75th Congress, 1st Session - - - - - House Document No. 48

# THIRD ANNUAL REPORT

OF THE

# FEDERAL HOUSING ADMINISTRATION

FOR THE YEAR ENDING DECEMBER 31, 1936

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# FEDERAL HOUSING ADMINISTRATION

LETTER

FROM

THE ADMINISTRATOR OF THE FEDERAL HOUSING ADMINISTRATION

SUBMITTING

THE THIRD ANNUAL REPORT OF THE ADMINISTRATION FOR THE YEAR ENDING DECEMBER 31, 1936

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1937

## FEDERAL HOUSING ADMINISTRATION

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## LETTER OF SUBMITTAL

FEDERAL HOUSING ADMINISTRATION,
*Washington, D. C., January 28, 1937.*

*To the Congress of the United States:*

In accordance with the provisions of section 5 of the National Housing Act, I herewith submit the third annual report on the operations of the Federal Housing Administration for the calendar year 1936.

Gross business transacted by the Federal Housing Administration up to January 1, 1937, totaled $1,350,157,149. This included mortgages selected for appraisal, commitments to insure large-scale housing projects, and modernization and repair notes insured.

Approximately $810,000,000 of this was transacted during the year 1936.

On January 1, 1937, home mortgages accepted for insurance reached a total of 151,758 with a value of $609,044,017. Of this total, $438,449,153 were accepted for insurance during 1936, representing a gain of 157 percent over 1935.

Mortgages on large-scale housing projects, approved up to January 1, amounted to $41,141,000.

Modernization and repair notes numbering 1,326,102, amounting to $500,220,642, were insured up to January 1. Of this amount, $246,149,913 were insured during 1936, a gain of 10 percent over 1935.

In addition, it is estimated that the better-housing campaign sponsored by the Federal Housing Administration has generated over $2,000,000,000 worth of modernization and repair work which does not show in its own records. Careful check-ups have disclosed that for every dollar of repair work insured by the Federal Housing Administration approximately $4 have been spent on jobs paid for in cash or financed by other methods.

The entire program of the Federal Housing Administration, it is estimated, has created the equivalent of at least 1 year's work for 2,000,000 men. In many localities, where formerly there was much unemployment among building workers, shortages of skilled labor are now being reported.

It should be borne in mind that the Federal Housing Administration lends no money. The business on its books represents private capital supplied by banks and other lending institutions to finance the construction of new homes, to refinance homes already built, and for the repair and modernization of old structures.

The total operating cost of the Housing Administration to the National Government from its beginning up to January 1 was $23,454,886.24. This does not include insurance claims paid to lending institutions on defaulted modernization and repair notes, which are paid from a separate insurance fund established by the National Housing Act. Up to January 1 these insurance claims, less collections, repossessed property, and notes reinstated, amounted to $4,121,451.

Originally a fund of $200,000,000 was made available by the Congress for losses on modernization and repair loans insured under title I of the National Housing Act. At the suggestion of the Federal Housing Administrator this amount was reduced at the last session of Congress to $100,000,000, and the amount of the insurance was reduced from 20 percent to 10 percent of loans made. It is thought that after all claims for insurance under title I have been liquidated at least $75,000,000 of the amount available for such losses will not be needed.

A large part of the expenditure for operating costs has been used to carry out the modernization and repair program under title I, the emergency part of the act, which expires on April 1, from which this Administration receives no revenue, and in laying the foundation for the successful operation of the insured mortgage system. These items represent non-recurring expenses to the Administration. Some of the insuring offices in populous centers are now producing sufficient revenue through mortgage insurance premiums and valuation fees to pay their expenses.

Revenue is now coming into the Federal Housing Administration through mortgage insurance premiums and valuation fees at the rate of around $500,000 a month. This will increase as the volume of business grows. I believe eventually the entire organization will be self-sustaining with adequate reserves to meet all losses on mortgages insured.

The Housing Administration's mutual mortgage insurance fund in the Treasury now stands at over $15,000,000. This fund is available for the payment of possible net losses under the insured mortgage system. Of this amount, $10,000,000 was supplied by the Congress as an original revolving fund, and the remainder has been accumulated from premium payments, valuation fees, and other earnings. By the end of the present fiscal year the fund should approximate $20,000,000.

The experience of the Federal Housing Administration in this connection, after 2 years of pioneering in the mutual mortgage



insurance field, has been most gratifying. Up to January 1, 12 properties had been conveyed to the Administrator under foreclosure proceedings and an aggregate of $50,331.65 in debentures issued for them. One of these properties has been sold, leaving $47,389.88 in debentures outstanding on January 1.

When the Federal Housing Administration came into being, home building was virtually at a standstill. In 1934 only about 50,000 nonfarm homes were built in the entire United States. Evidence of the building revival now under way is furnished by the estimate that approximately 270,000 nonfarm dwelling units were constructed in 1936. A further improvement is in prospect. It is conservatively estimated that between 400,000 and 450,000 nonfarm dwelling units will be constructed during 1937 if a too precipitate rise in building costs does not retard further recovery.

During the last 6 months of 1936, newly constructed homes represented approximately 55 percent of the total value of mortgages accepted by the Federal Housing Administration. For the same period, approximately 40 percent of the estimated value of all mortgage loans eligible for insurance on newly constructed single-family nonfarm homes were financed under the Federal Housing Administration plan.

When we measure progress of the Federal Housing Administration against operating expenditures, I believe that we may properly take into consideration the increased revenue flowing into the National Treasury from taxes paid by corporations and individuals, formerly "in the red", who derive their income directly or indirectly from the revived construction industry. When we further take into account the lightening of the Government relief load as a consequence of providing employment for hundreds of thousands of workers in the construction and related industries, I feel that the money spent by the Federal Housing Administration has been well invested.

Mere figures, however, do not adequately describe the progress made by the Federal Housing Administration in carrying out the mandate of the Congress "to encourage improvement in housing standards and conditions", and "to create a sound mortgage market."

With those objectives in mind, the Federal Housing Administration has found it necessary to discourage certain out-moded lending practices, such as the second mortgage, oppressive interest rates, costly commissions, and renewal fees which prevailed prior to the real-estate debacle of the early thirties.

Instead, we have set up a new system, based upon the principle of insurance to spread losses, conservative, standardized appraisals, long-term monthly amortization, reasonable interest rates, and careful consideration of the home buyer's ability to pay.

Mortgage money, which had almost vanished from the market 2 years ago, is now generally available for home financing on fairer terms than ever before in the history of the country. The acquisition of a home has been made easier and safer for the family of moderate income. Over half of the families buying homes under the Federal Housing Administration plan have annual incomes of $2,500, or less. With accumulating evidence of the actuarial soundness of the mutual mortgage insurance plan and with the experience which has been gained in its administration, we have every confidence in the ability of this system to meet conditions as they may develop in the future.

Respectfully,

STEWART McDONALD, *Administrator.*

# THIRD ANNUAL REPORT OF THE FEDERAL HOUSING ADMINISTRATION

## GENERAL REVIEW

The year 1936 was marked by gratifying Nation-wide progress in achieving the principal objectives of the Federal Housing Administration. Important milestones were passed on the way to improvement in housing standards and conditions, and toward the creation of a sound home-mortgage market. This development is timely, for during the year 1937 an enlarged volume of home financing probably will be demanded, and the manner in which this demand is met will be of great and lasting significance to the American people.

The Nation is in the midst of a movement to reorganize its home financing system. The primary aim of this movement is to make available, to families throughout the country, amortized home mortgages, for terms up to 20 years, in amounts up to 80 percent of the property value, at a low interest rate. Full achievement of this aim will make home ownership feasible for millions of families on the basis of small monthly payments. The mutual mortgage insurance system, which was established under the National Housing Act of June 27, 1934, and made operative by enabling legislation in 47 States, makes such loans suitable investments for the great majority of thrift and savings institutions. It provides an escape from the wide use of the short-term, unamortized first mortgage, subject to the hazards and costs of periodic renewals, and from the usurious second mortgage, which not only proved costly to the borrower but constantly menaced the stability of the whole real-estate market.

Mutual mortgage insurance encourages good standards in new building, and it makes home mortgages a more secure and more marketable type of investment. Operation of the plan on a large scale over a period of years should furnish the Nation assurance against a breakdown in home financing, and in thrift institutions, such as made necessary the vast refinancing of distressed loans by the Home Owners' Loan Corporation from 1933 to 1935.

Immediately, mortgage insurance already has been of constructive value in assisting in the revival of home building, and in thawing out the home-mortgage market.

### Recovery in Home Building

New residential building in the year 1936 attained the highest volume for any year since 1930. About 270,000 families were provided for by the new nonfarm construction. This number was approximately double that in 1935, and exceeded the combined totals for the 3 years 1933, 1934, and 1935. The magnitude of the 1936 total is indicated by the fact that the quarters provided were more than sufficient to house a year's increase in population, or about 900,000 persons, at an average rate of four persons per home.

The actual effective demand for housing expanded by an amount substantially greater than that represented by the new construction. This was evidenced by the reoccupancy of large numbers of vacant quarters. Residential vacancies reached a peak in 1933, and have been steadily diminishing since that time. In many cities they are now at so low a point that self-sustaining families are being forced to occupy rundown and insanitary quarters, unfit for decent habitation.

These and other considerations call for a substantially greater volume of home building in 1937 and succeeding years than in 1936. Continued recovery in business and employment and in personal and family incomes, together with increases in population and further decreases in the average size of families, or housekeeping units, will call for more homes. Most of this increase in demand must be met by new building, for the reserve of vacancies in many cities has already been drained to the dregs.

**Development of a Sound Market for Owner-Occupied Homes.**

The demand for owner-occupied homes is the backbone of the market for new residential building. One- and two-family houses usually provide for about three-fourths or more of all the families accommodated by new nonfarm residential building, and the preponderant majority of these dwellings pass directly from the builders to owner occupants. The necessary immediate growth and future stability of this market rests on the following bases:

1. The personal incomes of the purchasers.
2. The availability on reasonable terms of the mortgage financing which they require.
3. Confidence of the purchasers in their homes as satisfactory dwellings and in the soundness of the values represented by the new houses.
4. The availability *at reasonable prices* of new homes meeting modern standards of comfort, equipment, and durability. (The lower such prices, the larger will be the market and the more will new construction serve to aid the great mass of families in the middle- and lower-income groups in obtaining satisfactory shelter at reasonable cost.)

The first of these factors, that of personal incomes, needs no detailed discussion here, since it is the subject of reports by various other Government agencies. Successive sections of this report will discuss the constructive forces which the Federal Housing Administration is directing toward the remaining three factors.

**Rental Housing.**

More than one-half of nonfarm families live in rented quarters. The greater part of these rented homes are one- and two-family houses, many of which are old and in poor condition, while several million families, especially in the larger cities, live in multifamily dwellings. Many of the rented quarters are occupied by single persons and by families of limited means for whom home ownership is impractical. There is now a large immediate demand for construction of new apartments at low and moderate rentals in most of our cities. There is also a latent demand for modern one-family houses, both of the detached type and in rows, for rental purposes.



Thus far during the present recovery period private capital has been relatively slow in entering these fields. There is a great immediate need for judicious investments in low- and medium-priced rental housing. The results of the Administration's activities in this field during the year are described subsequently in this report.

## Developments in Financing, Security for Home Investments, and Low-Cost Dwellings

**The Supply and Terms of Home Mortgage Money.**

The effects of the Administration's efforts during 1936 to improve the home-mortgage-lending system of the country may be summarized as follows:

The volume of private funds used in home-mortgage loans increased substantially in 1936, as compared with 1935, the year when the mutual mortgage insurance plan was placed in operation and the home-mortgage market was definitely thawed out. The number of institutions making insured-mortgage loans mounted from about 3,600 at the end of 1935 to 5,260 at the end of 1936, and the flow of funds from areas with surplus capital to areas requiring outside capital was expanded.

From the borrower's point of view, more general use of insured mortgages resulted, directly and indirectly, in a perceptible downward trend in interest rates in most sections of the country; in wider use of long-term amortization, which reduces the size of monthly payments and consequently the immediate burden of achieving debt-free home ownership; and in greater use of single first-mortgage loans up to 80 percent of the property value, the form of credit needed by a large proportion of families engaged in acquiring homes. The maximum yearly charge permitted on insured mortgage loans remained unchanged at 5 percent interest computed on outstanding monthly balances, plus one-half of 1 percent service charge, and one-half of 1 percent, on the original principal amount, for mutual mortgage insurance premium.

**Security for Home Investments.**

The soundness of the mutual mortgage insurance plan rests upon the judgment and integrity exercised by the Federal Housing Administration's underwriting staff in passing upon the qualifications of home mortgages submitted for insurance. In exercising this function, the underwriting staff has won wide commendation for a major contribution to good practice in home-mortgage lending. The aim is to recognize good loans, which means that the borrower must be undertaking to pay a debt within his reasonable capacity to pay, and that the loan must be adequately secured by the home which serves as collateral. Further, every effort must be made to reject or suggest suitable modifications in loans which fail to meet either or both of these qualifications.

The practical effect of the thoroughgoing review given to each mortgage, and the adoption of similar methods by private lending institutions in their own operations, is to give added security both to the lender and to the borrower. In the long run this must mean lower costs to borrowers, smaller losses to lenders, and increased confidence in home ownership, with consequent strengthening of the demand for good new homes.

Improved mortgage-lending practice should also help to stabilize home-building activity and to reduce the extreme ups and downs in the home real-estate market. To this end the Administration is engaged in economic studies and statistical activities which it hopes will give clear indications when unsound situations are developing locally or throughout the Nation. Excessive costs of construction, the prevalence of high financing charges, other evidences of unsound financing, and the building of an excessive number of houses in the upper price ranges all represent hazards to be avoided.

**Standards for New Homes.**

The most flagrant violations of good practice in home building characteristically appear during the early stages of recovery in home building, when the number of new homes built moves rapidly upward. Hence the special attention given to construction standards by the Technical and Underwriting Divisions of the Federal Housing Administration has been most timely.

When operative builders wish to obtain commitments to insure mortgages on houses in new developments, they are required to submit the subdivision plan for approval. This permits review of the arrangement of streets, lots, and blocks, provision of playgrounds and other areas for public use, and plans for building and financing the utilities and street improvements. Poor lay-out, which may involve excessively narrow lots, for example, is one of the greatest influences in the blighting of neighborhoods. Hence this service alone is of the utmost value to the prospective purchasers. Further, plans and specifications of the houses are submitted at the time the commitment for mortgage insurance is sought, and architectural inspectors make examinations during the course of construction to make sure that the construction is sound and durable.

Such insistence on high standards has indirectly helped to improve the quality of many homes financed without mutual mortgage insurance.

**Low-Priced Houses.**

In view of the urgent and immediate necessity of expanding the production of good houses at low prices, the Technical Division during the year undertook special studies of the planning and construction of such houses. A booklet on planning of small houses was prepared, embodying the results of these studies, and has been widely circulated. Demonstration houses making use of the suggested plans have been built by private capital at strategic points and have received widespread attention from builders and the public. Further opportunity has been taken through meetings of local groups of operative builders to impress upon them the vast magnitude of the market for low-priced houses and the opportunities which await their success in producing them.

It is significant that builders whose names have been associated in the past with the building of large structures have now entered the field of building low-priced houses. Many of these are five- and six-room houses equipped with modern conveniences, and sell for from $4,000 to $5,000 in the immediate vicinity of our largest northern



cities. Many others, particularly in smaller cities and towns, are priced to sell at from $2,500 to $4,000.

The attention of lending institutions and of district office directors has been called to the fact that certain requirements which are considered essential for the salability of higher-priced houses may properly be modified with respect to low-priced houses.

The program to encourage the building of inexpensive homes is of great importance, both to the Administration and to the public, because one of the largest factors contributing to the severity of the recent depression in the home real-estate market was the overproduction of homes in the higher price ranges, which found their way into the hands of families unable to afford them.

**Large-Scale Operations.**

A second year's operations by the Large Scale Housing Division, operating under section 207 of the National Housing Act, have resulted in substantial progress. There are now three completed projects in operation and three more are under construction. In all, 43 mortgages, valued at $41,041,000, have been accepted or approved for projects involving a total value of $53,540,000 and designed to house 11,475 families.

From this start experience has been gained and sufficient interest has been aroused among investors to point the way to certain proposed amendments in the law which would permit an expansion of limited-dividend operations along this line. Specifically, it is believed that if conservative capital enters the field of financing rental houses for families in the middle income groups, applications of the methods and experience thus gained will be extended progressively to provide for families of lower and lower incomes. In the meantime any increase in building of rental accommodations for families in the middle income groups would tend to relieve pressure downward, which is in danger of temporarily lowering the housing standards of thousands of families in the lower income groups. Further, improvement in standards of planning, construction, and financing of rental housing projects and elimination of various abuses that have been characteristic in the past are matters of distinct public importance.

## Modernization Credit Insurance

Only a small percentage of the families of the country can be housed in new dwellings each year. Hence, improvement of existing dwellings is a most important factor in the general improvement of housing standards. Some 900,000 homes have been improved with the proceeds of notes insured under the modernization credit plan since it was put in operation. In addition, 250,000 two-family houses and apartments were improved by such loans, as well as 150,000 other properties, comprising business and industrial buildings, hotels, hospitals, orphanages, colleges, schools, churches, and farms.

As in the 2 previous years, the availability of modernization credit insurance was made the occasion for a wide variety of local and national activities to promote modernization and repair work. Business and professional groups connected with construction and local better housing committees conducted community enterprises of this type in several thousand cities and towns.

## Outlook for the Coming Year

At the opening of the year 1937 the long-overdue transformation of home financing in the United States is actively under way. Years will be required to complete this process, and in the meantime immediate problems press for attention.

First, the country will need during the year 1937 a substantially larger program of residential building than in 1936. Failure of such a program through inadequate financing would mean a marked retrogression in housing standards, and probably abrupt rises in rents for families of all incomes. That would upset family budgets and injure many lines of business. Further, the stage would be set for a later unhealthy building boom, in contrast to the orderly meeting of demand before the demand reaches explosive intensity. Second, a material increase in the volume of transfers of existing houses is to be expected, and this likewise will call for an increased volume of home financing.

It is therefore vital to the American people that home mortgage funds be well distributed throughout all regions, that they be available in the form of long-term amortized mortgages at reasonable rates of interest, and in amounts up to 80 percent of the fair appraised value. Further, the standards of home mortgage lending should be such as to encourage new construction of good quality, the production of new houses at fair prices, and the efforts of thrifty families generally to own homes within their means.

On the other hand, it would be a national calamity if failure in home financing should be responsible for stifling needed new construction, for the foisting of jerry-built houses on home seekers, or for the use of high-pressure methods to persuade families to attempt unsound purchases.

A large number of institutions actively engaged in home financing during the last decade encountered difficulties during the depression that resulted in their liquidation, or reorganization on a basis that does not permit them to become active lenders now, at least without use of the insured mortgage plan. This has left gaps which have to be filled, and hence the mutual mortgage insurance plan is performing an especially timely mission, in enabling thousands of lending institutions to become active in the field.

## SUMMARY OF INSURING OPERATIONS

The Federal Housing Administration is responsible under the terms of the National Housing Act for insuring privately made loans of the following types: (*a*) Short-term character loans made for the repair and modernization of homes and other buildings, (*b*) long-term mortgages on homes, and (*c*) mortgages on large scale, limited-dividend housing projects. The following data summarize these insurance operations:

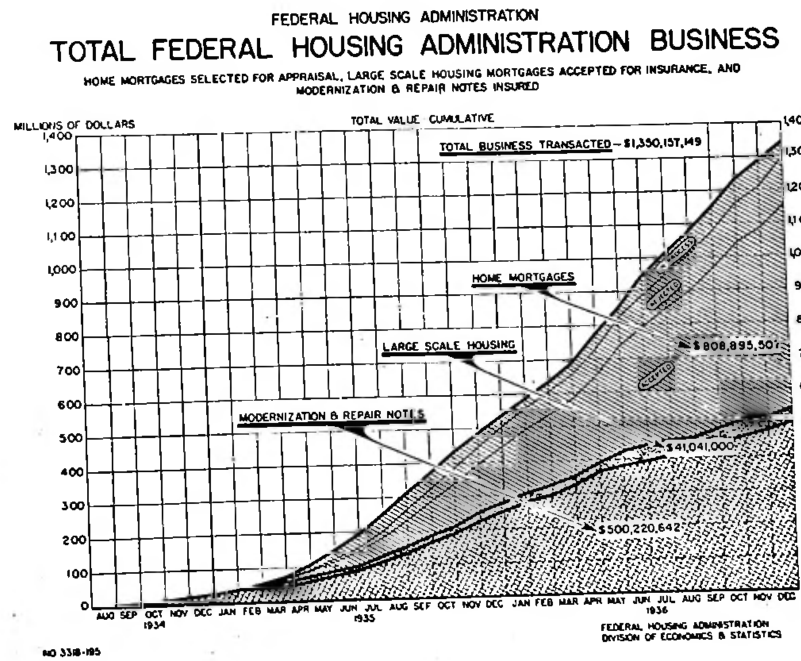


TABLE 1.—*Volume of business under titles I and II during 1934, 1935, and 1936*

| | 1934 | 1935 | 1936 | Total |
|---|---|---|---|---|
| | *Amount* | *Amount* | *Amount* | *Volume* |
| Modernization and repair notes insured under title I | $30, 450, 583 | $223, 620, 146 | $246, 149, 913 | $500, 220, 642 |
| Home mortgages accepted for insurance under title II | (1) | 170, 594, 864 | 438, 449, 153 | 609, 044, 017 |
| Large-scale housing mortgages accepted for insurance under title II | (1) | [2] 10, 065, 000 | 20, 006, 000 | 30, 071, 000 |
| Credit insurance accepted under titles I and II | 30, 450, 583 | 404, 280, 010 | 704, 605, 066 | 1, 139, 335, 659 |
| Home mortgages under consideration Dec. 31, 1936 | | | | 59, 678, 746 |
| Home mortgages rejected or withdrawn as of Dec. 31, 1936 | | | | 140, 172, 744 |
| Large-scale housing mortgages conditionally accepted | | | | 10, 970, 000 |
| Total volume of business transacted | | | | 1, 350, 157, 149 |
| | *Number* | *Number* | *Number* | *Number* |
| Modernization and repair notes insured under title I | 72, 658 | 635, 747 | 617, 697 | 1, 326, 102 |
| Home mortgages accepted for insurance under title II | (1) | 42, 147 | 109, 611 | 151, 758 |
| Large-scale housing mortgages accepted for insurance under title II | (1) | 8 | 23 | 31 |

[1] Not in operation due to necessary legislative changes.
[2] Amount adjusted to exclude commitments for $10,965,234 accepted for insurance during 1935 and withdrawn during 1936.

CHART I



The Administration during the year devoted its main energies to the development of the mutual mortgage insurance system. This system, under the terms of the National Housing Act, was planned as a permanent strengthening feature of the home mortgage lending system of the country.

The insurance of mortgages on large-scale housing operations could not go forward as rapidly, partly because private capital was hesitant about making investments in large-scale rental housing projects and partly because the operations of this section of the act are restricted under the present law to provide for families of low income.

Under the modernization credit insurance plan small monthly installment loans to finance repairs and improvements to real property continued to be available through several thousand banks and other financial institutions. The plan had become so thoroughly established during 1934 and 1935 that no large increase in operations was sought or expected in 1936. With the general recovery in business and employment the scope of insurable loans was restricted under the law which extended the operation of this temporary plan from April 1, 1936, to April 1, 1937.

During September and October the administration cooperated with business groups which carried on a movement to encourage repair and modernization work during the winter months in order to take up slack arising from the usual seasonal decrease in employment on new building operations.

## ORGANIZATION

In order to carry on its credit insurance activities the Administration maintains field offices in 89 cities. There were on December 31, 1936, 1,310 employees in the Washington Office and 2,353 in the field, making a total of 3,663, a decrease of 155 from the total 1 year earlier. The field offices carry on the actual work of insuring mortgages on one- to four-family homes, under the general supervision of the Washington headquarters. They also maintain contacts with lending institutions operating under both the modernization credit plan and the mutual mortgage insurance system.

The general plan of organization is indicated in the accompanying chart. The deputy administrator in charge of the Mutual Mortgage Insurance Division, the director of the Large Scale Housing Division, and the deputy administrator in charge of modernization credit are assisted by the Technical, Legal, and Economics and Statistics Divisions in formulating rules and regulations and policies and in handling certain administrative duties. The comptroller and his staff also perform certain advisory functions as well as accounting and auditing functions.

