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Volume Title: Federal Lending: Its Growth and Impact

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Volume Publisher: NBER

Volume ISBN: 0-87014-372-7

Volume URL: <http://www.nber.org/books/saul57-1>

Publication Date: 1957

Chapter Title: Relative Importance of Federal Lending

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Chapter URL: <http://www.nber.org/chapters/c2715>

Chapter pages in book: (p. 10 - 21)

in 1932 to \$2.1 billion at the close of 1935 (additional to \$0.8 billion outstanding on farm mortgage loans made by the Land Bank Commissioner as a direct agent of the government under emergency powers).

During World War II there was some decrease in total federal credit, both the holdings of federally sponsored agencies such as the Land Banks and those of direct governmental agencies, chiefly due to the agricultural prosperity which permitted farmers to pay off mortgages, and to decreased activity in housing.

After 1945, lending from federally sponsored agencies increased; outstandings totaled \$3.1 billion by 1953. Direct federal lending also increased substantially. Commodity Credit Corporation loans for farm price support at no time have been more than a small part of total government credit, but in some years have been important in the total of federal credit to agriculture. They increased rapidly in the late 1930's, decreased sharply during the war to a record low in 1946 and shot up again beginning in 1947.

The most spectacular postwar increase has been in federal insurance and guarantee commitments on privately made loans. These did not exist before 1934, but now dominate the entire picture of government credit activities. The amounts underwritten have risen continually, with only a slight dip at the end of World War II, from \$1 billion in the middle thirties to \$19 billion in 1950 and about \$30 billion at the end of 1953.

In short, the postwar record (1946 through 1953) shows slow but steady increase in outstanding loans of federally sponsored agencies, an even stronger rise in loans of federal agencies, and a continued sharp rise in the curve of federal insurance and guarantees.

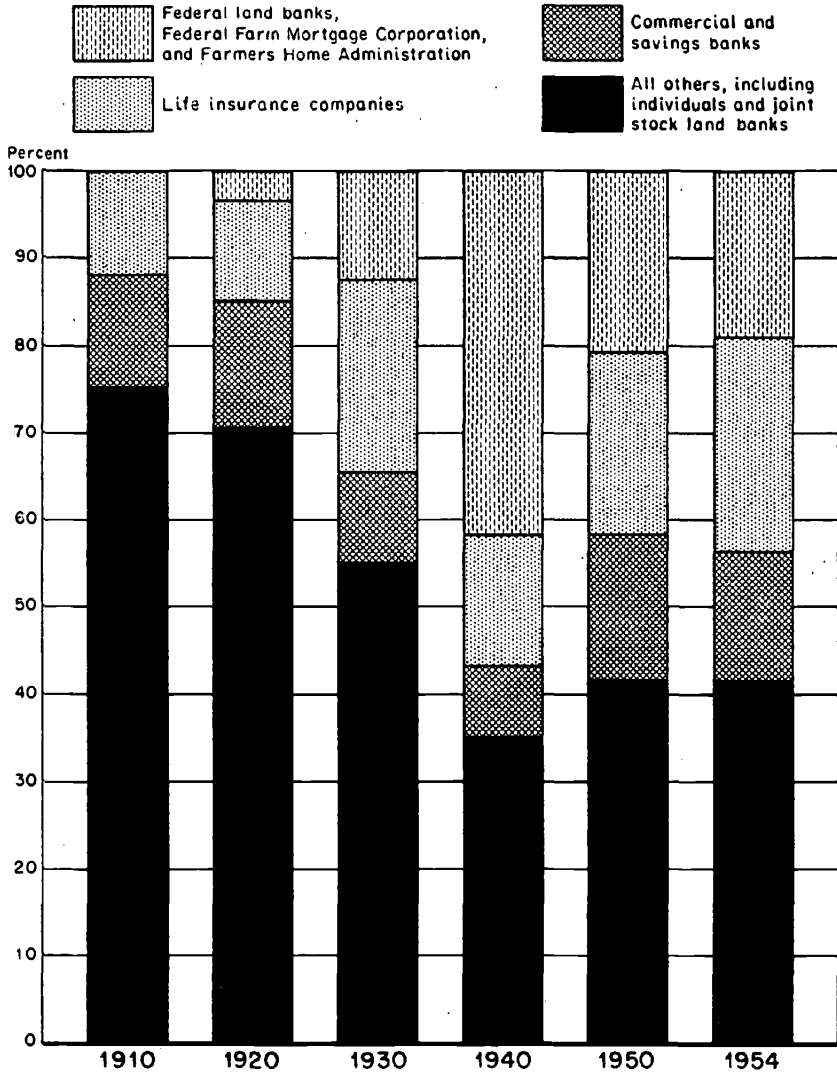
### *Relative Importance of Federal Lending*

Compared to total net debt of the nation (the net amount owed by individuals, business, state and local governments), federal lending reached a high of 7 per cent in 1940. (Here only direct loans, and not loan guarantees or insurance, enter the comparison.) In 1920 it was 1.2 per cent, and in 1950, 5.4 per cent. The recent decline is due, not to a shrinkage of federal credit, but to the relatively more rapid growth of private lending.

