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CHARACTERISTICS OF OUTSTANDING MORTGAGES

DIFFERENCES among the various types of institutional lender are reflected also by the characteristics of the loans in their portfolios. At the time the National Bureau undertook its studies of urban mortgage lending, the lack of anything but very fragmentary information on the types of loans held by different lending agencies made it impossible to give an adequate account of such differences. In order to overcome the deficiency, a sample of urban real estate loans was drawn in 1947 from the files of selected life insurance companies, commercial banks, and savings and loan associations.[1] For each of the sampled loans, data were transcribed on the salient characteristics of the property being financed and the loan contract entailed.

The general dimensions of the survey, which included both active and inactive loans, were as follows:[2] Of the 300 or so life insurance companies then existing, whose aggregate mortgage holdings were concentrated among a small number of large companies, 24 of the large lending institutions—accounting for roughly two-thirds of the entire urban mortgage debt held by all companies at the end of 1944—furnished a one percent sample, which produced information on approximately 9,000 mortgage loans. Commercial banks and savings and loan associations of all sizes were included in the sample. Ultimately 170 commercial banks, representing about one-third of the commercial banks' total nonfarm mortgage portfolio as of mid-1945, and 202 savings and loan associations, holding an estimated one-fourth or more of the corresponding mortgage debt, responded to the canvass and together produced a total of 15,000 loan cards.

Of about 24,000 loans reported in all, nearly 11,000 were outstand-

[1] Mutual savings banks were excluded because they were under study elsewhere.

For a detailed description of the designing of the sample, and an appraisal of the results, see Appendix A.

[2] The loans have been analyzed separately for the different lenders by R. J. Saulnier in *Urban Mortgage Lending by Life Insurance Companies*, by Carl F. Behrens in *Commercial Bank Activities in Urban Mortgage Financing* (National Bureau of Economic Research, Financial Research Program, 1950 and 1952 respectively), and by Edward E. Edwards in "Urban Real Estate Financing by Savings and Loan Associations" (*id.*, mimeo., December 1950).

ing at the survey date.[3] The different lenders contributed to the current loan sample approximately as follows: life insurance companies, 3,400 loans; commercial banks, 4,600; savings and loan associations, 3,000.

While these materials make possible a more detailed description of the loans held by different types of institutional lender than could ever before be given, the sample is subject to certain very definite and important weaknesses. In the first place, the response to the National Bureau's inquiry, especially by small commercial banks and savings and loan associations, was deficient. Even after several follow-up efforts the deficiency could not be removed. Therefore the sample estimates are subject to a nonresponse bias of unknown magnitude. The seriousness of the nonresponse factor is moderated somewhat by the fact that the characteristics of the loans held by small institutions, where nonresponse was heaviest, appear to be somewhat more uniform than for the sample as a whole. Yet despite this favorable circumstance differences in the distributions shown in the various tables must be interpreted with caution. Accordingly, attention is called in the text only to those features of the tabulations which are so pronounced as hardly to be affected by the bias of nonresponse.

Second, it should be remembered that among the large commercial banks the portfolio of a single west coast lender is of such overwhelming magnitude as to affect heavily the total of the group.

Third, throughout this chapter and the next, one of the major shortcomings of the interpretation, and perhaps more generally of the historical approach, is the difficulty of disentangling the joint effect simultaneously exerted by the many factors affecting mortgage behavior. As so frequently happens, when controlled experiment is impractical reliance must be placed on the analysis of past experience. Only rarely, however, does past experience provide information in such a form that the separate effects of a number of concurrent forces can feasibly be brought under observation. When provision of evidence must be left to the "historical accident" of the mortgage market, the number of cases that would fall in the many cells required by even a modest four-way table could hardly be expected to yield statistically valid results unless a sample of forbidding size

[3] For brevity, 1947 will be given as the date of report, in both text and tables. Life insurance companies reported as of the end of 1946; returns from commercial banks came chiefly in mid-1947 and from savings and loan associations chiefly in the fall of 1947, in both cases continuing into early 1948.

were drawn. This is an additional reason why the subsequent data should be considered as suggestive at best, and certainly not as conclusive.

Type of Property

In terms of the number of mortgages involved, the single most important type of property on which mortgages were held by the various lenders in 1947 was the one- to four-family home (Table 27).