## MUTUAL MORTGAGE INSURANCE

**Aims.**

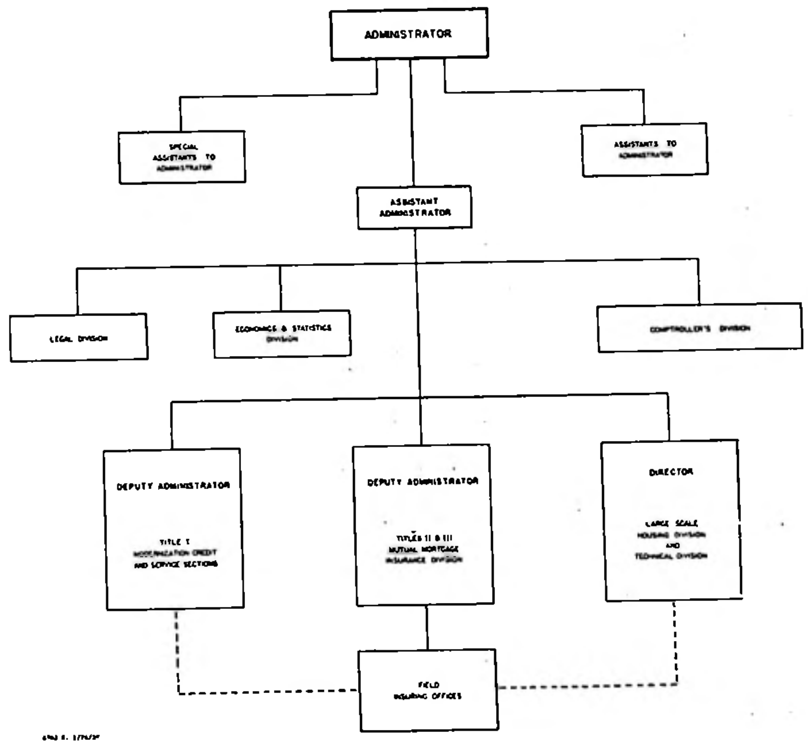
The mutual mortgage insurance system was designed to be of benefit both to lending institutions and to the present and prospective owners of homes. In order to grow successfully, it must render a fair service at small cost, in return for the annual premiums which it receives. In this respect, operations under the system are comparable to those of a private insurance company. It must accept



sound risks, and only sound risks. To insure even a small percentage of unsound risks would be unfair to the hundreds of thousands of mortgagors who pay the premiums and who are entitled to share on a mutual basis in surpluses arising from the operation of the various group accounts.

Home-mortgage loans represent a specialized and fairly complex type of lending. In order to extend the benefits of the plan thoroughly throughout the country, in keeping with the status of the Administration as a branch of the Federal Government, it has been

FEDERAL HOUSING ADMINISTRATION
ORGANIZATION CHART




necessary to give friendly assistance to many institutions which have been developing home-mortgage-lending departments. A large number of institutions formerly engaged in home-mortgage lending have ceased operations or have had to curtail them as a result of the depression, and other institutions have been needed in the field.

Two years ago home-mortgage money was frozen almost solid. One year ago it had been thawed out, and the chief task in 1936 was to expand the available supply of funds along sound lines in order to take care of the increased demand, which seems destined to grow still further for some time to come.

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**Growth and General Character of Activities.**

*Volume and character of business.*—Mortgages accepted for insurance amounted to $438,449,143 in 1936 compared with $170,594,864 in 1935, an increase of 157 percent. The number of mortgages involved was 109,611 as compared with 42,147 the year before. The new business was, on the whole, well distributed throughout the country. Insured mortgages secured by new homes increased more rapidly than those secured by existing homes. There were no marked changes in the average value, or other major characteristics of the insured mortgages, although there was a slightly increased concentration among those for from 76 to 80 percent of the value, and for those with terms from 13 to 20 years.

Of all the mortgages, 74.9 percent were for amounts less than $5,000, and 60.1 percent required monthly payments of less than $30 per month, including amortization, interest charge, annual service charge if any, and Federal Housing Administration insurance premium. In 90.9 percent of the mortgages these monthly payments amounted to less than 20 percent of the borrower's income.

Seventy-seven percent of the one-family homes involved contained six rooms or less. Further details as to the character of insured mortgages are given later in this report on pages 25 to 41.

*Active mortgagees.*—The number of mortgagees active under the plan increased from approximately 3,600 to 5,260 during the year, or approximately 46 percent. State banks and trust companies led in number and value of mortgages accepted for insurance during 1936, although national banks continued in first place in the cumulative total since the beginning of operations. Building and loan associations were third, with mortgage companies, insurance companies, savings banks, and "all other" following in order.

**Administrative Developments.**

*Underwriting operations.*—A large increase in volume of new business was handled with only a small increase in the number of field personnel directly engaged in underwriting work. In several of the field offices income from appraisal fees and the initial year's premium on new mortgages accepted was more than sufficient to carry the total cost of underwriting. Unit costs were reduced substantially in every field office. However, it is necessary to maintain offices in various areas, especially those which are sparsely settled, in which the volume of business is not yet sufficient to permit low-unit costs. Although this condition should become less frequent, it may still be present in some offices for some time to come, if the benefits of the mutual mortgage insurance system are to be made available in fact, as well as nominally, in all sections of the country.

The growing volume of business, and the desire to make Federal Housing Administration services available promptly, led to an increase in the number of district offices during the year from 64 to 67, and in the number of service offices from 17 to 21. Service offices perform most of the details of accepting mortgages for insurance before routing the insured case binders to district offices for final review and endorsement for insurance.

The new district offices were at Jamaica, Long Island; White Plains and Brooklyn, N. Y.



The new service offices were located at Erie, Pa.; East St. Louis, Rock Island, and Peoria, Ill.; Rutland, Vt.; and Casper, Wyo. Two service offices were discontinued during the year. Underwriting staffs were reduced in offices where the volume of business permitted, but were necessarily increased in a considerable number of others where the volume of work grew substantially. It was possible during the course of the year to utilize a growing proportion of district office personnel for actual underwriting activities in lieu of consultation with financial institutions.

The entire risk rating and valuation procedure was restudied in the light of the preceding year's operation. The basic principles were found to be sound and workable. Experience had shown that several time-saving devices could be adopted without sacrifice of

FEDERAL HOUSING ADMINISTRATION INSURING OFFICES


sound analysis. For example, the number of individual risk features used in rating a mortgage application was reduced from 42 to 29 and the forms were shortened.

Since it was found more economical to use valuators employed as full-time staff members than those paid a specific fee for each assignment, the number of staff valuators was increased. The valuation assignments performed by fee valuators decreased from 32 percent of the total in 1935 to 9 percent in 1936.

Further steps were taken to develop the underwriting staff as a group of highly trained and responsible, professional workers. In keeping with this policy, the underwriting section in Washington works out procedures to be used, defines basic principles of eligibility, and handles only those special problems for which the field needs counsel. It carries out a continuous training activity. These policies have proved more efficient and less expensive than would multitudinous checking.

The analysis of home mortgage loans is peculiarly a local problem. The Federal Housing Administration from the beginning realized this situation. For this reason the field insuring offices exercise full authority to transact business. Each property involved in an application is compared first, with general Nation-wide property standards, and then, second, with local minimum requirements, which were prepared and published during the year. In cases of new construction, there is further comparison with minimum construction standards, which are also adjusted to meet local conditions.

This policy is based on the fact that there are certain phases of mortgage analysis and eligibility requirements which are not subject to specific rules on a national basis. Each problem is analyzed on its merits by the experienced judgment of locally respected men, instead of having the problem determined by some arbitrary set of strict eligibility rules.

The advice of the underwriting staffs of the Federal Housing Administration has been one contribution to the home-owning and home mortgage-investing public of the Nation. Frequently when an application is declared ineligible for insurance, the Federal Housing Administration underwriter is asked how it can be made eligible and, therefore, a good investment.

The Federal Housing Administration has devoted much time to developing procedures and the initial training of complete local staffs in an underwriting organization. Masses of essential valuation and mortgage data have been collected, coordinated and placed in useful form. All this enables analysis of applications to be more sound, less expensive and faster than it was 1 year ago.

*Wholesale operations.*—Frequently an institution wishes to refund all or a considerable portion of the home mortgages in its portfolio in the form of Federal Housing Administration insured mortgages. In order to render prompt service in such cases without interfering with the regular work of the district offices a special "wholesale operations" unit has been established in the underwriting section at Washington. An appropriate staff is designated to handle each such operation, and mortgages are examined and conditional commitments issued at a rate varying from 15 to 50 a day. Hence the Administration usually completes its part of the work more quickly than the lending institution can arrange with the individual borrowers for refunding their mortgages.

In recognition of the conditions under which these operations are conducted an initial fee of $5 is charged for each case examined. This fee is credited as part payment of the Federal Housing Administration valuation fee in cases where the mortgage is accepted, but is refunded in each case determined ineligible for the issuance of the conditional commitment.

On December 31, 1936, 16 mortgage portfolios had been or were in process of being analyzed by the wholesale operation service. These portfolios involved 17,883 mortgages aggregating $57,361,000. Of this number 9,749, aggregating $38,788,000, have been found eligible for issuance of conditional commitments. The conversion of these conditional commitments is a continuing operation and will ultimately result in a very substantial volume of insured mortgages.



**Mortgagee Conferences and Related Activities.**

The procedure required of a mortgagee in submitting home mortgages for insurance rapidly becomes a more or less routine matter for an experienced institution handling a fairly large volume of business. Actually but little is required beyond adherence to certain more or less elemental standards of mortgage-lending practice. However, many financial institutions have not systematized their methods of valuation, are not accustomed to making out any substantial record of the features of the property insured, the essentials of the borrower's credit standing, etc., and are not familiar with the handling of amortization plans for loans of varying terms. Further, many financial institutions in all sections of the country have never entered the field of home mortgage lending, although their investment needs make it desirable, and their doing so would assist in making mortgage money available.

As one means of meeting the needs of the financial institutions falling into these various categories a series of mortgage conferences has been initiated and is being pursued actively during the present winter. At these conferences officers of lending institutions from a territory which may extend several hundred miles in each direction come together and receive an explanation of the mutual mortgage insurance system. Each person attending is given a copy of a completely filled in case binder covering an insured mortgage, and the reason for each step in the procedure is carefully stated, with opportunities for questions and answers. The protection and safeguards which this system furnishes to the lending institution, to the borrower, and to the mutual mortgage insurance fund are all explained.

*Building and loan associations.*—A different set of problems is involved in the application of mutual mortgage insurance to the practices of building and loan associations. These institutions as a group are large holders of home mortgages and have had extended experience in making long-term amortized loans. In general, they have had legal authority to make loans for a higher percentage of the value than other lending institutions. However, many of them have been accustomed to making loans on what is, in effect, a sinking-fund plan as compared with the direct reduction plan of amortization. This and other special conditions governing the operations of many of these associations led to the development in the administration of a unit to deal with their problems. This unit has been active during the past year in working with groups of building and loan association officials, to find means for solving these special problems. The results indicate a widening appreciation on the part of these institutions of the value of mortgage insurance to them.

**Mutual Mortgage Insurance Fund.**

In terms of underwriting performance, the experience with mortgages insured to date has been highly satisfactory.

The Mutual Mortgage Insurance Fund was started with an initial Federal contribution of $10,000,000, and has been augmented as shown in the financial statement on page 56 to $15,783,721 through receipt of interest on investments in Government bonds, and through the receipt of the mutual mortgage insurance premiums amounting to one-half of one percent per annum on the original face amount of the mortgages insured. It is now growing at the rate of more than $500,000 a month.

If a monthly payment on an insured mortgage is more than 30 days overdue, the lending institution must report that fact to the Administration. Most of the delinquencies, many of which proved to be purely technical in character, have been quickly reinstated in good standing as a matter of routine.

In 12 cases the title to foreclosed properties has been tendered to the Administrator, and debentures bearing 3-percent interest have been issued in return. A detailed statement of these debentures is presented later on page 55. Six more claims for debentures have been filed upon which action is still pending. The Administration already has disposed of one of the properties, at a price high enough to cover the full amount of the interest and principal as represented by the debentures issued. In addition, the amount was sufficient to pay off the certificate of claim, representing the cost of foreclosure to the lending institution, with an additional balance, which was refunded to the mortgage borrower.

**Marketability of Insured Mortgages.**

One of the principal aims of mutual mortgage insurance is to make home mortgages readily salable. This is made practicable, first, by reason of the high standards required of a mortgage in order to make it acceptable for insurance, and, second, by reason of the security given by the insurance feature against loss of principal. As explained in last year's annual report, legislative and administrative provision had been made for making and holding of insured mortgages by member banks of the Federal Reserve System, even outside of a restricted local area; for the sale of insured mortgages representing new construction to the Reconstruction Finance Corporation Mortgage Co.; and for acceptance of insured mortgages as collateral for advances by Federal Home Loan banks and Federal Reserve banks.

Thus far some $60,000,000 of Federal Housing Administration insured mortgages, representing about 15 percent of the total, have been sold by the mortgagee institutions to other approved mortgagees.

The RFC Mortgage Co. has used a revolving fund of $10,000,000, established in April 1935, in buying and selling Federal Housing Administration insured mortgages on new homes. Among other transactions, it has sold 390 such mortgages, valued at $1,798,205, to the comptroller of the State of New York, at a price of 101 plus accrued interest. The company had purchased them from several financial institutions at 99½. The comptroller's purchase included all Federal Housing Administration insured mortgages held by the company in the State of New York. Under authority conferred by the State legislature, the comptroller acted in behalf of various sinking and trust funds administered by the State of New York, including especially the State employees' retirement fund.

The State of Pennsylvania early recognized the advantages of the Federal Housing Administration insured mortgage system from an investment viewpoint. In the spring of 1936, $800,000 in the State workmen's compensation fund was invested in an insured mortgage on a large scale housing project at Meadville, Pa.



Many millions of dollars worth of insured mortgage loans have been made by lending institutions outside their home territories. Altogether, the insured mortgage plan has resulted in a substantial regional interflow of home mortgage funds. Because of it scores of communities in which home mortgage money would otherwise be wholly inadequate to meet the local demand now have it at low interest rates, and on liberal terms to the borrower.

## LARGE-SCALE HOUSING

Under section 207 of the National Housing Act the privilege of mutual mortgage insurance is extended to cover housing projects for families of low income, undertaken by private limited dividend corporations or public authorities. One year ago it was reported that an encouraging start had been made toward enlisting the interest and active participation of private capital in such enterprise. By December 31, 1936, a total of three projects had been completed and four more were under construction. In addition, 10 other projects had been approved and financing arranged, and 26 other projects had been approved, making a total of 43 projects to house 11,475 families, which have been reviewed and approved.

These 43 projects would involve mortgages of $41,041,000 and a total capitalization of $53,540,000. Additional projects for upward of 15,800 families with mortgages for $67,264,000 are under examination or are awaiting further action on the part of sponsors. Two hundred and thirty-seven projects involving proposed mortgages amounting to $401,855,000 have been rejected or withdrawn.

The private limited-dividend corporation operating for profit rather than as a quasi-philanthropy is essentially an innovation. Hence, growth has had to be from small beginnings. Characteristically, rental housing projects for families in the low, and even middle, income groups in the United States have been undertaken at times when rentals were high in relation to building costs and when a large part of the initial investment appeared to be recoverable from income during a relatively short period following construction. Such conditions have in many cases led to neglect of good planning, and slighting of the quality of construction, since the project was considered more as a short-term than a long-term investment. Unfortunately, many buildings erected under such conditions remain standing, to furnish progressively worse housing from one generation to another.

Limited dividend corporations operating under section 207 must rely on sound planning and sound construction to assure continued occupancy at reasonable rentals, yielding a relatively modest but well-assured rate of return over a considerable period of years. Interest in the plan among conservative investors has greatly increased during the year, and more and more of the projects that are submitted have the backing of substantial business and financial interests. Low money rates now prevailing are undoubtedly a factor in this situation.

There has been no change in the wording of section 207 since its enactment in 1934, and there has been no substantial alteration in the regulations or methods employed by the Large Scale Housing Division during the past year. However, experience has shown that certain changes in the act which should open up larger capital markets to this field of investment would greatly expand the usefulness of this section.

## IMPROVED LAND PLANNING AND BUILDING STANDARDS

By means of establishing standards for the lay-out and development of new subdivisions, and for the design and construction of new houses financed with the aid of mortgage commitments, the Administration has done much to promote adherence to good practice. This function should become of increasing importance as the amount of new home building increases. The worst jerry-building, and the worst examples of ignorant subdivision of land are apt to occur during the upswing of new construction after a period of inactivity. It is a calamity when home seekers who have to find some sort of shelter are virtually forced to accept substandard homes, or homes in too high a price range, in the absence of anything more satisfactory.

The Administration's activities in this field are manifold. When a real-estate developer applies for advance commitments to insure mortgages, his new subdivision is required to conform to certain standards. Compliance is assured through review of the plans and inspection of the site. Often only part of the houses in an approved subdivision are financed with insured mortgages, but all of the persons who acquire houses in such a subdivision benefit from the improvement in standards that has been effected through consultation with the Federal Housing Administration.

Establishment of minimum construction standards adapted to the localities situated throughout the United States has resulted in great emphasis being placed upon structural soundness and proper planning of housing facilities. Following the lead of the Federal Housing Administration, lending institutions operating in local areas are supplementing their standards with the standards of the Federal Housing Administration, and are assisting in enforcing their observance.

Plans for new houses to be financed with insured mortgages are approved in advance by the Federal Housing Administration. This often results in the correction of mistakes and in changes in the specifications that increase durability and reduce yearly costs of maintenance and operation.

Inspections made by the Federal Housing Administration staff experts during construction, in order to insure compliance with the mortgage-insurance commitments, help to assure high standards of workmanship and materials for home builders and buyers of homes under the insured-mortgage plan.

These administrative activities, which are carried on with the cooperation of the Technical Division, are actively supplemented. In order to assure a thorough and widespread understanding of the requirements for new subdivisions, real-estate men and officials of lending institutions have been invited to conferences with representatives of the Federal Housing Administration in a considerable number of cities. At these conferences, ways and means are discussed for applying the best practice to local conditions. This helps to provide that as many of the new homes as possible will be built in well laid-out neighborhoods, that should retain their original character and not start with the handicap of poor site-planning, which generally leads to rapid deterioration. A pamphlet on planning neighborhoods for small houses has received a wide circulation.



A series of local conferences on small house planning and construction has also been instituted. As a contribution toward wider understanding of the recent technical developments in design and construction, revised studies on recent developments in dwelling construction and on modern design have been prepared and published during the year. These are based on an up-to-date collection of data on new methods and materials of construction.

A circular "Contract Documents for Small House Construction" has also been issued, in order to encourage sound and satisfactory relationships between owners and contractors.

The Technical Division is participating in the work of the Building Code Correlating Committee of the American Standards Association. This work is being carried on by a number of agencies concerned with the modernization of local building regulations, in the interest of economical, safe, and durable construction with adequate light and ventilation.

## ECONOMIC PROBLEMS

Sound operation of the mutual mortgage insurance plan requires careful consideration of trends and conditions affecting housing and real-estate financing. Unfortunately, facts and figures similar to those gathered for agriculture and industry have heretofore been nonexistent in the housing field. Nevertheless, the Federal Housing Administration must keep posted as well as possible in regard to the growth in housing requirements, both nationally and in various sections of the country, and in regard to the amount and character of new building, however financed. It must at all times be aware of fluctuations in rents, building costs, and real-estate values. It must also be alert to note symptoms of unhealthy conditions in home building and the home real-estate market, such as the excessive subdivision of building lots, overbuilding for families in a particular income group, or the extensive use of unsafe financing methods. Familiarity with the forces underlying the growth of cities, with population trends, and with the changes that are constantly taking place in the character of neighborhoods, is necessary.

Further, in accordance with the National Housing Act "the Administrator shall cause to be made such statistical surveys and legal and economic studies as he shall deem useful to guide the development of housing and the creation of a sound mortgage market in the United States."

In accordance with these requirements the Division of Economics and Statistics has continued its cooperation with other agencies in the Federal Government, with State and local governments, and with private groups in encouraging the collection of basic statistics. Much effort has been devoted to the development of techniques for

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acquiring and analyzing the essential data, which cover the field of real estate, business, and private home financing, mortgage underwriting, city planning and housing.

A working collection of statistical material, including analyses of Federal Housing Administration insuring operations, has been developed, and is in daily use in connection with the actual problems of policy and administration that constantly arise in Washington and in the field. For example, a study was undertaken at the request of the Underwriting Section to develop a method for appraising the influence of economic activities characteristic of a community upon the stability of mortgage loans, and the value of residential properties. A method was worked out for systematic use of material available from the Census and locally, and has been tested in the field.

Available data in regard to mortgage delinquencies and foreclosures have been assembled, and used in preparing the actuarial studies necessary for the administration of the mutual mortgage insurance fund and the group accounts under it. These studies have been used in preparing budgetary reports, and in discussions with several State legislatures when the advisability of giving Federal Housing Administration insured mortgages and debentures an approved investment status was under consideration.

Again, in connection with the review of applications for mortgage insurance on large-scale housing projects and the examination of accounts of these projects, a uniform system of accounts has been established and a considerable mass of income and cost records of various types of apartment houses has been assembled and is being analyzed. Further, methods by which the soundness of large-scale housing projects may be tested have been developed. In these activities, cooperation has been received from associations and individuals concerned with apartment-house management and financing.

**Studies of City Structure and Neighborhood Composition.**

In order to obtain a better understanding of the dynamic forces affecting the character and the direction of city growth and consequent changes in neighborhoods, a method for defining particular types of residential areas has been evolved from analyses of data from the Real Property Inventories and similar surveys. Maps portraying the extension of the area occupied by houses, the development of transportation facilities, and the growth of subdivided areas have been prepared for a number of cities. These supplement the block maps which were prepared during the preceding year to show existing conditions in some detail. Such material, with statistics covering the changes in population for various sections of the city, is used in the actual analysis of locations carried on by the Underwriting Section. Some of the results of these studies have been published already and the material will be summarized in a monograph.

**Studies of Real Estate Cycles.**

Local and national fluctuations in the home real-estate market constitute one of the most far-reaching problems which the mutual mortgage-insurance system has to face. Studies of population changes, building and subdivision activities, rents, property sales, volume of deeds recorded, volume of foreclosures, the relationship between incomes and rentals, and similar subjects have been undertaken to illuminate the problem.



Little information has been available heretofore on the forces which tend to influence real-estate activity and the relationship of such forces during the various phases of real-estate cycles. Such data as are available on a Nation-wide basis are not sufficient, and preliminary studies in a number of cities show the need for much additional work. A technique for such study has been prepared for use in one or more projects under the Works Progress Administration, from which it is hoped that adequate data, never before available, may be obtained.

## LEGAL DEVELOPMENTS

**Legislation.**

The only Federal legislation enacted during 1936 relating specifically to the Federal Housing Administration was that providing for the extension of the modernization credit insurance plan, as outlined in a subsequent section of this report.

The Legal Division, in an advisory capacity, has continued to assist in the preparation of amendments to the banking and investment laws of various States, designed to permit the successful operation of the National Housing Act.[1] Original enabling legislation of this type was passed during the year by the Legislatures of Virginia, Kentucky, and Mississippi, where the legislatures had not met in 1935, and existing acts in a few other States were broadened in scope. As a result, the principal lending institutions in every State of the Union except Georgia may now make the types of loans insured under title I and title II of the National Housing Act.

There is an increasing tendency on the part of State legislatures to make insured mortgage loans eligible as collateral for the deposit of public funds acceptable as security where specified securities must be deposited as a prerequisite to doing business and eligible where a reserve must be maintained consisting of designated securities. In a number of States insured mortgages have been included in the limited class of securities in which public monies or institutional funds may be invested. Such moratorium laws as have been enacted or extended have, specifically or by implication, exempted insured mortgages from the operation thereof, so that no loans insured by the Federal Housing Administrator are affected by this type of statute.

**Administrative Activities.**

In connection with the administration of the insured-mortgage program the work of the Legal Division involves the interpretation and application of the provisions of the statute, and the regulations issued thereunder by the Administrator, including the examination, review, and, where necessary, correction of the completed case binders in each insured-mortgage transaction. Despite the duties imposed by the increased volume of mortgage-insurance business there was no increase in the legal staff.

