*Status of rental housing mortgage insurance operations: Disposition of applications received, cumulative 1935–1940*

| Status of operations | Rental housing projects | | Release clause projects | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| In operation | 211 | $91, 632, 750 | 14 | $1, 201, 600 | 225 | $92, 834, 350 |
| Under construction | 42 | 15, 448, 000 | 12 | 1, 730, 700 | 54 | 17, 178, 700 |
| Mortgages outstanding (face amount)[1] | 253 | 107, 080, 750 | 26 | 2, 932, 300 | 279 | 110, 013, 050 |
| Terminated | 9 | 8, 850, 000 | 24 | 1, 677, 425 | 33 | 10, 527, 425 |
| Acquired by FHA | 4 | 6, 355, 000 | 1 | 57, 200 | 5 | 6, 412, 200 |
| Total mortgages insured | 266 | 122, 285, 750 | 51 | 4, 666, 925 | 317 | 126, 952, 675 |
| Commitments outstanding | 45 | 14, 081, 500 | | | 45 | 14, 081, 500 |
| Net commitments issued | 311 | 136, 367, 250 | 51 | 4, 666, 925 | 362 | 141, 034, 175 |
| Commitments expired | 144 | 53, 235, 800 | 25 | 3, 759, 100 | 169 | 56, 994, 900 |
| Gross commitments issued | 455 | 189, 603, 050 | 76 | 8, 426, 025 | 531 | 198, 029, 075 |
| Rejections | 683 | 613, 649, 394 | 89 | 11, 174, 790 | 772 | 624, 824, 184 |
| Total cases processed | 1, 138 | 803, 252, 444 | 165 | 19, 600, 815 | 1, 303 | 822, 853, 259 |
| Cases in process in: | | | | | | |
| Washington | 6 | 2, 638, 000 | | | 6 | 2, 638, 000 |
| Insuring offices | 11 | 1, 994, 500 | | | 11 | 1, 994, 500 |
| Total | 17 | 4, 632, 500 | | | 17 | 4, 632, 500 |
| Total applications received | 1, 155 | 807, 884, 944 | 165 | 19, 600, 815 | 1, 320 | 827, 485, 759 |

[1] This amount has been amortized to the extent of $3,171,582 as of Dec. 31, 1940.

mortgage lien. These individual properties qualify for mortgage insurance under Section 203 regulations.

## VOLUME AND DISTRIBUTION OF RENTAL HOUSING OPERATIONS

FROM the beginning of operations through December 31, 1940, the FHA has received 1,320 applications for insurance on $827,485,759 in mortgages on proposed rental-housing projects under Title II of the National Housing Act. Commitments to insure 531 mortgages for $198,029,075 were issued, and of these 317 for $126,952,675 became insured mortgages, 169 for $56,994,900 were allowed to expire by project sponsors, and 45 for $14,081,500 were outstanding, as of December 1940.

As shown in Table 48, the insurance on 38 mortgages had terminated by the end of the year. Five of these, as indicated in the table, were mortgages on properties acquired by the FHA through foreclosure. Mortgages on 19 properties were prepaid in full when the sponsors refinanced through mortgages without FHA insurance. Mortgages with release clause provisions on five projects were prepaid in full through the purchase of the individual properties by the tenants. The insurance on nine mortgages was cancelled by the Administrator. The willingness of mortgagees to refinance large rental projects without FHA insurance is evidence of the sound planning of those developments under the rental housing program.



### Totals for the Year

During the year 1940, the FHA insured 48 mortgages amounting to $12,481,000 and increased the amount of 9 amended mortgages insured prior to 1940 by $555,000. No mortgages with release-clause provisions nor mortgages for the rehabilitation of existing properties were insured during the year.

Chart 30 and Table 49 show the yearly trend of mortgage insurance on rental and group housing projects. The first year of any significant volume is 1938. Prior to this period the principal activity under the rental housing program had been the development of procedure and the securing of successful demonstrations of the large-scale housing plan.

The bulk of the insuring operations occurred during 1938 and the first half of 1939, principally as the result of the ground work laid in the preceding years. The subsequent decline in operations was in

CHART 30—VOLUME OF RENTAL HOUSING MORTGAGES INSURED, BY YEARS, 1935–1940

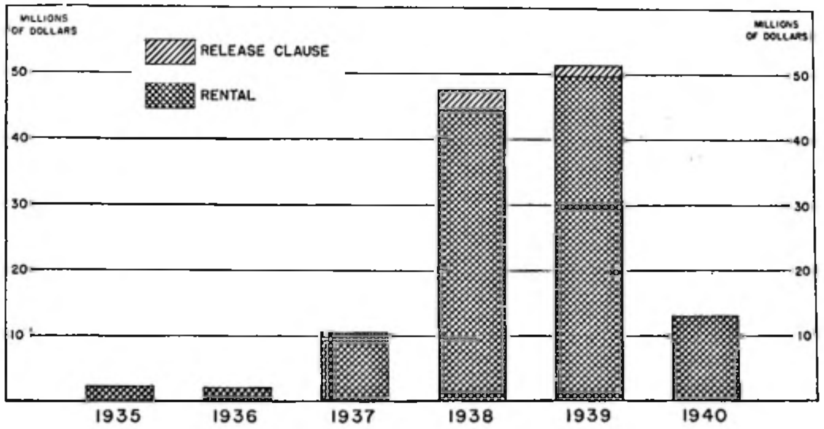



TABLE 49.—*Yearly trend of rental housing mortgages insured: Rental and release clause projects 1935–1940*

| Year | Rental housing projects | | Release clause projects | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| 1935 | 2 | $2, 355, 000 | | | 2 | $2, 355, 000 |
| 1936 | 4 | 2, 101, 000 | | | 4 | 2, 101, 000 |
| 1937 | 15 | 10, 540, 000 | | | 15 | 10, 549, 000 |
| 1938 | 91 | 44, 460, 050 | 26 | $3, 129, 100 | 117 | 47, 589, 150 |
| 1939 | 106 | 49, 784, 700 | 25 | 1, 555, 925 | 131 | 51, 340, 025 |
| 1940 | 48 | [1] 13, 036, 000 | | [2] −18, 100 | 48 | 13, 017, 900 |
| Total | 266 | 122, 285, 750 | 51 | 4, 666, 925 | 317 | 126, 952, 675 |
| Cumulative: | | | | | | |
| Sec. 207 | 208 | 117, 633, 650 | 3 | 1, 529, 000 | 211 | 119, 162, 650 |
| Sec. 210 | 58 | 4, 652, 100 | 48 | 3, 137, 925 | 106 | 7, 790, 025 |

[1] Includes amendments increasing mortgage amount $555,000 for 9 projects insured prior to 1940.
[2] Represents net decrease effected by adjustments in 2 projects insured prior to 1940.

part due to the serious effect of the requirement in the June 1939 amendment that prevailing wages be paid on all rental projects, and the employment of many contractors, who formerly sponsored rental projects, on defense-construction work. Despite this problem, the rental housing program has made possible the construction of a number of attractive projects which provide both low rentals and security of investment.

### Projects Insured During the Year

Table 50 shows the number of dwelling units and rooms, average monthly rental per dwelling unit and room, total mortgage principal and amount of mortgage per room allocable to dwelling use for each project insured during the year. All projects were of the 2- or 3-story walk-up type except one elevator apartment in Jamaica, Long Island. At the end of the table averages and medians are given for the year as well as cumulatively from the beginning of operations.

In this connection it is interesting to note that the average project insured during 1940 is smaller and has a lower rental than the average of all projects insured from the beginning of operations. This table supplements similar tables shown in previous annual reports and brings up to date a complete listing of rental projects together with certain descriptive data concerning them.

TABLE 50.—*Description of rental projects: Mortgages insured by FHA, 1940*

| State, city, and project | Type of structure | Number of dwelling units [1] | Number of rooms [1] | Average monthly rental | | Amount of mortgage | |
|---|---|---|---|---|---|---|---|
| | | | | Per unit | Per room | Total | Per room |
| ALABAMA: Tuscaloosa, Frederick Court Apartments. | Walk-up. | 15 | 54½ | $44.83 | $12.34 | $50,000 | $917 |
| ARIZONA: Tucson, El Encanto Apartments, Inc. | Walk-up. | 44 | 170 | 44.91 | 11.62 | 125,000 | 694 |
| CALIFORNIA: | | | | | | | |
| Sacramento, Fountain Gardens, Inc. | Walk-up. | 24 | 92 | 13.48 | 13.48 | 85,000 | 885 |
| San Bernardino, Valentine Court | Walk-up. | 10 | 35 | 32.00 | 9.14 | 17,000 | 442 |
| South Pasadena, Mortimer Apartments. | Walk-up. | 19 | 72½ | 47.24 | 12.38 | 52,000 | 673 |
| CONNECTICUT: | | | | | | | |
| Bridgeport, The Putnam Realty Co. | Walk-up. | 58 | 180½ | 49.16 | 15.83 | 180,000 | 988 |
| Manchester, Warren I. Keith, Inc. | Walk-up. | 12 | 54 | 48.00 | 10.67 | 40,000 | 696 |
| DELAWARE: Wilmington, Foster Park Housing Corporation | Walk-up. | 78 | 282 | 60.54 | 16.74 | 340,000 | 1,102 |
| DISTRICT OF COLUMBIA: Washington, Fairfax Village, Inc. | Walk-up. | 409 | 1,500 | 49.20 | 13.42 | 1,384,000 | 911 |
| GEORGIA: Macon, Twin Pine Apartments, Inc. | Walk-up. | 32 | 108 | 44.68 | 13.24 | 107,000 | 958 |
| INDIANA: Muncie, Jackson Housing Corporation. | Walk-up. | 26 | 78 | 51.42 | 17.14 | 85,000 | 1,076 |
| IOWA: Des Moines, Windsor Terrace Corporation. | Walk-up. | 127 | 459 | 60.11 | 17.92 | 550,000 | 1,154 |
| LOUISIANA: New Orleans, Jefferson Apartments, Inc. | Walk-up. | 28 | 111 | 66.30 | 16.45 | 122,000 | 1,098 |
| MARYLAND: | | | | | | | |
| Silver Spring, Piney Branch Apartments, Inc. | Walk-up. | 214 | 898½ | 55.67 | 13.26 | 815,000 | 902 |
| Dundalk, Dunmore Apartments Corporation. | Walk-up. | 48 | 180 | 52.25 | 13.93 | 190,000 | 1,031 |
| Liberty Park Housing Corporation | Walk-up. | 136 | 556 | 46.88 | 11.47 | 460,000 | 808 |

[1] Includes 108 units and 314 rooms which produce no income.



TABLE 50.—*Description of rental projects: Mortgages insured by FHA, 1940*—Con.

| State, city, and project | Type of structure | Number of dwelling units | Number of rooms | Average monthly rental | | Amount of mortgage | |
|---|---|---|---|---|---|---|---|
| | | | | Per unit | Per room | Total | Per room |
| MISSOURI: Jefferson City, Salvi-Rolugra Realty Co. | Walk-up. | 57 | 210½ | 50.41 | 13.56 | 188,000 | 888 |
| NEW YORK: | | | | | | | |
| Bronx, Wilson Post Apartments, Inc. | Walk-up. | 76 | 250½ | 54.84 | 16.02 | 252,000 | 1,018 |
| Albany, Stonehenge, Inc. | Walk-up. | 212 | 725 | 59.34 | 17.35 | 840,000 | 1,130 |
| Kenmore, Starin Gardens Apartments, Inc. | Walk-up. | 48 | 192 | 57.50 | 14.37 | 193,000 | 955 |
| Jamaica, Long Island, Briarwood Terrace, Inc. | Elevator. | 120 | 435 | 65.61 | 18.10 | 480,000 | 1,103 |
| Baldwin, Baldwin Gardens Corporation. | Walk-up. | 160 | 572 | 57.61 | 16.11 | 600,000 | 1,029 |
| White Plains, Westchester River Park, Inc. | Walk-up. | 145 | 543 | 61.75 | 16.47 | 593,000 | 1,071 |
| Tarrytown, Windle Park Realty Corporation. | Walk-up. | 25 | 81 | 55.63 | 17.12 | 75,000 | 962 |
| Greenburgh, Fulton Park Apartments, Inc. | Walk-up. | 61 | 225 | 62.93 | 17.00 | 275,000 | 1,107 |
| Yonkers, Hilltop Acres, Inc. | Walk-up. | 174 | 588 | 55.25 | 16.35 | 635,000 | 1,025 |
| NORTH CAROLINA: | | | | | | | |
| Wilmington, New Hanover Housing Corporation. | Walk-up. | 72 | 264 | $46.81 | 12.77 | 261,000 | 980 |
| Charlotte, Charlotte Homes, Inc. | Walk-up. | 30 | 98 | 32.40 | 9.92 | 85,000 | 867 |
| Raleigh, Country Club Apartments, Inc. | Walk-up. | 76 | 288 | 34.55 | 9.12 | 237,500 | 811 |
| Greensboro, Westover Terrace Apartments. | Walk-up. | 100 | 372 | 36.59 | 9.84 | 296,000 | 795 |
| OHIO: Shaker Heights, the Shaker Lakes Corporation. | Walk-up. | 68 | 277 | 71.23 | 17.45 | 350,000 | 1,205 |
| OKLAHOMA: | | | | | | | |
| Tulsa, New Realty Corporation | Walk-up. | 19 | 81 | 58.75 | 13.56 | 68,000 | 840 |
| Bartlesville, Ritz Apartments, Inc. | Walk-up. | 25 | 88 | 47.92 | 13.37 | 81,000 | 886 |
| OREGON: | | | | | | | |
| Portland: | | | | | | | |
| Park View Apartments, Inc. | Walk-up. | 92 | 342 | 54.59 | 14.68 | 335,000 | 945 |
| Vista Corporation | Walk-up. | 42 | 171 | 64.29 | 15.79 | 183,000 | 1,030 |
| PENNSYLVANIA: | | | | | | | |
| State College, the Lowden Corporation. | Walk-up. | 25 | 90 | 54.38 | 15.00 | 95,000 | 1,049 |
| Philadelphia: | | | | | | | |
| Montour Court, Inc. | Walk-up. | 18 | 58½ | 51.12 | 15.80 | 58,000 | 1,055 |
| Franklin Park, Inc. | Walk-up. | 61 | 273 | 55.00 | 12.22 | 245,000 | 887 |
| Narbeth, 105 South Narbeth Avenue Corporation. | Walk-up. | 15 | 63 | 62.00 | 14.76 | 65,000 | 980 |
| Pottstown, Franklin Apartments, Inc. | Walk-up. | 30 | 87 | 41.81 | 14.43 | 88,000 | 1,017 |
| SOUTH DAKOTA: Rapid City, Hillcrest Terrace Corporation. | Walk-up. | 46 | 165 | 35.43 | 9.88 | 117,500 | 680 |
| TEXAS: | | | | | | | |
| Dallas, Jones & Jones, Inc. | Walk-up. | 9 | 37 | 62.50 | 14.29 | 34,000 | 888 |
| Lubbock, Hub Investment Co. | Walk-up. | 17 | 60 | 47.00 | 12.96 | 48,000 | 770 |
| VIRGINIA: | | | | | | | |
| Arlington, Fifth Buckingham Annex. | Walk-up. | 170 | 568 | 47.63 | 14.76 | 610,000 | 1,074 |
| Richmond, John Rolfe Corporation | Walk-up. | 10 | 52 | 74.00 | 14.23 | 44,000 | 846 |
| Fredericksburg, Kenmore Apartments, Inc. | Walk-up. | 18 | 69 | 48.33 | 12.61 | 62,000 | 899 |
| Norfolk, Suburban Park Apartments Corporation. | Walk-up. | 101 | 390½ | 41.09 | 10.63 | 319,000 | 838 |
| WISCONSIN: Milwaukee, Martin-Hawley Realty Co. | Walk-up. | 18 | 63 | 57.50 | 16.43 | 66,000 | 1,048 |
| Total insured 1940 (48 projects) | | 3,426 | 12,610 | | | 12,481,000 | |
| Average | | 71 | 261½ | 52.50 | 14.33 | 260,021 | 969 |
| Median | | 47 | 174 | 51.06 | 14.26 | 181,500 | 956 |
| Changes during 1940 in projects previously insured. | | +136 | +635½ | | | +555,000 | |
| Adjusted total 1940 | | 3,562 | 13,245½ | | | 13,036,000 | |
| Cumulative total through 1939 | | 28,352 | 104,287½ | | | 109,249,750 | |
| Cumulative total through 1940 | | 31,014 | 117,533 | | | 122,285,750 | |
| Average | | 120 | 442 | 54.15 | 14.70 | 459,721 | 1,010 |
| Median | | 71 | 268½ | 54.79 | 14.70 | 261,700 | 1,016 |

### Cumulative Totals by States

The number of rental projects, the number of dwelling units, and the amount of mortgages insured for each State from the beginning of operations are shown in Table 51. Mortgages on 30 projects providing dwellings for 4,718 families have been insured for Virginia, placing this state second only to New York in volume of business. This may be explained by the number of large rental developments in the state which fall within the Washington, D. C., metropolitan district. The first demonstration of the rental housing plan was made here. The success of the plan is reflected in the number of large-scale projects that have subsequently been built in this area.