TABLE 27
Distribution of Nonfarm Mortgage Loans Outstanding 1947, by Type of Property

Type of Property	*Life Insurance Companies*	*Commercial Banks*	*Savings and Loan Associations*
		Number of Loans	
1- to 4-Family Homes	*91%*	*89%*	*97%*
1-family	86	80	84
2- to 4-family	5	7	12
1- to 4-family with business use	[a]	2	1
All Other Property	9	*11*	3
Apartments	5	3	1
Stores	3	3	[a]
Other[b]	1	5	2
Total	100%	100%	100%
		Amount Outstanding	
1- to 4-Family Homes	*44%*	*64%*	*94%*
1-family	40	56	78
2- to 4-family	3	6	15
1- to 4-family with business use	[a]	3	1
All Other Property	*56*	*36*	*6*
Apartments	35	7	2
Stores	13	7	[a]
Other[b]	8	22	4
Total	100%	100%	100%

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see text shortly preceding.

[a] Less than 0.5 percent.

[b] Includes office buildings, institutions, and industrial, miscellaneous, and unclassified properties. Also includes a few farm properties for savings and loan associations.

Nine-tenths of all urban real estate loans held by life insurance companies and commercial banks at that time, and 97 percent of those held by savings and loan associations, were secured by small residential properties. Nearly all of the home mortgage loans held

by life insurance companies were secured by single family homes, but commercial banks and especially savings and loan associations also held significant percentages of their portfolios in loans secured by two- to four-family residences. Loans on one- to four-family homes with business use, though of negligible importance to all lenders, were found most often in the portfolios of commercial banks; loans on apartments were held most frequently by life insurance companies. In any case, loans on all residential properties, including apartments and properties with only incidental business use, accounted for about 95 percent of the loans in the portfolios of each of the lenders.

Investment in income-producing properties—that is, in all property except one- to four-family residences—was heaviest for life insurance companies; and for them, investment within the category of income-producing properties was heaviest in residential buildings. Commercial banks (and this was particularly true of the medium-sized and small ones) also held substantial portions of their urban real estate investment in the form of loans on income-producing properties; unlike insurance companies, however, they specialized in nonresidential properties—industrial structures, office buildings, and the like.

A comparison of the number of loans with amounts outstanding reveals that the investments of life insurance companies in loans secured by income-producing properties consisted primarily of loans of relatively large outstanding balances. Apartment house loans, for example, accounted for only one-twentieth of the number of loans held by insurance companies but for more than one-third of their outstanding balances. On the other hand, apartment loans were almost as unimportant for savings and loan associations in amount as in number.

Loans secured by stores and by industrial and related properties show a similar pattern of differences among the principal institutional lenders. Such loans comprised only about one-twenty-fifth of the number of loans held by life insurance companies, but over one-fifth of the amount outstanding. The comparable measures for commercial banks are 8 percent and nearly 30 percent.[4] Savings and loan associations held few such loans and these were of relatively small size.

[4] The percentages for commercial bank loans in Table 27 and other tables of this chapter sometimes differ slightly from those given by Behrens (*op. cit.*) because of the adjustment for nonresponse described in Appendix A (page 137).

In summary, savings and loan associations were most narrowly specialized in terms of the major types of property securing their loans, and life insurance companies were the most diversified. Life insurance companies were particularly interested in large income-producing properties; commercial banks were the most active lenders on small and middle-sized income-producing properties; and savings and loan associations were interested almost exclusively in small residential properties.

Insurance Status

Over nine-tenths of the mortgages on income-producing properties held by each of the three types of institution, and from about one-half to three-fourths of those secured by one- to four-family homes, were conventionally financed (Table 28). Most of the conventionally financed home mortgages were fully amortized loans—nearly all of

TABLE 28

Insured Loans and Conventional Amortized Loans as Percents of Nonfarm Mortgages Outstanding 1947

	1- TO 4-FAMILY HOMES			ALL OTHER PROPERTY		
TYPE OF LOAN	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*
			Number of Loans			
Insured	*55%*	*45%*	*21%*	*4%*	*9%*	*5%*
FHA	51	23	5	3	1	1
VA	4	22	16	1	7	4
All Conventional	*45*	*55*	*79*	*96*	*91*	*95*
Fully amortized	32	34	78[a]	33	48	94[a]
Partially amortized	8	16	..	56	29	..
Nonamortized	5	5	1	7	14	1
			Amount Outstanding			
Insured	*53%*	*53%*	*32%*	*9%*	*2%*	*3%*
FHA	48	19	6	8	[b]	[b]
VA	5	34	26	[b]	2	3
All Conventional	*47*	*47*	*68*	*91*	*98*	*97*
Fully amortized	36	26	67[a]	17	31	96[a]
Partially amortized	6	17	..	68	51	..
Nonamortized	5	4	1	6	16	1

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4.