Detailed observations show significant differences in the importance of federal credit in various sectors of the economy. In lending to agriculture and to private financial institutions, the federal government has been an

## CHART 2

### Distribution of Farm Mortgage Debt among Principal Public and Private Lenders, Selected Years, 1910-1954



Data as of January 1 each year, from *Agricultural Finance Review* (Department of Agriculture, Agricultural Research Service), Vol. 17, November 1954, Table 1, p. 83.

**TABLE 3**  
**Farm Mortgage Holdings of the Principal Public and Private Lenders, 1909-1953**  
*(in thousands)*

| END OF<br>YEAR | Total <sup>a</sup> | Farmers               |  |                              |  |                                |  |                                |
|----------------|--------------------|-----------------------|--|------------------------------|--|--------------------------------|--|--------------------------------|
|                |                    | Federal<br>Land Banks | Federal Farm<br>Mortgage<br>Corporation <sup>b</sup> | Home<br>Adminis-<br>trations | Joint Stock<br>Land Banks <sup>d</sup> | Individuals &<br>Miscellaneous | Banks &<br>Trust<br>Companies <sup>e</sup> | Life<br>Insurance<br>Companies |
| 1909           | \$ 3,207,863       | ..                    | ..   | ..                           | ..                                     | \$2,414,654                    | \$ 406,248                                 | \$ 386,961                     |
| 1910           | 3,522,121          | ..                    | ..   | ..                           | ..                                     | 2,621,099                      | 477,568                                    | 423,454                        |
| 1911           | 3,929,758          | ..                    | ..   | ..                           | ..                                     | 2,869,805                      | 580,300                                    | 479,653                        |
| 1912           | 4,347,679          | ..                    | ..   | ..                           | ..                                     | 3,123,769                      | 673,752                                    | 550,158                        |
| 1913           | 4,707,358          | ..                    | ..   | ..                           | ..                                     | 3,386,109                      | 723,787                                    | 597,462                        |
| 1914           | 4,990,785          | ..                    | ..   | ..                           | ..                                     | 3,574,690                      | 746,111                                    | 669,984                        |
| 1915           | 5,256,425          | ..                    | ..   | ..                           | ..                                     | 3,714,585                      | 776,269                                    | 765,571                        |
| 1916           | 5,825,851          | ..                    | ..   | ..                           | ..                                     | 4,030,717                      | 933,990                                    | 861,144                        |
| 1917           | 6,536,860          | \$ 39,112             | ..   | ..                           | \$ 1,888                               | 4,531,777                      | 1,008,492                                  | 955,591                        |
| 1918           | 7,137,365          | 156,214               | ..   | ..                           | 8,384                                  | 4,924,364                      | 1,030,240                                  | 1,018,163                      |
| 1919           | 8,448,772          | 293,595               | ..   | ..                           | 60,038                                 | 5,915,930                      | 1,204,383                                  | 974,826                        |
| 1920           | 10,221,126         | 349,679               | ..   | ..                           | 77,959                                 | 7,140,227                      | 1,447,483                                  | 1,205,778                      |
| 1921           | 10,702,257         | 432,523               | ..   | ..                           | 85,017                                 | 7,212,345                      | 1,540,005                                  | 1,432,367                      |
| 1922           | 10,785,621         | 639,486               | ..   | ..                           | 218,775                                | 6,864,690                      | 1,506,467                                  | 1,556,203                      |
| 1923           | 10,664,919         | 797,785               | ..   | ..                           | 392,639                                | 6,294,244                      | 1,388,106                                  | 1,792,145                      |
| 1924           | 9,912,650          | 923,077               | ..   | ..                           | 446,429                                | 5,400,064                      | 1,200,456                                  | 1,942,624                      |
| 1925           | 9,713,213          | 998,552               | ..   | ..                           | 545,559                                | 4,960,341                      | 1,178,460                                  | 2,030,301                      |
| 1926           | 9,658,422          | 1,068,642             | ..   | ..                           | 632,476                                | 4,690,045                      | 1,143,595                                  | 2,123,664                      |
| 1927           | 9,756,957          | 1,144,984             | ..   | ..                           | 669,798                                | 4,672,227                      | 1,097,085                                  | 2,172,863                      |
| 1928           | 9,756,559          | 1,182,813             | ..   | ..                           | 656,516                                | 4,731,626                      | 1,046,624                                  | 2,138,980                      |
| 1929           | 9,630,768          | 1,201,732             | ..   | ..                           | 637,789                                | 4,675,340                      | 997,468                                    | 2,118,439                      |
| 1930           | 9,398,088          | 1,197,063             | ..   | ..                           | 605,858                                | 4,561,244                      | 946,876                                    | 2,087,047                      |
| 1931           | 9,093,983          | 1,180,992             | ..   | ..                           | 552,180                                | 4,384,062                      | 940,135                                    | 2,036,614                      |
| 1932           | 8,466,418          | 1,147,014             | ..   | ..                           | 474,954                                | 4,057,049                      | 889,083                                    | 1,898,318                      |
| 1933           | 7,685,203          | 1,257,825             | \$ 70,738  | ..                           | 412,346                                | 3,535,644                      | 710,863                                    | 1,697,787                      |
| 1934           | 7,584,459          | 1,947,442             | 616,737  | ..                           | 277,020                                | 2,942,856                      | 498,842                                    | 1,301,562                      |