TABLE 51.—*State distribution of rental and release-clause projects: Family units and face amount of mortgages insured by FHA, cumulative 1935–1940*

| State | Rental projects | | | Release-clause projects | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number | Number of units | Mortgage amount | Number | Number of units | Mortgage amount | Number | Number of units | Mortgage amount |
| Alabama | 3 | 295 | $1,120,000 | 4 | 72 | $253,700 | 7 | 367 | $1,373,700 |
| Arizona | 2 | 65 | 194,000 | | | | 2 | 65 | 194,000 |
| Arkansas | 1 | 199 | 320,000 | | | | 1 | 199 | 320,000 |
| California | 10 | 1,273 | 3,483,700 | 1 | 53 | 200,000 | 11 | 1,326 | 3,683,700 |
| Colorado | 4 | 219 | 939,500 | | | | 4 | 219 | 939,500 |
| Connecticut | 5 | 328 | 1,310,000 | | | | 5 | 328 | 1,310,000 |
| Delaware | 2 | 179 | 740,000 | | | | 2 | 179 | 740,000 |
| District of Columbia | 3 | 1,072 | 3,794,000 | | | | 3 | 1,072 | 3,794,000 |
| Florida | 6 | 324 | 1,117,500 | | | | 6 | 324 | 1,117,500 |
| Georgia | 6 | 396 | 1,416,000 | | | | 6 | 396 | 1,416,000 |
| Idaho | | | | | | | | | |
| Illinois | 7 | 1,379 | 6,167,400 | | | | 7 | 1,379 | 6,167,400 |
| Indiana | 10 | 564 | 2,288,750 | 2 | 61 | 229,500 | 12 | 625 | 2,518,250 |
| Iowa | 1 | 127 | 550,000 | | | | 1 | 127 | 550,000 |
| Kansas | 1 | 12 | 38,000 | 9 | 161 | 573,100 | 10 | 173 | 611,100 |
| Kentucky | 1 | 265 | 1,000,000 | | | | 1 | 265 | 1,000,000 |
| Louisiana | 3 | 179 | 726,500 | 1 | 37 | 148,500 | 4 | 216 | 875,000 |
| Maine | | | | | | | | | |
| Maryland | 14 | 2,228 | 8,420,500 | 2 | 20 | 125,100 | 16 | 2,248 | 8,545,600 |
| Massachusetts | 2 | 232 | 383,000 | | | | 2 | 232 | 383,000 |
| Michigan | 8 | 711 | 2,671,000 | 4 | 81 | 288,900 | 12 | 792 | 2,959,900 |
| Minnesota | 6 | 675 | 2,812,000 | 2 | 22 | 83,800 | 8 | 697 | 2,895,800 |
| Mississippi | 1 | 12 | 34,000 | | | | 1 | 12 | 34,000 |
| Missouri | 14 | 1,227 | 5,346,000 | 4 | 53 | 242,300 | 18 | 1,280 | 5,588,300 |
| Montana | | | | | | | | | |
| Nebraska | | | | | | | | | |
| Nevada | | | | | | | | | |
| New Hampshire | | | | | | | | | |
| New Jersey | 14 | 1,964 | 7,149,500 | 3 | 30 | 130,500 | 17 | 1,994 | 7,280,000 |
| New Mexico | | | | | | | | | |
| New York | 43 | 7,754 | 32,348,000 | | | | 43 | 7,754 | 32,348,000 |
| North Carolina | 14 | 1,188 | 4,229,500 | | | | 14 | 1,188 | 4,229,500 |
| North Dakota | | | | | | | | | |
| Ohio | 4 | 526 | 2,320,000 | | | | 4 | 526 | 2,320,000 |
| Oklahoma | 3 | 55 | 184,000 | 5 | 77 | 277,750 | 8 | 132 | 461,750 |
| Oregon | 2 | 134 | 518,000 | | | | 2 | 134 | 518,000 |
| Pennsylvania | 18 | 1,615 | 6,666,000 | 3 | 433 | 1,529,000 | 21 | 2,048 | 8,195,000 |
| Rhode Island | 1 | 36 | 114,000 | | | | 1 | 36 | 114,000 |
| South Carolina | 1 | 62 | 240,000 | | | | 1 | 62 | 240,000 |
| South Dakota | 1 | 46 | 117,500 | | | | 1 | 46 | 117,500 |
| Tennessee | 4 | 418 | 1,647,000 | 3 | 30 | 137,850 | 7 | 448 | 1,784,850 |
| Texas | 16 | 808 | 3,272,400 | 6 | 140 | 350,825 | 22 | 948 | 3,623,225 |
| Utah | | | | | | | | | |
| Vermont | | | | | | | | | |
| Virginia | 30 | 4,718 | 16,244,000 | | | | 30 | 4,718 | 16,244,000 |
| Washington | 1 | 305 | 1,080,000 | 1 | 10 | 39,400 | 2 | 315 | 1,119,400 |
| West Virginia | 1 | 174 | 650,000 | | | | 1 | 174 | 650,000 |
| Wisconsin | 3 | 150 | 634,000 | 1 | 10 | 50,700 | 4 | 160 | 684,700 |
| Wyoming | | | | | | | | | |
| Alaska | | | | | | | | | |
| Hawaii | | | | | | | | | |
| Total | 266 | 31,914 | 122,285,750 | 51 | 1,290 | 4,666,925 | 317 | 33,204 | 126,952,675 |



### Lending Institution Activity

The bulk of the insured mortgages on rental housing projects was financed by insurance companies. As shown in Table 52, 23 insurance companies financed 70 percent of the mortgage principal insured from the beginning of operations and mortgages held in their portfolios also represented 68 percent of the mortgage principal on which insurance was in force at the end of the year. Furthermore, 85 percent of the mortgage principal on which insurance had terminated was financed by these companies.

The distribution by type of institution of mortgages insured since the beginning of operations, as well as the distribution of those on which the insurance is still in force, is shown. All data in the table are based on a record of the mortgagees holding mortgages on the last day of the year and those holding mortgages at time the insurance was terminated. There are few transactions in mortgages on rental projects as compared to those in mortgages insured under section 203. Most such transactions are arranged in advance and merely involve the transfer of the mortgage from the institution which finances the construction of the project to a permanent mortgagee.

TABLE 52.—*Type of institution: Face amount of rental housing insurance in force and of insurance written by FHA as of Dec. 31, 1940*

| Type of lending institution | Number of institutions | Rental housing mortgages | | Release-clause mortgages | | Total | | |
|---|---|---|---|---|---|---|---|---|
| | | Number | Amount | Number | Amount | Number | Amount | Percent |
| **INSURANCE IN FORCE:** | | | | | | | | |
| National banks | 14 | 25 | $7,127,400 | 6 | $343,700 | 31 | $7,471,100 | 6.8 |
| State banks | 10 | 12 | 6,580,000 | 3 | 137,250 | 15 | 6,717,250 | 6.1 |
| Mortgage companies | 10 | 5 | 312,500 | 6 | 323,350 | 11 | 635,850 | .6 |
| Savings and loan associations | 4 | 5 | 421,500 | 1 | 145,800 | 6 | 567,300 | .5 |
| Insurance companies | 23 | 158 | 72,797,350 | 9 | 1,867,500 | 167 | 74,664,850 | 67.9 |
| Finance companies | | | | | | | | |
| Savings banks | 9 | 15 | 8,832,000 | | | 15 | 8,832,000 | 8.0 |
| Federal agencies | 2 | 10 | 3,741,500 | | | 10 | 3,741,500 | 3.4 |
| All others | 3 | 23 | 7,268,500 | 1 | 114,700 | 24 | 7,383,200 | 6.7 |
| Total | 75 | 253 | 107,080,750 | 26 | 2,932,300 | 279 | 110,013,050 | 100.0 |
| **INSURANCE TERMINATED:** | | | | | | | | |
| Properties acquired by FHA | 4 | 4 | 6,355,000 | 1 | 57,200 | 5 | 6,412,200 | 37.9 |
| Other terminations | 21 | 9 | 8,850,000 | 24 | 1,677,425 | 33 | 10,527,425 | 62.1 |
| Total | 25 | 13 | 15,205,000 | 25 | 1,734,625 | 38 | 16,939,625 | 100.0 |
| **INSURANCE WRITTEN:** | | | | | | | | |
| National banks | 16 | 25 | 7,127,400 | 10 | 521,000 | 35 | 7,648,400 | 6.0 |
| State banks | 14 | 14 | 7,805,000 | 7 | 532,650 | 21 | 8,337,650 | 6.6 |
| Mortgage companies | 14 | 5 | 312,500 | 11 | 549,750 | 16 | 862,250 | .7 |
| Savings and loan associations | 4 | 5 | 421,500 | 1 | 145,800 | 6 | 567,300 | .4 |
| Insurance companies | 23 | 168 | 86,682,350 | 16 | 2,399,300 | 184 | 89,081,650 | 70.2 |
| Finance companies | 1 | | | 1 | 200,000 | 1 | 200,000 | .1 |
| Savings banks | 9 | 15 | 8,832,000 | | | 15 | 8,832,000 | 7.0 |
| Federal agencies | 2 | 10 | 3,741,500 | 2 | 112,100 | 12 | 3,853,600 | 3.0 |
| All others | 4 | 24 | 7,363,500 | 3 | 206,325 | 27 | 7,569,825 | 6.0 |
| Total | 87 | 266 | 122,285,750 | 51 | 4,666,925 | 317 | 126,952,675 | 100.0 |

## CHARACTERISTICS OF MORTGAGES AND PROJECTS

In this and the following sections, mortgage, project, and rental characteristics are shown for the 266 rental projects on which mortgages were insured from the beginning of operations. The 51 release clause projects, for which loans were closed, are omitted because they are not strictly comparable to rental projects. This difference exists because release clause projects are designed primarily to provide new homes for individual ownership rather than rental properties.

The size of the average insured mortgage on rental projects has declined steadily since 1938. The average mortgage insured during the period 1935–38 amounted to $530,081 as compared with an average of $469,667 during 1939 and an average of $260,021 during 1940. Mortgage principal insured ranges from $14,400 to $3,000,000. In several instances two or more projects, each with a separate insured mortgage, have been constructed on adjacent sites under a single management. The aggregate mortgage principal for these developments exceeds $3,000,000 but each of the mortgages involved is handled as a separate project for FHA reporting purposes.

### Amount of Mortgage per Room

In order to confine mortgage insurance to the lowest rental housing possible under the act, the February 1938 amendment established the maximum mortgage principal that may be attributable to dwelling use as $1,350 a room. It is encouraging, therefore, to find that the average mortgage for all rental projects insured from the beginning of operations is only $1,010 per room. Table 53 shows the distribution of the 266 projects for which mortgages were insured through 1940 by the amount of mortgage per room and the type of structure.

Table 53.—*Mortgage per room: Type of rental housing structure securing mortgages insured by FHA, 1935–1940*

| Mortgage per room [1] | Type of structure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Walk-up | | Elevator | | Detached | | Total | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Less than $500 | 3 | 1.3 | | | 4 | 44.4 | 7 | 2.6 |
| $500 to $599 | 1 | .4 | | | | | 1 | .4 |
| $600 to $699 | 10 | 4.4 | | | | | 10 | 3.7 |
| $700 to $799 | 10 | 4.4 | | | 4 | 44.4 | 14 | 5.3 |
| $800 to $899 | 42 | 18.4 | 2 | 6.9 | 1 | 11.2 | 45 | 16.9 |
| $900 to $999 | 45 | 19.8 | 1 | 3.4 | | | 46 | 17.3 |
| $1,000 to $1,099 | 68 | 29.8 | 8 | 27.6 | | | 70 | 28.6 |
| $1,100 to $1,199 | 37 | 16.3 | 6 | 20.7 | | | 43 | 6.2 |
| $1,200 to $1,299 | 10 | 4.4 | 8 | 27.6 | | | 18 | 6.8 |
| $1,300 to $1,350 | 2 | .8 | 4 | 13.8 | | | 6 | 2.2 |
| Total | 228 | 100.0 | 29 | 100.0 | 9 | 100.0 | 266 | 100.0 |
| Average amount | $900 | | $1,165 | | $640 | | $1,010 | |
| Median amount | 1,009 | | 1,165 | | 700 | | 1,016 | |

[1] Based on that part of mortgage principal attributable to dwelling use.



As shown in the table, the average mortgage per room for detached structures is much lower than for walk-up and elevator structures largely because the number of bedrooms, which are usually limited in an apartment, is considerably higher in individual dwellings, and because a dining room, almost always omitted in the more conventional multi-family dwelling unit, increases the cost of a single-family dwelling only by a very small amount. For this reason, release-clause projects, which consist entirely of detached structures, have been excluded from the table.

### Duration and Ratio of Mortgage to Valuation

Most mortgages insured during 1940 under section 207 bear 4 percent interest a year and are to be completely amortized in 28 years. Prior to 1940 the most frequent term was 26½ years at an interest rate of 4½ percent a year. The lower interest rate in 1940 was effected by the amended rules and regulations which limited the interest rate to 4 percent a year on all commitments to insure issued after August 1, 1939, and which reduced the interest rate on mortgages of $100,000 or less to 4½ percent a year.

The mortgage principal insured during 1940 averaged 78 percent of the FHA valuation compared to 77 percent during preceding years, and averaged 88 percent of the estimated cost of physical improvements compared to 90 percent during preceding years.

### Type of Structure

The most popular type of structure in rental projects is the two- and three-story walk-up building, which is generally found in garden-type developments. As shown in Table 54, mortgages were insured on 228 walk-up projects which consisted of 26,373 rental units, or approximately 83 percent of the total dwelling units provided under the rental housing program.