[a] Includes the following types of loan: direct reduction, cancel and endorse, and share accumulation plan.

[b] Less than 0.5 percent.

those held by savings and loan associations, approximately seven-tenths of those held by life insurance companies, and six-tenths of those held by commercial banks.

As would be expected, the proportion of fully amortized loans of the conventional type was somewhat smaller among loans secured by income-producing properties than among those secured by homes: about one-third for life insurance companies and over one-half for commercial banks (though much higher for savings and loan associations, where the amount involved was very small). Adding to these the small but not negligible number of partially amortized loans, we see that the nonamortized mortgage had become the exception, representing one-tenth or less of the noninsured home mortgage loans held by leading institutional lenders in 1947.

Contract Length

The contract length of loans in the portfolios of various types of lenders in 1947 also varied according to the type of property which served as collateral. In general, contract lengths were longer for mortgages secured by homes than for those secured by income-producing properties, even among conventional loans, where the effects of government insurance on contract length were not in play (Table 29). Among conventionally financed home mortgages, those held by life insurance companies had the longest terms and those held by commercial banks (especially those with medium-sized portfolios) the shortest. The typical maturities used by insurance companies were fifteen years or longer, whereas most loans of savings and loan associations had terms of from ten to fourteen years; those made by commercial banks were the shortest of all, with typical contract lengths of from five to fourteen years. Finally, it should be observed that in home mortgage lending activities the greatest variety of practice with respect to contract length was shown by commercial banks; in comparison, insurance companies and savings and loan associations followed far more uniform policies.

Because of aforementioned deficiencies in the sample, data on the characteristics of loans secured by income-producing properties are especially weak, and observation should be limited to the most salient features. It is apparent that insurance was of relatively little importance on these loans, and that they were made with much shorter contract maturities than loans secured by one- to four-family homes.

TABLE 29

Contract Lengths of Nonfarm Mortgage Loans Outstanding 1947

(*percentage distribution of lender's holdings*)

CONTRACT LENGTH	1- TO 4-FAMILY HOMES			ALL OTHER PROPERTY		
	Life Ins. Cos.	*Commercial Banks*	*Savings & Loan Assocs.*	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*
			Number of Loans			
All Loans						
0 - 4 years	4%	11%	1%	3%	19%	2%
5 - 9	4	24	8	21	43	11
10 - 14	10	23	45	43	34	46
15 - 19	18	12	25	23	2	22
20 and over	63	30	19	10	2	5
Unspecified	[a]	..	2	..	..	14
Conventional						
0 - 4 years	10	19	1	3	20	2
5 - 9	9	42	10	22	46	11
10 - 14	19	32	54	45	32	48
15 - 19	31	6	25	23	1	22
20 and over	31	1	7	7	[a]	2
Unspecified	[a]	..	3	..	..	15
			Amount Outstanding			
All Loans						
0 - 4 years	5%	7%	1%	2%	15%	3%
5 - 9	3	16	4	13	30	7
10 - 14	8	25	33	40	53	34
15 - 19	18	11	32	28	1	25
20 and over	66	41	29	17	1	27
Unspecified	[a]	..	1	..	..	4
Conventional						
0 - 4 years	10	14	1	2	16	3
5 - 9	6	34	6	14	31	7
10 - 14	16	44	44	43	52	35
15 - 19	31	7	36	30	1	25
20 and over	37	1	11	10	[a]	26
Unspecified	[a]	..	2	..	..	4

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4.

[a] Less than 0.5 percent.