|      |           |           |         |         |           |           |           |
|------|-----------|-----------|---------|---------|-----------|-----------|-----------|
| 1935 | 7,422,701 | 2,113,502 | 794,147 | 200,617 | 2,714,641 | 487,505   | 1,112,289 |
| 1936 | 7,153,963 | 2,147,768 | 841,251 | 162,786 | 2,499,009 | 487,534   | 1,015,615 |
| 1937 | 6,954,884 | 2,126,610 | 824,151 | 133,554 | 2,380,562 | 501,450   | 988,557   |
| 1938 | 6,779,318 | 2,088,478 | 774,377 | 114,992 | 2,289,038 | 519,276   | 982,939   |
| 1939 | 6,586,399 | 2,009,820 | 713,290 | 91,726  | 2,221,176 | 534,170   | 984,290   |
| 1940 | 6,493,327 | 1,957,184 | 685,149 | 65,294  | 2,152,558 | 543,408   | 1,016,479 |
| 1941 | 6,376,080 | 1,880,784 | 634,885 | 114,533 | 2,091,581 | 535,212   | 1,063,166 |
| 1942 | 5,956,458 | 1,718,240 | 543,895 | 157,463 | 1,980,230 | 476,676   | 1,042,939 |
| 1943 | 5,395,671 | 1,452,886 | 429,751 | 171,763 | 1,896,080 | 448,433   | 986,661   |
| 1944 | 4,940,915 | 1,209,676 | 347,307 | 193,377 | 1,797,243 | 449,582   | 938,275   |
| 1945 | 4,760,464 | 1,078,952 | 239,365 | 181,861 | 1,588,517 | 507,298   | 891,263   |
| 1946 | 4,896,970 | 976,748   | 146,621 | 189,300 | 2,010,766 | 683,229   | 888,665   |
| 1947 | 5,064,245 | 888,933   | 107,066 | 195,069 | 2,072,170 | 840,647   | 959,715   |
| 1948 | 5,288,331 | 868,156   | 77,920  | 188,893 | 2,215,674 | 900,843   | 1,036,383 |
| 1949 | 5,579,278 | 906,077   | 58,650  | 188,855 | 2,315,956 | 937,144   | 1,172,326 |
| 1950 | 6,071,345 | 947,431   | 44,008  | 214,047 | 2,501,734 | 1,008,359 | 1,355,766 |
| 1951 | 6,588,270 | 994,128   | 32,778  | 233,374 | 2,740,026 | 1,046,923 | 1,541,041 |
| 1952 | 7,154,038 | 1,071,358 | 23,899  | 257,936 | 2,980,585 | 1,105,096 | 1,715,164 |
| 1953 | 7,656,186 | 1,169,418 | 17,628  | 268,060 | 3,177,223 | 1,131,214 | 1,892,643 |

From *Agricultural Statistics, 1952* (Department of Agriculture), Table 727, p. 721, and *Agricultural Finance Review* (Agricultural Research Service), Vol. 17, November 1954, Table 1, p. 83. U.S. possessions not included.

<sup>a</sup>Data for federal land banks, Federal Farm Mortgage Corporation, joint stock land banks and life insurance companies in 1929-1953 include regular mortgages, purchase-money mortgages, and sales contracts; before 1929, regular mortgages only. Federal land banks and FFMC mortgages in process of foreclosure were estimated for 1950 and 1951.