Mortgages were insured on 29 elevator projects consisting of 16 percent of the total rental units provided by the program. Detached structures are rarely employed in rental projects. Of the nine detached projects on which mortgages were insured under the rental housing program, four were sponsored by local housing authorities to

Table 54.—*Type of structure: Rental projects with mortgages insured by FHA, dwelling units, and rooms, 1935–1940*

| Type of structure | Rental projects | | Dwelling units [1] | | Rooms [2] | |
|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent |
| Walk-up | 228 | 85.7 | 26,373 | 82.6 | 97,338 | 82.8 |
| Elevator | 29 | 10.9 | 4,984 | 15.6 | 17,868 | 15.2 |
| Detached | 9 | 3.4 | 557 | 1.8 | 2,327 | 2.0 |
| Total | 266 | 100.0 | 31,914 | 100.0 | 117,533 | 100.0 |

[1] Includes 108 units which produce no income.
[2] Includes 314 rooms which produce no income.

provide subsidized housing for relief clients, two were built by industrial organizations for their employees, and only three provided dwelling units for the regular rental market.

As pointed out previously, the major use of the detached structure under the large-scale housing program of FHA was in release clause projects, where the dwelling units were designed for ultimate sale to the tenant.

The projects have been classified by the predominant type of structure employed in the project; thus, a project classified as walk-up may include an elevator building. Projects consisting of row houses have been listed as walk-up structures.

### Size of Projects

Individual projects range in size from five to 1,102 dwelling units, although one rental development consisting of several projects under a single management housed almost 50 percent more than that number of families. Table 55 presents a distribution of all rental projects, for which mortgages have been insured, by number of dwelling units per project and by type of structure.

As shown in the table, the average rental project consists of 120 dwelling units. This figure is rather high due to the influence of a few extremely large projects. Perhaps a better indication of the size of a typical project is the median project which provides 71 family units. Of the total rental projects 59 percent have less than 100 dwelling units.

Table 55 shows that the average elevator project is larger than the average project composed of either walk-up or detached structures. Most large projects, however, consist of walk-up structures. Of 48 projects which have 200 or more dwelling units each, 37 consist of walk-

TABLE 55.—*Size of project: Type of rental housing structure securing mortgages insured by FHA, 1935–1940*

| Number of dwelling units [1] | Type of structure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Walk-up | | Elevator | | Detached | | Total | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Less than 50 | 95 | 41.7 | 3 | 10.4 | 7 | 77.8 | 105 | 39.5 |
| 50 to 99 | 45 | 19.7 | 7 | 24.1 | | | 52 | 19.5 |
| 100 to 199 | 51 | 22.3 | 9 | 31.0 | 1 | 11.1 | 61 | 22.9 |
| 200 to 299 | 20 | 8.8 | 5 | 17.2 | 1 | 11.1 | 26 | 9.8 |
| 300 to 399 | 5 | 2.2 | 4 | 13.8 | | | 9 | 3.4 |
| 400 to 499 | 5 | 2.2 | | | | | 5 | 1.9 |
| 500 or more | 7 | 3.1 | 1 | 3.5 | | | 8 | 3.0 |
| Total | 228 | 100.0 | 29 | 100.0 | 9 | 100.0 | 266 | 100.0 |
| Average number of units | 116 | | 172 | | 62 | | 120 | |
| Median number of units | 63 | | 133 | | 20 | | 71 | |

[1] Includes 108 units which produce no income.



up structures while only 10 consist of elevator apartment buildings. The largest individual project and all the large developments made up of two or more projects consist of walk-up structures.

### Size of Dwelling Units

The three-room unit, representing 33 percent of the total units provided under the rental housing program, has been found the most popular with the tenant. The typical apartment of this size consists of a living room, bedroom, combined kitchen and dining alcove, and a bathroom, which is not included in the room count.

CHART 31—NUMBER OF ROOMS IN RENTAL HOUSING UNITS, CUMULATIVE, 1935–1940

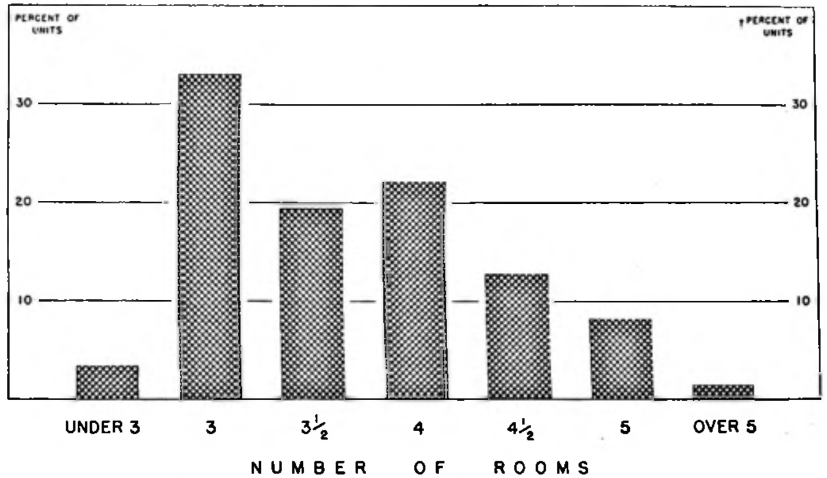



TABLE 56.—*Size of dwelling unit: Type of rental housing structure securing mortgages insured by FHA, 1935–1940*

| Number of rooms | Type of structure [1] | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Walk-up | | Elevator | | Detached | | Total | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 1 | 25 | 0.1 | 3 | 0.1 | | | 28 | 0.1 |
| 1½ | 7 | (2) | 3 | 0.1 | | | 10 | (2) |
| 2 | 420 | 1.6 | 290 | 5.9 | | | 719 | 2.3 |
| 2½ | 183 | .7 | 106 | 2.1 | | | 289 | .9 |
| 3 | 8,941 | 33.9 | 1,414 | 28.4 | 178 | 31.9 | 9,533 | 33.0 |
| 3½ | 5,085 | 19.3 | 1,096 | 22.0 | | | 6,181 | 19.4 |
| 4 | 5,910 | 22.4 | 1,003 | 20.1 | 182 | 32.7 | 7,095 | 22.2 |
| 4½ | 3,249 | 12.3 | 813 | 16.3 | | | 4,062 | 12.7 |
| 5 | 2,219 | 8.4 | 234 | 4.7 | 118 | 21.2 | 2,571 | 8.1 |
| 5½ | 4 | (2) | | | | | 4 | (2) |
| 6 | 306 | 1.2 | 12 | .3 | 78 | 14.0 | 396 | 1.2 |
| 6½ | 1 | (2) | | | | | 1 | (2) |
| 7 | 21 | .1 | 1 | (2) | 1 | .2 | 23 | .1 |
| 8½ | 1 | (2) | | | | | 1 | (2) |
| 9 | 1 | (2) | | | | | 1 | (2) |
| Total | 26,373 | 100.0 | 4,984 | 100.0 | 557 | 100.0 | 31,914 | 100.0 |
| Average rooms | 3.7 | | 3.6 | | 4.2 | | 3.7 | |
| Median rooms | 3.7 | | 3.6 | | 3.6 | | 3.7 | |

[1] Includes 108 units which produce no income. [2] Less than 0.05 percent.

The next most popular unit, representing 22 percent of the total units, generally has two bedrooms. In other respects the floor plan of a unit of this size is usually the same as that of the three-room unit. The three and one-half-room unit, which accounts for 19 percent of the dwelling units, differs from a three-room unit in the addition of a small bedroom or of a dining alcove separated from the kitchen. Dwelling units of these three sizes account for approximately 75 percent of the total units provided under the rental housing program.

Chart 31 and Table 56 present a distribution of all dwelling units in insured projects by the number of rooms per unit. As shown on the chart, approximately 95 percent of family units consist of from three to five rooms.

### Average Monthly Room Rental

It is the policy of the FHA under the rental housing program to insure projects whose rental range is low enough to be acceptable to a large segment of the renting public. In line with this policy the FHA has from time to time lowered the maximum room rental per month for new projects.

Early in the program a maximum of $20 per room per month was established with the provision that the Administrator might waive the maximum in special cases. In June 1939 the maximum was lowered to $15 a month, with the exception of projects in cities of population of a million or more where the maximum could not exceed $16.50 a month. The last reduction, in May 1940, established a maximum of $13.50 and $15 a month, outside and inside metropolitan cities, respectively. The effect of the last change is not reflected to any degree in the 1940 data because it was limited to new applications accepted after May 1, 1940, only a few of which became insured mortgages during the year.

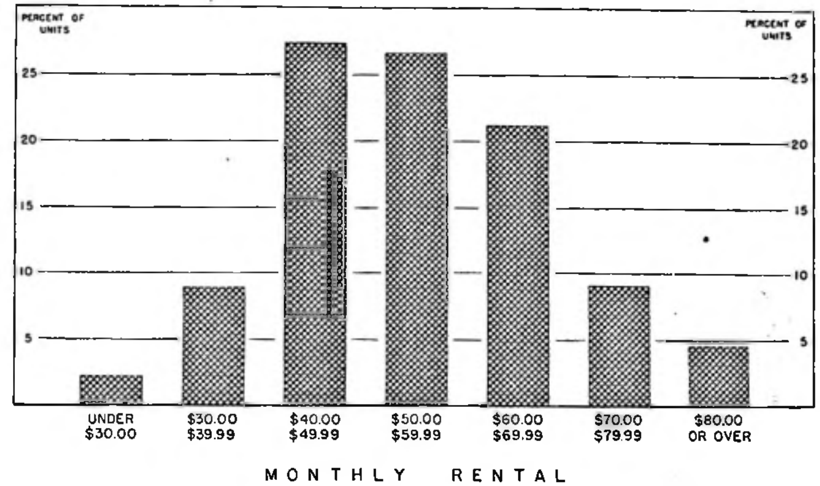
The average room rental, however, has never been excessively high,

TABLE 57.—*Average monthly room rental: Type of rental housing structure securing mortgages insured by FHA, 1935–1940*

| Average monthly room rental | Type of structure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Walk-up | | Elevator | | Detached | | Total | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| No income | 256 | 0.3 | 58 | 0.3 | | | 314 | 0.3 |
| Less than $5 | 708 | .8 | | | 863 | 37.1 | 1,661 | 1.4 |
| $5 to $7.49 | | | | | 1,210 | 52.0 | 1,210 | 1.0 |
| $7.50 to $9.99 | 6,080 | 6.2 | | | | | 6,080 | 5.1 |
| $10 to $12.49 | 7,344½ | 7.5 | | | 254 | 10.9 | 7,598½ | 6.5 |
| $12.50 to $14.99 | 44,078 | 45.3 | 155 | .9 | | | 44,233 | 37.6 |
| $15 to $17.49 | 32,208½ | 33.2 | 2,689½ | 14.5 | | | 34,888 | 20.7 |
| $17.50 to $19.99 | 5,250½ | 5.4 | 11,638 | 65.1 | | | 16,888½ | 14.4 |
| $20 or more | 1,232½ | 1.3 | 3,427½ | 19.2 | | | 4,660 | 4.0 |
| Total | 97,338 | 100.0 | 17,868 | 100.0 | 2,327 | 100.0 | 117,533 | 100.0 |
| Average rental | $14.25 | | $18.23 | | $6.59 | | $14.70 | |
| Median rental | 14.50 | | 18.00 | | 6.87 | | 14.70 | |



CHART 32—MONTHLY RENTAL OF RENTAL HOUSING UNITS, CUMULATIVE, 1935–1940




and has shown a gradual but steady decline since 1938. The average rent per room for all projects insured through that year was $14.91 a month as compared with $14.33 for the projects insured in 1940.

As shown in Table 57, which presents a distribution of rooms by average monthly rental and by type of structure, the average rental per room for all projects insured from the beginning of operations is $14.70 a month. Elevator projects, which can no longer be insured, have an average rental of $18.23 per room per month.

Walk-up projects, consisting of 83 percent of the total rooms provided in rental projects, have an average room rental of $14.25 a month. The low average room rental for detached structures, $6.59 a month, reflects the influence of the four projects built for relief clients. As shown in the table, however, all detached structures, including those for the regular rental market, have room rentals of less than $10 a month. This is due to the low operating costs for detached structures, which exclude many services, such as heating and janitor service, normally provided in rental projects.

### Monthly Dwelling Unit Rental

As shown in Chart 32, more than half of the total dwelling units in projects financed with FHA insured mortgages rent for from $40 to $60 a month. According to Table 58, which shows a distribution by monthly rentals of all dwelling units in projects insured through December 1940, almost 70 percent of the units are concentrated in the range from $40 to $65 a month.

In the projects composed of walk-up structures, the concentration of dwelling units within this rental range is even greater. Because of higher construction and operating costs for elevator structures the rentals are much higher than in walk-up structures. Approximately 86 percent of the apartments in these structures rent for from $50 to $85 a month. More than half of the detached structures rent for less than $30 a month. These rentals are not typical, however, because of the influence of several projects, previously discussed, which were not built for the regular rental market.

TABLE 58.—*Monthly dwelling unit rental: Type of rental housing structure securing mortgages insured, 1935–1940*

| Monthly dwelling unit rented | Type of structure | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Walk-up | | Elevator | | Detached | | Total | |
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| No income | 89 | 0.3 | 19 | 0.4 | | | 108 | 0.3 |
| Less than $30 | 330 | 1.3 | 3 | .1 | 284 | 51.0 | 617 | 1.9 |
| $30 to $34.99 | 961 | 3.6 | 3 | .1 | 65 | 11.7 | 1,029 | 3.2 |
| $35 to $39.99 | 1,630 | 6.2 | 35 | .7 | 151 | 27.1 | 1,816 | 5.7 |
| $40 to $44.99 | 3,770 | 14.3 | 167 | 3.4 | 47 | 8.4 | 3,984 | 12.5 |
| $45 to $49.99 | 4,634 | 17.6 | 127 | 2.5 | | | 4,761 | 14.9 |
| $50 to $54.99 | 3,521 | 13.3 | 864 | 17.3 | 10 | 1.8 | 4,395 | 13.8 |
| $55 to $59.99 | 3,685 | 14.0 | 393 | 7.9 | | | 4,078 | 12.8 |
| $60 to $64.99 | 3,536 | 13.4 | 918 | 18.4 | | | 4,454 | 14.0 |
| $65 to $69.99 | 1,880 | 7.1 | 430 | 8.6 | | | 2,310 | 7.2 |
| $70 to $74.99 | 1,143 | 4.3 | 680 | 13.6 | | | 1,823 | 5.7 |
| $75 to $79.99 | 700 | 2.7 | 364 | 7.3 | | | 1,064 | 3.4 |
| $80 to $84.99 | 263 | 1.0 | 660 | 13.3 | | | 923 | 2.9 |
| $85 to $89.99 | 84 | .3 | 160 | 3.2 | | | 244 | .7 |
| $90 or more | 147 | .6 | 161 | 3.2 | | | 308 | 1.0 |
| Total | 26,373 | 100.0 | 4,984 | 100.0 | 557 | 100.0 | 31,914 | 100.0 |
| Average rental | $52.60 | | $65.36 | | $27.53 | | $54.15 | |
| Median rental | 54.43 | | 63.61 | | 27.14 | | 54.79 | |

## Distribution of Units by Size and Rental Groups

The close relationship between the size of the dwelling unit and amount of monthly rental is apparent from Table 59, which shows the percentage distribution by number of rooms and monthly rental of all dwelling units in rental projects insured from the beginning of operations. For example, two-thirds of the total three-room dwelling units rent for from $30 to $50 a month, two-thirds of the units of 3½ rooms rent for from $45 to $65 a month, and two-thirds of the 4-room units rent for from $50 to $70 a month.