There have been some revisions in the standard forms of notes, mortgages, and deeds of trust approved for use under the varying laws and procedures of the several States, and in the standard documents embodying the insurance procedure of the Administration, in accordance with the lessons of experience.

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[1] A list of these enactments is appended to this report.

Several amendments were made in the regulations of the Administrator for mutual mortgage insurance, effective September 1, 1936. Particular care and attention were required with reference to those provisions of the regulations defining the character of title and the evidence thereof required by the Administrator upon the conveyance to him of a property following the foreclosure of an insured mortgage. It was necessary to prepare for any eventualities by working out in detail the procedure to be followed in the conveyance of foreclosed properties to the Administrator and the acceptance of such conveyances by the Administrator. In collaboration with the Treasury Department the necessary machinery was set up for the issuance of debentures of the mutual mortgage insurance fund in exchange for foreclosed properties.

The many, and often highly technical, legal questions arising in connection with collections of claims by the Administration under the modernization credit insurance plan, and the repossession and liquidation of collateral securing the same, have been handled by the Legal Division.

**National Mortgage Associations.**

No national mortgage associations have as yet been organized under title III of the act, but definitive regulations governing the organization and operation of such associations were issued by the Administrator on May 1, 1936, and several applications for authority to organize proposed associations have been examined.

## MODERNIZATION CREDIT INSURANCE

In 1934 and 1935 the chief objective of the modernization credit insurance plan was to stimulate repair and improvement primarily for the new business and employment that this would create.

Accordingly, when Congress was considering a measure to extend the operation of the plan beyond April 1, 1936, the Administration recommended certain restrictions in the scope of insurable loans. These restrictions were included in the act that was passed, and the new regulations subsequently issued by the Administration further provided for review of certain classes of larger loans by the Federal Housing Administration prior to insurance.

The Washington and district offices collaborated with organized groups connected with the building industry, during September and October, in a program designed to encourage modernization and repair work during the winter months when there is great seasonal falling off in employment in the building trades.

Altogether, the operation of the plan has furnished, directly and indirectly, a widespread stimulus to employment. It has raised living standards for millions of persons living in the more than 1,150,000 dwellings and farm properties improved, and has enabled more than 100,000 small business concerns to modernize their plants and equipment. It has served to reduce installment interest rates in its field, and has pioneered forms of credit that in many instances will be continued by lending institutions when the plan ceases operation. All this has been accomplished at a relatively small cost.

The chief developments in the operation of the plan during the year are described in the succeeding paragraphs.



**Changes in the Act and Regulations.**

The Federal Housing Administrator was authorized by the act of June 27, 1934, to insure approved lending institutions against losses on loans for modernization and repair of real property. The original provisions extended only to loans made prior to January 1, 1936. The plan proved successful, and in 1935 it was extended to April 1, 1936, with its scope broadened to cover loans up to $50,000, and specifically including certain types of detachable equipment.

In 1936 the operation of the plan was again extended to permit insurance on loans made prior to April 1, 1937, but with provisions looking forward to the definite expiration of this emergency measure, in view of the progressive recovery in residential building and in other forms of industrial production and employment. The original act provided that losses paid to any institution must not exceed 20 percent of the aggregate of funds advanced on notes insured. A sum of $200,000,000 was made available to the Federal Housing Administration to meet payments of losses. However, commencing with notes made April 1, 1936, the 20 percent limitation was reduced to 10 percent, and the reserve of $200,000,000 was reduced to $100,000,000, all as recommended by the Administrator. This sum is now the maximum contingent liability of the Federal Housing Administration under this title of the act.

The contingent liability for loans reported to December 31, 1936, had reached approximately $80,000,000. Under this liability, 26,603 claims, for $6,332,333 had been paid as of December 31. Against these losses there are to be credited in the United States Treasury general fund such collections as are made by the Administration from the original borrowers and, in some cases, from other sources.

A substantial curtailment in the scope of title I operations was effected by the act of April 1, 1936, which restricted the granting of loans made for the purpose of financing the installation of certain classes of equipment and machinery, particularly in the case of one-family homes and other buildings subject to the $2,000 maximum loan limitation. Heating, plumbing, and wiring systems were construed as additions to improved real property, and therefore equipment which is built into and becomes a part of such a system was ruled eligible for insurance.

Under revised regulations issued by the Administration under the amended law, it was required that all modernization loans of $5,000 and over be approved by the Federal Housing Administration at Washington before they could be considered as eligible for insurance. In addition, the Administration has been making spot checks of loans over $2,000 but less than $5,000, to ascertain whether the insured institutions are properly checking credit ratings of borrowers before advancing credit. This spot check is of aid to the Administration in determining the advisability of continuing the contract of insurance with an institution.

**Insured Credit for Flood and Tornado Victims.**

In an act approved April 17, 1936, Congress made a special provision for insurance to financial institutions on loans or advances of credit made prior to January 1, 1937, to owners of real property or to lessees thereof under a lease, for a period of not less than 1 year, for the restoration, rehabilitation, rebuilding, and replacement of improvements on real property, and equipment and machinery thereon, which were damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the year 1935 or 1936. The Administrator was also authorized to use, if necessary, any insurance reserve accumulated by any financial institution prior to April 1, 1936, for the payment of any losses sustained by the financial institution as a result of loans made for the above purposes.

This enactment, which closely followed a series of disastrous floods, permitted new construction in the same locality, but not necessarily on the same site, as the damaged or destroyed structure.

Announcement of the provisions of this law were made so as to obtain as wide a coverage as possible among persons who might have suffered loss. Although only 156 loans, amounting to $133,741, were made under this provision, in most cases they were of the greatest assistance to the borrowers, who had all suffered substantial loss. Further, in some instances, persons eligible for such loans were financed through insured loans not reported under this provision.

**Delinquencies and Claims.**

Three times during the year reports were obtained from the approved lending institutions showing the value of accounts on which payments had been delinquent more than 30 days, and in each instance they were found slightly under 3 percent of the total. This shows that the overwhelming majority of insured loans are made to persons whose income and character justify the credit extended to them.

With over 1,300,000 loans involved, some claims were inevitable. Most were due to unavoidable circumstances, such as deaths, protracted illnesses, and continued lack of employment; a few others were the results of deliberate misrepresentation on the part of the borrower, contractor, or other participants.

When the Administration takes over a defaulted note upon which it has paid a claim, the Division of Collection, Investigation, and Fraud offers an opportunity to the delinquent borrower to pay off his note in equal monthly installments, adjusted to his financial means. If such an arrangement cannot be made the case is referred to the United States Department of Justice, to begin suit or take any other appropriate action. The debt is listed on the central records of the United States Government if no collection is effected, and the amount may be deducted from any credit in the form of salary, wages, or other disbursements (with the exception of veterans' adjusted service compensation) which the borrower may thereafter obtain from the Government.

The Federal Housing Administration makes every effort to prevent intentional nonpayment of an insured note, which breaches the good faith extended by the lending institution in making the loan and the Government in insuring it. The Federal Housing Administration, with the cooperation of lending institutions, has made possible the securing of credit on the part of consumers at lower interest rates and on more reasonable terms than have been available generally on this type of loan in the past. The Administration must insist that all obligations be met promptly and in full, since defaults are paid out of Government funds. The Department of Justice has been most helpful in handling necessary prosecutions.



In 6,524 cases defaulted loans have been reinstated and borrowers have gone on making payments. When this arrangement is not possible, items which have not become a part of the property are usually repossessed and turned over to the Procurement Division of the Treasury.

Where defaults have been occasioned by justified complaints that the seller has failed to furnish goods or services in accordance with his contract the Administration has insisted that the vendor make suitable reparation.

Detailed statistics in regard to the claims paid are given in a later section of this report.

**Results of Title I Activities.**

The modernization credit plan came into being in the summer of 1934, when both confidence and activity in the building construction and equipment industry were at a low ebb. Millions of homes and other properties had fallen into a state of disrepair during the depression, unemployment in the building trades was widespread, business concerns in the field were doing a minimum of business, and at the same time thousands of banks and other lending institutions professed inability to find sound loans in which to invest their funds.

The building industry welcomed the program as a means by which it could go out and get business from those who felt they could not conveniently pay for needed improvements in cash or on a short-term credit basis, but whose income and credit standing justified accommodation in paying for what they needed over a longer period. Labor in this field welcomed the program for the promise it held in stimulating employment. Financial institutions saw in the modernization credit plan an opportunity not only to be of constructive service to the building field, but also to promote general economic recovery with the contribution made by modernization business. At the same time these institutions felt this form of credit—a new activity with many of them—would be of real assistance in employing some of their surplus funds at a profit.

During the 29 months the modernization credit plan has been in operation, substantial progress has been made in the foregoing directions. Up to December 31, 1936, a total of 1,326,102 individual modernization loans in the amount of $500,220,642 had been made by 6,399 participating financial institutions throughout the United States and its Territorial possessions. As a result of the better-housing program carried on by voluntary agencies cooperating with the Federal Housing Administration it is estimated that an additional sum exceeding $2,000,000,000, financed by other means, has been expended on property improvements. From all sections of the country come reports of renewed activity in modernization and repair of homes, business, and other types of structures.

As incomes have increased, a better standard of accommodations has been demanded by tenants of individual houses and apartment buildings. New bathrooms and kitchens, modern heating systems, redecorating and repairs, garages, and other improvements have been required. Home owners are making the same investments in the houses they occupy, often adding new rooms.

Merchants have needed to enlarge and modernize their stores in order to keep up with the rising volume of trade and the competitive developments in their field. Manufacturers have had to replace obsolete equipment, to cut costs and increase production. Many office buildings and other commercial structures required remodeling, redecorating, and re-equipment; this has been possible as a result of insured modernization loans.

## STATISTICS OF INSURING OPERATIONS

The tabulations and charts presented in this section of the annual report contain statistical information and analyses of mutual mortgage insurance on homes and large-scale rental projects, as provided under title II, and insurance of modernization and repair notes as provided under title I of the National Housing Act.

### Mortgages on Homes

Statistics presented here of mortgages on homes providing housing for one to four families include summarization of (A) the status of mortgage insurance operations, analyses of (B) the volume of mortgages accepted for insurance; classification of (C) insured mortgages, (D) properties securing these mortgages, (E) borrowers under the mutual mortgage insurance plan, and (F) new homes financed by insured mortgages.

**A. Summary of Operations.**

The Federal Housing Administration, through December 31, 1936, had selected for examination and valuation 200,998 applications for home mortgage insurance amounting to $808,895,507. As of that date, 10,175 mortgages for $59,678,746 were still in process of examination, and 190,823 mortgages for $749,216,761 had been acted upon by the underwriting staff in 67 insuring offices throughout the country.

Of the cases processed at the close of the year, 39,065 cases for $140,172,744 had been rejected for insurance or withdrawn by the applicant, leaving 151,758 mortgages amounting to $609,044,017 upon which the Federal Housing Administration had issued to the mortgagee a firm commitment to insure the mortgage pending completion of the home in the case of a newly constructed property, or pending the satisfactory closing of the final mortgage papers in the case of an existing home.

The term of commitments in the case of existing homes is 60 days, and in the case of homes under construction or to be constructed from plans which have been approved, the commitment is in effect for 180 days.

On December 31, 1936, of the 151,758 commitments for $609,044,017 issued, 13,360 amounting to $48,224,986 had been allowed to expire by the mortgagee. On the same date commitments to insure 37,770 mortgages amounting to $157,991,913 were still in effect; the majority of these cover new homes for which insurance premiums cannot be paid until after completion of construction and final inspection by the underwriting staff.

At the end of 1936 the Federal Housing Administration was receiving insurance premiums on 100,628 mortgages amounting to $402,827,118.

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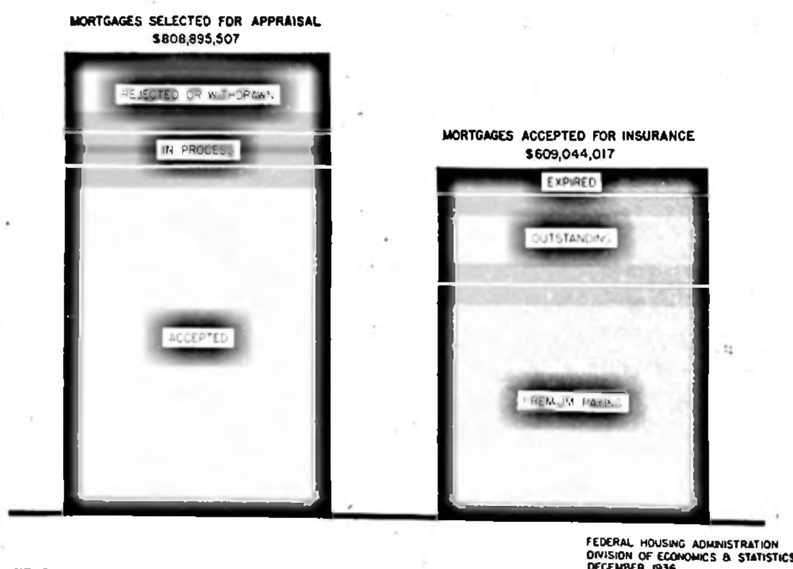
The status of home mortgage insuring operations as of December 31, 1936, is summarized as follows:

| Status of operations | Number | Amount |
|---|---|---|
| Mortgages selected | 200,998 | $808,895,507 |
| Cases in process | 10,175 | 59,678,746 |
| Cases processed | 190,823 | 749,216,761 |
| Rejected or withdrawn | 39,065 | 140,172,744 |
| Total mortgages accepted | 151,758 | 609,044,017 |
| Expired commitments | 13,360 | 48,224,986 |
| Net mortgages accepted | 138,398 | 560,819,031 |
| Outstanding commitments | 37,770 | 157,991,913 |
| Premium paying mortgages | 100,628 | 402,827,118 |

CHART II

STATUS OF HOME MORTGAGE INSURANCE OPERATIONS

THROUGH DECEMBER 31, 1936




**B. Volume of Mortgages Accepted for Insurance.**

*Mortgages on new and existing homes.*—The Federal Housing Administration makes commitments to insure (1) mortgages on homes under construction or to be constructed from plans, and (2) mortgages for refinancing homes already constructed, including (a) new homes completed within 12 months of acceptance and (b) homes 1 year or more old at date of acceptance.



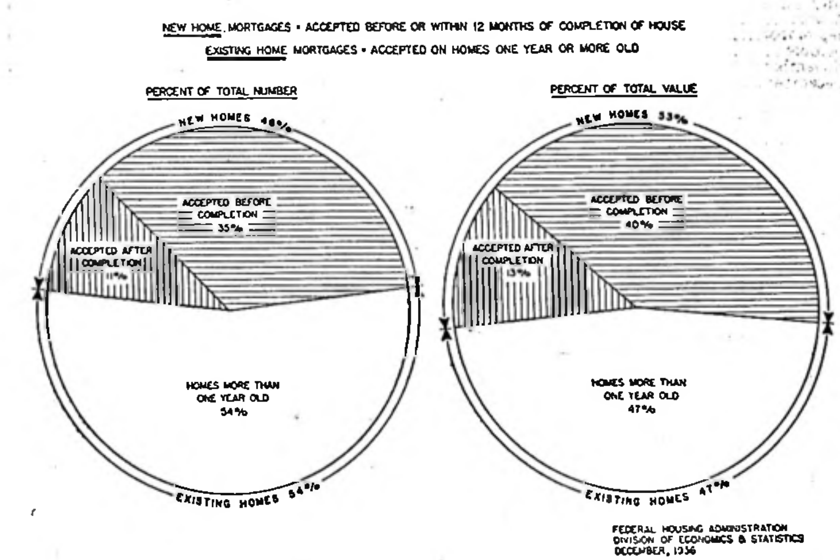
The foregoing classification of mortgages was made during 1936. The proportion by number and amount of mortgages accepted for insurance during the last 6 months of the year for each of the above types of properties is as follows:

| Classification of mortgages | Percent of total mortgages | |
|---|---|---|
| | Number | Amount |
| New homes: | *Percent* | *Percent* |
| Accepted before completion of construction | 35 | 40 |
| Accepted within 12 months after completion | 11 | 13 |
| Total new homes | 46 | 53 |
| Existing homes: | | |
| One year or more old at date of acceptance | 54 | 47 |
| Total | 100 | 100 |

CHART III

MORTGAGES ACCEPTED ON NEW AND EXISTING HOMES

(LAST 6 MONTHS OF 1936 ONLY)




*Monthly volume of mortgage insurance.*—The average monthly volume of mortgages accepted by insuring offices showed a marked increase during the last 6 months over that of the first half of the year. This is in line with the continued upward trend of real-estate activity during 1936.

The term "new construction" used in table 2 and subsequently applies only to mortgages accepted for insurance "before completion" of the home.

TABLE 2.—*Monthly volume of mortgages accepted for insurance,[1] as reported by insuring offices January 1935 through December 1936*

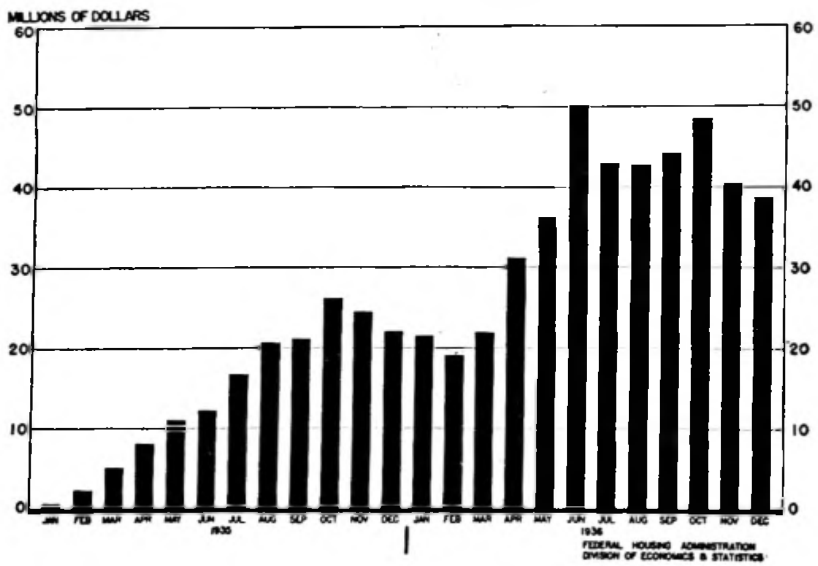
| Month and year | New construction | | Refinanced | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| **1935** | | | | | | |
| January | 1 | $4,500 | 101 | $509,780 | 102 | $514,280 |
| February | 155 | 965,590 | 280 | 1,170,890 | 435 | 2,136,480 |
| March | 400 | 1,902,559 | 811 | 3,199,037 | 1,211 | 5,101,596 |
| April | 671 | 3,321,749 | 1,209 | 4,604,605 | 1,880 | 7,926,354 |
| May | 936 | 4,820,888 | 1,676 | 6,288,795 | 2,612 | 11,109,683 |
| June | 1,061 | 4,923,682 | 1,987 | 7,340,319 | 3,048 | 12,264,001 |
| July | 1,441 | 7,021,719 | 2,671 | 9,850,762 | 4,112 | 16,872,481 |
| August | 1,496 | 7,513,701 | 3,514 | 13,158,197 | 5,010 | 20,671,898 |
| September | 1,539 | 7,370,524 | 3,701 | 13,914,874 | 5,300 | 21,285,398 |
| October | 1,770 | 8,334,515 | 4,903 | 17,829,386 | 6,673 | 26,163,901 |
| November | 1,529 | 7,372,723 | 4,668 | 17,142,422 | 6,197 | 24,515,145 |
| December | 1,361 | 6,696,106 | 4,206 | 15,337,541 | 5,567 | 22,033,647 |
| Total for year | 12,360 | 60,248,256 | 29,787 | 110,346,608 | 42,147 | 170,594,864 |
| **1936** | | | | | | |
| January | 1,254 | 6,121,269 | 4,218 | 15,410,619 | 5,472 | 21,531,888 |
| February | 1,089 | 5,532,579 | 3,611 | 13,649,951 | 4,700 | 19,182,530 |
| March | 1,542 | 7,550,835 | 4,053 | 14,476,010 | 5,595 | 22,026,845 |
| April | 2,231 | 10,951,343 | 5,441 | 20,292,323 | 7,672 | 31,243,666 |
| May | 2,759 | 13,269,825 | 6,380 | 23,172,388 | 9,139 | 36,442,213 |
| June | 4,098 | 19,032,101 | 8,455 | 31,124,157 | 12,553 | 50,156,258 |
| July | 3,724 | 17,226,268 | 7,196 | 25,832,512 | 10,920 | 43,058,780 |
| August | 3,797 | 17,367,789 | 7,076 | 25,438,355 | 10,873 | 42,806,144 |
| September | 4,074 | 18,263,950 | 7,100 | 26,052,950 | 11,174 | 44,316,900 |
| October | 4,361 | 19,333,985 | 7,808 | 29,339,198 | 12,169 | 48,673,183 |
| November | 3,641 | 16,867,415 | 6,225 | 23,533,160 | 9,866 | 40,400,575 |
| December | 3,295 | 15,375,826 | 6,183 | 23,234,345 | 9,478 | 38,610,171 |
| Total for year | 35,865 | 166,893,185 | 73,740 | 271,555,908 | 109,611 | 438,449,153 |
| Total through Dec. 31, 1936 | 48,225 | 227,141,441 | 103,533 | 381,902,576 | 151,758 | 609,044,017 |

[1] Gross volume prior to deduction of expired commitments.

CHART IV

MORTGAGES ACCEPTED FOR INSURANCE, 1935-1936

MONTHLY VALUE NON-CUMULATIVE






*State distribution of home mortgages.*—Mortgages have been accepted for insurance in each of the 48 States, the District of Columbia, Alaska, and Hawaii. Following in general the distribution of nonfarm families in the United States, the most populous States lead in volume of mortgage insurance operations.