<sup>b</sup>Loans held by the Federal Farm Mortgage Corporation were made on its behalf by the Land Bank Commissioner. Authority to make new loans expired July 1, 1947.

<sup>c</sup>Before 1941, covers tenant purchase loans only. Beginning with 1941, also includes farm development (special real estate) loans; beginning with 1943, farm enlargement loans; beginning with 1944, project liquidation loans; and beginning with 1950, farm housing loans. Loans made for these purposes from state corporation trust funds are also included. Loans insured by Farmers Home Administration are not included.

<sup>d</sup>Liquidation of the joint stock land banks began May 12, 1933, and was completed April 26, 1951. Data for banks in receivership are also included.

<sup>e</sup>Data for 1934-1946 refer to insured commercial banks, before 1934, to open state and national banks and from 1947 to date, to all operating commercial and savings banks.

important factor compared with private lenders. For business, for minor governmental units, and for urban housing, outright federal lending has been minor in size compared with private financing.

In *agriculture*, federal credit became a major factor, though it has declined in relative importance since 1940. In that year, the holdings of federal and federally sponsored agencies exceeded those of private institutional lending agencies — the ratio was higher than 3 to 2. In 1950, federal loans to agriculture outstanding were about \$4 billion; private institutional loans about \$4.9 billion.

Taking farm mortgage loans alone, federal and federally sponsored agencies held 19 per cent of the total outstanding debt (\$7.7 billion) at the beginning of 1954, whereas they had held more than 40 per cent in 1940 (Chart 2 and Table 3). This reduction of the federal share was due both to a decline in federal holdings and to increased private lending on farm mortgages. Interesting regional differences were discovered. In 1954 federal lending was most important in Alabama, Mississippi, and Louisiana, accounting for 32 per cent of the farm mortgage debt (Table 4). It was also important in other southern areas and the Great Plains; less important in New England; and least significant in the southern part of the Far West, where it represented about 11 per cent of the total farm mortgage debt.

In short-term, non-real-estate farm credits (such as crop loans), federal support was not significant up to the end of 1929 — only about 2 per cent of the total. But after the introduction of emergency relief programs in 1932 and 1933, expansion of the disaster loan programs, and creation of production credit associations and the Commodity Credit Corporation, credit supplied directly by federal and federally sponsored agencies represented 30 per cent of the total by January 1935. Two years later, federal credit amounted to over 50 per cent of the total outstanding. Subsequently, the publicly held share of short-term credits declined to 27 per cent (in January 1954), but with another 28 per cent federally protected (through CCC guarantees of bank loans).

The important role of federal credit in financing cooperatives, both for marketing crops and for rural electrification, is also shown in the study.

Altogether, the authors conclude, "federal lending in the agricultural sector has tended since the thirties to approach and even surpass the amounts advanced by private lending institutions." Competition between private and federal finance has been sharpest in this sector of the economy.

In *private business*, government loans have been comparatively unimportant quantitatively. They amounted to only 2.8 per cent of the volume

TABLE 4

Distribution of Farm Mortgage Debt as of January 1, 1954  
among Principal Public and Private Lenders,  
by Farm Credit District

| FARM<br>CREDIT<br>DISTRICT <sup>a</sup> | Federal and<br>Federalty<br>Sponsored<br>Agencies <sup>b</sup> | Life<br>Insurance<br>Companies | All<br>Operating<br>Banks | Others <sup>c</sup> |
|---|--|--------------------------------|---------------------------|---------------------|
| Springfield                             | 15.6%  | 6.8%                           | 21.5%                     | 56.1%               |
| Baltimore                               | 12.4   | 7.2                            | 32.0                      | 48.4                |
| Columbia                                | 21.9   | 16.4                           | 15.6                      | 46.1                |
| Louisville                              | 12.7   | 23.2                           | 27.6                      | 36.5                |
| New Orleans                             | 32.3   | 19.5                           | 15.1                      | 33.1                |
| St. Louis                               | 20.1   | 38.4                           | 14.5                      | 27.0                |
| St. Paul                                | 19.6   | 14.0                           | 17.4                      | 49.0                |
| Omaha                                   | 24.8   | 42.3                           | 8.2                       | 24.7                |
| Wichita                                 | 19.3   | 36.3                           | 6.4                       | 38.0                |
| Houston                                 | 25.3   | 42.2                           | 5.5                       | 27.0                |
| Berkeley                                | 11.1   | 15.9                           | 12.1                      | 60.9                |
| Spokane                                 | 18.8   | 20.2                           | 5.9                       | 55.1                |

Computed from data in *Agricultural Finance Review* (Department of Agriculture, Agricultural Research Service), Vol. 17, November 1954, Table 3, p. 84. Bank loans are classified according to location of bank and are not strictly comparable with the data for other lenders, where the classification is by location of mortgaged farms.