The table also presents a distribution for each type of structure. The distribution of units in walk-up structures is approximately the same as that for total units. In elevator projects, however, the rentals are higher than in projects of the other types for the same number of rooms. For example, 98 percent of the three-room units in elevator apartments rent for more than $50 a month while 81 percent of the units of this size in walk-up structures rent for less than $50 a month. In detached structures, for reasons previously discussed, dwelling units of a given number of rooms have a much lower rental than those in structures of other types.



Rental rates used in this section are based on estimates, made prior to the insurance of the mortgage, of rentals obtainable in the area in which the project is located. Such rentals may be less than the maximum rent allowable, and less than actual rentals during the initial periods of operation. After rental estimates have been made for each type of dwelling unit within a proposed project, they are entered on a rental schedule (used in compiling Tables 58 and 59) and totaled. From this total, an average monthly room rental for the entire project (used in compiling Table 57) is computed. Rentals for individual dwelling units in a project vary not only with the number of rooms but with such factors as location of the apartment within a building and location of the building within the development.

TABLE 59.—*Rooms and monthly rental or dwelling units: Percentage distribution of units in rental projects with mortgages insured by FHA, 1935–1940*

| Number of rooms per dwelling | Monthly dwelling unit rental | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Under $30 [1] | $30 to $39.99 | $40 to $44.99 | $45 to $49.99 | $50 to $54.99 | $55 to $59.99 | $60 to $64.99 | $65 to $69.99 | $70 to $79.99 | $80 and over | Total |
| WALK-UP: | | | | | | | | | | | |
| Less than 3 | 0.3 | 1.3 | 0.6 | 0.1 | 0.1 | | | | | | 2.4 |
| 3 | .7 | 4.7 | 11.5 | 10.4 | 4.5 | 1.6 | 0.2 | | 0.3 | | 33.9 |
| 3½ | ([2]) | 1.3 | 1.5 | 5.6 | 4.4 | 3.8 | 1.7 | 0.5 | .5 | ([2]) | 19.3 |
| 4 | .3 | .1 | .4 | .7 | 3.3 | 4.8 | 7.9 | 3.3 | 1.4 | 0.2 | 22.4 |
| 4½ | | 2.4 | .3 | .4 | .6 | 2.2 | 2.2 | 2.1 | 1.7 | .4 | 12.3 |
| 5 | .2 | | | .1 | .2 | 1.6 | 1.4 | 1.0 | 2.9 | 1.0 | 8.4 |
| More than 5 | .1 | | | .3 | .2 | ([2]) | ([2]) | .2 | .2 | .3 | 1.3 |
| Total | 1.6 | 9.8 | 14.3 | 17.6 | 13.3 | 14.0 | 13.4 | 7.1 | 7.0 | 1.9 | 100.0 |
| ELEVATOR: | | | | | | | | | | | |
| Less than 3 | 0.2 | 0.6 | 3.4 | 2.2 | 0.6 | 0.6 | 0.6 | | | | 8.2 |
| 3 | .2 | .1 | | .3 | 16.5 | 4.0 | 2.9 | 3.8 | ([2]) | ([2]) | 28.4 |
| 3½ | .1 | | | | .2 | 2.6 | 14.1 | .9 | 4.1 | | 22.0 |
| 4 | ([2]) | | | | | .1 | .2 | 3.7 | 10.9 | 5.2 | 20.1 |
| 4½ | | .1 | | | | | .6 | .2 | 5.9 | 9.5 | 16.3 |
| 5 | ([2]) | | | | | | | | | 4.7 | 4.7 |
| More than 5 | | | | | | | | | | .3 | .3 |
| Total | .5 | .8 | 3.4 | 2.5 | 17.3 | 7.9 | 18.4 | 8.6 | 20.9 | 19.7 | 100.0 |
| DETACHED: | | | | | | | | | | | |
| Less than 3 | | | | | | | | | | | |
| 3 | 28.3 | 3.6 | | | | | | | | | 31.9 |
| 3½ | | | | | | | | | | | |
| 4 | 20.5 | 5.8 | 6.4 | | | | | | | | 32.7 |
| 4½ | | | | | | | | | | | |
| 5 | 1.8 | 17.6 | | | 1.8 | | | | | | 21.2 |
| More than 5 | .4 | 11.8 | 2.0 | | | | | | | | 14.2 |
| Total | 51.0 | 38.8 | 8.4 | | 1.8 | | | | | | 100.0 |
| ALL TYPES: | | | | | | | | | | | |
| Less than 3 | 0.3 | 1.1 | 1.0 | 0.5 | 0.2 | 0.1 | 0.1 | | | | 3.3 |
| 3 | 1.1 | 4.0 | 9.6 | 8.6 | 6.3 | 2.0 | .6 | 0.5 | 0.3 | ([2]) | 33.0 |
| 3½ | ([2]) | 1.1 | 1.2 | 4.6 | 3.6 | 3.6 | 3.7 | .6 | 1.0 | ([2]) | 19.4 |
| 4 | .5 | .2 | .5 | .6 | 2.7 | 4.0 | 6.6 | 3.3 | 2.9 | .9 | 22.2 |
| 4½ | | 2.0 | .2 | .3 | .6 | 1.8 | 1.9 | 1.8 | 2.3 | 1.8 | 12.7 |
| 5 | .2 | .3 | | .1 | .2 | 1.3 | 1.1 | .8 | 2.5 | 1.6 | 8.1 |
| More than 5 | .1 | .2 | ([2]) | .2 | .2 | ([2]) | ([2]) | .2 | .1 | .3 | 1.3 |
| Total | 2.2 | 8.9 | 12.5 | 14.9 | 13.8 | 12.8 | 14.0 | 7.2 | 9.1 | 4.6 | 100.0 |

[1] Includes 108 units which produce no income.
[2] Less than 0.05 percent.

# Part VI

# ACCOUNTS AND FINANCE

THE accounting records and fiscal controls of all funds of the Federal Housing Administration are centralized in Washington, D. C. They have been established and are maintained in accordance with accepted Government procedures, adapted to the particular requirements of the National Housing Act. All cash and investments are deposited with the Treasurer of the United States and all disbursements are made through the Chief Disbursing Officer of the Treasury.

The principal sources of income of the FHA are (*a*) examination fees and insurance premiums under Titles I and II, (*b*) interest on investments of the Mutual Mortgage Insurance and Housing Insurance Funds, (*c*) recoveries on Title I defaulted notes and proceeds from the rental and sale of properties acquired after default under the terms of Title II insurance, (*d*) allocations from the Reconstruction Finance Corporation for the payment of a portion of the claims under Title I, and (*e*) miscellaneous receipts.

STATEMENT 1.—*Volume of insurance under Titles I and II, and costs of operation of the Administration by 6-month periods, 1934–40*

| Period | Insurance written | | | | Expenses incurred | | |
|---|---|---|---|---|---|---|---|
| | Modernization and property improvement notes insured | Small home mortgages insured | Rental and group housing mortgages insured | Total volume of insurance | Total operating expenses [1] | Departmental | Field |
| 1934: | | | | | | | |
| Last half | $30,450,583 | ---------- | ---------- | $30,450,583 | $1,739,770 | $1,295,733 | $444,037 |
| 1935: | | | | | | | |
| First half | 61,536,494 | $11,514,309 | $875,000 | 73,925,803 | 4,533,356 | 2,036,457 | 2,496,899 |
| Last half | 162,083,652 | 82,367,703 | 1,480,000 | 245,931,355 | 5,766,816 | 1,926,090 | 3,840,726 |
| 1936: | | | | | | | |
| First half | 141,811,958 | 110,764,470 | 800,000 | 253,376,428 | 6,319,683 | 2,446,669 | 3,873,014 |
| Last half | 104,337,955 | 198,180,636 | 1,301,000 | 303,819,591 | 5,081,559 | 1,744,351 | 3,337,208 |
| 1937: | | | | | | | |
| First half | [2] 60,481,416 | 196,955,124 | 2,589,000 | 260,025,540 | 5,169,376 | 1,921,134 | 3,248,242 |
| Last half | [2] −98,818 | 227,417,875 | 7,960,000 | 235,279,057 | 4,100,609 | 1,630,088 | 2,470,521 |
| 1938: | | | | | | | |
| First half | 51,403,918 | 170,649,400 | 20,975,750 | 243,029,068 | 5,118,269 | 1,940,576 | 3,177,693 |
| Last half | 121,343,390 | 302,596,724 | 26,613,400 | 450,553,514 | 6,228,342 | 2,035,343 | 4,192,999 |
| 1939: | | | | | | | |
| First half | 106,209,058 | 306,700,800 | 37,042,625 | 449,952,483 | 6,370,371 | 2,115,339 | 4,255,032 |
| Last half | 126,858,291 | 362,715,354 | 14,298,000 | 503,871,645 | 6,590,952 | 2,156,496 | 4,434,456 |
| 1940: | | | | | | | |
| First half | 106,754,490 | 318,485,193 | 7,147,000 | 432,380,683 | 6,576,266 | 2,107,878 | 4,468,388 |
| Last half | 169,786,875 | 418,005,151 | 5,870,900 | 593,662,926 | 6,690,518 | 2,143,745 | 4,546,773 |
| Total, 1934–40 | 1,242,059,262 | 2,706,352,730 | 126,052,675 | 4,076,264,676 | 70,285,887 | 25,499,899 | 44,785,988 |

[1] Expenses encumbered in subsequent years have been applied to year in which incurred. Capitalized expenditures for furniture and equipment not included in above expenses.
[2] Authority to insure loans under Title I expired Apr. 1, 1937; amendment of Feb. 3, 1938, authorized resumption of Title I insurance.



Expenditures are made for (*a*) salaries and administrative expenses, (*b*) furniture and equipment, (*c*) acquisition, management, and sale of acquired properties, including cash adjustments, interest on and redemption of debentures, payment of certificates of claim and refunds to mortgagors, (*d*) settlement of Title I claims, and (*e*) investment of surplus funds.

Separate estimates of income and expenses of the Title I Insurance Fund, the Mutual Mortgage Insurance Fund, and the Housing Insurance Fund are submitted annually to Congress in cooperation with the Bureau of the Budget, as well as estimates of operating expenses of the Administration and of the amounts required to pay Title I insurance claims.

STATEMENT 2.—*Income from fees, insurance premiums, and interest on investments under titles I and II by 6-month periods, 1934–1940*

| | Examination and special fees | Initial premiums | Renewal premiums | Prepayment premiums | Interest on on investments | Total |
|---|---|---|---|---|---|---|
| Title I: | | | | | | |
| 1939—Second half | $34,750 | $1,268,064 | ---------- | ---------- | ---------- | $1,302,814 |
| 1940—First half | 80,757 | 1,780,541 | ---------- | ---------- | ---------- | 1,861,298 |
| Second half | 65,606 | 2,475,400 | $16,038 | ---------- | ---------- | 2,557,044 |
| Total | 181,113 | 5,524,005 | 16,038 | ---------- | ---------- | 5,721,156 |
| Title II, Sec. 203: | | | | | | |
| 1934—Second half | ---------- | ---------- | ---------- | ---------- | $113,423 | 113,423 |
| 1935—First half | 241,285 | 23,440 | ---------- | ---------- | 143,258 | 407,983 |
| Second half | 522,369 | 401,403 | 54,082 | $523 | 141,704 | 1,120,081 |
| 1936—First half | 634,629 | 531,770 | 30,589 | 5,975 | 153,402 | 1,356,365 |
| Second half | 1,027,439 | 1,009,894 | 514,276 | 21,963 | 180,494 | 2,754,066 |
| 1937—First half | 984,934 | 996,715 | 640,999 | 59,977 | 223,842 | 2,906,467 |
| Second half | 792,386 | 1,115,323 | 1,311,845 | 88,234 | 273,531 | 3,581,319 |
| 1938—First half | 1,382,735 | 824,344 | 1,451,451 | 108,689 | 283,167 | 4,050,386 |
| Second half | 1,767,280 | 1,234,359 | 1,931,072 | 132,002 | 279,284 | 5,343,997 |
| 1939—First half | 1,897,792 | 1,141,251 | 2,249,047 | 177,016 | 280,625 | 5,745,731 |
| Second half | 1,719,381 | 1,481,065 | 2,874,482 | 239,100 | 316,015 | 6,630,043 |
| 1940—First half | 2,155,588 | 1,522,618 | 3,073,754 | 303,010 | 323,915 | 7,378,885 |
| Second half | 2,205,021 | 2,078,937 | 3,846,155 | 311,272 | 335,879 | 8,777,264 |
| Total | 15,330,839 | 12,361,119 | 17,977,752 | 1,447,761 | 3,048,539 | 50,166,010 |
| Title II, Secs. 207–210: | | | | | | |
| 1935—First half | ---------- | 4,375 | ---------- | ---------- | ---------- | 4,375 |
| Second half | ---------- | 7,400 | ---------- | ---------- | ---------- | 7,400 |
| 1936—First half | ---------- | 4,000 | 4,375 | ---------- | ---------- | 8,375 |
| Second half | ---------- | 5,800 | 7,400 | ---------- | ---------- | 13,200 |
| 1937—First half | ---------- | 16,150 | 11,413 | ---------- | ---------- | 27,563 |
| Second half | 555 | 37,100 | 12,305 | ---------- | ---------- | 49,960 |
| 1938—First half | 94,210 | 84,206 | 21,668 | ---------- | 6,425 | 206,509 |
| Second half | 225,296 | 135,048 | 48,182 | ---------- | 12,941 | 421,467 |
| 1939—First half | 113,063 | 184,089 | 131,904 | ---------- | 13,715 | 442,771 |
| Second half | 26,169 | 75,095 | 164,901 | 1,700 | 22,136 | 290,001 |
| 1940—First half | 21,514 | 30,915 | 289,808 | 23,850 | 22,118 | 397,205 |
| Second half | 1,932 | 24,115 | 212,999 | 8,064 | 22,104 | 269,214 |
| Total | 482,739 | 617,293 | 904,955 | 33,614 | 99,439 | 2,138,040 |
| Total Income: | | | | | | |
| 1934—Second half | ---------- | ---------- | ---------- | ---------- | 113,423 | 113,423 |
| 1935—First half | 241,285 | 27,815 | ---------- | ---------- | 143,258 | 412,358 |
| Second half | 522,369 | 408,803 | 54,082 | 523 | 141,704 | 1,127,481 |
| 1936—First half | 634,629 | 535,770 | 34,964 | 5,975 | 153,402 | 1,364,740 |
| Second half | 1,027,439 | 1,015,694 | 521,676 | 21,963 | 180,494 | 2,767,266 |
| 1937—First half | 984,934 | 1,012,865 | 652,412 | 59,977 | 223,842 | 2,934,030 |
| Second half | 792,941 | 1,152,423 | 1,324,150 | 88,234 | 273,531 | 3,631,279 |
| 1938—First half | 1,476,945 | 908,550 | 1,473,119 | 108,689 | 289,592 | 4,256,895 |
| Second half | 1,992,576 | 1,369,407 | 1,979,254 | 132,002 | 292,225 | 5,765,464 |
| 1939—First half | 2,010,855 | 1,325,340 | 2,380,951 | 177,016 | 294,340 | 6,188,502 |
| Second half | 1,780,300 | 2,824,224 | 3,039,383 | 240,800 | 338,151 | 8,222,858 |
| 1940—First half | 2,257,859 | 3,343,074 | 3,363,562 | 326,860 | 346,033 | 9,637,388 |
| Second half | 2,272,559 | 4,578,452 | 4,075,192 | 319,336 | 357,983 | 11,603,522 |
| Total | 15,994,691 | 18,502,417 | 18,898,745 | 1,481,375 | 3,147,978 | 58,025,206 |

Previous to July 1, 1940, the appropriations for administrative expenses of the Federal Housing Administration were met partly through allocation of funds from the Reconstruction Finance Corporation (in accordance with the provisions of Section 4 of the National Housing Act) and the remainder by transfer from the insurance funds. Beginning with the current fiscal year, all moneys for operating expenses are derived from earnings of the insurance funds.