TABLE 3.—*Mortgages accepted for insurance, by States, through Dec. 31, 1936, based on property location*

| State | New homes | | Existing homes | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| Alabama | 629 | $2,403,439 | 1,051 | $3,172,350 | 1,680 | $5,575,789 |
| Arizona | 393 | 1,663,417 | 504 | 1,419,279 | 897 | 3,082,696 |
| Arkansas | 604 | 1,955,020 | 874 | 2,097,940 | 1,478 | 4,052,960 |
| California | 8,841 | 41,600,172 | 12,240 | 47,173,044 | 21,081 | 88,773,216 |
| Colorado | 261 | 1,022,580 | 723 | 1,919,644 | 984 | 2,942,224 |
| Connecticut | 782 | 3,862,785 | 512 | 2,420,360 | 1,294 | 6,283,145 |
| Delaware | 185 | 1,093,550 | 213 | 991,150 | 398 | 2,084,700 |
| District of Columbia | 274 | 2,109,600 | 340 | 2,380,590 | 614 | 4,490,190 |
| Florida | 2,162 | 9,325,664 | 1,274 | 4,191,082 | 3,436 | 13,516,746 |
| Georgia | 1,079 | 4,246,027 | 1,119 | 3,837,250 | 2,198 | 8,083,277 |
| Idaho | 395 | 1,339,340 | 327 | 845,500 | 722 | 2,184,840 |
| Illinois | 1,741 | 9,701,535 | 4,828 | 19,148,345 | 6,569 | 28,849,880 |
| Indiana | 930 | 4,275,978 | 3,907 | 11,987,620 | 4,837 | 16,263,598 |
| Iowa | 327 | 1,397,035 | 1,189 | 3,515,844 | 1,516 | 4,912,879 |
| Kansas | 939 | 3,419,645 | 2,202 | 5,318,247 | 3,141 | 8,737,892 |
| Kentucky | 434 | 2,210,069 | 918 | 3,641,412 | 1,352 | 5,851,481 |
| Louisiana | 400 | 1,392,625 | 547 | 1,998,270 | 947 | 3,390,895 |
| Maine | 68 | 270,400 | 363 | 1,021,630 | 431 | 1,292,030 |
| Maryland | 800 | 4,218,090 | 1,829 | 7,083,890 | 2,629 | 11,301,980 |
| Massachusetts | 471 | 2,919,210 | 1,489 | 7,006,777 | 1,960 | 9,925,987 |
| Michigan | 3,372 | 19,023,530 | 3,563 | 13,299,815 | 6,935 | 32,323,345 |
| Minnesota | 638 | 2,492,300 | 1,993 | 6,277,329 | 2,631 | 8,769,629 |
| Mississippi | 910 | 3,021,088 | 926 | 2,406,469 | 1,836 | 5,427,557 |
| Missouri | 1,284 | 6,363,152 | 3,416 | 13,248,145 | 4,700 | 19,611,297 |
| Montana | 207 | 882,491 | 287 | 809,970 | 494 | 1,692,461 |
| Nebraska | 158 | 650,250 | 573 | 1,800,460 | 731 | 2,450,710 |
| Nevada | 117 | 500,175 | 213 | 727,330 | 330 | 1,227,505 |
| New Hampshire | 64 | 288,450 | 511 | 1,775,941 | 575 | 2,064,391 |
| New Jersey | 3,554 | 19,251,568 | 5,342 | 24,915,903 | 8,896 | 44,167,471 |
| New Mexico | 251 | 877,000 | 202 | 585,575 | 453 | 1,462,575 |
| New York | 5,449 | 26,847,767 | 3,051 | 13,433,534 | 8,500 | 40,281,301 |
| North Carolina | 976 | 4,163,950 | 823 | 3,160,899 | 1,799 | 7,324,849 |
| North Dakota | 123 | 411,750 | 345 | 899,705 | 468 | 1,311,455 |
| Ohio | 2,346 | 13,362,995 | 7,480 | 27,956,029 | 9,826 | 41,319,024 |
| Oklahoma | 669 | 2,977,830 | 987 | 2,865,862 | 1,656 | 5,843,692 |
| Oregon | 229 | 801,400 | 467 | 1,159,300 | 696 | 1,960,700 |
| Pennsylvania | 2,258 | 11,687,934 | 6,622 | 23,327,198 | 8,880 | 35,015,132 |
| Rhode Island | 162 | 729,490 | 419 | 1,741,190 | 581 | 2,470,680 |
| South Carolina | 447 | 1,736,304 | 385 | 1,383,204 | 832 | 3,119,508 |
| South Dakota | 179 | 591,800 | 400 | 924,180 | 579 | 1,515,980 |
| Tennessee | 1,048 | 3,844,445 | 1,798 | 6,236,410 | 2,846 | 10,080,855 |
| Texas | 3,124 | 12,390,807 | 2,264 | 7,433,492 | 5,388 | 19,824,299 |
| Utah | 508 | 1,906,320 | 1,196 | 3,526,145 | 1,704 | 5,432,465 |
| Vermont | 65 | 288,250 | 513 | 1,547,840 | 578 | 1,836,090 |
| Virginia | 1,333 | 6,311,508 | 2,111 | 8,287,486 | 3,444 | 14,598,994 |
| Washington | 679 | 2,473,990 | 1,507 | 3,968,955 | 2,186 | 6,442,945 |
| West Virginia | 422 | 2,010,500 | 493 | 1,844,510 | 915 | 3,855,010 |
| Wisconsin | 1,187 | 6,371,549 | 885 | 3,803,505 | 2,072 | 10,175,054 |
| Wyoming | 217 | 725,440 | 584 | 1,312,573 | 801 | 2,038,013 |
| Alaska | 37 | 183,300 | 42 | 121,860 | 79 | 305,160 |
| Hawaii | 203 | 749,790 | 75 | 237,160 | 278 | 986,950 |
| United States total | 53,931 | 254,343,304 | 85,922 | 312,188,198 | 139,853 | 566,531,502 |

[1] This total is the net cumulative total since the beginning of operations, comprising all mortgages accepted less those that had expired as of Dec. 31, 1936. Of the total expired commitments reported by insuring offices, 1,455, amounting to $5,712,471, had not been tabulated in Washington by State location of property at this date. Consequently, the cumulative total for the United States exceeds by this number and amount the net cumulative total of 138,398 mortgages for $560,819,031 reported by insuring offices on Dec. 31, 1936, as shown in summary of operations, p. 26.

Prior to April 1936, mortgages which were accepted for insurance after the buildings were completed were placed in the same classification as refinanced mortgages on "existing homes." Since that date, however, homes completed not more than 12 months before acceptance of the mortgages have been included as "new homes." Because of this change in classification, only 38 percent by number and 45 percent by amount of the total mortgages shown in table 3 are classed as "new homes." However, of the mortgages accepted during the last 6 months of 1936, 45 percent by number and 53 percent by amount, represent mortgages on "new homes."

*Types of institutions financing mortgage loans.*—Mortgages accepted for insurance were financed by 5,260 individual lending institutions. Commercial banks, including National and State banks, financed over 62 percent of the total accepted through December 31, 1936; building and loan associations accounted for 17 percent; and the balance were distributed among other types of approved mortgagees.

TABLE 4.—*Types of lending institutions financing mortgages accepted for insurance through Dec. 31, 1936*

| Type of lending institution | Number of institutions | Total volume of mortgages accepted | | | |
|---|---|---|---|---|---|
| | | Number | Amount | Percent of number | Percent of amount |
| National banks | 1,832 | 44,877 | $178,333,138 | 32.1 | 31.5 |
| State banks and trust companies | 2,029 | 42,756 | 168,310,546 | 30.6 | 29.7 |
| Total commercial banks | 3,861 | 87,633 | 346,643,684 | 62.7 | 61.2 |
| Building-and-loan associations [1] | 1,059 | 23,756 | 92,750,811 | 17.0 | 16.4 |
| Mortgage companies | 113 | 11,073 | 48,902,102 | 7.9 | 8.6 |
| Insurance companies | 107 | 8,117 | 38,381,740 | 5.8 | 6.8 |
| Savings banks | 96 | 4,894 | 20,410,985 | 3.5 | 3.6 |
| All others | 24 | 4,380 | 19,427,180 | 3.1 | 3.4 |
| Total | 5,260 | 139,853 | 566,531,502 | 100.0 | 100.0 |

[1] NOTE.—See footnote, table 3, p. 29.

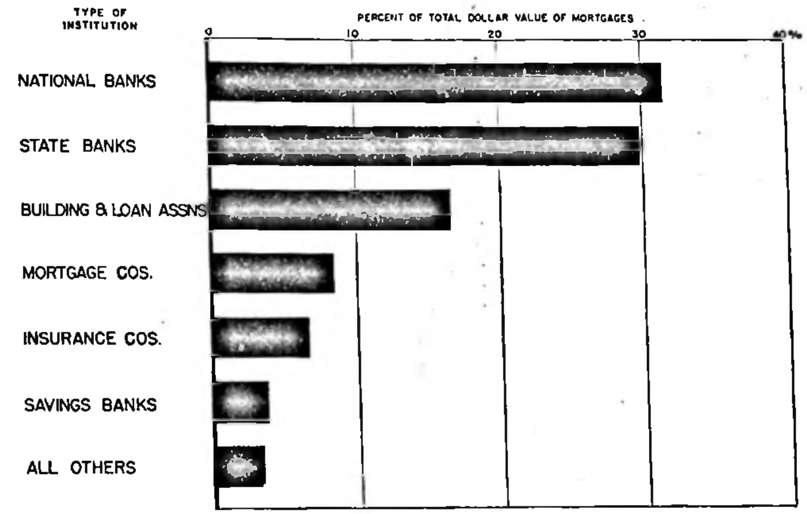
The percentage of mortgages on new homes financed by the various types of approved mortgagees is given in the following summary:

| Type of institution | Volume of mortgages on new homes | | | Percent new homes to total mortgages accepted |
|---|---|---|---|---|
| | Number | Amount | Percent of amount | |
| National banks | 19,102 | $75,955,696 | 29.86 | 42.59 |
| State banks and trust companies | 14,762 | 68,938,031 | 27.10 | 40.96 |
| Savings banks | 1,908 | 9,748,094 | 3.84 | 47.74 |
| Building and loan associations | 10,129 | 45,290,442 | 17.82 | 48.83 |
| Insurance companies | 3,030 | 16,454,711 | 6.46 | 42.87 |
| Mortgage companies | 5,921 | 27,691,950 | 10.88 | 56.63 |
| All other | 2,079 | 10,264,380 | 4.04 | 52.83 |
| Total | 56,931 | 254,343,304 | 100.00 | 44.89 |



CHART V

TYPES OF INSTITUTIONS FINANCING MORTGAGE LOANS




FEDERAL HOUSING ADMINISTRATION
DIVISION OF ECONOMICS & STATISTICS
DECEMBER—1936

### C. Classification of Insured Mortgages.

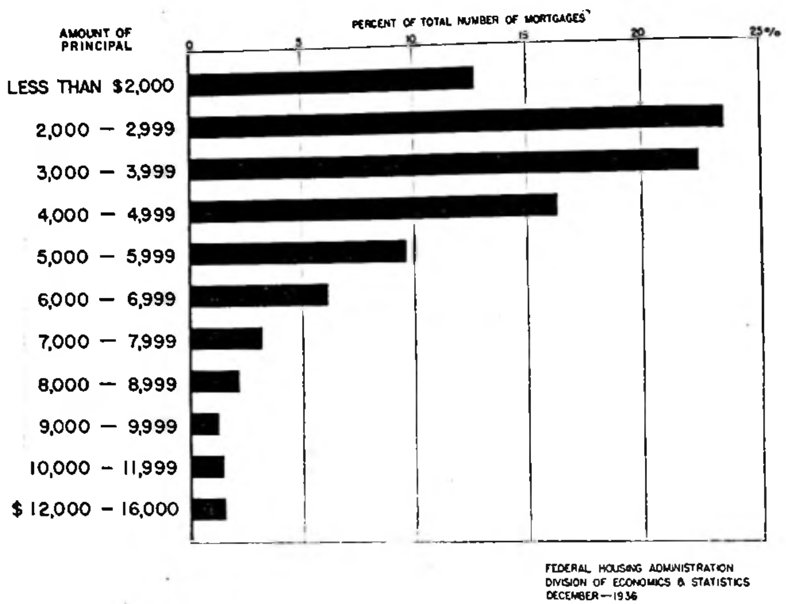
*Size of insured mortgage loans.*—The average premium paying mortgage is for an amount of $4,003. Of the total number of mortgages, 59 percent are for less than $4,000 and over one-third are for amounts of less than $3,000.

TABLE 5.—*Mortgages classified by size of mortgage loan*

| Amount of principal | Percent of total number of mortgages | | | Amount of principal | Cumulative percentage of total number of mortgages | | |
|---|---|---|---|---|---|---|---|
| | New construction | Refinanced | All mortgages | | New construction | Refinanced | All mortgages |
| Less than $2,000 | 4.3 | 15.1 | 12.7 | Less than $2,000 | 4.3 | 15.1 | 12.7 |
| $2,000 to $2,999 | 16.0 | 25.6 | 23.5 | Less than $3,000 | 20.3 | 40.7 | 36.2 |
| $3,000 to $3,999 | 22.9 | 22.3 | 22.4 | Less than $4,000 | 43.2 | 63.0 | 58.6 |
| $4,000 to $4,999 | 20.4 | 15.1 | 16.3 | Less than $5,000 | 63.6 | 78.1 | 74.9 |
| $5,000 to $5,999 | 13.2 | 8.6 | 9.6 | Less than $6,000 | 76.8 | 86.7 | 84.5 |
| $6,000 to $6,999 | 8.8 | 5.3 | 6.1 | Less than $7,000 | 85.6 | 92.0 | 90.6 |
| $7,000 to $7,999 | 4.9 | 2.7 | 3.2 | Less than $8,000 | 90.5 | 94.7 | 93.8 |
| $8,000 to $8,999 | 3.1 | 1.8 | 2.1 | Less than $9,000 | 93.6 | 96.5 | 95.9 |
| $9,000 to $9,999 | 2.0 | .9 | 1.2 | Less than $10,000 | 95.6 | 97.4 | 97.1 |
| $10,000 to $11,999 | 2.1 | 1.3 | 1.4 | Less than $12,000 | 97.7 | 98.7 | 98.5 |
| $12,000 to $16,000 | 2.3 | 1.3 | 1.5 | $16,000 and less | 100.0 | 100.0 | 100.0 |
| Total | 100.0 | 100.0 | 100.0 | | | | |

Chart VI

## SIZE OF INSURED MORTGAGE LOANS




*Duration of mortgages.*—The average term of an insured amortized mortgage is approximately 17 years, with a 19½-year term used in the greatest number of cases. More than half of all the mortgages are for terms of 17 to 20 years.

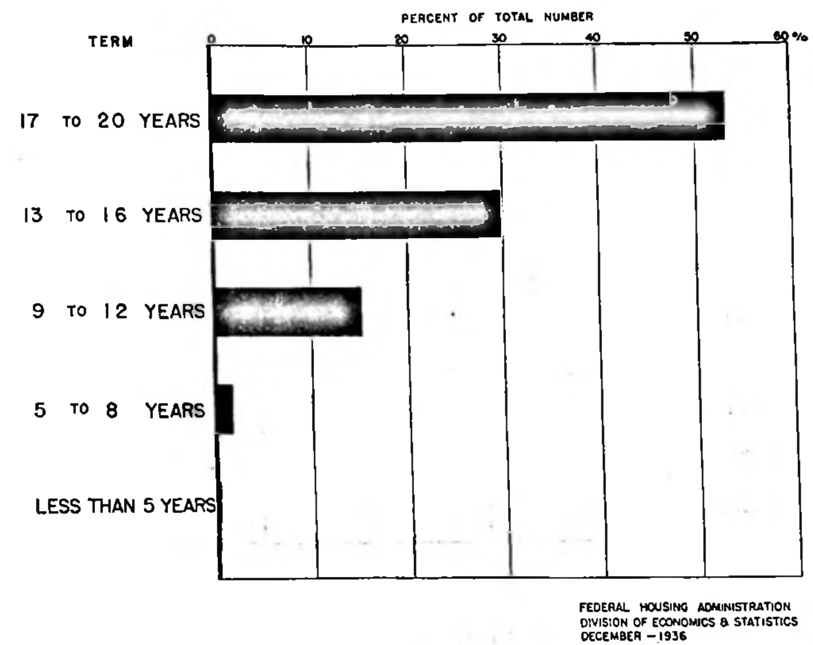
Table 6.—*Mortgages classified by duration*

| Term of mortgage | Percent of total number of mortgages | | |
|---|---|---|---|
| | New construction | Refinanced | All mortgages |
| 17 to 20 years | 71.9 | 47.8 | 53.2 |
| 13 to 16 years | 21.0 | 32.4 | 29.8 |
| 9 to 12 years | 6.5 | 17.7 | 15.2 |
| 5 to 8 years | .5 | 2.0 | 1.7 |
| Less than 5 years | .1 | .1 | .1 |
| Total | 100.0 | 100.0 | 100.0 |



Chart VII

## DURATION OF INSURED MORTGAGES



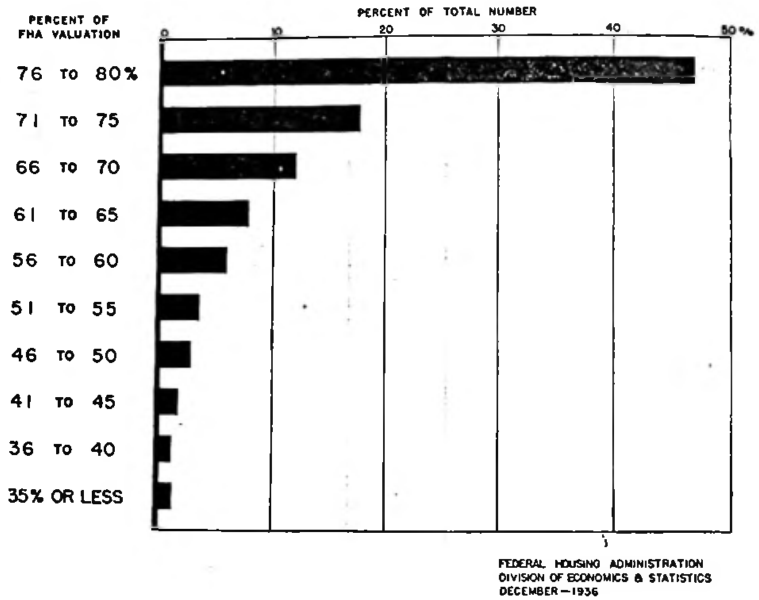

*Ratio of mortgage loan to property valuation.*—The average ratio of mortgage principal to the property valuation is 71 percent, while approximately one-half of the mortgage loans amount to 76 to 80 percent of the property valuation.

Table 7.—*Mortgages classified by ratio of mortgage loan to property valuation*

| Ratio of mortgage loan to FHA property valuation | Percent of total number of mortgages | | |
|---|---|---|---|
| | New construction | Refinanced | All mortgages |
| 76 to 80 percent | 57.6 | 43.9 | 47.0 |
| 71 to 75 percent | 17.9 | 17.5 | 17.6 |
| 66 to 70 percent | 10.5 | 12.3 | 11.9 |
| 61 to 65 percent | 5.8 | 8.3 | 7.8 |
| 56 to 60 percent | 3.7 | 6.6 | 5.8 |
| 51 to 55 percent | 2.0 | 3.8 | 3.4 |
| 46 to 50 percent | 1.3 | 3.1 | 2.7 |
| 41 to 45 percent | .5 | 1.9 | 1.6 |
| 36 to 40 percent | .4 | 1.2 | 1.0 |
| 35 percent and less | .3 | 1.4 | 1.2 |
| Total | 100.0 | 100.0 | 100.0 |

CHART VIII

## RATIO OF MORTGAGE LOAN TO PROPERTY VALUATION




**D. Classification of Properties Mortgaged Under the FHA Plan.**

There are two analyses of mortgaged properties presented. In the first, all properties securing insured-mortgage loans are classified by type of dwelling, and in the second, single-family dwellings alone are classified by property valuation.

*Types of dwellings.*—The Federal Housing Administration insures mortgages on dwellings housing one to four families. One-family dwellings constitute the security for 93.3 percent of the mortgages; however, the 6.7 percent of two-, three-, and four-family structures which constitute the remainder, accommodate 14 percent of the total number of families provided for.

TABLE 8.—*Mortgages classified by type of dwelling*

| Type of dwelling | Percent of total number of mortgages | | |
|---|---|---|---|
| | New construction | Refinanced | All mortgages |
| 1-family | 95.4 | 92.7 | 93.3 |
| 2-family | 3.2 | 6.0 | 5.4 |
| 3-family | .4 | .6 | .6 |
| 4-family | 1.0 | .7 | .7 |
| Total | 100.0 | 100.0 | 100.0 |

*Value of single-family homes financed by insured mortgages.*—The average value of single-family homes mortgaged under the insured-mortgage system is $5,497. Over half, or 52 percent, of the properties are valued at less than $5,000, with 33 percent of the total homes valued at less than $4,000.

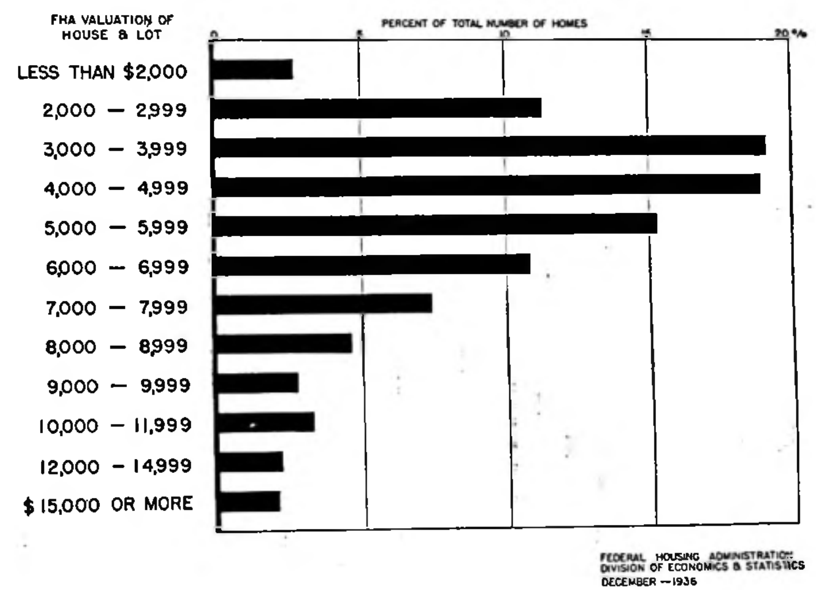


TABLE 9.—*Mortgages on single-family dwellings classified by property valuation*

| FHA property valuation (house and lot) | Percent of total number | FHA property valuation (house and lot) | Cumulative percentage of total number |
|---|---|---|---|
| Less than $2,000 | 2.8 | Less than $2,000 | 2.8 |
| $2,000 to $2,999 | 11.3 | Less than $3,000 | 14.1 |
| $3,000 to $3,999 | 19.1 | Less than $4,000 | 33.2 |
| $4,000 to $4,999 | 18.8 | Less than $5,000 | 52.0 |
| $5,000 to $5,999 | 15.3 | Less than $6,000 | 67.3 |
| $6,000 to $6,999 | 10.6 | Less than $7,000 | 77.9 |
| $7,000 to $7,999 | 7.1 | Less than $8,000 | 85.0 |
| $8,000 to $8,999 | 4.0 | Less than $9,000 | 89.6 |
| $9,000 to $9,999 | 2.8 | Less than $10,000 | 92.4 |
| $10,000 to $11,999 | 3.3 | Less than $12,000 | 95.7 |
| $12,000 to $14,999 | 2.2 | Less than $15,000 | 97.9 |
| $15,000 or more | 2.1 | All groups | 100.0 |
| Total | 100.0 | | |

CHART IX

## PROPERTY VALUATION OF SINGLE FAMILY HOMES




**E. Borrowers Under the Insured-Mortgage Plan.**

A majority of the borrowers using the mutual mortgage insurance plan are persons financing homes they now occupy or will occupy. Analyses of the income of these borrowers, the ratio of their annual income to the value of the home acquired, the monthly payment made on the mortgage, and the percentage of their income necessary for mortgage payments are presented in the following pages.

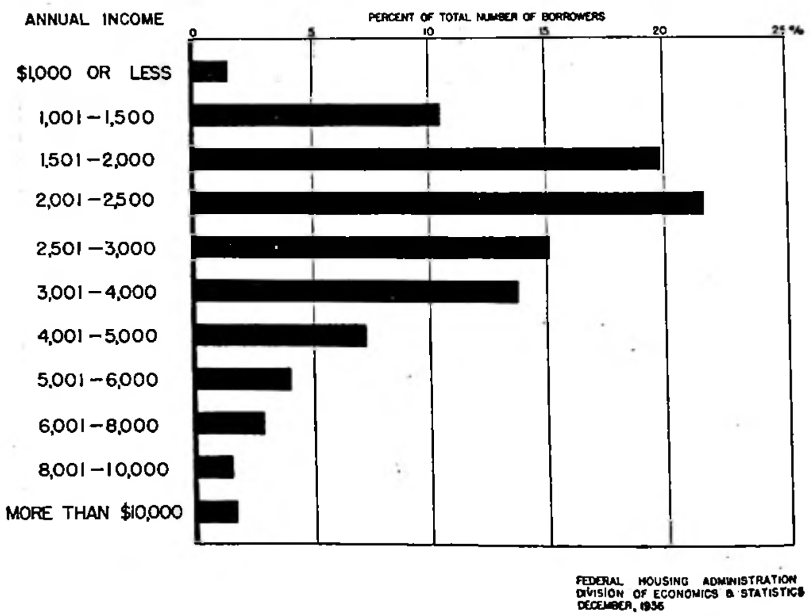
*Annual income of mortgage borrowers.*—Over half, or 54 percent, of the borrowers purchasing homes for their own occupancy under the insured-mortgage plan reported incomes of $2,500 or less, with one-third having reported incomes of $2,000 or less.

TABLE 10.—*Annual income of mortgage borrowers—owner-occupants of single-family homes*

| Annual family income | Percent of total number of borrowers | Annual family income | Cumulative percentage of total number of borrowers |
|---|---|---|---|
| $1,000 and less | 1.5 | $1,000 and less | 1.5 |
| $1,001 to $1,500 | 10.5 | $1,500 and less | 12.0 |
| $1,501 to $2,000 | 19.9 | $2,000 and less | 31.9 |
| $2,001 to $2,500 | 21.7 | $2,500 and less | 53.6 |
| $2,501 to $3,000 | 15.1 | $3,000 and less | 68.7 |
| $3,001 to $4,000 | 13.9 | $4,000 and less | 82.6 |
| $4,001 to $5,000 | 7.3 | $5,000 and less | 89.9 |
| $5,001 to $6,000 | 4.1 | $6,000 and less | 94.0 |
| $6,001 to $8,000 | 2.9 | $8,000 and less | 96.9 |
| $8,001 to $10,000 | 1.5 | $10,000 and less | 98.4 |
| More than $10,000 | 1.6 | All groups | 100.0 |
| Total | 100.0 | | |

CHART X

ANNUAL INCOME OF MORTGAGE BORROWERS




*Ratio of property valuation to borrower's income.*—Approximately 80 percent of the borrowers purchase homes costing not more than two and one-half times their reported annual income, with 56 percent buying properties valued at less than twice their annual income.