<sup>a</sup>States included in the farm credit districts are as follows: *Springfield* — Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, and New Jersey; *Baltimore* — Pennsylvania, Maryland and the District of Columbia, Delaware, Virginia, and West Virginia; *Columbia* — North and South Carolina, Georgia, and Florida; *Louisville* — Indiana, Ohio, Kentucky, and Tennessee; *New Orleans* — Alabama, Mississippi, and Louisiana; *St. Louis* — Illinois, Missouri, and Arkansas; *St. Paul* — Michigan, Wisconsin, Minnesota, and North Dakota; *Omaha* — Iowa, Nebraska, South Dakota, and Wyoming; *Wichita* — Kansas, Oklahoma, Colorado, and New Mexico; *Houston* — Texas; *Berkeley* — Utah, Arizona, Nevada, and California; *Spokane* — Montana, Idaho, Washington, and Oregon.

<sup>b</sup>Covers the federal land banks, the Federal Farm Mortgage Corporation, and the Farmers Home Administration.

<sup>c</sup>Refers to individuals and miscellaneous institutions.

of loans held by private financial institutions in 1920, shrank to 0.4 per cent in 1930, and thereafter increased steadily to about 5 per cent in 1950. Tables 5 and 6 show similarly small percentage ratios of federal credit to total net business debt outstanding and to net corporate debt.

**TABLE 5**  
**Outstanding Amounts of Federally Supplied Credit to Business**  
**as Percentages of Outstanding Net Business Debt,**  
**1929-1953**  
*(dollar figures in billions)*

| END OF<br>YEAR | NET BUSINESS<br>DEBT <sup>a</sup> | FEDERAL CREDIT AS % OF NET BUSINESS DEBT |  |
|----------------|-----------------------------------|--|--|
|                |                                   | <i>Direct Loans<sup>b</sup></i>          | <i>Direct Loans, Loan<br/>Insurance and<br/>Guarantees<sup>c</sup></i> |
| 1929           | \$111                             | 0.1%                                     | 0.1%   |
| 1930           | 112                               | 0.1                                      | 0.1  |
| 1931           | 104                               | 0.1                                      | 0.1  |
| 1932           | 96                                | 0.5                                      | 0.5  |
| 1933           | 90                                | 0.6                                      | 0.6  |
| 1934           | 87                                | 0.8                                      | 0.8  |
| 1935           | 85                                | 0.9                                      | 0.9  |
| 1936           | 85                                | 0.8                                      | 0.8  |
| 1937           | 85                                | 0.8                                      | 0.8  |
| 1938           | 82                                | 0.9                                      | 0.9  |
| 1939           | 81                                | 0.9                                      | 1.0  |
| 1940           | 81                                | 1.1                                      | 1.1  |
| 1941           | 84                                | 1.1                                      | 1.1  |
| 1942           | 81                                | 1.4                                      | 2.3  |
| 1943           | 81                                | 1.5                                      | 3.6  |
| 1944           | 82                                | 1.4                                      | 3.3  |
| 1945           | 83                                | 1.1                                      | 1.8  |
| 1946           | 89                                | 2.0                                      | 2.5  |
| 1947           | 101                               | 2.6                                      | 2.9  |
| 1948           | 110                               | 2.8                                      | 3.1  |
| 1949           | 115                               | 2.8                                      | 3.0  |
| 1950           | 132                               | 2.4                                      | 2.6  |
| 1951           | 147                               | 2.3                                      | 2.8  |
| 1952           | 161                               | 2.2                                      | 2.7  |
| 1953           | 169                               | 2.2                                      | 2.7  |

Outstanding amounts of federally supplied credit are from *Federal Lending*, Table A-5, and outstanding net business debt was estimated from the *Survey of Current Business* (Department of Commerce), September 1953, pp. 17-19, and the October 1954 issue, pp. 18 and 19.

<sup>a</sup>Refers to net corporate long-term debt (excluding home mortgages), net corporate notes and accounts payable, and nonfarm debt owed by individual and noncorporate borrowers, other than consumer installment debt and mortgage debt on one- to four-family homes. Current estimates of total residential and commercial nonfarm mortgage debt of corporate borrowers were reduced by the yearly percentage relationship between home mortgage and total mortgage debt owed by corporations as shown by data published in the July 1944 and September 1945 issues of the *Survey*.