For the fiscal year ended June 30, 1940, the available appropriation for administrative expenses of $13,500,000 was met by an allocation of $3,500,000 from Reconstruction Finance Corporation and transfers of $9,450,000 from the Mutual Mortgage Insurance Fund and $850,000 from the Title I Insurance Fund.

The total appropriation of $13,300,000 for administrative expenses for the current fiscal year ending June 30, 1941, is being met by transfers of $10,900,000 from the Mutual Mortgage Insurance Fund, $1,200,000 from the Housing Insurance Fund, and $1,200,000 from the Title I Insurance Fund.

The National Housing Act (Sections 2 (f), 205 (b), and 207 (f)) authorizes the payment of operating expenses out of the insurance funds, and the independent offices appropriations acts stipulate the amounts that are authorized for expenditure.

Until the current fiscal year, all funds for the settlement of Title I insurance losses were allocated from Reconstruction Finance Corporation under authority of Section 4 of the National Housing Act. The Independent Offices Appropriation Act, 1941, provided that $3,000,000 of the collections of Title I insurance premiums and $4,000,000 of Reconstruction Finance Corporation funds be made available during the current fiscal year for the payment of such losses.

The volume of insurance from the beginning of operations to December 31, 1940, is compared with the expenses of operation and the income for the same period in Statement 1. Statement 2 sets forth all fees, insurance premiums and interest income received from Titles I and II through December 31, 1940.

## TITLE I PROPERTY IMPROVEMENT LOAN INSURANCE

Up to December 31, 1940, approved lending institutions had reported 3,009,224 loans of a face amount of $1,242,959,262 for insurance under Title I. On these loans, a total of 122,098 insurance claims have been paid in the amount of $30,511,449.85.

A summary of the notes insured under the original act and subsequent amendments, the claims and recoveries thereunder, and the present status of the collection and property accounts are set forth in Statement 3.

Of the notes shown on Statement 3 as insured under the amendment of February 3, 1938, a total of 14,464 notes in the face amount of



Statement 3.—*Summary of Title I accounts: Notes insured, claims paid, and recoveries cumulative through Dec. 31, 1940*

| | Total Title I transactions | Notes insured prior to Feb. 3, 1938, amendment | | Notes insured under Feb. 3, 1938, amendment | | Notes insured under June 3, 1939, amendment | |
|---|---|---|---|---|---|---|---|
| | | Amount | Percent of face amount of notes reported | Amount | Percent of face amount of notes reported | Amount | Percent of face amount of notes reported |
| Number of notes insured | 3,009,224 | 1,461,525 | | 666,601 | | 881,098 | |
| Notes insured, face amount | $1,242,959,262.40 | $562,052,059.81 | 100.000 | $314,914,893.92 | 100.000 | $365,992,308.67 | 100.000 |
| Number of claims paid | 122,098 | 100,481 | | 17,065 | | 4,552 | |
| Amount of claims paid | $30,511,449.85 | $21,979,721.44 | 3.911 | $6,763,329.83 | 2.148 | $1,768,398.58 | .483 |
| Cash collections on notes | 6,493,616.89 | 5,815,634.97 | 1.035 | 633,716.72 | .201 | 44,265.20 | .012 |
| Repossessed property: | | | | | | | |
| Cash received on sales: | | | | | | | |
| By FHA | 136,926.17 | 133,226.13 | ------ | 3,700.04 | | ------ | ------ |
| By Treasury | 11,784.75 | 11,772.25 | ------ | 12.50 | | ------ | ------ |
| Unrecovered balances on sales | 223,681.46 | 219,285.97 | ------ | 4,395.49 | | ------ | ------ |
| Transferred to other Government activities | 3,887,247.28 | 3,864,030.10 | ------ | 22,019.61 | | 1,197.57 | ------ |
| Destroyed by Treasury | 1,223.95 | 1,223.95 | ------ | ------ | | ------ | ------ |
| Available for transfer | 15,468.74 | 11,783.06 | ------ | 3,685.68 | | ------ | ------ |
| Available for sale | 6,179.03 | 5,732.97 | ------ | 446.06 | | ------ | ------ |
| Total | 4,282,511.38 | 4,247,054.43 | .756 | 34,259.38 | .011 | 1,197.57 | .000 |
| Total cash recovery and repossessed property | 10,776,128.27 | 10,062,689.40 | 1.791 | 667,976.10 | .212 | 45,462.77 | .012 |
| Total unrecovered claims | 19,735,321.58 | 11,917,032.04 | 2.120 | 6,095,353.73 | 1.936 | 1,722,935.81 | .471 |
| Uncollectible note balances in suspense | 4,244,162.44 | 3,921,576.57 | .698 | 307,980.42 | .098 | 14,605.45 | .004 |
| Notes receivable in process of collection | 15,491,159.14 | 7,995,455.47 | 1.422 | 5,787,373.31 | 1.838 | 1,708,330.36 | .467 |
| Title I claims in audit: | | | | | | | |
| Number of claims | 1,098 | 86 | | 474 | | 538 | |
| Amount of claims | $378,327.26 | $26,270.52 | ------ | $143,957.34 | ------ | $208,099.40 | ------ |
| Not included in above figures: | | | | | | | |
| Interest collected on notes | 160,803.20 | 154,692.54 | ------ | 5,952.01 | ------ | 158.65 | ------ |
| Overpayments on closed cases | 771.19 | 726.93 | ------ | 44.26 | ------ | ------ | ------ |
| Property on which pick-up orders have been issued | 32,039.41 | 20,473.23 | ------ | 9,614.10 | ------ | 1,952.08 | ------ |
| Recovery of costs-judgments | 10,104.88 | 8,241.69 | ------ | 1,863.19 | ------ | ------ | ------ |
| Unallocated and sundry items | 11,944.14 | 11,069.74 | ------ | 874.40 | ------ | ------ | ------ |

$30,881,996.29 were class 3 loans for new construction. Claims of $501,737.71 have been paid on 262 of such notes and recoveries in the form of cash collections have been made in the amount of $25,986.35.

Under the June 3, 1939, amendment, 11,098 notes in face amount of $32,546,134.04 were insured under class 3. Three claims have been paid in the amount of $6,566.86, against which no recoveries had been made up to December 31, 1940.

Upon payment of the insurance losses, the notes and other claims against the borrowers become the property of the FHA and are turned over to the Division of Collection of the FHA for collection, salvage, or other disposition. The repossession of property is handled by the Procurement Division of the Treasury Department upon request of the Administration. Repossessed property may be either sold on the market or transferred, if it can be utilized, to other agencies of the United States Government. The cash recovery on the notes and the proceeds from the sale of repossessed property are deposited in the Treasury and subsequently covered into miscellaneous receipts.

After all reasonable collection efforts are exhausted, the uncollectible note balances are reported to the General Accounting Office. When the notes are paid in full as to principal, effort is made to collect the interest accrued thereon. Such interest collections are also credited to general fund receipts of the Treasury.

A statement of the notes insured, claims paid and recoveries by years is given below.

STATEMENT 4.—*Summary of Title I notes insured, claims for insurance paid, and recoveries on defaulted notes purchased under the origina .and amended acts by calendar year, 1934–1940*

| Year | Notes insured | Claims for insurance paid | Recoveries on defaulted notes purchased | | | |
|---|---|---|---|---|---|---|
| | | | Total | Cash receipts | | Equipment repossessed |
| | | | | On notes | On sales of repossessed equipment | |
| 1934 | $30,450,583 | | | | | |
| 1935 | 223,620,146 | $147,448 | $9,916 | $9,916 | | |
| 1936 | 246,149,913 | 5,884,885 | 946,912 | 272,694 | $20,513 | $653,705 |
| 1937 | 60,382,598 | 6,890,897 | 2,602,355 | 913,758 | 28,537 | 1,660,060 |
| 1938 | 172,747,308 | 6,016,307 | 2,673,660 | 1,489,044 | 63,373 | 1,121,243 |
| 1939 | 233,067,349 | 4,728,345 | 2,286,693 | 1,919,524 | 22,420 | 344,740 |
| 1940 | 276,541,365 | 6,543,568 | 2,031,687 | 1,888,681 | 13,859 | 129,147 |
| Total | 1,242,959,262 | 30,511,450 | 10,551,223 | 6,493,617 | 148,711 | [1] 3,908,895 |

[1] Equipment repossessed does not include unrecovered balances on sales and property destroyed by Treasury.

### Reserves

Section 2 of Title I of the National Housing Act as amended June 3, 1939, contains the following provision as to the maximum liability which the Administrator may incur with respect to insured loans under sections 2 and 6:

In no case shall the insurance granted by the Administrator under this section to any such financial institution on loans, advances of credit, and purchases made by such financial institution for such purposes on and after July 1, 1939, exceed 10 per centum of the total amount of such loans, advances of credit, and purchases. The total liability which may be outstanding at any time plus the amount of claims paid in respect of all insurance heretofore and hereafter granted under this section and section 6, as amended, less the amount collected from insurance premiums and deposited in the Treasury of the United States under the provisions of subsection (f) of this section, shall not exceed in the aggregate $100,000,000.



STATEMENT 5.—*Insurance reserves under Title I authorized, established, released, and remaining unallocated as of Dec. 31, 1940, as provided under Secs. 2 and 6, National Housing Act*

| Item | Gross reserves established | Reserves released | Charges against liability limitation as of Dec. 31, 1940 | | | Summation |
|---|---|---|---|---|---|---|
| | | | Outstanding contingent liability | Claims paid | Total | |
| Basic liability limitation established by Congress | | | | | | $100,000,000 |
| Insurance reserves: | | | | | | |
| Sec. 2: | | | | | | |
| 20 percent, original act | $96,332,338 | $49,749,253 | $1,109,630 | $15,473,455 | $16,583,085 | |
| 10 percent, amendment of Apr. 3, 1936 | 17,257,958 | 7,009,871 | 3,784,396 | 6,463,691 | 10,248,087 | |
| 10 percent, amendment of Feb. 3, 1938 | 27,308,999 | | 20,545,669 | 6,763,330 | 27,308,999 | |
| 10 percent, amendment of June 3, 1939 | 31,914,816 | | 30,146,417 | 1,768,399 | 31,914,816 | |
| Sec. 6: | | | | | | |
| 20 percent, amendment of Apr. 22, 1937 | 297,290 | | 260,029 | 37,261 | 297,290 | |
| 10 percent, amendment of Apr. 17, 1936 | 11,913 | 1,453 | 5,146 | 5,314 | 10,460 | |
| Total | 143,123,314 | 56,760,577 | 55,851,287 | 30,511,450 | 86,302,737 | |
| Insurance premium charges received (deduct) | | | | | 5,540,043 | |
| Net charges against liability limitation | | | | | 80,822,694 | 80,822,694 |
| Total unallocated amount available for use as reserves | | | | | | 19,177,306 |

The Administration maintains a constant check of the estimated outstanding balances and verifies them with the call report secured annually from qualified Title I lending institutions. By this means it has determined that at all times the actual liability has been within the legal limitation.

As of December 31, 1940 the excess of established reserves over outstanding balances of the notes involved was $56,760,577. After releasing that excess of reserves, it will be noted from the following statement that there was an approximate unencumbered reserve available for additional operations of $19,177,306. It is estimated that this sum, augmented by further releases from liability as earlier insured notes approach maturity and supplemented by receipts of insurance premiums, will be adequate to meet the expected volume of insurance under the amendment of June 3, 1939.

### Insurance Premiums and Fees

Under the June 3, 1939, amendment to the act, effective July 1, 1939, the Administrator was authorized to collect a premium charge for insurance granted under Title I not to exceed three-quarters of 1 percent per annum of the net proceeds of the loan. This amendment further provided that the moneys derived from such insurance premiums shall be available for defraying the operating expenses of the Federal Housing Administration and that any amounts not needed for such purposes may be used for the payment of claims in connection with the insurance granted under this title.

On applications for class 3 loans submitted since July 1, 1939, the Administrator has provided by regulation for an examination or conformity fee of $10 per case.

The collections from examination fees and insurance premiums which have been deposited in the Treasury to the credit of the Title I Insurance Fund are shown below.

STATEMENT 6.—*Receipts of the Title I Insurance Fund from examination fees and insurance premiums authorized under amendment of June 3, 1939, through Dec. 31, 1940*

| Calendar year | Class 1 premiums | Class 2 premiums | Class 3 | | Total |
|---|---|---|---|---|---|
| | | | Premiums | Examination fees | |
| 1939 | $1,097,917.05 | $26,520.65 | $143,625.88 | $34,750.00 | $1,302,813.58 |
| 1940 | 3,955,432.38 | 134,401.73 | 182,145.32 | 146,362.85 | 4,418,342.28 |
| Total | 5,053,349.43 | 160,922.38 | 325,771.20 | 181,112.85 | 5,721,155.86 |

A statement of the resources and liabilities of the Title I Insurance Fund showing the excess of resources over liabilities is set forth below, as well as an analysis of changes in the fund during the year 1940.

STATEMENT 7.—*Resources and liabilities of the Title I Insurance Fund as of December 1939, June 1940, and December 1940*

| | Dec. 31, 1939 | June 30, 1940 | Dec. 31, 1940 |
|---|---|---|---|
| Resources: | | | |
| Cash on deposit with Treasurer of United States | $1,302,813.58 | $2,313,861.19 | $3,160,990.16 |
| Accounts receivable | | | 74.59 |
| Total resources | 1,302,813.58 | 2,313,861.19 | 3,161,064.75 |
| Liabilities: Unliquidated obligations on acquired properties | | | 10,162.25 |
| Excess of resources over liabilities | 1,302,813.58 | 2,313,861.19 | 3,150,902.50 |

STATEMENT 8.—*Analysis of changes in the Title I Insurance Fund through December 1939, June 1940, and December 1940*

| | Dec. 31, 1939 | June 30, 1940 | Dec. 31, 1940 |
|---|---|---|---|
| Income and accretions: Fees and premiums (net) | $1,302,813.58 | $3,164,111.96 | $5,721,155.86 |
| Transfers and expenditures: | | | |
| Transfer to appropriation, administrative expenses | | 850,000.00 | 2,050,000.00 |
| Transfer to appropriation for payment of claims | | | 500,000.00 |
| Expenses on repossessed properties | | 250.77 | 20,253.36 |
| Total transfers and expenditures | | 850,250.77 | 2,570,253.36 |
| Excess of income and accretions over transfers and expenditures | 1,302,813.58 | 2,313,861.10 | 3,150,902.50 |



## TITLE II: MUTUAL MORTGAGE INSURANCE ACCOUNTS

A REVIEW is made in Washington of all insurance contracts on small-home mortgages executed in the field under Section 203 of the Act to determine their compliance with the rules and regulations and to establish appropriate insurance accounts and records.