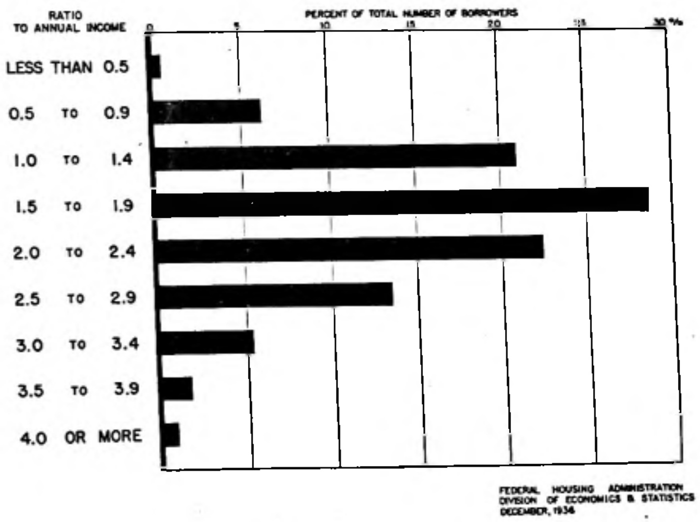


TABLE 11.—*Mortgages classified by ratio of FHA property valuation to annual income of owner-occupants of single-family homes*

| Ratio of property valuation to borrower's annual income | Percent of total number of borrowers | Ratio of property valuation to borrower's annual income | Cumulative percentage of total number of borrowers |
|---|---|---|---|
| Less than 0.5 times | 0.5 | Less than 0.5 times | 0.5 |
| 0.5 to 0.9 times | 6.2 | Less than 1 times | 6.7 |
| 1 to 1.4 times | 21.0 | Less than 1.5 times | 27.7 |
| 1.5 to 1.9 times | 28.7 | Less than 2 times | 56.4 |
| 2 to 2.4 times | 22.4 | Less than 2.5 times | 78.8 |
| 2.5 to 2.9 times | 13.4 | Less than 3 times | 92.2 |
| 3 to 3.4 times | 5.3 | Less than 3.5 times | 97.5 |
| 3.5 to 3.9 times | 1.7 | Less than 4 times | 99.2 |
| 4 times | .8 | All groups | 100.0 |
| Total | 100.0 | | |

CHART XI

RATIO OF PROPERTY VALUATION TO BORROWER'S INCOME




*Monthly mortgage payment of borrowers.*—Approximately 60 percent of the borrowers are making monthly mortgage payments of $30 or less; one-fourth of them are paying $20 or less a month. These payments include interest, amortization of principal, service charge (if any), and mortgage insurance premium.

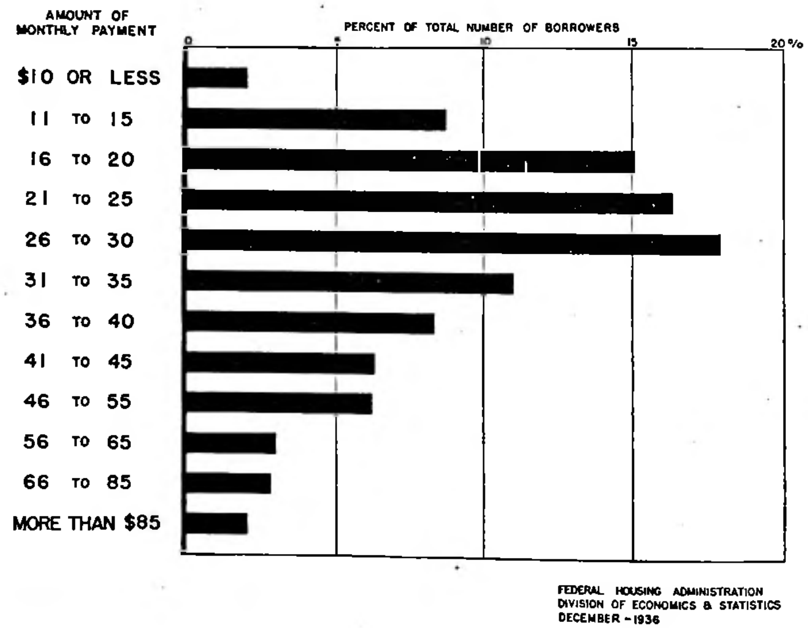
TABLE 12.—*Amount of monthly mortgage payment of owner-occupants of single-family homes* SECTION 203

| Amount of monthly payment [1] | Percent of total number of borrowers | Amount of monthly payment [1] | Cumulative percentage of total number of borrowers |
|---|---|---|---|
| $10 and less | 2.0 | $10 and less | 2.0 |
| $11 to $15 | 8.7 | $15 and less | 10.7 |
| $16 to $20 | 15.0 | $20 and less | 25.7 |
| $21 to $25 | 16.4 | $25 and less | 42.1 |
| $26 to $30 | 18.0 | $30 and less | 60.1 |
| $31 to $35 | 11.1 | $35 and less | 71.2 |
| $36 to $40 | 8.4 | $40 and less | 79.6 |
| $41 to $45 | 6.3 | $45 and less | 85.9 |
| $46 to $55 | 6.2 | $55 and less | 92.1 |
| $56 to $65 | 3.0 | $65 and less | 95.1 |
| $66 to $85 | 2.8 | $85 and less | 97.9 |
| More than $85 | 2.1 | All groups | 100.0 |
| Total | 100.0 | | |

[1] Includes amortization of principal, interest, service charge (if any), and mortgage insurance premium.

CHART XII

MONTHLY MORTGAGE PAYMENT OF BORROWERS




*Ratio of borrower's mortgage payment to income.*—The typical borrower makes payments on his insured mortgage of between one-seventh and one-tenth of his income. For 91 percent of the borrowers, mortgage payments represent less than one-fifth of their reported income, while 63 percent use less than one-sixth of their income to meet payments under the insured mortgage plan.



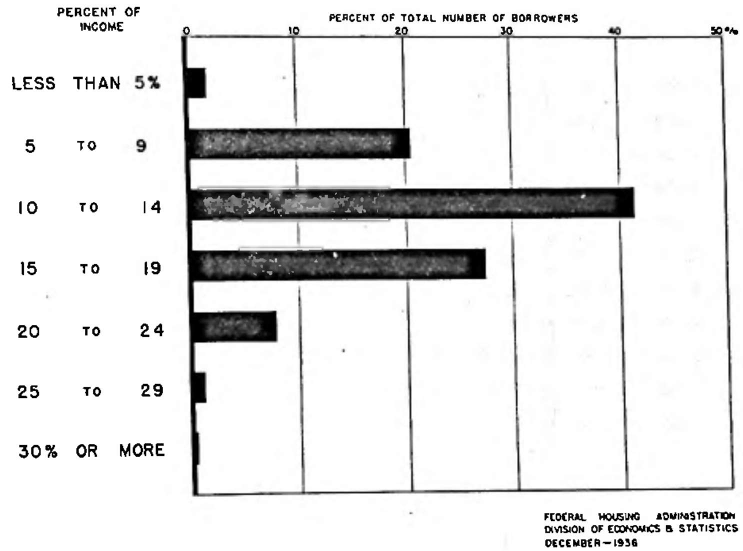
TABLE 13.—*Ratio of mortgage payment to income of owner-occupants of single-family homes*

| Ratio of payment to income [1] | Percent of total number of borrowers | Ratio of payment to income [1] | Cumulative percentage of total number of borrowers |
|---|---|---|---|
| Less than 5 percent | 1.6 | Less than 5 percent | 1.6 |
| 5 to 9.9 percent | 20.4 | Less than 10 percent | 22.0 |
| 10 to 14.9 percent | 41.4 | Less than 15 percent | 63.4 |
| 15 to 19.9 percent | 27.5 | Less than 20 percent | 90.9 |
| 20 to 24.9 percent | 7.8 | Less than 25 percent | 98.7 |
| 25 to 29.9 percent | 1.1 | Less than 30 percent | 99.8 |
| 30 percent or more | .2 | All groups | 100.0 |
| Total | 100.0 | | |

[1] Payment includes amortization of principal, interest, service charge (if any), and mortgage insurance premium.

CHART XIII

RATIO OF BORROWER'S MORTGAGE PAYMENTS TO INCOME




**F. New Homes Financed by Insured Mortgages.**

Statistical data on new single-family dwellings built in 1935 and 1936 have been analyzed in order to determine some of the characteristics of new homes financed under the mutual mortgage insurance plan.

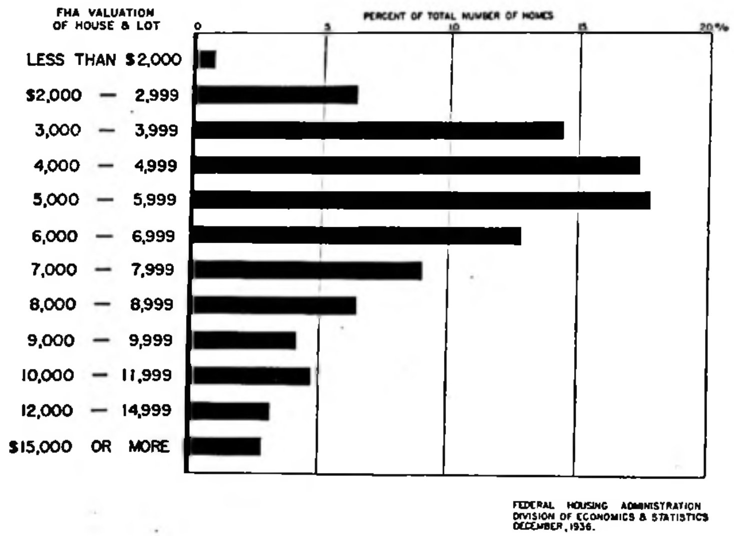
*Value of new single-family homes.*—More than one-half, or 57 percent, of all new single-family homes financed through insured mortgages were valued at less than $6,000. On the average, 84 percent of the total value represents improvements and 16 percent represents value of the land.

TABLE 14.—*New single-family dwellings classified by FHA property valuation*

| FHA property valuation (house and lot) | Percent of total number | Percentage distribution of property valuation | | | FHA property valuation (house and lot) | Cumulative percentage of total number |
|---|---|---|---|---|---|---|
| | | Total | House | Land | | |
| Less than $2,000 | 0.6 | 100.0 | 87.9 | 12.1 | Less than $2,000 | 0.6 |
| $2,000 to $2,999 | 6.3 | 100.0 | 85.6 | 14.4 | Less than $3,000 | 6.9 |
| $3,000 to $3,999 | 14.4 | 100.0 | 85.3 | 14.7 | Less than $4,000 | 21.3 |
| $4,000 to $4,999 | 17.5 | 100.0 | 86.7 | 13.3 | Less than $5,000 | 38.8 |
| $5,000 to $5,999 | 17.9 | 100.0 | 83.9 | 16.1 | Less than $6,000 | 56.7 |
| $6,000 to $6,999 | 12.8 | 100.0 | 83.9 | 16.1 | Less than $7,000 | 69.5 |
| $7,000 to $7,999 | 9.1 | 100.0 | 83.3 | 16.7 | Less than $8,000 | 78.6 |
| $8,000 to $8,999 | 6.5 | 100.0 | 82.9 | 17.1 | Less than $9,000 | 85.1 |
| $9,000 to $9,999 | 4.1 | 100.0 | 82.3 | 17.7 | Less than $10,000 | 89.2 |
| $10,000 to $11,999 | 4.7 | 100.0 | 81.9 | 18.1 | Less than $12,000 | 93.9 |
| $12,000 to $14,999 | 3.2 | 100.0 | 81.6 | 18.4 | Less than $15,000 | 97.1 |
| $15,000 or more | 2.9 | 100.0 | 79.8 | 20.2 | All groups | 100.0 |
| Total | 100.0 | 100.0 | 83.6 | 16.4 | | |

CHART XIV

VALUE OF NEW HOMES FINANCED BY INSURED MORTGAGES




*Number of rooms.*—Two-thirds of the new single-family homes financed by insured mortgages are either five- or six-room dwellings.

TABLE 15.—*New single-family dwellings, classified by number of rooms*

| Number of rooms | Percent of total dwellings | Number of rooms | Percent of total dwellings |
|---|---|---|---|
| 3 rooms | 1.2 | 8 rooms | 5.5 |
| 4 rooms | 9.4 | 9 rooms | 2.2 |
| 5 rooms | 33.3 | 10 rooms or more | 1.3 |
| 6 rooms | 33.1 | | |
| 7 rooms | 14.0 | Total | 100.0 |



*Number of bathrooms.*—One out of every four new one-family dwellings financed by insured mortgages has two or more bathrooms.

TABLE 16.—*New single-family dwellings, classified by number of bathrooms*

| Number of bathrooms | Percent of total dwellings | Number of bathrooms | Percent of total dwellings |
|---|---|---|---|
| 1 bathroom | 72.4 | 4 bathrooms or more | 1.6 |
| 2 bathrooms | 20.7 | | |
| 3 bathrooms | 5.3 | Total | 100.0 |

*Size and types of garage.*—Four out of every five new dwellings have garages, while one-third have two-car garages. In the majority of cases the garages are built into or attached to the house.

TABLE 17.—*New single-family dwellings, classified by size and type of garage*

| Size of garage (if any) | Percent of total number of dwellings | | | | |
|---|---|---|---|---|---|
| | Without garage | Garage detached | Garage attached | Garage built in | Total |
| No garage | 21.2 | | | | 21.2 |
| 1-car garage | | 18.8 | 13.5 | 11.7 | 44.0 |
| 2-car garage | | 18.2 | 10.4 | 5.3 | 33.9 |
| 3- or more car garage | | .5 | .3 | .1 | .9 |
| Total | 21.2 | 37.5 | 24.2 | 17.1 | 100.0 |

## Large Scale Housing Projects

The following pages contain (A) a summary of large-scale mortgage-insurance operations; analyses of (B) the value of these mortgages; (C) the number of dwellings units provided; and (D) the rentals in housing projects approved under the provisions of section 207 of title II of the National Housing Act.

**A. Summary of Operations.**

As of December 31, 1936, the Large Scale Housing Division had approved or had under consideration in its active file 69 projects involving mortgages amounting to $108,305,000. In addition, 237 projects, representing mortgages of $401,855,000 had been rejected or withdrawn. The great majority of these had been rejected because of poorly selected site or lack of evidence of economic soundness of the project.

Of the active cases, 11 mortgages for $50,922,000 are being held in abeyance pending further action on the part of the sponsors, and 15 mortgages valued at $16,342,000 are in process of examination. The remainder have been accepted for insurance, or conditionally approved; together these represent 43 projects costing $53,540,000 and requiring mortgages of $41,041,000.

The status of operations of the Large Scale Housing Division, as of December 31, 1936, is summarized as follows:

| State of operations | Number | Amount |
|---|---|---|
| Mortgages in active file | 69 | $108, 305, 000 |
| Held in abeyance | 11 | 50, 922, 000 |
| Balance in process | 15 | 16, 342, 000 |
| Total | 26 | 67, 264, 000 |
| Conditionally approved | 12 | 10, 970, 000 |
| Accepted for insurance | 31 | 30, 071, 000 |
| Total | 43 | 41, 041, 000 |

**B. Size of Mortgages on Large-Scale Projects.**

Mortgages on the 43 approved projects, amounting to $41,041,000, represent about 75 percent of the $53,540,000 cost of the projects. In principal these mortgages range from $141,000 to $4,100,000. The average mortgage loan is $954,418.

TABLE 18.—*Size of large-scale housing mortgages through Dec. 31, 1936*

| Amount of principal | Number of mortgages | Percent of number | Amount of principal | Number of mortgages | Percent of number |
|---|---|---|---|---|---|
| Less than $500,000 | 16 | 37. 2 | $2,500,000 to $3,000,000 | 1 | 2. 3 |
| $500,000 to $1,000,000 | 12 | 28. 0 | $3,000,000 or more | 1 | 2. 3 |
| $1,000,000 to $1,500,000 | 5 | 11. 6 | Total | 43 | 100. 0 |
| $1,500,000 to $2,000,000 | 7 | 16. 3 | | | |
| $2,000,000 to $2,500,000 | 1 | 2. 3 | | | |

**C. Number of Dwelling Units in Large-Scale Housing Projects.**

Large-scale housing projects approved, range in size from 43 to 927 family units. The average project provides housing for 267 families.

TABLE 19.—*Dwelling units in large-scale housing projects through Dec. 31, 1936*

| Number of family units | Number of projects | Percent of total | Number of family units | Number of projects | Percent of total |
|---|---|---|---|---|---|
| 100 and less | 9 | 20. 9 | 501 to 600 | 2 | 4. 7 |
| 101 to 200 | 13 | 30. 1 | 601 to 1,000 | 2 | 4. 7 |
| 201 to 300 | 6 | 14. 0 | Total | 43 | 100. 0 |
| 301 to 400 | 3 | 7. 0 | | | |
| 401 to 500 | 8 | 18. 6 | | | |

**D. Rentals per Room in Large-Scale Projects.**

Monthly rentals range from $4 to $18 per room per month. The average rental for all projects is $13.82.



TABLE 20.—*Monthly rentals per room in large-scale projects through Dec. 31, 1936*

| Monthly rental per room | Number of projects | Number of family units | Percent of total family units | Monthly rental per room | Number of projects | Number of family units | Percent of total family units |
|---|---|---|---|---|---|---|---|
| $4 to $6 | 3 | 504 | 4. 4 | $14 to $16 | 9 | 1, 779 | 15. 5 |
| $6 to $8 | 1 | 202 | 1. 8 | $16 to $18 | 12 | 3, 470 | 30. 3 |
| $8 to $10 | 1 | 184 | 1. 6 | Total | 43 | 11, 475 | 100. 0 |
| $10 to $12 | 6 | 1, 000 | 8. 8 | | | | |
| $12 to $14 | 11 | 4, 321 | 37. 6 | | | | |

NOTE—Weighted average rental per room per month, $13.82.

## Modernization Credit

Statistics of the operations of the modernization credit plan comprise (A) analyses of the volume of notes insured; (B) classification of notes insured; (C) distribution of insurance claims paid; and (D) a summarization of the status of operations under title I of the act.

**A. Volume of Modernization and Repair Notes Insured.**

*Notes by class of loan and insurance reserve.*—During 2½ years of operation, ending December 31, 1936, the Federal Housing Administration insured 1,326,102 modernization and repair notes amounting to $500,220,642. Of this total, 1,316,765 notes for $454,454,447 were made for the purpose of financing improvements on properties eligible for loans up to $2,000; the balance of 9,337 notes for an amount of $45,766,195 represent loans made on properties eligible for loans of $2,000 to $50,000. The average loan in the less than $2,000 class was for $345, while loans in the $2,000 to $50,000 class averaged $4,902.

The reserve for insurance on such loans is 20 percent of the total amount of credit advanced by each financial institution prior to April 1, 1936, and 10 percent for notes made on and after that date. Under section 6 insurance is provided on loans for the repair of properties damaged by floods and other catastrophes.

TABLE 21.—*Total volume of modernization and repair notes insured under title I, through Dec. 31, 1936*

| Insurance reserve | Notes for $2,000 and less | | Notes for $2,000 to $50,000 | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| 20 percent reserve | 1, 020, 661 | $330, 579, 750 | 5, 422 | $20, 210, 424 | 1, 026, 083 | $368, 790, 174 |
| 10 percent reserve | 295, 957 | 114, 794, 054 | 3, 906 | 16, 502, 673 | 209, 863 | 131, 296, 727 |
| Sec. 6 [1] | 147 | 80, 643 | 9 | 53, 098 | 156 | 133, 741 |
| Total | 1, 316, 765 | 454, 454, 447 | 9, 337 | 45, 766, 195 | 1, 326, 102 | 500, 220, 642 |

[1] Notes insured on properties damaged by floods and other catastrophes.

*Monthly volume of modernization notes insured.*—The monthly volume reached a peak of 89,259 notes for $39,052,131 reported during the month of April 1936, comprising chiefly loans made by financial institutions during the previous month. Since the amendment, effective April 1, when certain types of detachable equipment previously financed by insured notes were declared no longer eligible on notes for less than $2,000, the monthly volume has been lowered considerably, averaging 39,947 notes for $17,389,659 per month during the last half of 1936.

TABLE 22.—*Monthly volume of modernization and repair notes insured, August 1934 through December 1936*

| Month and year | Notes for $2,000 and less | | Notes for $2,000 to $50,000 [1] | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| **1934** | | | | | | |
| August | 514 | $251,595 | | | 514 | $251,595 |
| September | 7,361 | 3,274,425 | | | 7,361 | 3,274,425 |
| October | 20,886 | 8,834,565 | | | 20,886 | 8,834,565 |
| November | 23,961 | 9,852,992 | | | 23,961 | 9,852,992 |
| December | 19,936 | 8,237,006 | | | 19,936 | 8,237,006 |
| Total for year | 72,658 | 30,450,583 | | | 72,658 | 30,450,583 |
| **1935** | | | | | | |
| January | 15,310 | 6,582,034 | | | 15,310 | 6,582,034 |
| February | 12,206 | 5,269,524 | | | 12,206 | 5,269,524 |
| March | 18,644 | 7,814,722 | | | 18,644 | 7,814,722 |
| April | 28,254 | 11,300,416 | | | 28,254 | 11,300,416 |
| May | 36,374 | 14,415,746 | | | 36,374 | 14,415,746 |
| June | 41,285 | 16,154,052 | | | 41,285 | 16,154,052 |
| July | 63,418 | 21,084,565 | 117 | $681,825 | 63,418 | 21,084,565 |
| August | 70,929 | 22,186,105 | 251 | 1,372,105 | 71,297 | 24,240,035 |
| September | 87,662 | 28,932,501 | 308 | 1,470,677 | 87,970 | 30,403,178 |
| October | 80,963 | 25,668,756 | 288 | 1,494,374 | 81,251 | 27,163,130 |
| November | 93,226 | 28,532,322 | 486 | 2,519,353 | 93,712 | 31,051,675 |
| December | 85,515 | 25,434,598 | 511 | 2,706,471 | 86,026 | 28,141,069 |
| Total for year | 633,786 | 213,375,341 | 1,961 | 10,244,805 | 635,747 | 223,620,146 |
| **1936** | | | | | | |
| January | 81,694 | 23,163,197 | 579 | 3,174,665 | 82,273 | 26,337,862 |
| February | 54,623 | 15,540,499 | 405 | 1,980,523 | 55,028 | 17,521,022 |
| March | 81,948 | 25,199,782 | 725 | 3,427,966 | 82,673 | 28,627,748 |
| April | 87,732 | 29,675,279 | 1,527 | 9,376,852 | 89,259 | 39,052,131 |
| May | 38,810 | 14,575,243 | 537 | 2,599,560 | 39,347 | 17,174,803 |
| June | 28,927 | 10,873,506 | 511 | 2,224,886 | 29,438 | 13,098,392 |
| July | 31,369 | 11,916,317 | 526 | 2,540,745 | 31,895 | 14,457,062 |
| August | 33,434 | 13,355,808 | 415 | 1,580,801 | 33,849 | 14,936,609 |
| September | 43,225 | 17,007,829 | 564 | 2,386,473 | 43,789 | 19,394,302 |
| October | 46,425 | 17,789,099 | 516 | 2,176,842 | 46,941 | 19,965,941 |
| November | 51,382 | 19,701,266 | 528 | 2,082,829 | 51,910 | 21,784,095 |
| December | 30,752 | 11,830,698 | 543 | 1,969,248 | 31,295 | 13,799,946 |
| Total for year | 610,321 | 210,628,523 | 7,376 | 35,521,390 | 617,697 | 246,149,913 |
| Total through Dec. 31, 1936 | 1,316,765 | 454,454,447 | 9,337 | 45,766,195 | 1,326,102 | 500,220,642 |

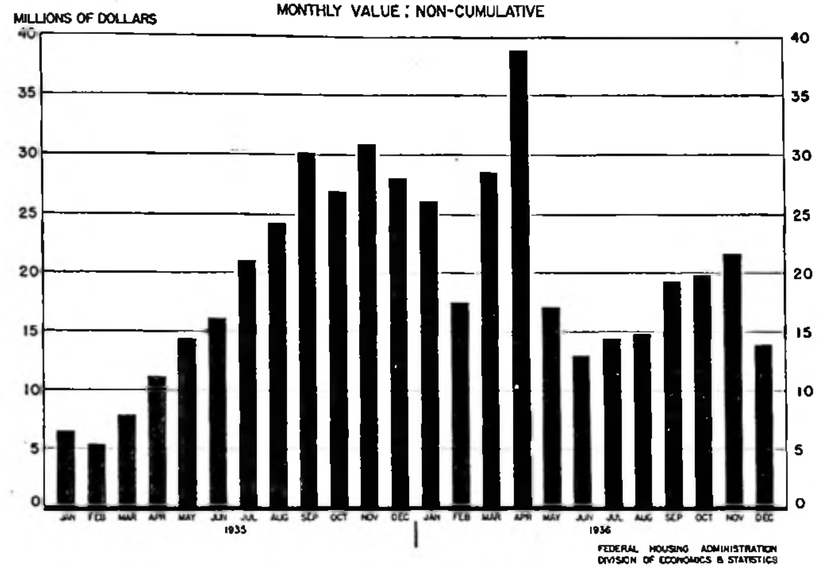
[1] Amendment passed May 28, 1935.