Loan-to-Value Ratios

The uncertainty of the basis on which property valuations are made is such that important reservations must be borne in mind when dealing with loan-to-value ratios; nevertheless data on this point are useful in indicating broad differences in the lending policies of different types of institutional lender. Like the tabulations of

length of contract, data on loan-to-value ratios indicate that credit terms have generally been more liberal for mortgages on homes than for those secured by income-producing properties, and more liberal for insured than for conventionally financed mortgage loans. Approximately one-half of the home mortgages held by life insurance companies and one-third of those held by banks had loan-to-value ratios of 80 percent or more; but only about one-eighth and one-twelfth, respectively, of these agencies' loans on income-producing properties exhibited comparably high ratios (Table 30). Tabulations

TABLE 30

Loan-to-Value Ratios for Nonfarm Mortgage Loans Outstanding 1947
(*percentage distribution of lender's holdings*)

LOAN-TO-VALUE RATIO	1- TO 4-FAMILY HOMES			ALL OTHER PROPERTY		
	Life Ins. Cos.	*Commercial Banks*	*Savings & Loan Assocs.*	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*
			Number of Loans			
0 - 39%	2%	8%	5%	11%	22%	15%
40 - 59	18	33	16	47	49	29
60 - 79	28	26	55	27	20	31
80 and over	52	32	23	13	8	22
Not available	[a]	1	1	1	1	3
			Amount Outstanding			
0 - 39%	2%	4%	2%	7%	12%	10%
40 - 59	17	26	10	34	37	51
60 - 79	30	27	54	42	21	27
80 and over	51	42	33	15	28	10
Not available	[a]	1	1	2	2	1

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4.

[a] Less than 0.5 percent.

not reproduced here also show that only one-seventh of the conventional loans held by life insurance companies, and less than one-tenth of those found in the portfolios of savings and loan associations, had such liberal loan-to-value ratios; for commercial banks the fraction was even smaller. As in other respects, the pattern characterizing large commercial banks is similar to that of the life insurance companies, whereas smaller banks more closely resemble savings and loan associations.

Interest Rates

Along with contract lengths and loan-to-value ratios, interest rates serve to illustrate interinstitutional differences in mortgage lending policies. Since the mortgages present in lenders' portfolios in 1947 had been outstanding for a number of years, refinancing and similar contract adjustments could have affected their original contract rates. Consequently, tabulations are given both for current interest rates, i.e. the rates effective under the contracts in 1947, and for the original contract rates.

In the mortgage portfolios of life insurance companies and commercial banks, current interest rates were somewhat lower on loans secured by income-producing properties than on those secured by homes (Table 31). This difference persists after adjusting for the effects of government insurance programs; that is, it reappears when observation is limited to conventionally financed mortgages. For example, one-half of the life insurance company noninsured mortgages on homes, but three-fourths of those on income-producing properties, carried current interest rates of less than 5 percent; the corresponding proportions for commercial banks were one-third and somewhat more than one-half. Mortgage loans held by savings and loan associations showed a low proportion with interest rates under 5 percent, about one-eighth, whether for home loans or for others. The highest interest rates were encountered in the conventional lending of savings and loan associations—where loans are of relatively small size and possibly subject to somewhat higher than average risk[5]—and the lowest on noninsured mortgages in life insurance company portfolios—in considerable part, large mortgages secured by properties of prime quality.

A tendency toward the readjustment of interest rates is clearly recognizable when current interest rates are compared with original contract rates, particularly among the mortgages held by life insurance companies, though less so for those held by commercial banks and savings and loan associations (Tables 31 and 32). For example, nearly one-third of the conventionally financed home mortgages in the portfolios of life insurance companies were written at interest rates in excess of 5 percent, but on over one-half of these

[5] Here, in particular, the third reservation about the sample (page 72) should be remembered. The data do not answer, for instance, the important question whether there are institutional differences in interest rates on loans of the same type, of the same size, on the same type of property, in a city of the same size, and in the same geographic region.

TABLE 31

Current Interest Rates on Nonfarm Mortgage Loans Outstanding 1947
(*percentage distribution of lender's holdings*)