Fees and insurance premiums collected from insured mortgagees by the Federal Housing Administration are deposited with the Treasurer of the United States to the credit of the Mutual Mortgage Insurance Fund. All such income is identified with its individual mortgage and is verified and allocated to the group account to which the mortgage has been assigned.

Receipts from fees and insurance premiums on Rental Housing Projects insured under Section 207 prior to the amendments of February 3, 1938, to the National Housing Act are deposited in the Mutual Mortgage Insurance Fund. Under the provisions of these amendments, a separate Housing Insurance Fund was established (see p. 114) to which receipts from all new housing projects insured under Sections 207 and 210 after February 3, 1938, are credited.

There is given below a statement by years of the fee and premium income which has been deposited with the Treasurer of the United States to the credit of the Mutual Mortgage Insurance Fund.

STATEMENT 9.—*Receipts of the Mutual Mortgage Insurance Fund from examination fees, insurance, and prepayment premiums under Sections 203 and 207, by years, 1935–1940*

| Calendar year | Total receipts under sec. 203 | Total receipts under sec. 207 [1] | Grand total |
|---|---|---|---|
| 1935 | $1,243,102 | $11,775 | $1,254,877 |
| 1936 | 3,776,535 | 21,575 | 3,798,110 |
| 1937 | 5,990,413 | 77,522 | 6,067,935 |
| 1938 | 8,831,932 | 98,332 | 8,930,264 |
| 939 | 11,779,134 | 52,227 | 11,831,361 |
| 1940 | 15,496,355 | 8,695 | 15,505,050 |
| Total | 47,117,471 | 270,126 | [2] 47,387,597 |

[1] Receipts amounting to $1,768,474 from rental housing projects insured after the amendment of Feb. 3, 1938, have been deposited to the Housing Insurance Fund as shown in Statement 17.
[2] See statement 2.

A statement showing the resources and liabilities of the Mutual Mortgage Insurance Fund and the excess of resources over liabilities as of December 31, 1939, June 30, 1940 and December 31, 1940 follows.

STATEMENT 10.—*Resources and liabilities of the Mutual Mortgage Insurance Fund as of December 1939, June 1940, and December 1940*

| | Dec. 31, 1939 | June 30, 1940 | Dec. 31, 1940 |
|---|---|---|---|
| Resources: | | | |
| Cash on deposit with Treasurer of United States | $2,270,210.93 | $4,211,808.76 | $5,808,260.07 |
| Accrued income receivable: | | | |
| Rent and other income on real property | 5,524.63 | 6,254.37 | 6,828.70 |
| Interest on Treasury bonds | 144,076.62 | 144,075.63 | 146,381.59 |
| Interest on mortgage notes | 1,677.87 | 2,529.06 | 4,082.80 |
| Prepaid expenses | 2,417.03 | 7,477.81 | 3,399.09 |
| United States Treasury bonds [1] | 23,253,904.27 | 23,212,770.44 | 24,671,314.11 |

[1] See Statement 14 for details.

STATEMENT 10.—*Resources and liabilities, of the Mutual Mortgage Insurance Fund as of December 1939, June 1940, and December 1940*—Continued

| | Dec. 31, 1939 | June 30, 1940 | Dec. 31, 1940 |
|---|---|---|---|
| Resources—Continued. | | | |
| Stock in rental housing corporations (donated prior to Feb. 3, 1938), 1,440 shares [2] | ---------- | ---------- | ---------- |
| Mortgage notes and purchase contracts on sold properties | $1,807,260.36 | $3,002,503.21 | $1,674,155.44 |
| Real property at cost (debentures plus cash adjustments) | 2,839,494.08 | 3,650,899.85 | 3,538,409.80 |
| Total resources | 30,325,466.39 | 34,299,219.13 | 38,852,832.20 |
| Liabilities: | | | |
| Cash adjustments on debentures authorized | 683.32 | 1,599.13 | 2,002.77 |
| Accrued interest on debentures | 53,696.61 | 84,162.77 | 101,150.12 |
| Unliquidated obligations: | | | |
| On real properties | 42,760.47 | 94,793.71 | 71,461.69 |
| On certificates of claim and refunds to mortgagors | 39,755.15 | 53,181.26 | 74,012.33 |
| Mortgagors' escrow deposits | 20,204.95 | 38,749.26 | 66,100.71 |
| Earnest money on pending sales | 16,682.03 | 41,308.32 | 24,770.70 |
| Debentures payable: | | | |
| Outstanding | 3,547,398.67 | 5,477,105.28 | 6,571,755.28 |
| Authorized | 157,250.00 | 273,050.00 | 382,250.00 |
| Claims in audit | 639,287.54 | 503,608.80 | 735,129.74 |
| Total liabilities | 4,517,809.34 | 6,567,618.53 | 8,028,633.34 |
| Excess of resources over liabilities | 25,807,657.05 | 27,731,600.60 | 30,824,198.86 |
| Contingent liability for certificates of claim on properties still on hand: | | | |
| Certificates of claim outstanding | 176,014.36 | 245,548.19 | 206,179.29 |
| Certificates of claim authorized | 12,375.17 | 23,853.11 | 31,976.21 |
| Certificates of claim in audit | 36,879.67 | 29,524.55 | 40,074.73 |
| Total contingent liability | 225,269.20 | 298,925.85 | 278,230.23 |

[2] As of Dec. 31, 1939, and June 30, 1940, the fund held 1,550 shares of donated rental housing stock.

The following statement analyzes the changes in the Mutual Mortgage Insurance Fund from its inception to December 31, 1939, for the calendar year 1940 and from the beginning of the fund to December 31, 1940.

STATEMENT 11.—*Analysis of changes in the Mutual Mortgage Insurance Fund through December 1939, June 1940, and December 1940*

| | June 27, 1934, to Dec. 31, 1939 | Jan. 1, 1940, to Dec. 31, 1940 | June 27, 1934, to Dec. 31, 1940 |
|---|---|---|---|
| Income and accretions: | | | |
| Appropriation allocated from Reconstruction Finance Corporation | $10,000,000.00 | ---------- | $10,000,000.00 |
| Fees and mortgage insurance premiums (net) (see Statement 9) | 31,882,546.91 | $15,505,050.48 | 47,387,597.39 |
| Interest on U. S. Treasury bonds after deduction of premium amortization | 2,388,745.24 | 659,793.42 | 3,048,538.66 |
| Income on mortgage notes (net) | 61,140.64 | 132,414.69 | 193,555.33 |
| Dividends on rental housing stock | 123.25 | 27.75 | 151.00 |
| Miscellaneous | 20.41 | 10.31 | 30.72 |
| Total income and accretions | 44,332,576.45 | 16,297,296.65 | 60,629,873.10 |
| Transfers and expenditures: | | | |
| Transfer to Housing Insurance Fund | 1,000,000.00 | ---------- | 1,000,000.00 |
| Transfers to appropriation, administrative expenses | 16,975,000.00 | 10,450,000.00 | 27,425,000.00 |
| Net charges to fund on account of sold properties | 337,975.89 | 647,098.37 | 985,074.26 |
| Net expenses to date on unsold acquired properties | 176,747.76 | 115,041.72 | 291,789.48 |
| Interest on debentures, in excess of amount applicable to properties on hand | 35,194.92 | 68,614.75 | 103,809.67 |
| Miscellaneous | .83 | ---------- | .83 |
| Total transfers and expenditures | 18,524,919.40 | 11,280,754.84 | 29,805,674.24 |
| Excess of income and accretions over transfers and expenditures | 25,807,657.05 | 5,016,541.81 | 30,824,198.86 |



## Debentures Issued and Properties Acquired and Sold

The National Housing Act provides that when, after default, an FHA-insured home mortgage is foreclosed and the property transferred with all rights under the mortgage to the Federal Housing Administration, the insured institution is entitled to the benefits of the mortgage insurance.

These benefits include interest-bearing Mutual Mortgage Insurance Fund debentures in an amount equal to the value of the mortgage as defined in the act, and a certificate of claim covering all amounts due under the mortgage which are not covered by the debentures, including necessary expenses incurred in foreclosing the mortgage and conveying the property.

The debentures are dated as of the date foreclosure proceedings were instituted and bear interest from that date. On mortgages insured prior to February 3, 1938, mortgagees may elect to accept debentures bearing interest at 3 percent without tax exemption, or at 2¾ percent, with certain tax exemption provisions. On mortgages insured after February 3, 1938, only 2¾ percent debentures are issued and these contain the tax exemption provision.

A report of the foreclosed properties sold by the FHA and those on hand at December 31, 1940, by year of acquisition, together with the loss to the fund on the sold properties, is furnished in Statement 12. Statement 13 sets forth the number of foreclosed properties acquired, sold and on hand by State location of the property, as well as the amount of debentures and certificates of claim issued in exchange therefor.

The issuance and redemption of debentures as well as the payment of interest thereon is handled by the Division of Loans and Currency, Treasury Department, under an arrangement between the Federal Housing Administrator and the Secretary of the Treasury. Under

STATEMENT 12.—*Turn-over of properties acquired under Section 203 of Title II contracts of insurance and losses to the Mutual Mortgage Insurance Fund, by years, cumulative through December 1940* [1]

| Properties acquired | | Properties sold by years | | | | | | | | Properties on hand Dec. 31, 1940 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 1936–37 | | 1938 | | 1939 | | 1940 | | |
| Year | Number | Number | Loss to fund | Number | Loss to fund | Number | Loss to fund | Number | Loss to fund | |
| 1936 | 13 | 11 | $5,291 | 2 | $1,039 | ------ | ------ | ------ | ------ | ------ |
| 1937 | 98 | 13 | 5,374 | 67 | 83,593 | 7 | $9,650 | 4 | $15,902 | 7 |
| 1938 | 324 | ------ | ------ | 139 | 65,411 | 99 | 63,574 | [2] 45 | 53,117 | 41 |
| 1939 | 753 | ------ | ------ | ------ | ------ | 278 | 104,044 | [3] 316 | 242,848 | 159 |
| 1940 | 1,123 | ------ | ------ | ------ | ------ | ------ | ------ | 632 | 335,141 | 491 |
| Total | 2,311 | 24 | 10,665 | 208 | 150,043 | 384 | 177,268 | [4] 997 | 647,098 | 698 |

[1] For the 1,613 properties sold, the average time between acquisition by the Federal Housing Administration and the date of sale was 5 months and 15 days.
[2] After deduction of 2 repossessed properties.
[3] After deduction of 1 repossessed property.
[4] After deduction of 3 repossessed properties.

this procedure, debentures are registered and handled in the same manner as other obligations of the United States and the Administration has the additional advantage of an interdepartmental check and control over its debenture obligations.

Under authority conferred in the February 3, 1938, amendment to the National Housing Act, 2¾ percent debentures contain a provision that they may be called in for redemption at par and accrued interest on any interest date or dates upon three months notice. The 3-percent debentures, which may be issued only in connection with mortgages insured prior to February 3, 1938, are not subject to call, although the Administrator has arranged with the Secretary of the Treasury to retire such debentures where the holders so desire and the Federal Housing Administrator approves.

STATEMENT 13.—*Number of properties and amount of debentures and certificates of claim by States, cumulative through December 1940*

| State | Number of properties | | | Amount of debentures and cash adjustments | Certificates of claim issued |
|---|---|---|---|---|---|
| | Acquired | Sold | On hand | | |
| Alabama | 26 | 19 | 7 | $87,208 | $5,255 |
| Arizona | 7 | 4 | 3 | 34,057 | 3,125 |
| Arkansas | 31 | 26 | 5 | 95,259 | 9,025 |
| California | 141 | 93 | 48 | 711,879 | 52,855 |
| Colorado | 13 | 7 | 6 | 63,285 | 4,821 |
| Connecticut | 26 | 20 | 6 | 137,145 | 11,279 |
| Delaware | 22 | 12 | 10 | 152,721 | 17,057 |
| Florida | 72 | 63 | 9 | 288,215 | 35,139 |
| Georgia | 43 | 37 | 6 | 127,197 | 6,190 |
| Idaho | 6 | 5 | 1 | 23,105 | 2,315 |
| Illinois | 62 | 60 | 2 | 344,921 | 32,055 |
| Indiana | 26 | 18 | 8 | 124,162 | 14,503 |
| Iowa | 3 | 3 | ---- | 13,580 | 1,103 |
| Kansas | 112 | 56 | 56 | 346,845 | 32,915 |
| Kentucky | 42 | 31 | 11 | 213,897 | 16,110 |
| Louisiana | 12 | 7 | 5 | 40,150 | 2,466 |
| Maine | 12 | 6 | 6 | 37,661 | 2,904 |
| Maryland | 22 | 15 | 7 | 100,474 | 9,402 |
| Massachusetts | 101 | 86 | 15 | 510,340 | 30,649 |
| Michigan | 153 | 104 | 49 | 853,218 | 58,438 |
| Minnesota | 32 | 24 | 8 | 156,675 | 12,141 |
| Mississippi | 43 | 31 | 12 | 112,252 | 7,237 |
| Missouri | 120 | 83 | 37 | 544,474 | 29,407 |
| Montana | 2 | 2 | ---- | 5,348 | 784 |
| Nebraska | 14 | 12 | 2 | 37,869 | 4,035 |
| New Hampshire | 6 | 3 | 3 | 31,165 | 1,827 |
| New Jersey | 287 | 154 | 133 | 1,682,506 | 158,419 |
| New York | 266 | 165 | 101 | 1,567,710 | 151,325 |
| North Carolina | 25 | 17 | 8 | 98,980 | 5,959 |
| North Dakota | 4 | 4 | ---- | 11,583 | 879 |
| Ohio | 91 | 75 | 16 | 465,818 | 34,891 |
| Oklahoma | 42 | 32 | 10 | 191,304 | 17,890 |
| Oregon | 7 | 4 | 3 | 27,568 | 2,431 |
| Pennsylvania | 90 | 71 | 19 | 362,316 | 35,750 |
| Rhode Island | 12 | 7 | 5 | 61,243 | 3,685 |
| South Carolina | 38 | 29 | 9 | 131,542 | 11,312 |
| South Dakota | 9 | 8 | 1 | 23,084 | 1,930 |
| Tennessee | 89 | 72 | 17 | 361,976 | 20,604 |
| Texas | 59 | 37 | 22 | 211,347 | 10,129 |
| Utah | 16 | 13 | 3 | 92,192 | 6,422 |
| Vermont | 18 | 11 | 7 | 61,778 | 7,116 |
| Virginia | 58 | 57 | 1 | 153,366 | 11,059 |
| Washington | 24 | 11 | 13 | 82,083 | 9,474 |
| West Virginia | 6 | 6 | ---- | 10,535 | 1,775 |
| Wisconsin | 18 | 11 | 7 | 88,620 | 10,126 |
| Wyoming | 2 | 1 | 1 | 3,717 | 410 |
| Alaska | 1 | 1 | ---- | 2,991 | 247 |
| Total [1] | 2,311 | 1,613 | 698 | 10,864,460 | 908,770 |

[1] No properties have been acquired in the District of Columbia, Nevada, New Mexico, Hawaii, and Puerto Rico.