CHART XV

MODERNIZATION & REPAIR NOTES INSURED, 1935-1936

MONTHLY VALUE ; NON-CUMULATIVE




*State distribution of modernization notes.*—Insured notes were reported for the improvement of properties located in each of the 48 States, the District of Columbia, Hawaii, Alaska, and Puerto Rico. Property owners in over 3,000 of the 3,100 counties in the United States borrowed funds from local private lending institutions insured under the modernization credit plan.

Distribution of the volume of notes by States followed in general the market for modernization and repairs in the United States as determined by population and other factors.

TABLE 23.—*State distribution of modernization and repair notes insured, by location of property improved, through Dec. 31, 1936*

| State | Notes for $2,000 and less | | Notes for $2,000 to $50,000 | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| Alabama | 10,815 | $3,240,808 | 61 | $290,489 | 10,876 | $3,531,357 |
| Arizona | 10,135 | 3,611,247 | 65 | 212,761 | 10,200 | 3,824,008 |
| Arkansas | 9,839 | 3,334,563 | 51 | 216,186 | 9,890 | 3,550,749 |
| California | 209,405 | 65,221,486 | 1,085 | 5,280,629 | 210,490 | 70,502,115 |
| Colorado | 7,152 | 2,489,175 | 57 | 233,863 | 7,209 | 2,723,038 |
| Connecticut | 20,046 | 7,513,674 | 129 | 594,861 | 20,175 | 8,108,535 |
| Delaware | 2,729 | 1,103,105 | 56 | 146,073 | 2,785 | 1,249,178 |
| District of Columbia | 8,347 | 3,764,303 | 73 | 334,294 | 8,420 | 4,098,597 |
| Florida | 17,414 | 6,805,451 | 122 | 510,859 | 17,536 | 7,316,310 |
| Georgia | 15,057 | 5,226,263 | 115 | 648,833 | 15,172 | 5,875,096 |
| Idaho | 7,649 | 2,248,093 | 58 | 203,220 | 7,707 | 2,451,313 |
| Illinois | 64,488 | 22,167,522 | 393 | 2,511,097 | 64,881 | 24,678,619 |
| Indiana | 34,968 | 9,825,282 | 165 | 791,188 | 35,133 | 10,616,470 |
| Iowa | 13,317 | 4,133,263 | 116 | 861,044 | 13,433 | 4,994,307 |
| Kansas | 8,486 | 2,432,921 | 32 | 139,870 | 8,518 | 2,572,791 |
| Kentucky | 12,370 | 3,900,104 | 85 | 497,301 | 12,455 | 4,397,405 |
| Louisiana | 14,262 | 3,788,083 | 42 | 244,202 | 14,304 | 4,032,285 |
| Maine | 3,836 | 1,393,038 | 22 | 95,760 | 3,858 | 1,488,798 |
| Maryland | 18,191 | 7,057,837 | 68 | 473,521 | 18,259 | 7,531,358 |
| Massachusetts | 46,873 | 16,511,564 | 224 | 1,082,204 | 47,097 | 17,593,768 |

TABLE 23.—*State distribution of modernization and repair notes insured, by location of property improved, through Dec. 31, 1936*—Continued

| State | Notes for $2,000 and less | | Notes for $2,000 to $50,000 | | Total | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| Michigan | 64, 948 | $18, 890, 150 | 260 | $1, 288, 230 | 65, 217 | $20, 178, 380 |
| Minnesota | 21, 559 | 7, 122, 668 | 182 | 1, 217, 984 | 21, 741 | 8, 340, 652 |
| Mississippi | 6, 890 | 2, 519, 406 | 50 | 232, 894 | 6, 940 | 2, 752, 300 |
| Missouri | 37, 443 | 10, 850, 313 | 128 | 730, 668 | 37, 571 | 11, 580, 981 |
| Montana | 3, 058 | 1, 345, 157 | 41 | 275, 145 | 3, 099 | 1, 020, 302 |
| Nebraska | 5, 604 | 1, 754, 528 | 33 | 193, 044 | 5, 637 | 1, 947, 572 |
| Nevada | 2, 200 | 942, 120 | 17 | 66, 150 | 2, 217 | 1, 008, 270 |
| New Hampshire | 4, 460 | 1, 676, 018 | 39 | 194, 717 | 4, 499 | 1, 870, 735 |
| New Jersey | 87, 884 | 31, 656, 387 | 595 | 2, 887, 188 | 88, 479 | 34, 543, 575 |
| New Mexico | 2, 386 | 1, 109, 435 | 14 | 104, 390 | 2, 400 | 1, 213, 825 |
| New York | 206, 186 | 90, 924, 372 | 2, 905 | 11, 909, 082 | 209, 091 | 102, 833, 454 |
| North Carolina | 10, 081 | 3, 496, 302 | 63 | 259, 670 | 10, 144 | 3, 755, 972 |
| North Dakota | 1, 656 | 687, 012 | 22 | 110, 901 | 1, 678 | 797, 913 |
| Ohio | 53, 262 | 15, 091, 140 | 314 | 1, 699, 509 | 53, 576 | 16, 790, 649 |
| Oklahoma | 13, 765 | 4, 222, 241 | 53 | 240, 221 | 13, 818 | 4, 462, 462 |
| Oregon | 19, 777 | 5, 917, 013 | 120 | 712, 217 | 19, 897 | 6, 629, 230 |
| Pennsylvania | 77, 577 | 25, 623, 339 | 423 | 2, 453, 379 | 78, 000 | 28, 076, 718 |
| Rhode Island | 9, 491 | 3, 750, 137 | 64 | 220, 125 | 9, 555 | 3, 970, 262 |
| South Carolina | 5, 748 | 2, 001, 014 | 49 | 237, 098 | 5, 797 | 2, 238, 112 |
| South Dakota | 2, 042 | 775, 870 | 27 | 143, 090 | 2, 069 | 918, 960 |
| Tennessee | 14, 250 | 4, 677, 901 | 105 | 663, 630 | 14, 355 | 5, 341, 531 |
| Texas | 40, 293 | 12, 771, 976 | 166 | 905, 780 | 40, 459 | 13, 677, 756 |
| Utah | 6, 420 | 2, 144, 026 | 48 | 246, 954 | 6, 468 | 2, 390, 980 |
| Vermont | 2, 054 | 715, 217 | 26 | 93, 126 | 2, 080 | 808, 343 |
| Virginia | 15, 215 | 5, 909, 701 | 129 | 676, 470 | 15, 344 | 6, 586, 171 |
| Washington | 44, 071 | 13, 419, 573 | 223 | 1, 351, 915 | 44, 294 | 14, 771, 488 |
| West Virginia | 5, 422 | 1, 940, 362 | 31 | 272, 289 | 5, 453 | 2, 212, 651 |
| Wisconsin | 15, 236 | 5, 531, 288 | 152 | 872, 590 | 15, 388 | 6, 403, 878 |
| Wyoming | 1, 688 | 774, 941 | 26 | 108, 976 | 1, 714 | 883, 917 |
| Alaska | 159 | 144, 639 | 1 | 1, 198 | 160 | 145, 837 |
| Hawaii | 538 | 279, 312 | 3 | 20, 304 | 541 | 299, 616 |
| Puerto Rico | 20 | 18, 980 | | | 20 | 18, 980 |
| Canal Zone | 3 | 4, 067 | | | 3 | 4, 067 |
| Total, United States | 1, 316, 765 | 454, 454, 447 | 9, 337 | 45, 766, 195 | 1, 326, 102 | 500, 220, 642 |

*Types of institutions financing modernization notes.*—A total of 6,399 lending institutions reported insured modernization notes to the Federal Housing Administration. Commercial banks, including national and State banks, financed two-thirds of the modernization and repair notes insured. Finance companies accounted for one-fourth of the total notes insured, with the remainder reported by industrial banks, building and loan associations, and savings banks.

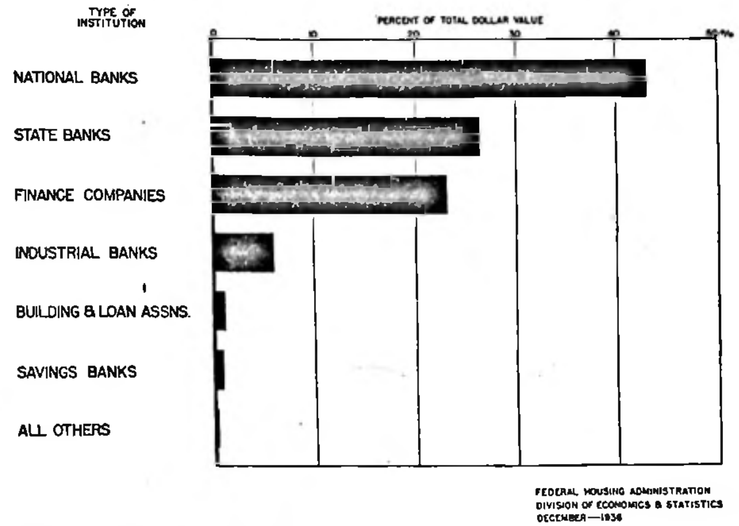
TABLE 24.—*Lending institutions financing modernization notes through Dec. 31, 1936*

| Type of lending institution | Number of institutions | Total volume of notes insured | | | |
|---|---|---|---|---|---|
| | | Number | Amount | Percent of number | Percent of amount |
| National banks 108,935,847 | 2, 905 | 557, 137 | $216, 350, 741 | 42. 0 | 443 43. 3 |
| State banks and trust companies 66,306,582 | 2, 918 | 323, 089 | 132, 144, 043 | 24. 4 | 26. 4 |
| Total commercial banks | 5, 823 | 880, 226 | 348, 494, 784 | 66. 4 | 69. 7 |
| Finance companies 52,717,760 | 140 | 344, 922 | 114, 832, 705 | 26. 0 | 214 23. 0 |
| Industrial banks 14,385,354 | 83 | 82, 770 | 28, 478, 658 | 6. 2 | 58 5. 7 |
| Building and loan associations 1,587,504 | 250 | 7, 546 | 4, 105, 208 | . 6 | . 8 |
| Savings banks 1,492,325 | 58 | 9, 506 | 3, 712, 118 | . 7 | . 7 |
| All others 394,740 | 45 | 1, 123 | 597, 079 | . 1 | . 1 |
| Total | 6, 399 | 1, 326, 102 | 500, 220, 642 | 100. 0 | 100. 0 |



CHART XVI

## TYPES OF INSTITUTIONS FINANCING MODERNIZATION LOANS




**B. Classification of Insured Modernization Notes.**

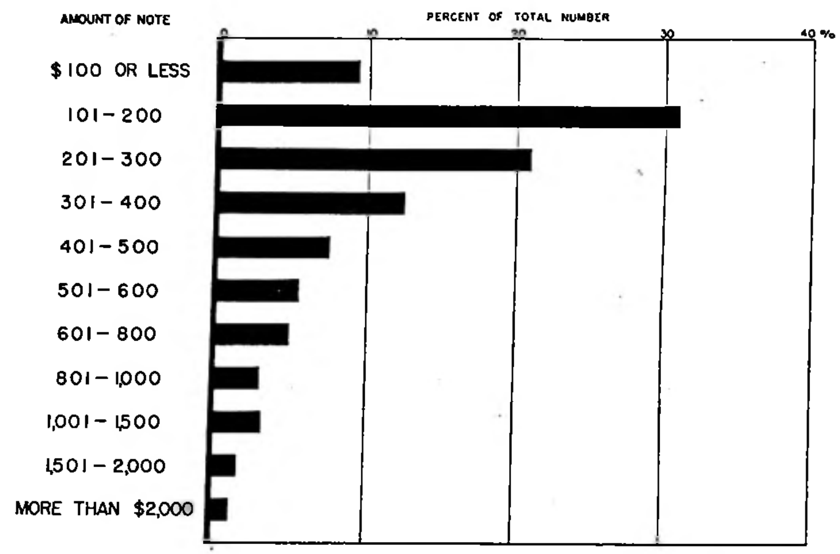
*Size of note insured.*—Insured modernization notes range in size from less than $100 up to $50,000. Sixty-one percent of all loans were for amounts of $300 or less, and only 1 percent, representing approximately 10 percent of the total dollar value, were for amounts exceeding $2,000.

TABLE 25.—*Modernization notes classified by size of loan*

| Amount of note | Percent of total | | Amount of note | Cumulative percentage of total | |
|---|---|---|---|---|---|
| | Number | Amount | | Number | Amount |
| $100 and less | 9. 3 | 1. 8 | $100 and less | 9. 3 | 1. 8 |
| $101 to $200 | 30. 9 | 12. 5 | $200 and less | 40. 2 | 14. 3 |
| $201 to $300 | 20. 9 | 13. 2 | $300 and less | 61. 1 | 27. 5 |
| $301 to $400 | 12. 4 | 11. 0 | $400 and less | 73. 5 | 38. 5 |
| $401 to $500 | 7. 6 | 8. 9 | $500 and less | 81. 1 | 47. 4 |
| $501 to $600 | 5. 4 | 7. 9 | $600 and less | 86. 5 | 55. 3 |
| $ 601 to $800 | 4. 9 | 8. 7 | $800 and less | 91. 4 | 64. 0 |
| $801 to $1,000 | 2. 9 | 6. 7 | $1,000 and less | 94. 3 | 70. 7 |
| $1,001 to $1,500 | 3. 1 | 10. 1 | $1,500 and less | 97. 4 | 80. 8 |
| $1,501 to $2,000 | 1. 6 | 7. 6 | $2,000 and less | 99. 0 | 88. 4 |
| More than $2,000 | 1. 0 | 11. 6 | All groups | 100. 0 | 100. 0 |
| Total | 100. 0 | 100. 0 | | | |

CHART XVII

## SIZE OF INSURED MODERNIZATION LOANS




*Duration of notes.*—Three years was the most common term for notes insured, with over half of the total number having terms of 31 to 36 months. Over one-third of the notes were for a term of 2 years or less, while 5 percent of the number, representing 14 percent of the total amount insured, were for terms of more than 3 years.

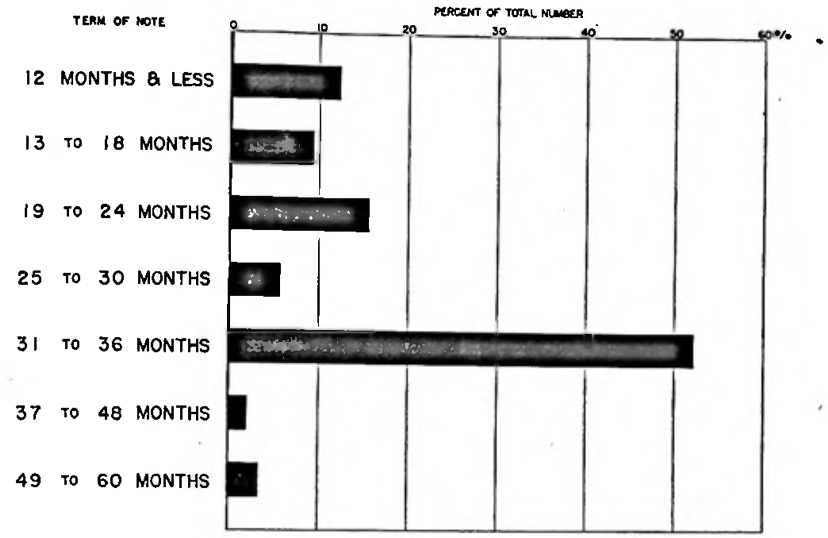
TABLE 26.—*Modernization notes, classified by duration*

| Term of note | Percent of total: Number | Percent of total: Amount | Term of note | Cumulative percentage of total: Number | Cumulative percentage of total: Amount |
|---|---|---|---|---|---|
| 12 months and less | 12.2 | 5.9 | 12 months and less | 12.2 | 5.9 |
| 13 to 18 months | 9.2 | 4.8 | 18 months and less | 21.4 | 10.7 |
| 19 to 24 months | 15.5 | 11.5 | 24 months and less | 36.9 | 22.2 |
| 25 to 30 months | 5.6 | 3.6 | 30 months and less | 42.5 | 25.8 |
| 31 to 36 months | 52.2 | 60.5 | 36 months and less | 94.7 | 86.3 |
| 37 to 48 months | 2.0 | 2.8 | 48 months and less | 96.7 | 89.1 |
| 49 to 60 months | 3.3 | 10.9 | All groups | 100.0 | 100.0 |
| Total | 100.0 | 100.0 | | | |



CHART XVIII

## DURATION OF MODERNIZATION NOTES INSURED




*Types of property improved and modernization financed.*—Many types of real property other than residential were eligible for modernization through insured credit. Nevertheless, 88 percent of all notes, representing approximately 74 percent of the $500,000,000 insured, were for the purpose of financing improvements on residential property. Commercial, farm, industrial, institutional, and other types of property accounted for the remaining 12 percent of the total number and 26 percent of the total amount of notes insured.

The proportion of the total dollar value of notes insured for the purpose of financing additions, alterations, or repairs for all types of properties was 60 percent, the remaining 40 percent having been used to finance the installation of machinery and equipment. In the case of residential properties, 65 percent of the total amount was used for alterations or repairs, while the remaining 35 percent was for the installation of equipment. The reverse was true in the case of industrial and manufacturing properties where less than a third of the total amount insured represented alterations or repairs to buildings, and over two-thirds represented the installation of new machinery and equipment.

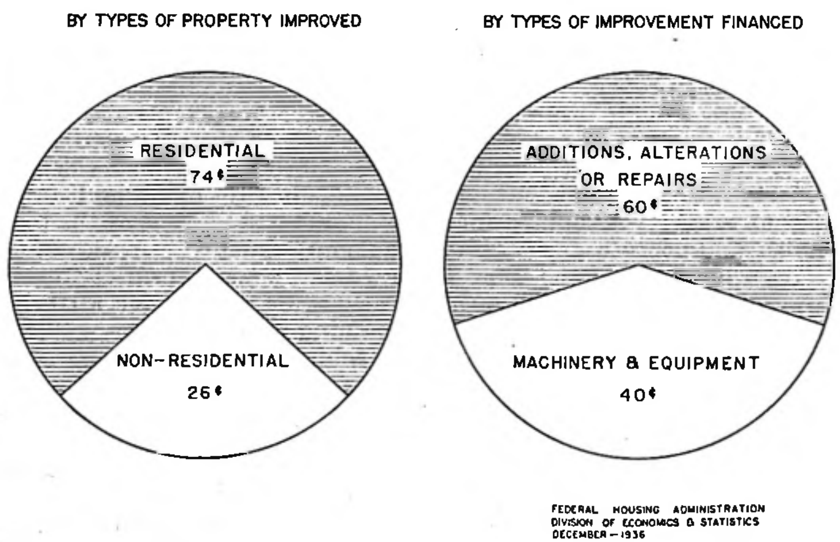
TABLE 27.—*Modernization notes, classified by types of property improved and type of improvement financed*

| Type of property improved | Percent of total notes | | Percent of total value of improvement | | |
|---|---|---|---|---|---|
| | Number | Amount | Total | Alterations or repairs | Machinery and equipment |
| Single-family residential | 66.4 | 54.0 | 100.0 | 65.6 | 34.4 |
| Multiple residential | 18.6 | 17.4 | 100.0 | 64.7 | 35.3 |
| Farm residential | 2.6 | 2.2 | 100.0 | 66.2 | 33.8 |
| Total residential | 87.6 | 73.6 | 100.0 | 65.4 | 34.6 |
| Retail store and service trades | 6.8 | 13.3 | 100.0 | 44.6 | 55.4 |
| Commercial other than retail | 1.3 | 4.2 | 100.0 | 53.5 | 46.5 |
| Industrial and manufacturing | .6 | 3.6 | 100.0 | 32.8 | 67.2 |
| Farm (buildings and improvements) [1] | 1.0 | 1.4 | 100.0 | 61.1 | 38.9 |
| Institutional | .4 | .9 | 100.0 | 67.1 | 32.9 |
| All other property [2] | 2.3 | 3.0 | 100.0 | 48.5 | 51.5 |
| Total nonresidential | 12.4 | 26.4 | 100.0 | 46.4 | 53.6 |
| Total | 100.0 | 100.0 | 100.0 | 60.1 | 39.9 |

[1] Including commercial farm property.
[2] Including professional offices in dwellings, private garages, and all other types of property.

CHART XIX

## DISTRIBUTION OF AN INSURED MODERNIZATION DOLLAR




### C. Insurance Claims Paid on Defaulted Notes.

The Federal Housing Administration, through December 31, 1936, had paid claims for losses sustained by private lending institutions on insured notes in 26,603 cases, amounting to $6,332,333. These claims were made by 1,069 institutions, or only 17 percent of the 6,399 institutions holding insured notes. Of the total claims made, 26,574 claims for $6,202,087 were paid on loans of $2,000 or less, and 29



claims for $130,246 on loans of $2,000 to $50,000. The average claim in the first class was $233; in the latter class $4,491. Inasmuch as the majority of notes have been insured under the 20-percent reserve in effect to April 1, 1936, a correspondingly large proportion of claims has been paid out of that reserve fund.

Through the collection efforts of the Administration, the sum of $956,828 has already been recovered and, in addition, $1,242,571 represents claims which have been reinstated and upon which the Administration is receiving payments.

A more detailed statement on this subject is found in the accounts and finance section of this report.

TABLE 28.—*Total volume of claims paid on defaulted notes insured under title I, through Dec. 31, 1936*

| Insurance reserve | Claims paid on notes for $2,000 and less | | Claims paid on notes for $2,000 to $50,000 | | Total claims paid | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| 20 percent reserve | 26,468 | $6,157,327 | 26 | $125,997 | 26,494 | $6,283,324 |
| 10 percent reserve | 106 | 44,760 | 3 | 4,249 | 109 | 49,009 |
| Sec. 6 [1] | | | | | | |
| Total | 26,574 | 6,202,087 | 29 | 130,246 | 26,603 | 6,332,333 |

[1] Notes insured on properties damaged by floods and other catastrophes.

*State distribution of claims paid.*—Claims were paid to financial institutions on defaulted notes on properties in every State, the District of Columbia, and Alaska.