CURRENT INTEREST RATE	1- TO 4-FAMILY HOMES			ALL OTHER PROPERTY		
	Life Ins. Cos.	*Commercial Banks*	*Savings & Loan Assocs.*	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*
			Number of Loans			
All Loans						
Under 4.0%	1%	1%	[a]	8%	5%	..
4.0	13	35	19%	27	37	7%
4.1 - 4.9	60	22	10	42	18	9
5.0	20	26	34	18	30	32
5.1 - 5.9	3	2	8	3	[a]	9
6.0 and over	3	14	29	2	11	43
Conventional						
Under 4.0%	1	1	[a]	7	5	..
4.0	18	20	4	26	32	3
4.1 - 4.9	33	13	9	42	19	9
5.0	34	37	41	18	32	33
5.1 - 5.9	8	3	10	4	[a]	9
6.0 and over	6	25	36	3	12	46
			Amount Outstanding			
All Loans						
Under 4.0%	1%	1%	[a]	15%	14%	..
4.0	17	49	31%	37	56	29%
4.1 - 4.9	61	21	13	39	12	7
5.0	17	22	35	6	16	40
5.1 - 5.9	2	1	6	1	[a]	8
6.0 and over	2	6	15	2	2	17
Conventional						
Under 4.0%	2	2	[a]	9	14	..
4.0	22	29	6	39	55	27
4.1 - 4.9	38	15	13	42	12	7
5.0	29	40	50	6	17	41
5.1 - 5.9	5	1	8	1	[a]	8
6.0 and over	4	13	23	2	2	17

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4.

[a] Less than 0.5 percent.

the interest rate was subsequently reduced. For both savings and loan associations and commercial banks about one-seventh of the loan contracts written at more than 5 percent had been altered, after origination, with respect to interest rate.

Because of the trend toward lower interest rates, the above description of loan portfolios in terms of number of mortgages can-

TABLE 32

Contract Interest Rates on Nonfarm Mortgage Loans Outstanding 1947
(percentage distribution of lender's holdings)

CONTRACT INTEREST RATE	1- TO 4-FAMILY HOMES			ALL OTHER PROPERTY		
	Life Ins. Cos.	*Commercial Banks*	*Savings & Loan Assocs.*	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*
			Number of Loans			
All Loans						
Under 4.0%	[a]	1%	[a]	5%	4%	..
4.0	11%	33	17%	20	34	9%
4.1 - 4.9	56	22	8	34	16	7
5.0	18	26	32	18	30	28
5.1 - 5.9	5	2	8	11	[a]	9
6.0 and over	10	16	35	12	16	47
Conventional						
Under 4.0%	1	1	[a]	5	4	..
4.0	16	19	1	20	29	4
4.1 - 4.9	24	12	6	33	17	8
5.0	28	36	38	18	33	28
5.1 - 5.9	10	3	10	12	[a]	9
6.0 and over	21	29	45	12	16	50
			Amount Outstanding			
All Loans						
Under 4.0%	[a]	1%	[a]	14%	12%	..
4.0	15%	48	28%	26	55	30%
4.1 - 4.9	57	21	11	31	11	6
5.0	17	22	35	15	17	36
5.1 - 5.9	4	1	6	5	[a]	9
6.0 and over	7	7	20	9	5	19
Conventional						
Under 4.0%	1	2	[a]	12	12	..
4.0	19	27	2	26	54	28
4.1 - 4.9	29	15	11	31	11	6
5.0	27	39	49	16	17	37
5.1 - 5.9	8	1	9	6	[a]	10
6.0 and over	16	16	29	9	5	19

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4.
[a] Less than 0.5 percent.

not be used for inferring differences in lenders' incomes from their outstanding mortgage investments, and comparisons taking account of the amounts involved are needed. Observing, therefore, the distribution of outstanding balances according to current interest rate, we find, for instance, that over six-tenths of the amount outstanding on conventionally financed home loans of life insurance

companies, and approximately one-half and one-fifth of the amounts held by commercial banks and savings and loan associations respectively, were earning less than 5 percent in 1947 (Table 31). For home loans that were government-insured, and for loans on income-producing properties generally, the corresponding fractions are much higher. For each lender, average returns were higher on conventionally financed than on government-insured loans, and mortgages on one- to four-family homes brought higher average returns than those on income-producing properties (Table 33).

The differences between interest rates on insured and noninsured loans were large for savings and loan associations but negligible for life insurance companies (Table 33). No consistent interest rate pattern is observable with respect to repayment provision, though nonamortized loans, which were in general the older loans, tended toward higher rates than amortized loans. The highest average rates were found among noninsured mortgages in the portfolios of savings and loan associations: 5.2 percent for home mortgages and 4.9 percent for loans on income-producing properties.