When surplus cash accumulates in the Mutual Mortgage Insurance Fund which is not needed for current operations, it is either invested in Treasury bonds or used to redeem debentures, whichever is deemed to be in the best interests of the fund. Decision to redeem debentures or invest in bonds is predicated upon a comparison of the effective rate of interest on available issues of Treasury bonds with the interest being paid by FHA on debentures.

By arrangement with the Secretary of the Treasury the following calls for debentures have been made:

| Call | Date | Amount |
|---|---|---|
| First | July 1, 1939 | $681,300 |
| Second | Jan. 1, 1940 | 780,800 |
| Third | July 1, 1940 | 1,206,050 |
| Fourth | Jan. 1, 1941 | 1,398,400 |
| Total | ---- | 4,066,550 |

There is given below a list of the investments held for the Mutual Mortgage Insurance Fund at December 31, 1940.

While payment of debentures is unconditionally guaranteed by the United States, settlement on a certificate of claim is made only if the proceeds from the sale of a foreclosed property, after deducting all expenses, exceed the amount of the debentures, interest thereon, and the cash adjustment.

When a property is sold for cash, the case is audited as soon as all expenses have been paid and, in those cases where there is an excess, settlement on the certificate of claim and refund to mortgagor are made promptly. If the proceeds are insufficient to make payment, the mortgagee is advised of the cancelation of the certificate of claim.

However, in case a property is sold under a long-term mortgage or purchase contract, no settlement is made on the certificate of claim or refund to mortgagor until the mortgage has been paid in full or cash received on the note by the Administration.

STATEMENT 14.—*Investments of the Mutual Mortgage Insurance Fund as of Dec. 31, 1940*

| Treasury bonds | Interest rate | Purchase price | Par value | Premium or discount (amortized to date) | Present book value |
|---|---|---|---|---|---|
| | *Percent* | | | | |
| Series of 1944–54 | 4 | $3,086,690.71 | $2,845,000.00 | $101,670.48 | $2,946,676.48 |
| Series of 1946–56 | 3¾ | 2,984,345.13 | 2,788,100.00 | 96,792.11 | 2,884,892.11 |
| Series of 1947–52 | 4¼ | 3,324,956.26 | 2,940,000.00 | 217,693.94 | 3,157,693.94 |
| Series of 1951–54 | 2¾ | 544,843.75 | 550,000.00 | −4,321.61 | 545,678.39 |
| Series of 1954–56 | 2¼ | 1,500,000.00 | 1,500,000.00 | ---- | 1,500,000.00 |
| Series of 1955–60 | 2⅞ | 4,441,634.03 | 4,389,500.00 | 42,898.17 | 4,432,398.17 |
| Series of 1956–59 | 2¾ | 5,297,091.65 | 5,242,850.00 | 52,233.05 | 5,295,083.05 |
| Series of 1960–65 | 2¾ | 3,921,542.22 | 3,683,350.00 | 225,541.97 | 3,908,891.97 |
| Total investments [1] | ---- | 25,101,103.75 | 23,938,800.00 | 732,514.11 | 24,671,314.11 |

[1] Effective annual yield on all bonds of Mutual Mortgage Insurance Fund is 2.77 percent.

**STATEMENT 15.**—*Statement of sale of acquired properties, by years and cumulative through December 1940*

| Expenses and charges to Mutual Mortgage Insurance Fund | 1936-37-38, properties sold, 232 | 1939, properties sold, 384 | 1940, properties sold, 997 | Total properties sold, 1,613 |
|---|---|---|---|---|
| Gross proceeds of sales [1] | $944, 304 | $1, 748, 427 | $4, 603, 222 | $7, 295, 953 |
| Selling expenses: | | | | |
| Sales allowances and selling expenses | 413 | 2, 733 | 3, 127 | 6, 273 |
| Commissions on sales | 40, 545 | 71, 218 | 216, 127 | 327, 890 |
| Total | 40, 958 | 73, 951 | 219, 254 | 334, 163 |
| Net proceeds of sale | 903, 346 | 1, 674, 476 | 4, 383, 968 | 6, 961, 790 |
| Cost of properties sold (statement 16) | 1, 049, 890 | 1, 821, 431 | 4, 990, 549 | 7, 861, 870 |
| Net loss | 146, 544 | 146, 955 | 606, 581 | 900, 080 |
| Certificates of claim paid or payable | 11, 550 | 21, 910 | 35, 077 | 68, 537 |
| Increment interest on certificates of claim paid or payable | 34 | 356 | 575 | 965 |
| Refunds to mortgagors paid or payable | 2, 580 | 8, 047 | 4, 865 | 15, 492 |
| Loss to Mutual Mortgage Insurance Fund | 160, 708 | 177, 268 | 647, 098 | 985, 074 |
| Average loss to Mutual Mortgage Insurance Fund | 693 | 462 | 649 | 611 |

[1] *Analysis of terms of sale:*

| Terms of sale | Number | Cash | Mortgage notes | Sales price |
|---|---|---|---|---|
| Properties sold for all cash | 204 | $1, 044, 663 | | $1, 044, 663 |
| Properties sold for cash and notes [2] | 1, 403 | 720, 525 | $5, 486, 971 | 6, 216, 496 |
| Properties sold for notes only [3] | 9 | | 34, 794 | 31, 794 |
| Total | [3] 1, 616 | 1, 774, 188 | 5, 521, 765 | 7, 295, 953 |

[2] Average percentage of cash down payments ($720,525) to sales price where mortgage note is taken ($6,251,291): 11.67 percent.
[3] Mortgage notes accepted on sale of portions of three properties.

**STATEMENT 16.**—*Cost analysis of properties sold, by years, and of properties on hand, as of Dec. 31, 1940*

| Item | 698 properties on hand Dec. 31, 1940 | Properties sold | | | | | |
|---|---|---|---|---|---|---|---|
| | | 1936-37-38 (232) | 1939 (384) | 1940 (997) | Total (1,613) | Average per case | Percent of total cost |
| Acquisition costs: | | | | | | | |
| Debentures and cash adjustments | $3, 538, 410 | $956, 616 | $1, 727, 097 | $4, 642, 337 | $7, 326, 050 | $4, 542 | 93. 18 |
| Interest on debentures prior to acquisition | 59, 163 | 7, 633 | 30, 889 | 97, 181 | 135, 703 | 84 | 1. 73 |
| Taxes, water rent, and other expenses accrued at date of acquisition | 9, 068 | 5, 350 | 6, 928 | 14, 883 | 27, 161 | 17 | . 34 |
| Initial reconditioning and improvements | 88, 267 | 58, 539 | 25, 148 | 104, 160 | 187, 847 | 116 | 2. 39 |
| Total acquisition and reconditioning costs | 3, 694, 908 | 1, 028, 138 | 1, 790, 062 | 4, 858, 561 | 7, 676, 761 | 4, 759 | 97. 64 |
| Operating and carrying costs: | | | | | | | |
| Interest on debentures to date of sale | 75, 762 | 10, 777 | 17, 930 | 67, 100 | 95, 807 | 59 | 1. 22 |
| Taxes, water rent, hazard insurance, and other expense | 80, 150 | 9, 549 | 17, 202 | 66, 708 | 93, 459 | 58 | 1. 19 |
| Repairs and maintenance | 60, 142 | 7, 387 | 5, 056 | 40, 917 | 53, 360 | 33 | . 68 |
| Total | 216, 054 | 27, 713 | 40, 188 | 174, 725 | 242, 626 | 150 | 3. 09 |
| Less rental and other income, net | 81, 338 | 5, 961 | 8, 819 | 42, 737 | 57, 517 | 35 | . 73 |
| Total net operating and carrying costs | 134, 716 | 21, 752 | 31, 369 | 131, 988 | 185, 109 | 115 | 2. 36 |
| Selling expense on properties on hand | 675 | | | | | | |
| Total cost of properties | 3, 830, 109 | 1, 049, 890 | 1, 821, 431 | 4, 990, 549 | 7, 861, 870 | 4, 874 | 100. 00 |



A statement of the sales of defaulted small homes acquired by the Administration through December 31, 1940, supported by Statement 16 showing the cost of properties sold and properties remaining on hand, is given below.

## HOUSING INSURANCE FUND: SECTIONS 207 AND 210

FOR the purpose of carrying out the insurance of rental and group housing projects accepted for insurance subsequent to February 3, 1938, under Sections 207 and 210, the amendments of February 3, 1938, created the Housing Insurance Fund by transfer of $1,000,000 from the Mutual Mortgage Insurance Fund.

There is given below a statement by years of the fee and premium income which has been deposited with the Treasurer of the United States to the credit of the Housing Insurance Fund.

There are given below statements showing the resources and liabilities of the Housing Insurance Fund as of December 31, 1939, June 30, 1940, and December 31, 1940, and changes in the fund from its inception, February 3, 1938, to December 31, 1939, for the calendar year 1940 and from February 3, 1938, to December 31, 1940.

Cash which has accumulated in the Housing Insurance Fund in excess of current needs is invested by the Secretary of the Treasury, upon the request of the Federal Housing Administrator, in Treasury bonds or other obligations guaranteed by the United States. There is given below a list of the investments held for the fund at December 31, 1940.

### Properties Acquired and Sold

Of the total 317 rental and group housing projects which had been insured under Sections 207 and 210 through December 31, 1940, five foreclosed projects had been acquired and one mortgage note had been assigned to the Administrator. Four homes, part of a nine-home project included in the five acquired projects, had been resold. The other four acquired projects were operating under FHA supervision.

The sales price on the four sold units amounted to $20,750 and netted the fund $19,712.50 after deducting sales commissions of

**STATEMENT 17.**—*Receipts of the Housing Insurance Fund from examination fees, insurance and prepayment premiums under secs. 207 and 210, by years 1938, 1939, and 1940*

| Calendar year | Sec. 207 | Sec. 210 | Total |
|---|---|---|---|
| 1938 | $440, 629 | $69, 650 | $510, 279 |
| 1939 | 608, 040 | 36, 654 | 644, 694 |
| 1940 | 591, 252 | 22, 249 | 613, 501 |
| Total | 1, 639, 921 | 128, 553 | 1, 708, 474 |

STATEMENT 18.—*Resources and liabilities of the Housing Insurance Fund as of December 1939, June 1940, and December 1940*

| | Dec. 31, 1939 | June 30, 1940 | Dec. 31, 1940 |
|---|---|---|---|
| Resources: | | | |
| Cash on deposit with Treasurer of United States | $445, 251. 53 | $823, 487. 48 | $529, 731. 29 |
| Accrued income receivable: | | | |
| Rent and other income on real property | | 14, 426. 45 | 3, 784. 13 |
| Interest on Treasury bonds | 8, 656. 62 | 8, 656. 42 | 8, 656. 54 |
| Interest on mortgage note acquired under terms of insurance | | 54, 904. 53 | |
| Prepaid expenses | | 15, 348. 80 | 18, 996. 55 |
| U. S. Treasury bonds | 1, 746, 154. 45 | 1, 744, 672. 34 | 1, 743, 176. 00 |
| Stock in rental housing projects (13,593 shares)[1] | 10, 530. 00 | 11, 930. 00 | 14, 130. 00 |
| Donated stock in rental housing projects (after Feb. 3, 1938) 1,080 shares[2] | | | |
| Mortgage notes on sold properties | | | 18, 523. 44 |
| Mortgage note acquired under terms of insurance | | 1, 650, 000. 00 | 2, 989, 981. 25 |
| Real property at cost (debentures plus cash adjustments) | | 2, 054, 368. 26 | 6, 353, 478. 38 |
| Total resources | 2, 210, 592. 60 | 6, 377, 794. 37 | 11, 680, 457. 64 |
| Liabilities: | | | |
| Cash adjustments on debentures authorized | | 25. 10 | |
| Accrued interest on debentures | | 46, 160. 53 | 87, 639. 05 |
| Unliquidated obligations: | | | |
| Unpaid subscriptions for stock in rental housing projects | 400. 00 | 300. 00 | 700. 00 |
| Real property expense | | 23, 880. 81 | 64, 563. 70 |
| Mortgagors' escrow deposits | | | 444. 20 |
| Debentures payable: | | | |
| Outstanding | | 2, 023, 850. 00 | 6, 373, 750. 00 |
| Authorized | | 1, 649, 300. 00 | |
| Claims in audit | | | 2, 930, 181. 62 |
| Reserve for foreclosure cost | | 31, 087. 54 | 50, 709. 63 |
| Total liabilities | 400. 00 | 3, 774, 621. 98 | 9, 517, 078. 20 |
| Excess of resources over liabilities | 2, 210, 192. 60 | 2, 603, 172. 39 | 2, 163, 379. 44 |
| Contingent liability for certificates of claim on properties still on hand: | | | |
| Certificates of claim outstanding | | 55, 427. 04 | 134, 550. 34 |
| Certificates of claim authorized | | 36, 314. 17 | |
| Certificates of claim in audit | | | 47, 184. 30 |
| Total | | 91, 741. 21 | 181, 734. 64 |

[1] As of Dec. 31, 1939, there were 10,262 shares of purchased stock and at June 30, 1940, 10,973 shares.
[2] As of Dec. 31, 1939, and June 30, 1940, there were 980 shares of donated stock.

STATEMENT 19.—*Analysis of changes in the Housing Insurance Fund through December 1939, June 1940, and December 1940*

| | Feb. 3, 1938, to Dec. 31, 1939 | Jan. 1, 1940, to Dec. 31, 1940 | Total to Dec. 31, 1940 |
|---|---|---|---|
| Income and accretions: | | | |
| Appropriation allocated from Mutual Mortgage Insurance Fund | $1, 000, 000. 00 | | $1, 000, 000. 00 |
| Fees and mortgage insurance premiums (net) | 1, 154, 973. 20 | $613, 500. 07 | 1, 768, 474. 26 |
| Interest income on U. S. Treasury bonds after deduction of premium amortization | 55, 216. 48 | 44, 222. 77 | 99, 439. 25 |
| Income on mortgage notes | | 185. 78 | 185. 78 |
| Dividends on rental housing stock | 2. 83 | 27. 67 | 30. 50 |
| Total income and accretions | 2, 210, 192. 60 | 657, 937. 19 | 2, 868, 129. 79 |
| Transfers and expenditures: | | | |
| Transfer to appropriation, administrative expenses | | 400, 000. 00 | 400, 000. 00 |
| Net charges to fund on sold properties | | 1, 657. 04 | 1, 657. 04 |
| Net expenses to date on property still on hand | | 303, 093. 31 | 303, 093. 31 |
| Total transfers and expenditures | | 704, 750. 35 | 704, 750. 35 |
| Excess of income and accretions over transfers and expenditures | 2, 210, 192. 60 | −46, 813. 16 | 2, 163, 379. 44 |



STATEMENT 20.—*Investments of the Housing Insurance Fund as of Dec. 31, 1940*

| Treasury bonds | Interest rate | Purchase price | Par value | Premium (amortized to date) | Present book value |
|---|---|---|---|---|---|
| | *Percent* | | | | |
| Series of 1955–60 | 2⅞ | $948, 783 | $930, 750 | $15, 645 | $940, 395 |
| Series of 1960–65 | 2¾ | 799, 982 | 743, 350 | 53, 431 | 796, 781 |
| Total investment[1] | | 1, 748, 765 | 1, 674, 100 | 69, 076 | 1, 743, 176 |

[1] Effective annual yield on all bonds of the Housing Insurance Fund is 2.56%.