<sup>b</sup>Covers outstandings on direct loans made by the Director General of the Railroads



The absolute figure of federal loans to business outstanding in 1950 was not far below the loans to agriculture, being \$3.2 billion (Table 2). But during the past twenty years hardly more than 280,000 firms — say 5 per cent of all business enterprises — are estimated to have borrowed money from federal sources.

In *housing*, although direct federal credit has not been a large part of the total, loan insurance and guarantees have been of great importance. From the end of World War II through 1953, about two-fifths of the new homes built were financed with federally protected loans; and for multi-unit residences the proportion was about two-thirds through 1951, dropping to one-fourth in 1953 (Table 7). Dollarwise, federally underwritten loans accounted for about 30 per cent of home mortgage recordings \$20,000 and under, including transfers of existing homes as well as construction of new ones. In all years since 1939, FFHA insured loans for home modernization and repairs have accounted for at least 40 per cent of the total; in some years much more.

As the authors put it: "It is no exaggeration . . . to say that at the present time the insured or guaranteed loan plays a leading role in the mortgage financing of residential properties and that through these government programs the entire structure of housing credit has been brought under federal influence."

Assistance to *minor government units*, including states, was small compared to private credit extended to such agencies: about 7 per cent in 1940 and about 4½ per cent in 1950.

Federal help to *private financial institutions*, such as Federal Home Loan Bank advances to savings and loan associations and Reconstruction Finance Corporation credit to banks had been small in absolute figures but much greater than private credit to these institutions. (As noted earlier, Federal Reserve Bank lending to member banks was excluded from this study.)

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and the Interstate Commerce Commission, the Maritime Administration and its predecessors, the War Finance Corporation, the Reconstruction Finance Corporation, the Public Works Administration, the Export-Import Bank of Washington, the Smaller War Plants Corporation, the Departments of Army and Navy, the Housing and Home Finance Agency, and the Virgin Islands Corporation, and by the federally sponsored Federal Reserve Banks.

°In addition to the outstandings on loans made by agencies listed in note b, this series includes outstanding commitments of the RFC for deferred participations, and the outstanding amounts of guarantees or insurance on loans guaranteed or insured by the Maritime Administration and the Veterans' Administration or under the World War II Regulation V and the Defense Production Act of 1950 loan guarantee programs.

TABLE 6

Outstanding Amounts of Federal Loans and Loan Guarantees to Business, of Life Insurance Company Business Investments, of Commercial Bank Business Loans and Securities, and Net Corporate Debt, 1918-1953

(dollar figures in millions)

| END OF YEAR | NET CORPORATE DEBT <sup>a</sup> | OUTSTANDING BUSINESS LOANS OR INVESTMENTS |                          |                               | AS PERCENTAGES OF NET CORPORATE DEBT |                          |                  |
|-------------|---------------------------------|---|--------------------------|-------------------------------|--------------------------------------|--------------------------|------------------|
|             |                                 | Federal Agencies <sup>b</sup>             | Life Insurance Companies | Commercial Banks <sup>c</sup> | Federal Agencies                     | Life Insurance Companies | Commercial Banks |
| 1918        | \$ 47,000                       | \$ 30                                     | \$ 2,039                 | \$13,900                      | 0.1%                                 | 4.3%                     | 29.6%            |
| 1919        | 53,300                          | 94  | 2,044                    | 16,400                        | 0.2                                  | 3.8                      | 30.8             |
| 1920        | 57,700                          | 680                                       | 2,024                    | 18,500                        | 1.2                                  | 3.5                      | 32.1             |
| 1921        | 57,000                          | 740                                       | 2,030                    | 17,400                        | 1.3                                  | 3.6                      | 30.5             |
| 1922        | 58,600                          | 506                                       | 2,189                    | 17,700                        | 0.9                                  | 3.7                      | 30.2             |
| 1923        | 62,600                          | 508                                       | 2,408                    | 18,900                        | 0.8                                  | 3.8                      | 30.2             |
| 1924        | 67,200                          | 442                                       | 2,747                    | 19,800                        | 0.7                                  | 4.1                      | 29.5             |
| 1925        | 72,700                          | 353                                       | 3,103                    | 20,900                        | 0.5                                  | 4.3                      | 28.7             |
| 1926        | 76,200                          | 321                                       | 3,565                    | 21,600                        | 0.4                                  | 4.7                      | 28.3             |
| 1927        | 81,200                          | 204                                       | 4,043                    | 22,100                        | 0.3                                  | 5.0                      | 27.2             |
| 1928        | 86,100                          | 113                                       | 4,642                    | 21,800                        | 0.1                                  | 5.4                      | 25.3             |
| 1929        | 88,900                          | 120                                       | 4,995                    | 20,700                        | 0.1                                  | 5.6                      | 23.3             |
| 1930        | 89,300                          | 125                                       | 5,448                    | 19,500                        | 0.1                                  | 6.1                      | 21.8             |
| 1931        | 83,500                          | 140                                       | 5,663                    | 16,300                        | 0.2                                  | 6.8                      | 19.5             |
| 1932        | 80,000                          | 450                                       | 5,580                    | 12,000                        | 0.6                                  | 7.0                      | 15.0             |
| 1933        | 76,900                          | 533                                       | 5,388                    | 9,800                         | 0.7                                  | 7.0                      | 12.7             |
| 1934        | 75,500                          | 704                                       | 5,510                    | 9,800                         | 0.9                                  | 7.3                      | 13.0             |
| 1935        | 74,800                          | 773                                       | 5,897                    | 10,600                        | 1.0                                  | 7.9                      | 14.2             |
| 1936        | 76,100                          | 646                                       | 6,593                    | 12,000                        | 0.8                                  | 8.7                      | 15.8             |
| 1937        | 75,800                          | 642                                       | 7,111                    | 12,200                        | 0.8                                  | 9.4                      | 16.1             |
| 1938        | 73,300                          | 762                                       | 7,895                    | 10,800                        | 1.0                                  | 10.8                     | 14.7             |
| 1939        | 73,500                          | 815                                       | 8,538                    | 10,300                        | 1.1                                  | 11.6                     | 14.0             |