TABLE 29.—*State distribution of claims paid on insured notes in default by location of property improved through Dec. 31, 1936*

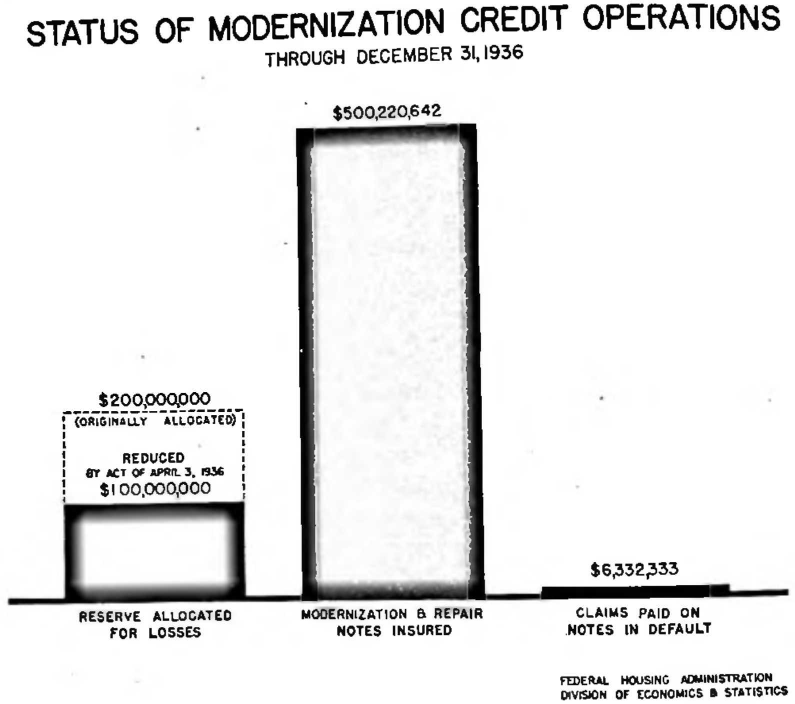
| State | Total claims paid | | State | Total claims paid | |
|---|---|---|---|---|---|
| | Number | Amount | | Number | Amount |
| Alabama | 248 | $56,034 | New Jersey | 3,184 | $725,589 |
| Arizona | 228 | 78,081 | New Mexico | 23 | 8,519 |
| Arkansas | 617 | 140,080 | New York | 3,905 | 1,217,684 |
| California | 2,823 | 723,996 | North Carolina | 200 | 41,916 |
| Colorado | 81 | 20,991 | North Dakota | 15 | 2,504 |
| Connecticut | 212 | 59,142 | Ohio | 525 | 112,176 |
| Delaware | 32 | 10,735 | Oklahoma | 232 | 47,216 |
| District of Columbia | 41 | 16,741 | Oregon | 253 | 55,898 |
| Florida | 658 | 180,202 | Pennsylvania | 1,801 | 446,125 |
| Georgia | 314 | 73,852 | Rhode Island | 140 | 38,887 |
| Idaho | 119 | 26,156 | South Carolina | 103 | 23,451 |
| Illinois | 1,135 | 235,717 | South Dakota | 21 | 5,174 |
| Indiana | 709 | 147,046 | Tennessee | 334 | 68,570 |
| Iowa | 85 | 20,861 | Texas | 1,256 | 246,830 |
| Kansas | 136 | 24,608 | Utah | 49 | 10,742 |
| Kentucky | 197 | 41,690 | Vermont | 12 | 4,897 |
| Louisiana | 256 | 55,703 | Virginia | 166 | 42,671 |
| Maine | 54 | 17,686 | Washington | 573 | 134,100 |
| Maryland | 216 | 67,864 | West Virginia | 82 | 18,010 |
| Massachusetts | 685 | 209,371 | Wisconsin | 143 | 38,349 |
| Michigan | 3,141 | 495,603 | Wyoming | 14 | 5,776 |
| Minnesota | 97 | 25,026 | Alaska | 2 | 658 |
| Mississippi | 154 | 35,049 | Hawaii | | |
| Missouri | 1,048 | 226,309 | Puerto Rico | | |
| Montana | 20 | 5,989 | Canal Zone | | |
| Nebraska | 108 | 21,857 | | | |
| Nevada | 29 | 8,062 | United States total | 26,603 | 6,332,333 |
| New Hampshire | 37 | 11,938 | | | |

**D. Status of Modernization Credit Operations.**

The act originally provided a $200,000,000 insurance reserve fund from which to pay losses sustained by insured lending institutions. The sum was reduced, effective April 1, 1936, to the $100,000,000 reserve now allocated.

As of December 31, 1936, the total volume of modernization notes insured amounted to $500,220,642; as of the same date the Federal Housing Administration had paid $6,332,333 to private lending institutions for claims of losses on insured notes in default.

CHART XX




## ACCOUNTS AND FINANCE

All of the accounts of the Federal Housing Administration are established and maintained in accordance with governmental procedure. The funds are deposited in the United States Treasury, and all of the fiscal transactions are audited and approved by the Comptroller General of the United States. The official accounts of the transactions of the Administration are centrally controlled in Washington, and all disbursements are made through the chief disbursing officer of the United States. The funds for the payment of the salaries and expenses have been obtained from the Reconstruction Finance Corporation in accordance with the provisions of section 4 of the National Housing Act, and regular budgetary statements have been submitted to the Director of the Budget.

**Title I. Modernization Credit Plan Accounts.**

In connection with the operation of title I of the act the insured institutions submit to the Federal Housing Administration reports of the loans, which are administratively audited in Washington to determine whether or not the transaction is in compliance with the rules and regulations of the Federal Housing Administration. On the basis of audit reports there is established for each insuring institution an insurance reserve for payment of losses, as required by the rules and regulations. A statement of the loans insured, insured loans paid in full, and claims paid on insured notes, is as follows:

*Summary of notes insured under title I*

| | Notes insured under title I | | Insured notes paid in full | | Claims paid | |
|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount |
| 20-percent reserve:[1] | | | | | | |
| Notes, $1 to $2,000 | 1,020,661 | $339,579,750.65 | 160,410 | $40,588,562.96 | 26,468 | $6,157,326.85 |
| Notes, $2,001 to $50,000 | 5,422 | 29,210,423.61 | 325 | 1,483,788.25 | 26 | 125,997.33 |
| Sec. 6 reserve:[2] | | | | | | |
| Notes, $1 to $2,000 | 147 | 80,642.80 | 2 | 2,050.00 | | |
| Notes, $2,001 to $50,000 | 9 | 53,098.25 | | | | |
| 10-percent reserve:[3] | | | | | | |
| Notes, $1 to $2,000 | 295,057 | 114,794,053.88 | 6,220 | 2,110,675.33 | 106 | 44,760.15 |
| Notes, $2,001 to $50,000 | 3,906 | 16,502,672.67 | 33 | 111,490.50 | 3 | 4,248.70 |
| Total | 1,326,102 | 500,220,641.92 | 166,996 | 44,302,567.04 | 26,603 | 6,332,333.03 |

[1] Set-up for notes made prior to Apr. 1, 1936.
[2] Set-up for notes made under the special provisions relating to restoration, rehabilitation, building and replacement of property and equipment damaged or destroyed by floods, earthquakes, and other catastrophes.
[3] Set-up for notes made subsequent to Apr. 1, 1936.

A monthly report of the loans submitted for insurance is forwarded to the bank for reconciliation with its accounts. In reconciling the accounts it is necessary to make adjustments for purchases, transfers, payments in full, and losses.

When loss occurs on an insured loan the insuring institution submits to the Federal Housing Administration a form, together with all of the papers and documents on the case. The insured loss is reconciled with the rules and regulations of the Federal Housing Administration, and, if in agreement, is approved for payment.

As soon as a loss is paid the account is turned over to the Division of Collections, Investigation, and Fraud for salvage. As of December 31, 1936, the average claim was $238.06, compared with $332.45 as of January 1, 1936. To date there have been paid the following insured losses:

*Report of insured losses, title I, to Dec. 31, 1936*

| | | |
|---|---|---|
| Claims paid to date (26,603 cases) | | $6,332,333.03 |
| Collections on defaulted notes | $303,123.00 | |
| Repossessed property | 653,705.18 | |
| Net recovery | | 956,828.18 |
| Claims less amount recovered | | [1] 5,375,504.85 |
| Losses from compromise | $6,078.99 | |
| Uncollectible notes sent to General Accounting Office | 83,895.10 | |
| | | 89,974.09 |
| Net amount of outstanding claims | | 5,285,530.76 |

[1] Deduction of $1,254,054, representing outstanding balances on reinstated claims in process of collection, leaves a remainder of $4,121,450.85. The $1,254,054 represents the difference between the original amount of reinstated claims, $1,557,177 and the collections of $303,123 which had been made by Dec. 31, 1936.

As a result of the collection efforts a total of 6,524 claims (defaulted notes) amounting to $1,557,177 has been reinstated on a paying basis. Repossessed property is turned over to the Procurement Division of the Treasury Department for assignment to other agencies of the Government having need for it. All of the funds received as a result of this collection effort are deposited with the United States Treasury to the credit of miscellaneous receipts.

**Section 3. Loans.**

Section 3 of the National Housing Act provided that the Administrator might make loans to financial institutions to cover the amount of insured title I notes held by the institution. Under this provision the Administrator made loans only in emergency cases where the institution could not readily obtain funds elsewhere on that same collateral.

The following is a tabulation of the status of the loans made under the provisions of section 3 before it was repealed on April 3, 1936:

*Title I, section 3, loans National Housing Act, Federal Housing Administration*

| Loan No. | Amount | Collections | | | Balance due |
|---|---|---|---|---|---|
| | | Principal | Interest | Total | |
| I | $50,000 | $50,000.00 | $1,442.57 | $51,442.57 | |
| II | 25,000 | 25,000.00 | 575.42 | 25,575.42 | |
| III | 25,000 | 25,000.00 | 499.39 | 25,499.39 | |
| IV | 25,000 | 17,364.50 | 686.75 | 18,051.25 | 7,635.50 |
| V | 11,000 | 4,505.16 | 258.11 | 4,763.27 | 6,494.84 |
| VI | 5,000 | 1,052.13 | 75.20 | 1,127.33 | 3,947.87 |
| Total | 141,000 | 122,921.79 | 3,537.44 | 126,459.23 | 18,078.21 |



**Title II, Mutual Mortgage Insurance Accounts.**

Under the rules and regulations of the Federal Housing Administration mortgages are insured in the field offices of the Administration and the mortgages are reported to the Washington office for administrative audit and the establishment of insurance accounts. After a mortgage is insured in the field it is reviewed in Washington for uniformity and compliance with the regulations and the establishment of the proper insurance accounts and records. The valuation fees are credited to the general reinsurance account of the mutual-mortgage insurance fund and the insurance premium is credited to the appropriate insurance group account. The collections received on account of the mortgages, and deposited in the mutual-mortgage insurance fund as of December 31, 1936, are as follows:

| | |
|---|---|
| Valuation fees | $2,425,722.82 |
| Premiums: | |
| Mutual mortgage insurance | 2,565,453.58 |
| Large-scale housing | 33,350.00 |
| Prepayment of loans [1] | 28,460.99 |
| Total | 5,052,987.39 |

[1] This item represents the 1-percent premium charged under certain conditions when an insured mortgage is paid in full prior to its maturity date.

In the case of default on an insured mortgage the mortgagee submits a claim to the Administrator for insurance, the property is deeded to the Administrator, and debentures and certificates of claim are issued in accordance with the provisions of the act. To date there have been 12 insured losses paid by the issue of debentures and certificates of claim, as follows:

*Statement of debentures and certificates of claims Dec. 31, 1936*

| Location of property | Debenture no. | Debenture maturity | Debentures [1] | | | Certificates of claim | | |
|---|---|---|---|---|---|---|---|---|
| | | | Issued | Retired | Outstanding | Issued | Retired | Outstanding |
| Mississippi | 1 | 1957 | 3,900.00 | | 3,900.00 | 245.83 | | 245.83 |
| | 2 | 1957 | 36.44 | 36.44 | | | | |
| Do | 3 | 1958 | 1,950.00 | | 1,950.00 | 121.00 | | 121.00 |
| | 4 | 1958 | 23.50 | 23.50 | | | | |
| Indiana | 5 | 1951 | 2,800.00 | 2,800.00 | | 224.38 | 224.38 | |
| | 6 | 1951 | 43.67 | 43.67 | | | | |
| Mississippi | 7 | 1954 | 3,700.00 | | 3,700.00 | 151.30 | | 151.30 |
| | 8 | 1954 | 38.16 | 38.16 | | | | |
| Alabama | 9 | 1954 | 3,100.00 | | 3,100.00 | 150.15 | | 150.15 |
| | 10 | 1954 | 27.18 | | 27.18 | | | |
| Missouri | 11 | 1957 | 4,450.00 | | 4,450.00 | 418.82 | | 418.82 |
| | 12 | 1957 | 10.13 | | 10.13 | | | |
| Mississippi | 13 | 1958 | 4,200.00 | | 4,200.00 | 352.38 | | 352.38 |
| | 14 | 1958 | 3.23 | | 3.23 | | | |
| Missouri | 15 | 1958 | 2,850.00 | | 2,850.00 | 136.18 | | 136.18 |
| | 16 | 1958 | 3.97 | | 3.97 | | | |
| Do | 17 | 1959 | 5,200.00 | | 5,200.00 | 290.72 | | 290.72 |
| | 18 | 1959 | 19.92 | | 19.92 | | | |
| New Jersey | 19 | 1957 | 6,800.00 | | 6,800.00 | 688.52 | | 688.52 |
| | 20 | 1957 | 36.73 | | 36.73 | | | |
| Mississippi | 21 | 1954 | 6,800.00 | | 6,800.00 | 305.30 | | 305.30 |
| | 22 | 1954 | 36.46 | | 36.46 | | | |
| Massachusetts | 23 | 1959 | 4,300.00 | | 4,300.00 | 199.55 | | 199.55 |
| | 24 | 1959 | 2.26 | | 2.26 | | | |
| Total | | | 50,331.65 | 2,941.77 | 47,389.88 | 3,284.13 | 224.38 | 3,059.75 |

[1] Interim certificates.

One repossessed property was sold by the Administrator and the debentures and certificate of claim that had been issued to the mortgagee in connection with the mortgage involved, were at once paid in full. There remained a balance of $163.06, which was returned to the mortgagor, as shown in the following statement:

*Statement of first settlement of debenture and certificate of claim under title II*

| | | |
|---|---|---|
| Receipts: | | |
| Proceeds, sale of property | $3,500.00 | |
| Proceeds, cancelation of hazard insurance | 15.16 | |
| | | $3,515.16 |
| Disbursements: | | |
| Repairs to property | 50.00 | |
| Taxes | 30.05 | |
| Commission on sale of property | 172.50 | |
| Retirement of debenture | 2,843.67 | |
| Interest paid on debenture | 29.29 | |
| Retirement of certificate of claim | 224.38 | |
| Increment paid on certificate of claim | 2.21 | |
| | | 3,352.10 |
| Excess paid to mortgagor | | 163.06 |

The mutual mortgage insurance fund has been invested by the Secretary of the Treasury in Government securities. The cash account is maintained in the Treasury of the United States. A statement of the mutual mortgage insurance fund as of December 31, 1936, is as follows:

*Balance sheet of mutual mortgage insurance fund, Dec. 31, 1936*

| | | |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $2,030,902.42 | |
| Accrued interest receivable on bonds | 96,631.23 | |
| | | $2,127,533.65 |
| Fixed assets: | | |
| Investments: | | |
| Treasury bonds, series 1944–54 | 3,037,825.83 | |
| Treasury bonds, series 1946–56 | 2,949,618.00 | |
| Treasury bonds, series 1947–52 | 3,266,564.13 | |
| Treasury bonds, series 1955–60 | 1,004,179.58 | |
| Treasury bonds, series 1950–59 | 3,399,544.97 | |
| Total | 13,657,732.51 | |
| Real and fixed property | 50,547.73 | |
| | | 13,708,280.24 |
| Total assets | | 15,835,813.89 |
| **LIABILITIES AND NET WORTH** | | |
| Current liabilities: | | |
| Accrued interest payable on debentures | $316.92 | |
| Unliquidated obligations, repair of real property | 1,325.50 | |
| | | $1,642.42 |
| Fixed liabilities: | | |
| Debentures payable | 47,389.88 | |
| Certificates of claim payable | 3,059.75 | |
| | | 50,449.63 |
| Net worth: | | |
| General reinsurance account | 13,158,002.60 | |
| Group accounts | 2,625,719.24 | |
| | | 15,783,721.84 |
| Total liabilities and net worth | | 15,835,813.89 |

**Administrative Accounts.**

In order to carry out the provisions of the act, funds for the administrative expenses of the Federal Housing Administration have



been obtained from the Reconstruction Finance Corporation in accordance with the provision of section 4 of the National Housing Act and deposited in the Treasury of the United States to the credit of an appropriation account entitled "53-0100—Salaries and expenses, FHA allocation from R. F. C." All vouchers are preaudited by the Comptroller General of the United States. All disbursements are made through the chief disbursing officer of the United States, Disbursing Division, Treasury Department. Regular budgetary estimates have been submitted to the Director of the Budget for each year's expenditures. The accounts and disbursements of the Federal Housing Administration are current.

Financial statements showing the distribution of total operating expenses of $11,258,010.31 for the Washington and field offices of the Federal Housing Administration for the calendar year ending December 31, 1936, are given below.

*Operating expenses of administrative offices, Washington, D. C., Jan. 1 to Dec. 31, 1936*

| | Total | Salaries | Supplies and material | Communications | Travel |
|---|---|---|---|---|---|
| Administrative | $142,629.32 | $115,427.80 | $3,414.13 | $4,224.95 | $12,685.78 |
| Public relations | 143,340.48 | 84,848.59 | 5,370.19 | 1,742.59 | 7,573.24 |
| Economics and statistics | 241,781.71 | 205,898.16 | 7,395.45 | 1,412.46 | 12,314.38 |
| Deputy Administrator, title I, and service: | | | | | |
| Administrative and credit information | 169,623.45 | 98,131.72 | 8,531.29 | 3,620.38 | 7,727.34 |
| Collection, investigation, and fraud | 310,604.27 | 200,301.27 | 12,062.05 | 1,901.98 | 28,594.75 |
| Service | 647,196.44 | 545,642.20 | 30,511.11 | 6,868.65 | 1,279.36 |
| Deputy Administrator, titles II and III: | | | | | |
| Mortgage insurance | 326,932.04 | 174,166.55 | 93,801.54 | 4,907.77 | 24,546.98 |
| Underwriting | 250,585.15 | 182,667.29 | 4,242.65 | 1,749.12 | 53,565.33 |
| Education | 691,496.04 | 307,542.24 | 135,338.81 | 7,299.09 | 74,290.72 |
| Large-scale housing | 220,917.84 | 195,438.12 | 9,564.38 | 2,408.25 | 9,581.10 |
| General counsel (legal) | 131,942.42 | 105,705.23 | 12,571.52 | 1,857.26 | 5,314.47 |
| Comptroller | 775,331.53 | 494,797.17 | 47,381.76 | 2,673.57 | 10,790.62 |
| Grand total | 4,058,380.69 | 2,710,566.34 | 370,184.78 | 40,840.97 | 248,264.07 |

| | Transportation | Printing and binding | Rents | Repairs and miscellaneous |
|---|---|---|---|---|
| Administrative | $1.98 | $992.38 | $5,780.67 | $92.63 |
| Public relations | ---------- | 38,503.73 | 5,291.07 | 11.07 |
| Economics and statistics | 4.01 | 1,025.94 | 13,540.01 | 185.30 |
| Deputy Administrator, title I, and service: | | | | |
| Administrative and credit information | 149.88 | 39,722.21 | 5,346.12 | 6,394.51 |
| Collection, investigation, and fraud | 34.25 | 1,110.93 | 13,513.27 | 53,016.77 |
| Service | 1,006.74 | 2,142.13 | 48,103.91 | 11,642.34 |
| Deputy Administrator, titles II and III: | | | | |
| Mortgage insurance | 76.73 | 20,181.30 | 8,660.49 | 530.68 |
| Underwriting | 1.45 | 2.26 | 8,066.04 | 291.11 |
| Education | 15,279.65 | 128,954.74 | 21,079.32 | 1,710.57 |
| Large-scale housing | 3.13 | 512.00 | 9,020.61 | 330.25 |
| General counsel (legal) | 32.85 | 2,283.16 | 4,136.14 | 41.79 |
| Comptroller | 358.23 | 113,706.64 | 104,236.59 | 1,206.95 |
| Grand total | 16,948.90 | 349,236.42 | 240,780.24 | 75,543.97 |

*Operating expenses of field offices, Jan. 1 to Dec. 31, 1936*

| State | City | Totals | Salaries | Consultant fees | Other expenses |
|---|---|---|---|---|---|
| Alabama (S) | Birmingham | $104,090.60 | $78,398.93 | $1,341.00 | $25,250.76 |
| Alaska (T) | Juneau | 14,608.48 | 10,382.54 | 611.50 | 3,614.44 |
| Arizona (S) | Phoenix | 67,922.86 | 41,267.33 | 508.00 | 16,147.53 |
| Arkansas (S) | Little Rock | 99,026.37 | 75,544.73 | 185.00 | 23,296.64 |
| California (R) | San Francisco | 48,743.00 | 33,550.06 | | 15,192.43 |
| (D) | do | 316,821.82 | 242,808.39 | 20,800.00 | 53,213.43 |
| (D) | Los Angeles | 336,421.16 | 256,311.32 | 17,099.00 | 63,010.84 |
| (Br. R) | San Diego | 2,966.29 | | | 2,966.29 |
| Colorado (R) | Denver | 12,795.82 | 10,409.37 | | 2,386.45 |
| (S) | do | 48,521.23 | 34,711.15 | | 13,810.08 |
| Connecticut (S) | Hartford | 82,939.79 | 69,821.56 | | 13,118.23 |
| Delaware (S) | Wilmington | 28,025.93 | 22,912.82 | | 5,113.11 |
| Florida (S) | Jacksonville | 113,807.72 | 69,258.78 | 14,820.00 | 29,779.94 |
| (D) | Miami | 46,949.06 | 36,495.74 | 1,880.50 | 8,572.82 |
| Georgia (R)* | Atlanta | 14,297.70 | 8,778.29 | | 5,519.41 |
| (S) | do | 134,132.79 | 97,277.47 | 1,810.50 | 35,044.82 |
| Hawaii (T) | Honolulu | 26,155.35 | 17,229.45 | 4,092.50 | 4,833.40 |
| Idaho (S) | Boise | 47,937.81 | 34,019.81 | 58.00 | 13,860.00 |
| Illinois (R)* | Chicago | 4,769.93 | 2,305.61 | | 2,464.20 |
| (D) | do | 238,588.53 | 166,897.04 | 18,758.00 | 53,933.49 |
| (D) | Springfield | 128,883.39 | 77,816.90 | 8,620.50 | 42,445.99 |
| Indiana (S) | Indianapolis | 186,907.99 | 123,443.88 | | 63,464.11 |
| Iowa (S) | Des Moines | 85,605.68 | 58,529.23 | 5,070.00 | 22,006.45 |
| Kansas (D. R.) | Topeka | 12,049.31 | 10,440.00 | | 1,609.31 |
| (S) | do | 139,522.52 | 87,955.29 | 10,104.50 | 41,462.73 |
| Kentucky (S) | Louisville | 87,565.24 | 64,145.79 | 1,701.50 | 21,717.95 |
| Louisiana (S) | New Orleans | 77,960.95 | 52,879.63 | 6,387.75 | 18,693.57 |
| Maine (S) | Portland | 45,366.22 | 35,334.67 | 240.00 | 9,791.55 |
| Maryland (S) | Baltimore | 128,460.57 | 99,784.16 | 5,420.50 | 23,255.91 |
| Massachusetts (R) | Boston | 32,076.21 | 26,621.47 | | 5,454.74 |
| (S) | do | 183,995.33 | 145,805.95 | 3,916.00 | 34,273.38 |
| Michigan (S) | Detroit | 265,136.17 | 187,058.99 | 15,766.00 | 62,311.18 |
| Minnesota (S) | Minneapolis | 132,221.33 | 93,344.63 | 10,684.00 | 28,192.70 |
| Mississippi (S) | Jackson | 107,721.03 | 75,254.30 | 1,388.00 | 31,078.73 |
| Missouri (D) | Kansas City | 95,062.23 | 73,116.59 | 1,894.50 | 20,051.14 |
| (R)* | St. Louis | 3,562.77 | 2,088.85 | | 1,473.92 |
| (D) | do | 109,480.90 | 86,855.18 | 2,096.25 | 20,529.47 |
| (S) | do | 4,061.88 | 3,183.32 | | 878.56 |
| Montana (S) | Helena | 48,660.13 | 34,193.24 | 354.50 | 14,112.39 |
| Nebraska (S) | Omaha | 79,680.08 | 55,537.86 | 4,107.50 | 20,034.72 |
| Nevada (S) | Reno | 42,256.61 | 32,959.42 | 444.00 | 8,853.19 |
| New Hampshire (S) | Concord | 47,292.85 | 36,903.57 | 220.00 | 10,169.28 |
| New Jersey (S) | Newark | 308,693.70 | 235,700.30 | 50.00 | 72,943.40 |
| New Mexico (S) | Santa Fe | 50,997.06 | 36,848.47 | 477.00 | 13,671.59 |
| New York (D) | Albany | 95,912.95 | 73,537.95 | 156.00 | 22,219.00 |
| (D) | Brooklyn | 37,018.62 | 31,380.23 | 30.00 | 5,608.39 |
| (D) | Buffalo | 114,353.98 | 85,163.93 | 2,120.00 | 27,070.05 |
| (D) | Jamaica | 102,451.59 | 87,822.92 | 10.00 | 14,618.67 |
| (R)* | New York City | 3,705.06 | 1,887.48 | | 1,817.58 |
| (DS) | do | 203,586.24 | 163,334.75 | 2,802.50 | 37,448.99 |
| (D) | Rochester | 16,854.00 | 13,675.30 | 277.50 | 2,901.20 |
| (D) | White Plains | 23,219.85 | 20,320.54 | | 2,899.31 |
| North Carolina (S) | Greensboro | 105,038.07 | 77,199.45 | 271.50 | 27,567.12 |
| North Dakota (S) | Bismarck | 44,962.75 | 33,216.67 | 937.00 | 10,749.08 |
| Ohio (D) | Cincinnati | 87,225.66 | 73,071.55 | 674.00 | 13,480.11 |
| (D) | Cleveland | 229,282.46 | 165,058.02 | 13,762.50 | 50,461.94 |
| (R)* | Columbus | 469.91 | | | 469.91 |
| (S) | do | 26,940.37 | 21,981.48 | 288.00 | 4,670.89 |
| (D) | do | 110,143.52 | 83,001.14 | 610.00 | 25,032.38 |
| Oklahoma (S) | Oklahoma City | 73,407.09 | 53,752.78 | | 19,654.31 |
| (D) | Tulsa | 69,714.71 | 53,077.46 | 24.00 | 16,613.25 |
| Oregon (S) | Portland | 51,805.50 | 38,807.50 | 220.00 | 12,778.00 |
| Pennsylvania (D) | Philadelphia | 193,533.34 | 147,940.52 | 674.00 | 44,918.82 |
| (D) | Pittsburgh | 140,013.94 | 110,401.40 | 4.00 | 29,608.54 |
| Rhode Island (S) | Providence | 45,829.21 | 37,623.89 | | 8,205.32 |
| South Carolina (S) | Columbia | 54,380.66 | 40,971.12 | 2,067.50 | 11,342.04 |
| South Dakota (R)* | Sioux Falls | 5,537.41 | 3,937.33 | | 1,600.08 |
| (S) | do | 55,923.66 | 41,422.31 | 1,365.00 | 13,136.35 |
| Tennessee (S) | Memphis | 133,552.75 | 103,089.95 | 1,437.50 | 29,025.30 |
| (D) | Nashville | 7,764.46 | | 1,351.50 | 6,412.96 |
| Texas (R)* | Dallas | 7,982.99 | 5,639.36 | | 2,343.63 |
| (D) | do | 73,527.91 | 50,372.39 | 7,107.00 | 16,048.52 |
| (S) | do | 15,483.42 | 13,565.91 | | 1,917.51 |
| (D) | Fort Worth | 76,045.04 | 53,825.41 | 3,663.00 | 18,556.63 |
| (S)* | do | 3,507.41 | 1,310.83 | | 2,206.58 |
| (D) | Houston | 85,868.03 | 61,116.48 | 5,157.50 | 19,594.05 |
| (D) | San Antonio | 73,165.87 | 51,915.67 | 4,610.00 | 16,640.20 |
| Utah (S) | Salt Lake | 64,881.26 | 48,616.76 | 3,192.00 | 13,072.50 |
| Vermont (S) | Burlington | 30,783.77 | 23,570.49 | 583.50 | 6,629.78 |
| Virginia (R)* | Richmond | 3,288.23 | 2,480.07 | | 708.26 |
| (S) | do | 135,246.12 | 95,463.40 | 6,600.50 | 33,182.22 |