$1,037.50. The total cost of these properties was $21,369.54, consisting of book value (debentures and cash adjustment) of $20,401.62 and expenses of $967.92. The net loss to the fund, therefore, on the partial sale of this project was $1,657.04.

## ADMINISTRATIVE ACCOUNTS

DETAILED costs of operating the field offices and the headquarters divisions in Washington, D. C., are maintained by the Administration, and Statements 21 and 22 which follow set forth these costs for the calendar year 1940.

A combined statement of resources and liabilities of all funds of the Federal Housing Administration as of December 31, 1939, June 30, 1940, and December 31, 1940, follows:

STATEMENT 21.—*Operating expenses of administrative offices in Washington, D. C., for the calendar year, January–December 1940*

| Office or item | Total | Salaries | Travel | Rent | All other |
|---|---|---|---|---|---|
| Office of the Administrator | $44, 038 | $38, 212 | $1, 520 | | $4, 297 |
| Assistant Administrator | 28, 328 | 25, 711 | 2, 072 | | 545 |
| Assistant to Administrator | 31, 996 | 29, 496 | 1, 258 | | 1, 242 |
| Executive secretary | 34, 986 | 33, 508 | 1, 097 | | 381 |
| Legal division | 172, 761 | 157, 451 | 10, 432 | | 4, 878 |
| Public relations division | 99, 536 | 65, 013 | 1, 328 | | 33, 195 |
| Personnel division | 137, 578 | 128, 589 | 1, 631 | | 7, 358 |
| Executive assistant and budget officer | 98, 296 | 93, 097 | 1, 563 | | 3, 636 |
| Washington office management division | 607, 955 | 578, 091 | 67 | | 80, 797 |
| Comptroller's division | 813, 381 | 750, 699 | 9, 291 | | 47, 391 |
| Research and statistics division | 201, 210 | 190, 334 | 972 | | 9, 904 |
| Assistant Administrator for Title I and education: | | | | | |
| Assistant Administrator | 19, 005 | 23, 615 | 1, 966 | | −6, 576 |
| Education | 136, 718 | 70, 179 | 9, 518 | | 57, 021 |
| Title I operations | 9, 466 | 8, 866 | 278 | | 322 |
| Collection | 204, 468 | 191, 285 | 7, 441 | | 5, 742 |
| Mutual mortgage insurance division | 247, 894 | 208, 175 | 26, 138 | | 13, 581 |
| Underwriting division | 253, 029 | 217, 522 | 31, 050 | | 4, 457 |
| Technical division | 94, 060 | 88, 770 | 3, 500 | | 1, 790 |
| Land planning division | 30, 398 | 25, 642 | 2, 703 | | 2, 053 |
| Rental housing division | 314, 742 | 282, 407 | 13, 995 | | 18, 340 |
| Rent of space and equipment | 368, 337 | | | 368, 337 | |
| Transfer of funds to: | | | | | |
| Treasury Department | 54, 856 | | | | 54, 856 |
| Federal Loan Agency | 56, 700 | | | | 56, 700 |
| Post Office Department | 9, 045 | | | | 9, 045 |
| Department of Justice | 13, 670 | | | | 13, 670 |
| National Bureau of Standards | 50, 000 | | | | 50, 000 |
| Furniture and equipment written off due to transfer, trade-in, etc | 75, 927 | | | | 75, 927 |
| Total | 4, 268, 380 | 3, 212, 662 | 127, 829 | 368, 337 | 559, 552 |

STATEMENT 22.—*Operating expenses of the field offices for the calendar year January–December 1940*

| State | City | Total | Salaries | Travel | Rent | All other |
|---|---|---|---|---|---|---|
| State and district insuring offices: | | | | | | |
| Alabama | Birmingham | $84,492 | $65,658 | $10,339 | $2,833 | $5,662 |
| Alaska | Juneau | 6,148 | 4,239 | 1,069 | | 840 |
| Arizona | Phoenix | 29,198 | 21,666 | 3,470 | 683 | 3,379 |
| Arkansas | Little Rock | 65,395 | 52,437 | 7,705 | 2,676 | 2,577 |
| California | Los Angeles | 592,147 | 511,831 | 34,705 | | 45,611 |
| | San Diego | 42,862 | 30,813 | 2,460 | 112 | 3,477 |
| | Oakland | 20,653 | 19,188 | 622 | | 843 |
| | Sacramento | 59,123 | 49,098 | 5,816 | | 4,209 |
| | San Francisco | 486,416 | 395,339 | 34,691 | 16,877 | 39,509 |
| Colorado | Denver | 80,002 | 67,483 | 5,777 | 2,000 | 4,742 |
| Connecticut | Hartford | 72,011 | 60,734 | 4,091 | 2,500 | 4,686 |
| District of Columbia | Washington | 114,444 | 102,338 | 4,995 | | 7,111 |
| Florida | Jacksonville | 134,045 | 111,538 | 14,918 | | 7,589 |
| | Miami | 109,870 | 95,602 | 7,259 | 1,200 | 5,809 |
| Georgia | Atlanta | 144,941 | 108,158 | 22,601 | 6,707 | 7,475 |
| Hawaii | Honolulu | 23,214 | 19,905 | 864 | | 2,445 |
| Idaho | Boise | 30,185 | 22,985 | 2,439 | 1,013 | 3,748 |
| Illinois | Chicago | 371,174 | 316,941 | 30,433 | 3,594 | 20,206 |
| | Springfield | 48,407 | 35,426 | 8,512 | 2,049 | 2,420 |
| Indiana | Indianapolis | 239,970 | 201,457 | 24,455 | | 14.058 |
| Iowa | Des Moines | 104,023 | 76,313 | 22,039 | | 5,671 |
| Kansas | Topeka | 107,490 | 80,233 | 15,560 | 5,632 | 6,065 |
| Kentucky | Louisville | 93,286 | 76,985 | 9,910 | | 6,391 |
| Louisiana | New Orleans | 125,479 | 99,396 | 13,490 | 6,709 | 5,884 |
| Maine | Bangor | 33,190 | 25,797 | 4,750 | 815 | 1,828 |
| Maryland | Baltimore | 126,579 | 107,198 | 5,448 | 5,589 | 8,344 |
| Massachusetts | Boston | 109,627 | 91,062 | 7,297 | 6,084 | 5,184 |
| Michigan | Detroit | 489,886 | 410,971 | 34,402 | 20,406 | 24,107 |
| Minnesota | Minneapolis | 128,753 | 109,803 | 11,308 | | 7,642 |
| Mississippi | Jackson | 62,650 | 51,557 | 6,091 | 2,220 | 2,782 |
| Missouri | Kansas City | 85,983 | 72,967 | 9,399 | | 3,617 |
| | St. Louis | 138.803 | 116,942 | 9,248 | 6,329 | 6,284 |
| Montana | Helena | 22,127 | 16,491 | 3,457 | | 2,179 |
| Nebraska | Omaha | 78,327 | 60,520 | 9,625 | 2,959 | 5,223 |
| Nevada | Reno | 20,252 | 16,417 | 1,432 | 1,042 | 1,361 |
| New Hampshire | Concord | 16,024 | 11,456 | 1,819 | 1,140 | 1,609 |
| New Jersey | Camden | 3,049 | 2,305 | 468 | 140 | 136 |
| | Newark | 306,484 | 261,026 | 20,300 | 1,222 | 23,936 |
| New Mexico | Santa Fe | 53,596 | 44,350 | 5,110 | 1,255 | 2,881 |
| New York | Albany | 47,283 | 39,624 | 4,223 | | 3,436 |
| | Buffalo | 121,277 | 106,681 | 5,543 | 1,700 | 7,353 |
| | Jamaica | 272,333 | 236,760 | 7,495 | 12,149 | 15,929 |
| | New York | 210,980 | 189,222 | 5,018 | 2,750 | 13,990 |
| | White Plains | −127 | | −183 | | 56 |
| North Carolina | Greensboro | 126,429 | 96,914 | 18,939 | 4,288 | 6,288 |
| North Dakota | Fargo | 7,173 | 4,185 | 2,554 | 360 | 74 |
| Ohio | Cincinnati | 47,574 | 42,901 | 2,715 | | 1,058 |
| | Cleveland | 259,112 | 218,016 | 17,643 | 10,504 | 12,919 |
| | Columbus | 108,019 | 92,935 | 9,774 | | 5,310 |
| Oklahoma | Oklahoma City | 146,003 | 123,144 | 15,753 | 578 | 6,528 |
| Oregon | Portland | 93,062 | 70,919 | 7,800 | 3,745 | 10,598 |
| Pennsylvania | Philadelphia | 268,551 | 226,374 | 15,252 | 8,663 | 18,262 |
| | Pittsburgh | 135,478 | 118,600 | 10,900 | | 5,978 |
| Puerto Rico | San Juan | 28,350 | 23,402 | 1,265 | 1,263 | 2,420 |
| Rhode Island | Providence | 36,035 | 28,969 | 1,586 | 3,059 | 3,321 |
| South Carolina | Columbia | 70,281 | 52,307 | 8,628 | 3,103 | 6,243 |
| South Dakota | Sioux Falls | 19,356 | 15,297 | 2,592 | | 1,467 |
| Tennessee | Memphis | 134,634 | 112,396 | 14,226 | | 8,012 |
| Texas | Dallas | 137,206 | 101,049 | 18,305 | 6,669 | 7,583 |
| | Fort Worth | 115,254 | 92,462 | 11,301 | 5,649 | 5,842 |
| | Houston | 136,316 | 111,474 | 11,923 | 6,284 | 6,635 |
| | San Antonio | 93,635 | 78,421 | 9,260 | 1,268 | 4,686 |
| Utah | Salt Lake City | 58,948 | 49,380 | 3,392 | 2,140 | 4,036 |
| Vermont | Burlington | 16,009 | 14,395 | 856 | | 758 |
| Virginia | Richmond | 117,997 | 99,126 | 12,369 | | 6,502 |
| Washington | Seattle | 208,814 | 164,536 | 12,435 | 7,574 | 24,269 |
| West Virginia | Charleston | 70,141 | 56,749 | 7,965 | 2,400 | 3,027 |
| Wisconsin | Milwaukee | 115,057 | 94,861 | 10,166 | 3,898 | 6,132 |
| Wyoming | Cheyenne | 26,426 | 20,904 | 3,287 | | 2,175 |
| Rental housing offices: | | | | | | |
| New York | New York (zone I rental housing office). | 196,653 | 189,081 | 4,170 | | 3,393 |
| Georgia | Atlanta (zone II rental housing office). | 71,360 | 60,801 | 5,440 | 3,085 | 2,034 |
| Illinois | Chicago (zone III rental housing office). | 100,809 | 93,113 | 5,229 | 252 | 2,215 |
| Missouri | St. Louis (zone IV rental housing office). | 74,682 | 60,077 | 6,151 | 3,226 | 4,528 |
| California | San Francisco (zone V rental housing office). | 63,556 | 53,908 | 5,516 | 3,076 | 1.056 |



STATEMENT 22.—*Operating expenses of the field offices for the calendar year January–December 1940*—Continued

| State | City | Total | Salaries | Travel | Rent | All other |
|---|---|---|---|---|---|---|
| Miscellaneous field offices: | | | | | | |
| Farm underwriting offices | | 12,940 | 14,704 | −2,325 | 296 | 265 |
| Kansas | Kansas City, general administrative. | 5,711 | 4,157 | 652 | 360 | 542 |
| Ohio | Columbus, State administrative. | −256 | | −256 | | |
| Texas | Dallas, State administrative. | −1,291 | 420 | −1,686 | | −24 |
| Miscellaneous field offices | | 312,599 | 273,506 | 39,093 | | |
| Furniture and equipment written off due to transfer, trade-in, etc. | | 50,607 | | | | 50,607 |
| Grand total | | 8,976,981 | 7,466,694 | 734,179 | 202,125 | 573,983 |

NOTE.—Includes expense of prior years encumbered after Jan. 1, 1940.

STATEMENT 23.—*Combined statement of resources and liabilities under all funds, as of December 1939, June 1940, and December 1940*

| | Dec. 31, 1939 | June 30, 1940 | Dec. 31, 1940 |
|---|---|---|---|
| **RESOURCES** | | | |
| Cash (exclusive of insurance funds) | $3,053,226.69 | $4,270,194.41 | $3,403,813.74 |
| Accounts receivable | 517.92 | 10,023.77 | 4,248.83 |
| Available funds—Reconstruction Finance Corporation (renovation and modernization fund for Title I insurance claims) | 75,000,000.00 | 71,359,693.75 | 69,359,693.75 |
| Inventory of stores | 47,280.25 | 49,037.75 | 50,945.81 |
| Prepaid expense | 2,475.00 | | |
| Notes receivable (claims for insurance paid under Title I): | | | |
| On loans insured prior to Feb. 3, 1938 amendment | 9,409,440.67 | 8,690,744.37 | 7,995,455.47 |
| On loans insured under Feb. 3, 1938 amendment | 2,544,435.00 | 4,627,498.59 | 5,787,373.31 |
| On loans insured under June 3, 1939 amendment | 3,806.17 | 392,882.27 | 1,708,330.36 |
| Furniture and equipment | 985,408.71 | 1,050,882.39 | 1,068,972.02 |
| Mutual mortgage insurance fund (net) | 25,807,657.05 | 27,731,600.60 | 30,824,198.86 |
| Housing insurance fund (net) | 2,210,192.60 | 2,603,172.39 | 2,163,379.44 |
| Title I insurance fund (net) | 1,302,813.58 | 2,313,861.19 | 3,150,902.50 |
| Total resources | 121,357,253.64 | 123,108,591.48 | 125,526,314.09 |
| **LIABILITIES** | | | |
| Accounts payable, administrative expenses, prior fiscal years | 576,411.35 | 532,678.62 | 52,174.84 |
| Accounts payable, administrative expenses, fiscal year 1941 | | | 357,840.04 |
| Title I claims in audit | | 164,282.86 | 378,327.26 |
| Special deposits | 47,747.43 | 27,334.85 | 12,706.29 |
| Trust fund receipts, Title I | | 681,626.53 | 527,388.62 |
| Miscellaneous receipts in process of deposit | 78,848.99 | 648.13 | 865.85 |
| Unexpended appropriations and allocations: | | | |
| Administrative expenses and miscellaneous | 2,359,619.15 | 1,832,198.07 | 1,969,140.53 |
| Renovation and modernization, Title I | 891,117.69 | 1,031,424.75 | 109,520.14 |
| Title I reserve | 75,000,000.00 | 71,359,693.75 | 69,359,693.75 |
| Total liabilities | 78,953,744.61 | 75,629,888.16 | 72,767,756.32 |
| **EXCESS OF RESOURCES OVER LIABILITIES** | | | |
| Administrative expense fund | 1,035,163.96 | 1,109,943.91 | 1,128,917.83 |
| Renovation and modernization fund | 12,047,081.84 | 13,720,125.23 | 15,491,159.14 |
| Mutual mortgage insurance fund | 25,807,657.05 | 27,731,600.60 | 30,824,198.86 |
| Housing insurance fund | 2,210,192.60 | 2,603,172.39 | 2,163,379.44 |
| Title I insurance fund | 1,302,813.58 | 2,313,861.19 | 3,150,902.50 |
| Total excess of resources over liabilities | 42,403,509.03 | 47,478,703.32 | 52,758,557.77 |