|      |         |       |        |        |     |      |      |
|------|---------|-------|--------|--------|-----|------|------|
| 1940 | 75,600  | 886   | 9,250  | 11,100 | 1.2 | 12.2 | 14.7 |
| 1941 | 83,400  | 950   | 10,174 | 13,200 | 1.1 | 12.2 | 15.8 |
| 1942 | 91,600  | 1,823 | 10,315 | 11,800 | 2.0 | 11.3 | 12.9 |
| 1943 | 95,500  | 2,885 | 10,494 | 11,900 | 3.0 | 11.0 | 12.5 |
| 1944 | 94,100  | 2,711 | 10,715 | 12,900 | 2.9 | 11.4 | 13.7 |
| 1945 | 85,300  | 1,456 | 11,059 | 15,800 | 1.7 | 13.0 | 18.5 |
| 1946 | 93,500  | 2,191 | 13,024 | 19,100 | 2.3 | 13.9 | 20.4 |
| 1947 | 108,900 | 2,964 | 16,144 | 22,400 | 2.7 | 14.8 | 20.6 |
| 1948 | 117,800 | 3,402 | 20,322 | 23,500 | 2.9 | 17.3 | 19.9 |
| 1949 | 118,000 | 3,490 | 23,179 | 22,200 | 3.0 | 19.6 | 18.8 |
| 1950 | 142,100 | 3,393 | 25,403 | 27,700 | 2.4 | 17.9 | 19.5 |
| 1951 | 163,600 | 4,061 | 28,204 | 31,300 | 2.5 | 17.2 | 19.1 |
| 1952 | 171,700 | 4,410 | 31,646 | 28,500 | 2.6 | 18.4 | 16.6 |
| 1953 | 179,400 | 4,522 | 34,570 | 33,100 | 2.5 | 19.3 | 18.5 |

<sup>a</sup>Net corporate debt (both long- and short-term) as defined by the Department of Commerce, from *Survey of Current Business*, September 1953, Table 1, p. 14, and October 1954, Table 1, p. 14.

<sup>b</sup>Refers to direct loans and loan guarantees and insurance by federal agencies and direct loans to business by the Federal Reserve Banks. Data are from *Federal Lending*, Table A-5.

<sup>c</sup>Represents investment of all United States life insurance companies in business and industrial bonds and stocks, from *Life Insurance Fact Book 1954* (Institute of Life Insurance), p. 67.

<sup>d</sup>Data for 1918-1941 were estimated by inflating National Bureau of Economic Research estimates of national bank business loan and security holdings by annual ratios of total assets of national banks to total assets of commercial banks in continental United States and converting midyear figures (1918-1938) to end-of-year figures by linear interpolation. Data for 1942-1953 were compiled from *Annual Reports of the Comptroller of the Currency, Federal Reserve Bulletins*, and *Trends in the Savings and Loan Field, 1953* (Home Loan Bank Board), p. 5, and reflect the following types of loans or securities held by commercial banks in continental United States: commercial and industrial loans (including open market paper), adjusted to exclude loans to savings and loan associations by deduction of "other borrowed money" reported in *Trends*; loans to brokers and dealers in securities; and all bonds, notes, debentures, and securities other than those of the United States government and of state and political subdivisions, with Federal Reserve Bank stock eliminated by deduction of FRB paid-in capital reported in *Federal Reserve Bulletins*.