*Discontinued.



*Operating expenses of field offices, Jan. 1 to Dec. 31, 1936*—Continued

| State | City | Totals | Salaries | Consultant fees | Other expenses |
|---|---|---|---|---|---|
| Washington (S) | Seattle | $99,002.53 | $74,073.64 | $5,042.50 | $19,886.39 |
| West Virginia (S) | Parkersburg | 71,770.92 | 49,368.93 | 336.00 | 22,065.99 |
| Wisconsin (S) | Milwaukee | 121,424.22 | 88,145.75 | 10,954.75 | 22,323.72 |
| Wyoming (S) | Cheyenne | 46,428.65 | 33,787.86 | 142.00 | 12,498.79 |
| District of Columbia (D) | Washington | 74,843.92 | 63,819.16 | 50.00 | 10,974.76 |
| Total | | 7,199,629.02 | 5,323,540.39 | 237,436.75 | 1,638,652.48 |

The results of a growing volume of business, coupled with continued efforts to handle the mortgage insurance underwriting operations with greater dispatch and economy, are indicated in the following statement showing operating expenditures and business handled, by 6-month periods. The value of home mortgages accepted for insurance increased from $131,542,470 during the 6 months from July to December 1935 to $257,865,753 in 1936, or by 96 percent. However, total operating expenditures for the same two periods of time decreased from $5,766,815.50 to $5,686,977.25, or by 1.4 percent.

*Comparison of operating expenses to volume of business, July 1, 1934, to Dec. 31, 1936*

| 6-month periods | Operating expenses | | | Value of loans accepted for insurance | |
|---|---|---|---|---|---|
| | Departmental | Field | Total | Title II [1] | Title I |
| July 1 to Dec. 31, 1934 | $1,295,733.14 | $444,037.22 | $1,739,770.36 | | $30,450,583 |
| Jan. 1 to June 30, 1935 | 2,006,181.02 | 2,084,109.05 | 4,090,290.07 | $43,627,394 | 61,536,494 |
| July 1 to Dec. 31, 1935 | 1,926,089.22 | 3,840,726.28 | 5,766,815.50 | 140,612,470 | 162,083,652 |
| Jan. 1 to June 30, 1936 | 2,052,413.71 | 3,518,619.35 | 5,571,033.06 | 187,274,400 | 141,811,958 |
| July 1 to Dec. 31, 1936 [2] | 2,005,966.98 | 3,681,010.27 | 5,686,977.25 | 267,600,753 | 104,337,955 |
| Grand total | 9,286,384.07 | 14,168,502.17 | 23,454,886.24 | 639,115,017 | 500,220,642 |

[1] Includes home mortgages and large-scale housing mortgages accepted for insurance.
[2] Figure covers known obligations incurred since July 1, 1936, plus cash disbursements since July 1, 1936, covering obligations incurred in prior years.

*Balance sheet of Federal Housing Administration Dec. 31, 1936*

ASSETS

| | | | |
|---|---|---|---|
| Current assets: | | | |
| Cash | $6,844,527.90 | | |
| Commitment, R. F. C. renovation and modernization loans | 88,000,000.00 | | |
| Inventory, stores | 38,131.69 | $94,882,659.59 | |
| Assets convertible into general fund receipts of the Treasury: | | | |
| Notes receivable: | | | |
| Loans to insured institutions | 18,078.21 | | |
| Insured losses | 5,285,530.76 | 5,303,608.97 | $100,186,268.56 |
| Fixed assets: | | | |
| Furniture and equipment | | 776,664.26 | |
| Mutual mortgage insurance fund: | | | |
| Cash | $2,030,902.42 | | |
| Investments, Treasury bonds | 13,657,732.51 | | |
| Accrued interest receivable on Treasury bonds | 96,631.23 | | |
| Real and fixed property | 50,547.73 | 15,835,813.89 | 16,612,478.15 |
| Total assets | | | 116,798 746.71 |

*Balance sheet of Federal Housing Administration Dec. 31, 1936*—Continued

LIABILITIES AND CAPITAL

| | | | |
|---|---|---|---|
| Current liabilities: | | | |
| Accounts payable | | $315,888.41 | |
| Special depositors | | 124,936.68 | |
| | | | $440,825.09 |
| Working capital: | | | |
| Unexpended appropriations: | | | |
| Unallotted | | 93,932,989.34 | |
| Alotted, fiscal year 1937 obligations | | 349,730.97 | |
| Encumbered, fiscal years 1935 and 1936 | | 120,982.50 | |
| | | | 94,403,702.81 |
| Surplus: | | | |
| Expended appropriations (schedule A): | | | |
| Salaries and expenses | | 24,059,508.89 | |
| Less: | | | |
| Total operating expenses | $23,236,513.48 | | |
| Surplus property transferred to Treasury | 8,199.46 | | |
| | | 23,244,712.94 | |
| Value of equipment and inventory | | 814,795.95 | |
| Renovation and modernization loans and insurance | $6,473,333.03 | | |
| Less collections, compromises, repossessions, and notes sent General Accounting Office | 1,169,724.06 | | |
| | | 5,303,608.97 | |
| | | | 6,118,404.92 |
| Mutual mortgage insurance fund: | | | |
| Debentures payable | | 47,389.88 | |
| Accrued interest payable on debentures | | 316.92 | |
| Certificates of claim payable | | 3,059.75 | |
| General reinsurance account | | 13,158,002.60 | |
| Group accounts | | 2,625,719.24 | |
| Unliquidated obligations for repair of real estate | | 1,325.50 | |
| | | | 15,835,813.89 |
| Total liabilities and capital | | | 116,798,746.71 |

A statement (schedule A) of the expenditures made for the account of the Federal Housing Administration from July 1, 1934, to December 31, 1936, less the recoverable assets, is as follows:

**Schedule A.**

*Expended funds, less assets and recoveries, Dec. 31, 1936*

| | | | |
|---|---|---|---|
| Disbursements from all funds July 1, 1934, to Dec. 31, 1936: | | | |
| 1. Renovation and modernization loans and insurance, allocation from R. F. C | | $6,473,333.03 | |
| 2. Mutual mortgage insurance fund, FHA, revolving fund | | 13,915,408.29 | |
| 3. Salaries and expenses, FHA: | | | |
| Allocated R. F. C | $22,814,472.67 | | |
| Allocated N. I. R. A | 1,000,000.00 | | |
| Allocated N. E. C | 245,036.22 | | |
| | | 24,059,508.89 | |
| Grand total, disbursements to date | | | $44,448,250.21 |
| Deduct assets and recoveries: | | | |
| 1. Collections (title I): | | | |
| Defaulted notes | $303,123.00 | | |
| Interest on defaulted notes | 726.52 | | |
| Loans to insured institutions | 122,921.79 | | |
| Interest on loans to insured institutions | 3,537.44 | | |
| Value of repossessed property reported to Procurement Division of Treasury | 653,705.18 | | |
| Notes receivable, insured institutions | 18,078.21 | | |
| | | $1,102,092.14 | |



*Expended funds, less assets and recoveries, Dec. 31, 1936*—Continued

| | | | |
|---|---|---|---|
| Deduct assets and recoveries—Continued. | | | |
| 2. Collections and investments (title II): | | | |
| Fees and premiums | $5,052,987.39 | | |
| Interest income received on bonds | 887,452.12 | | |
| Sale of investments | 5,668.75 | | |
| Income from real property | 202.45 | | |
| Total collections | | $5,946,310.71 | |
| Investments, Treasury bonds | $13,657,732.51 | | |
| Accrued interest on bonds | 96,631.23 | | |
| | | 13,754,363.74 | |
| 3. Furniture, equipment, and inventories | | 814,795.95 | |
| 4. Miscellaneous general-fund receipts | | 3,613.48 | |
| Total assets and recoveries | | | $21,621,170.02 |
| Total expenditures, less assets and recoveries | | | 22,827,074.19 |

## HOME BUILDING ACTIVITY

**Estimated Total Residential Construction.**

The number of dwelling units built in the United States in all types of structures during 1936 is estimated at over 270,000. In 1935 some 130,000 dwelling units were built. The increase for 1936 over 1935 was thus 109 percent.

Improvement during 1936 was general throughout the country, although the rate of improvement varied considerably. The aggregate number of homes built in the country as a whole in 1936 was less than half as large as the average during the decade 1920–29. Hence a considerable further increase must take place in order to improve the general housing standard of the American people. In some cities, the number of homes built in 1936 was the largest since 1929.

The number and value of nonfarm dwelling units built in 1935 and 1936, by type of structure, are estimated as follows:

| Number of dwelling units in— | 1935 | 1936 | Percent increase |
|---|---|---|---|
| 1-family structures | 96,000 | 192,000 | 99 |
| 2-family structures | 9,000 | 16,000 | 92 |
| Multi-family structures | 24,000 | 62,000 | 158 |
| Total | 129,000 | 270,000 | 109 |

One-family structures thus comprised 70 percent of the total in 1936, as compared with 74 percent in 1935. The National Housing Act provides for insuring mortgages only on dwellings housing from one to four families. Actually, as shown in table 8, about 95 percent of all insured mortgages are on one-family structures, and the following analysis deals with that class of homes.

**Building Permits in Principal Cities.**

The following figures show the monthly value of building permits issued in principal cities of 10,000 population and over, as compiled by the Bureau of Labor Statistics of the Department of Labor. The percentage change from 1935 to 1936 for each month is indicated by comparing the aggregates for identical cities. A considerable part of the increase in the summer of 1936 was due to apartment house construction.

*Residential building permits for principal cities (monthly value: noncumulative)*

[000 omitted]

| Month | 1934 [1] | 1935 | 1936 | Increase or decrease, 1936 compared with 1935 | |
|---|---|---|---|---|---|
| | | | | Amount | Percent |
| January | $4,448 | $9,163 | $30,434 | +$21,271 | +232.1 |
| February | 4,902 | 10,144 | 29,368 | +19,224 | +189.5 |
| March | 8,787 | 20,192 | 37,916 | +17,724 | +87.8 |
| April | 10,515 | 23,128 | 45,523 | +22,395 | +96.8 |
| May | 11,958 | 25,573 | 45,720 | +20,147 | +78.8 |
| June | 8,779 | 28,034 | 67,821 | +39,787 | +141.9 |
| July | 8,700 | 27,736 | 78,257 | +50,521 | +182.2 |
| August | 8,918 | 28,064 | 62,757 | +34,693 | +123.6 |
| September | 9,616 | 25,577 | 53,881 | +28,304 | +110.7 |
| October | 11,528 | 34,453 | 57,274 | +22,821 | +66.2 |
| November | 9,971 | 30,821 | 52,270 | +21,449 | +69.6 |
| December | 7,220 | 23,671 | 52,947 | +29,276 | +123.7 |
| Total | 105,402 | 286,556 | 614,168 | +327,612 | +114.3 |

[1] The figures for 1934 are not strictly comparable because the reporting cities are not identical.

Source: Bureau of Labor Statistics; U. S. Department of Labor; Division of Economics and Statistics, Federal Housing Administration.

The number of dwelling units corresponding to the total value shown in the tabulation for the year 1936 was 150,800, or about 56 percent of the estimated total nonfarm dwelling units built in that year.

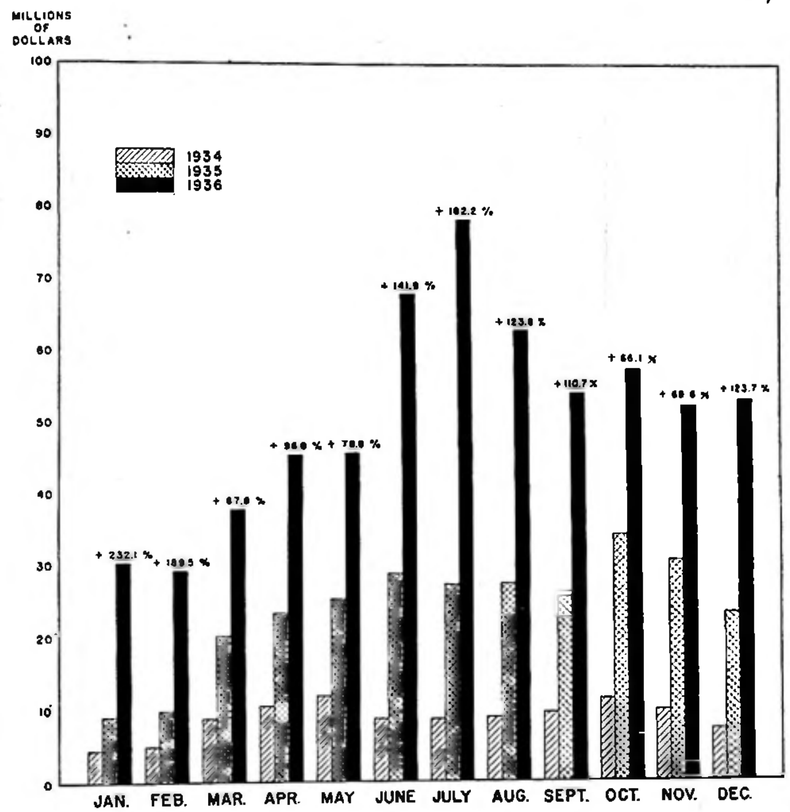


CHART XXI

RESIDENTIAL BUILDING PERMITS 1934, 1935, AND 1936

MONTHLY VALUE: NON-CUMALATIVE

(NUMBER OF CITIES VARIES SLIGHTLY FROM MONTH TO MONTH)




PERCENTAGES SHOW CHANGE FROM 1935 TO 1936

SOURCE OF BASIC DATA:—
BUREAU OF LABOR STATISTICS.

FEDERAL HOUSING ADMINISTRATION
DIVISION OF ECONOMICS & STATISTICS
CHART NO C5-[illegible]

## State Enabling Legislation

*List of States enacting legislation enabling financial institutions to participate in the mutual mortgage insurance system and related features of the National Housing Act*

| State | Enabling acts | Date approved |
|---|---|---|
| Alabama | S. B. 4 | Jan. 31, 1935 |
| | S. B. 33 | Feb. 8, 1935 |
| | H. 98 | Do. |
| | S. B. 188 | Aug. 15, 1935 |
| | S. B. 52 | Apr. 15, 1936 |
| Arkansas | Act 47 | Feb. 18, 1935 |
| | Act 48 | Do. |
| | Act 49 | Do. |
| | Act 50 | Do. |
| | Act 51 | Do. |
| | Act 75 | Feb. 26, 1935 |
| Arizona | H. B. 27 | Feb. 27, 1935 |
| | H. B. 30 | Do. |
| | H. B. 205 | Mar. 15, 1935 |
| Connecticut | File 71 | May 7, 1935 |
| | Ch. 137, Public Acts of 1935 | May 8, 1935 |
| | S. B. 85 | May 9, 1935 |
| | S. B. 150 | May 16, 1935 |
| California | S. B. 211 | Jan. 30, 1935 |
| | Ch. 559, Laws of 1935 | May 7, 1935 |
| | Ch. 163, Laws of 1935 | May 13, 1935 |
| | Ch. 190, Laws of 1935 | May 23, 1935 |
| Colorado | S. B. 172 | Mar. 7, 1935 |
| Delaware | S. S. for S. B. 2 | Apr. 18, 1935 |
| Florida | H. B. 247 | Apr. 26, 1935 |
| Georgia [1] | | |
| Idaho | S. B. 7 | Jan. 23, 1935 |
| | H. B. 309 | Mar. 19, 1935 |
| | S. B. 184 | Do. |
| Illinois | H. B. 662, 663, 664, 665, 666, 668, 669, 670 | June 29, 1935 |
| | H. B. 667 | July 13, 1935 |
| Indiana | H. B. 3 | Jan. 28, 1935 |
| | H. B. 289 | Mar. 8, 1935 |
| Iowa | S. F. 118 | Apr. 17, 1935 |
| | H. F. 438 | May 4, 1935 |
| Kansas | S. B. 154 | Feb. 16, 1935 |
| | S. B. 156 | Do. |
| | S. B. 155 | Mar. 2, 1935 |
| Kentucky | S. B. 4 | Feb. 18, 1936 |
| Louisiana | H. B. 106 | July 9, 1936 |
| Maine | L. D. 14 | Feb. 7, 1935 |
| | L. D. 422 | Do. |
| | L. D. 95 | Do. |
| Maryland | S. B. 404 | May 17, 1935 |
| | H. B. 212 | Do. |
| Massachusetts | House 1918 | Apr. 15, 1935 |
| | House 1657 | Mar. 24, 1936 |
| Michigan | H. B. 90 | Feb. 20, 1935 |
| | S.B. 182 | Apr. 9, 1935 |
| | H. B. 349 | May 31, 1935 |
| Minnesota | S. F. 687 | Mar. 15, 1935 |
| | H. F. 1477 | Apr. 29, 1935 |
| Mississippi | S. B. 333 | Mar. 9, 1936 |
| Missouri | H. B. 81 | June 5, 1935 |
| Montana | S. B. 7 | Feb. 9, 1935 |
| | S. B. 6 | Feb. 19, 1935 |
| | S. B. 36 | Do. |
| Nebraska | H. R. 193 | Apr. 1, 1935 |
| | S. F. 235 | May 21, 1935 |
| Nevada | S. B, s. 65, 81, 86, 92, and 93 | Mar. 18, 1935 |
| New Hampshire | S. B. 30 | Mar. 26, 1935 |
| New Jersey | S. B. 58 | Feb. 5, 1935 |
| New Mexico | H. B. 13 | Feb. 1, 1935 |
| New York | Int. 287 | Aug. 17, 1934 |
| | Int. 142 | Do. |
| | Int. 144 | Do. |
| | Int. 4 | Feb. 8, 1935 |
| | Int. 282 | Apr. 17, 1935 |
| | Int. 289 | Apr. 18, 1935 |
| | Int. 1797, 1908, 780, and 1475 | Apr. 23, 1935 |
| | Int. 1424 | Apr. 8, 1936 |
| | Int. 1413 | Apr. 9, 1936 |
| | Int. 2070 | May 27, 1936 |
| | Int. 1693 | May 29, 1936 |
| | Int. 1423 | June 13, 1936 |

[1] An enabling act for Georgia was presented for consideration at the current session of the State legislature.



*List of States enacting legislation enabling financial institutions to participate in the mutual mortgage insurance system and related features of the National Housing Act*—Continued

| State | Enabling acts | Date approved |
|---|---|---|
| North Carolina | S. B. 140 | Mar. 8, 1935 |
| | S. B. 476 | May 10, 1935 |
| North Dakota | S. B. 128 | Mar. 2, 1935 |
| Ohio | S. B. 113 | Dec. 7, 1934 |
| | S. B. 4 | June 29, 1934 |
| Oklahoma | H. B. 12 | Jan. 25, 1935 |
| Oregon | H. B. 414 | Mar. 4, 1935 |
| | S. B. 136 | Mar. 6, 1935 |
| | S. B. 351 | Mar. 11, 1935 |
| Pennsylvania | H. F. 1608 | June 10, 1935 |
| | H. F. 473 | July 2, 1935 |
| | H. F. 2318 | Do. |
| | H. F. 2537 | July 12, 1935 |
| Rhode Island | S. 15 | Jan. 18, 1935 |
| | S. 315 | Apr. 21, 1936 |
| South Carolina | S. 144 | Mar. 8, 1935 |
| | S. 137 | Apr. 6, 1935 |
| South Dakota | H. B. 23 | Feb. 7, 1935 |
| Tennessee | H. B. 578 | Apr. 12, 1935 |
| | H. B. 580 | Apr. 20, 1935 |
| | H. B. 582 | Do. |
| | H. B. 581 | Do. |
| Texas | S. B. 91, 92, 93, 94, 95, 96, 98, and 99 | Jan. 31, 1935 |
| | S. B. 97 | Apr. 6, 1935 |
| | H. B. 711 | May 13, 1935 |
| Utah | H. B. 170 | Mar. 2, 1935 |
| Vermont | S. 54 | Mar. 29, 1935 |
| Virginia | S. B. 1 | Feb. 4, 1936 |
| | H. B. 85 | Feb. 29, 1936 |
| | S. B. 158 | Mar. 5, 1936 |
| | H. B. 80 | Do. |
| | H. B. 160 | Mar. 14, 1936 |
| Washington | H. B. 68, 69, 86, and 87 | Feb. 18, 1935 |
| | S. B. 76 | Mar. 23, 1935 |
| West Virginia | H. B. 280 | Mar. 4, 1935 |
| Wisconsin | S. 243 | Apr. 27, 1935 |
| Wyoming | S. F. 9 | Feb. 19, 1935 |