Summarizing, the tabulations of sample data suggest the presence of the following relationships between weighted current interest rates (i.e. current in the 1947 portfolios) and other loan characteristics:

a. An inverse relationship between interest rate and contract length of loans secured by one- to four-family homes, but a less clear pattern among loans secured by income-producing properties (Table 33).
b. Similarly, an inverse relationship between interest rate and loan-to-value ratio in the case of all home loans (Table 33). The relationship is apparently influenced, however, by the presence of government-insured loans in the lenders' portfolios; it largely disappears when the effect of government insurance is eliminated (Table 34).
c. For conventionally financed loans, an inverse relationship between interest rates and original loan amounts (Table 34).

Tabulations of current interest rates by region were also made. It appeared that in 1947 the pattern of regional differences in interest rates for outstanding noninsured home mortgages was characterized by higher rates in the West than in the South, and higher rates in the South than in the North. Interinstitutional differences decreased in the same order: the interest rate structure was con-

TABLE 33

Average Current Interest Rates on Nonfarm Mortgage Loans Outstanding 1947, by Contract Terms

LOAN CHARACTERISTICS	1- TO 4-FAMILY HOMES			ALL OTHER PROPERTY		
	Life Ins. Cos.	*Commercial Banks*	*Savings & Loan Assocs.*	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*
TYPE OF LOAN						
Insured	*4.4%*	*4.2%*	*4.1%*	*3.6%*[a]	*4.0%*	[b]
FHA	4.5	4.5	4.5	[b]	4.5[a]	[b]
VA	4.0	4.0	4.0	[b]	4.0	[b]
Conventional	*4.6*	*4.7*	*5.2*	*4.2*	*4.2*	*4.9%*
Fully amortized	4.6	4.8	5.2[c]	4.3	4.4	4.9[c]
Partially amortized	4.9	4.6	..	4.2	4.0	..
Nonamortized	4.9	4.9	4.8[a]	4.5[a]	4.1	[b]
CONTRACT LENGTH						
0 - 4 years	5.0	4.8	4.7[a]	[b]	4.3	5.4[a]
5 - 9	5.1	4.8	5.4	3.9	4.2	
10 - 14	4.6	4.6	5.2	4.2	4.1	5.3[a]
15 - 19	4.6	4.3	4.8	4.2	4.7[a]	4.5[a]
20 and over	4.5	4.2[a]	4.3	4.1[a]	4.2[a]	
LOAN-TO-VALUE RATIO						
0 - 39%	4.4	5.0	5.2	4.0[a]	4.0	5.6[a]
40 - 59	4.6	4.8	5.1	4.3	4.3	4.6[a]
60 - 79	4.6	4.5	5.1	4.2	4.2	5.2[a]
80 and over	4.5	4.2	4.3	4.1[a]	4.1[a]	4.9[a]
ORIGINAL LOAN AMOUNT[d]						
Under $5,000	4.6	4.7	5.6	[b]	4.9	5.9[a]
$5,000 - 9,999	4.4	4.3	5.2	4.5[a]	4.5	5.1[a]
10,000 - 19,999	4.6	4.3	4.8	4.4	4.4	5.4[a]
20,000 - 49,999	4.7[a]	4.5[a]	4.6	4.3	4.4	5.3[a]
50,000 - 99,999	..	..	4.5	4.2[a]	4.3[a]	4.7[a]
100,000 and over	..	[b]	4.5	4.1	3.8[a]	
All loans	4.5%	4.4%	4.8%	4.2%	4.1%	4.9%

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4. Average current interest rates are weighted by the outstanding amounts of the included loans.

[a] Based on less than fifty loans.

[b] Not shown because less than ten loans included.

[c] Includes the following types of loan: direct reduction, cancel and endorse, and share accumulation plan.

[d] Breakdown for loans by savings and loan associations is as follows: under $2,000; $2,000-3,999; $4,000-5,999; $6,000-9,999; and $10,000 and over.

siderably more heterogeneous in the West than in the South and was most uniform in the North. It also was more uniform for the loans held by life insurance companies than for those held by commercial banks.