TABLE 7

Relative Importance of FHA-Insured and of VA-Guaranteed Loans in Nonfarm Residential Construction and Financing, 1935-1953

| YEAR | PERCENTAGE OF DWELLING UNITS IN PRIVATE NONFARM STARTS FINANCED WITH: |       |                                     |                                     | PERCENTAGE DISTRIBUTION OF DOLLAR VOLUME OF NONFARM HOME MORTGAGE RECORDINGS OF \$20,000 OR LESS |                 |              |
|------|---|-------|-------------------------------------|-------------------------------------|--|-----------------|--------------|
|      | VA-Guaranteed Loans <sup>a</sup>                                      |       | FHA-Insured Loans <sup>b</sup>      |                                     | FHA-Insured  | VA-Guaranteed   | Conventional |
|      | 1- and 2-Family Houses  | Total | 1- and 2-Family Houses <sup>d</sup> | Multi-family Dwellings <sup>e</sup> |  |                 |              |
| 1935 | ..  | ..    | 7%                                  | 5%                                  | †  | ..              | †            |
| 1936 | ..  | ..    | 18                                  | 5                                   | †  | ..              | †            |
| 1937 | ..  | ..    | 19                                  | 11                                  | †  | ..              | †            |
| 1938 | ..  | ..    | 32                                  | 19                                  | †  | ..              | †            |
| 1939 | ..  | ..    | 37                                  | 21                                  | 20%  | ..              | 80%          |
| 1940 | ..  | ..    | 37                                  | 9                                   | 19   | ..              | 81           |
| 1941 | ..  | ..    | 38                                  | 10                                  | 19   | ..              | 81           |
| 1942 | ..  | ..    | 56                                  | 46                                  | 25   | ..              | 75           |
| 1943 | ..  | ..    | 76                                  | 98                                  | 20   | ..              | 80           |
| 1944 | ..  | ..    | 65                                  | 89                                  | 15   | ..              | 85           |
| 1945 | 3%  | 3%    | 20                                  | 15                                  | 8  | 3% <sup>g</sup> | 88           |
| 1946 | 14  | 13    | 11                                  | 6                                   | 4  | 22              | 74           |
| 1947 | 27  | 25    | 23                                  | 63                                  | 8  | 28              | 64           |
| 1948 | 13  | 12    | 28                                  | 68                                  | 18   | 16              | 66           |
| 1949 | 13  | 11    | 32                                  | 62                                  | 19   | 12              | 69           |
| 1950 | 17  | 15    | 31                                  | 76                                  | 15   | 19              | 66           |
| 1951 | 16  | 15    | 22                                  | 65                                  | 12   | 22              | 66           |
| 1952 | 14  | 13    | 25                                  | 37                                  | 11   | 15              | 74           |
| 1953 | 16  | 15    | 23                                  | 26                                  | 12   | 16              | 73           |

Compiled from *Housing Statistics*, Housing and Home Finance Agency, January 1954, pp. 24 and 26, the *Sixth Annual Report of the Housing and Home Finance Agency*, 1952, Table 4, p. 221, and *Annual Reports* and specially supplied data of the Federal Housing Administration. The Bureau of Labor Statistics series on total starts divides structures by size into one- and two-family homes, and all others. The VA data, and the FHA data after partial adjustment, have slightly different coverage, as noted under c, d, and e below.

<sup>a</sup>The underlying data were estimated by HHFA on the basis of dwelling units in homes securing first mortgages guaranteed by the VA through 1950; thereafter they represent units in houses meeting VA first compliance inspection.

<sup>b</sup>The underlying data represent dwelling units in houses and housing projects meeting FHA first compliance inspection.

<sup>c</sup>Represents dwelling units in total VA starts as a percentage of units in privately financed one- and two-family houses. However, the proportion of VA guarantees for multifamily structures, being restricted to dwelling units owned and occupied by a veteran, has been very small.

<sup>d</sup>Data were supplied by the FHA and cover units in one- and two-family houses financed under Sections 2, 8, 203, 603, and 903 of the National Housing Act, and in one-family houses financed under Sections 207, 213, 608, 611, 803, and 908. Two-family houses of the project type are excluded for lack of information.

<sup>e</sup>Data were supplied by the FHA and cover three- to four-family houses insured under Sections 203 and 603, and structures of two-family size or larger in rental and cooperative projects insured under Sections 207, 213, 608, 803, and 908.

<sup>f</sup>Not available.

<sup>g</sup>Includes recordings made during 1944.