TABLE 34

Average Current Interest Rates on Conventional Nonfarm Mortgage Loans Outstanding 1947, by Contract Terms

LOAN CHARACTERISTICS	1- TO 4-FAMILY HOMES		ALL OTHER PROPERTY	
	Life Insurance Companies	*Commercial Banks*	*Life Insurance Companies*	*Commercial Banks*
CONTRACT LENGTH				
0 - 4 years	5.0%	4.7%	[a]	4.2%
5 - 9	5.0	4.9	4.0%	4.2
10 - 14	4.7	4.8	4.2	4.0
15 - 19	4.6	4.5	4.2	[a]
20 and over	4.5	4.4[b]	4.5[b]	[a]
LOAN-TO-VALUE RATIO				
0 - 39%	4.4	4.9	4.0[b]	4.0
40 - 59	4.6	4.9	4.3	4.3
60 - 79	4.6	4.8	4.3	4.0
80 and over	4.9	4.3	4.2[b]	4.1[b]
ORIGINAL LOAN AMOUNT				
Less than $5,000	4.8	5.1	4.5[b]	5.2
$5,000 - 9,999	4.6	4.8		4.7
10,000 - 19,999	4.6	4.6	4.4	4.5
20,000 - 49,999	4.7[b]	4.5[b]	4.3	4.7
50,000 - 99,999	..	..	4.2[b]	4.2[b]
100,000 and over	..	[a]	4.2[b]	3.7[b]
All loans	4.6%	4.8%	4.2%	4.1%

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4. The average current interest rates are weighted by the outstanding amounts of the included loans.

[a] Not shown because less than ten loans included.

[b] Based on less than fifty loans.

Age Distribution of Outstanding Loans

Differences in the age composition of portfolios (Table 35) are suggestive of expected tendencies in portfolio turnover, hence of the varying needs of institutions to acquire new mortgages; yet a distribution of loans according to the year in which they were made is only an indirect means of gauging the life expectancy of outstanding investments. A distribution according to unexpired contract terms, on the other hand, is a more direct (though not conclusive) indication of the life expectancies of loan balances, and thus of the future volume of lending activity required to maintain present portfolio size.

With respect to home mortgages, loans on the books of commercial banks in 1947 had the shortest contract expectancies (unexpired

TABLE 35

Distribution of Nonfarm Mortgage Loans Outstanding 1947, by Period Loan Made

PERIOD MADE	1- TO 4-FAMILY HOMES			ALL OTHER PROPERTY		
	Life Ins. Cos.	*Commercial Banks*	*Savings & Loan Assocs.*	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*
			Number of Loans			
All Loans						
1920-24	1%	1%	1%	3%	[a]	..
1925-29	5	1	1	13	4%	5%
1930-34	3	1	1	3	1	3
1935-39	15	10	11	20	4	10
1940-44	56	22	31	41	22	37
1945-47[b]	20	65	55	19	69	45
Conventional						
1920-24	2	1	1	3	1	..
1925-29	11	3	2	14	4	6
1930-34	6	2	2	3	1	3
1935-39	22	5	12	20	7	9
1940-44	38	21	36	42	20	39
1945-47[b]	21	68	47	18	67	43
			Amount Outstanding			
All Loans						
1920-24	1%	[a]	[a]	2%	[a]	..
1925-29	4	1%	1%	9	2%	1%
1930-34	3	1	[a]	1	2	[a]
1935-39	13	6	6	24	4	6
1940-44	53	15	23	35	17	19
1945-47[b]	26	77	70	29	75	74
Conventional						
1920-24	1	1	[a]	2	[a]	..
1925-29	9	2	1	10	2	2
1930-34	6	2	1	1	2	[a]
1935-39	18	3	6	23	9	5
1940-44	37	15	30	36	12	19
1945-47[b]	29	77	62	28	75	74

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4.

[a] Less than 0.5 percent.

[b] Includes a few loans made in 1948.

contract terms), and those held by life insurance companies the longest (Table 36). Contract expectancies for commercial banks were more widely spread among different ranges of length than those for savings and loan associations, which were most heavily concentrated in the range of from ten to fourteen years, or those for

TABLE 36

Contract Life Expectancies for Nonfarm Mortgage Loans Outstanding 1947
(*percentage distribution of lender's holdings*)

REMAINING TERM[a]	1- TO 4-FAMILY HOMES			ALL OTHER PROPERTY		
	Life Ins. Cos.	*Commercial Banks*	*Savings & Loan Assocs.*	*Life Ins. Cos.*	*Commercial Banks*	*Savings & Loan Assocs.*
			Number of Loans			
All Loans						
0 - 4 years	4%	21%	9%	18%	39%	14%
5 - 9	7	28	30	23	40	31
10 - 14	22	17	35	23	8	30
15 - 19	26	16	16	8	1	1
20 and over	32	10	6	3	[b]	1
Expired	9	8	3	25	12	18
Conventional						
0 - 4 years	8	36	12	18	42	15
5 - 9	12	39	36	24	38	31
10 - 14	34	10	38	23	7	32
15 - 19	20	1	9	7	[b]	3
20 and over	6	[b]	1	2	..	..
Expired	20	14	4	26	13	19
			Amount Outstanding			
All Loans						
0 - 4 years	2%	13%	3%	12%	33%	8%
5 - 9	5	26	18	32	52	22
10 - 14	22	17	39	17	4	35
15 - 19	28	21	27	11	1	29
20 and over	34	18	12	11	[b]	1
Expired	8	5	1	17	10	5
Conventional						
0 - 4 years	5	27	4	14	34	8
5 - 9	10	46	25	35	51	22
10 - 14	35	14	48	18	4	36
15 - 19	26	2	17	9	[b]	29
20 and over	8	1	3	6	..	..
Expired	16	10	3	18	11	5

Based on National Bureau of Economic Research survey of urban mortgage lending; for coverage, see the opening of Chapter 4.

[a] Remaining term equals contract length minus actual length; expired term refers to loans for which actual length exceeds contract length.

[b] Less than 0.5 percent.

life insurance companies, where twenty years and over was the most frequent remaining term.

Excluding government-insured loans and concentrating on conventionally financed home mortgages, we find that the most frequent

life expectancies were clearly less than ten years for loans held by commercial banks, five to fourteen years for those held by savings and loan associations, and ten to nineteen years for life insurance company loans (Table 36). Thus even apart from the influence exerted by the longer terms of government-insured loans, the loans of life insurance companies had the longest contract expectancies, and those of commercial banks the shortest. By 1960, for example, if contract terms should be fulfilled, one-third of the conventionally financed home loans in the sample from life insurance companies would be outstanding, but only about 10 percent for savings and loan associations and 1 percent for commercial banks. By 1965, nearly all of the conventional home mortgages which were on the books of commercial banks and savings and loan associations in the National Bureau sample will have reached the end of their contract life, and about 95 percent of those in the portfolios of life insurance companies. Among government-insured home loans, on the other hand, even by 1965 about one-quarter of those held in 1947 by commercial banks and savings and loan associations, and more than one-half of those held by insurance companies, would still be outstanding.

Contract life expectancies were generally shorter for loans on income-producing properties than for those on homes. With the exception of the loans held by life insurance companies, which were the most evenly distributed as to remaining term, few of the sample loans on commercial and multifamily properties had contract expectancies of more than fourteen years, and most of them had much shorter ones.

From the pattern of differences among the many loans which comprise the nation's outstanding nonfarm mortgage debt as represented by the foregoing sample results, it would seem that some of the observed variations are due to interlender differences in policy, others to genuine differences between markets. Thus, the differences in the characteristics of mortgages held by different types of lending institutions—differences in average size of loan, in risk, and in length of term—as far as they are clearly observable at all may be only indirectly related to the type of lender. Conversely, since most loan applicants finally place their mortgages with one or another kind of lender, the question may be raised whether there is a division of labor in the mortgage market, and if so, how far such functional specialization reaches.

The preceding description suggests that such functional specialization does exist. There are the savings and loan associations operating in the local market, with their tendency to make loans on modestly valued properties, at somewhat higher rates and at terms otherwise somewhat more liberal than the competing institutional lenders do. There are the large life insurance companies, the typical long-distance lenders, whose mortgage portfolios are spread over a wide national market, whose loans are frequently government-insured and made at lower rates than the average gross yields of the small lenders' portfolios, and with average maturities nevertheless exceeding those typical for commercial banks.

Here, however, as in other parts of the financial structure, a tendency toward declining specialization is noticeable. Geographic as well as functional differentiation has been generally diminishing, not only in the areas of consumer and of business credit,[6] but also in nonfarm mortgage finance.

[6] With respect to consumer lending, see *Industrial Banking Companies and Their Credit Practices*, by R. J. Saulnier (National Bureau of Economic Research, Financial Research Program, 1940).