

This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: History and Policies of the Home Owners' Loan Corporation

Volume Author/Editor: C. Lowell Harriss

Volume Publisher: UMI

Volume ISBN: 0-870-14142-2

Volume URL: <http://www.nber.org/books/harr51-1>

Publication Date: 1951

Chapter Title: Characteristics of HOLC Borrowers, Properties, and Loans

Chapter Author: C. Lowell Harriss

Chapter URL: <http://www.nber.org/chapters/c3209>

Chapter pages in book: (p. 49 - 63)

## Characteristics of HOLC Borrowers, Properties, and Loans

CONSIDERABLE information was gathered by the Home Owners' Loan Corporation about most of its borrowers, the properties securing their loans, and the characteristics of these loans, but few of these materials were ever published or assembled in such form as to be useful in the present analysis. This deficiency might have been overcome by selecting and analyzing a sample of all HOLC loans, but the location and organization of available basic records made it impractical for a sample with national coverage to be drawn. Consequently, it was necessary to draw a more restricted sample and to limit the description of the mortgage market served by the HOLC to an account of those loans made in the original New York region, covering the states of Connecticut, New Jersey, and New York. The basic loan dockets were secured in the summer of 1947 for a sample of one out of every thirty loans made in the New York region, and information descriptive of the loan, the borrower, and mortgaged property was transcribed.<sup>1</sup>

The sample of loans on which the following description is based numbered 3,883, of which 1,498 were still active when the sample was drawn. Of the inactive loans drawn in the sample, 997 had been paid off and 1,388 had been foreclosed.<sup>2</sup> While there is no basis for conclusive tests of the representativeness of the loan sample, it is

<sup>1</sup> Owing to the inaccessibility of records, only every sixtieth loan was sampled at one of the three warehouses where the HOLC records were stored. As a result, it was necessary to inflate the loan sample from that warehouse, raising the total number of loans actually sampled from 3,172 to the inflated number of 3,883. For more detailed data on the total number of loans made by the HOLC in the New York region, the actual number of loans sampled, and the number of loans after inflation of the sample, see Appendix Table B1.

See Appendix A for a copy of the schedule used to transcribe loan data.

<sup>2</sup> Since the warehouse in which every sixtieth loan was sampled contained most of the foreclosed loans, it was necessary to raise the 799 foreclosed loans actually sampled to a total of 1,388.

known that the New York region loans were broadly similar in certain respects to the national total of loans but different in other important respects.<sup>3</sup> However, even where the New York region loans differ in important details from the national total, the general picture, the relationships, the relative positions, and even many details may be similar. Of the extent to which this is the case, there is, unfortunately, little basis for judging.

### CHARACTERISTICS OF HOLC BORROWERS

The great bulk of those whose home mortgages were refinanced through the HOLC were individuals of relatively modest incomes. Although most of them had suffered financial set-backs in the depression years preceding 1934, few were totally unemployed, since applications from such individuals would probably have been rejected. As is shown in Table 8, two-thirds of the borrowers had family incomes at the time of their application for HOLC aid of less than \$150 monthly, 40 percent reported family incomes of less than \$100, and 12 percent had family incomes of under \$50 monthly.<sup>4</sup>

<sup>3</sup> Important elements of similarity were prescribed by the statutory provisions summarized in Chapter 1. The following comparisons bring out some of the differences in the two groups of loans:

	<i>New York Region</i>	<i>U. S. Total</i>
Average size of loan	\$4,978	\$3,039
Foreclosed loans in percent of total loans <sup>a</sup>	40.4%	19.5%
Capital loss on sales in percent of capitalized value of properties sold <sup>a</sup>	37.3%	28.2%

<sup>a</sup> As of December 31, 1947.

<sup>4</sup> There is no way of knowing whether the reporting of income was biased either by a desire to prove need by understating income or to prove ability to carry the loan by overstating it. In general, the income figure includes earnings of all family members—though “family” is not defined, and the lack of precision in definition can obviously lead to great variation—plus rentals, pensions, and other receipts. Income was sometimes reported on a gross basis but presumably, at least, on a net basis in the case of income from business and possibly rentals. No negative incomes were reported, though if refined accounting methods had been used some of the applicants who were in business, or who had housing space for rent but vacant, might have reported negative incomes and many more would have reported lower incomes. On the other hand, no rental value for the space occupied by the applicant and his family was imputed; had there been such imputation, the family income figures would probably have ranged from one-fifth to one-fourth higher in at least half of the cases. The value of the data is also limited by the fact that they apply to only the time of application. Earlier, when the applicant bought the house, and later when he repaid the loan or when it was foreclosed, the family income was likely to have been considerably different.

TABLE 8 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS MADE IN THE NEW YORK REGION, BY MONTHLY FAMILY INCOME <sup>a</sup>

<i>Monthly Family Income</i>	<i>Number of Loans</i>	<i>Percentage of Total</i>
Under \$50	458	11.8%
50-99	1,075	27.7
100-149	1,049	27.0
150-199	581	15.0
200-249	276	7.1
250 and over	238	6.1
Not available	206	5.3
Total	3,883	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey.

Only 6 percent of the sample applicants from the New York region reported family incomes of over \$250 a month, and of these more than half had space for rent in the properties concerned or were making business use of part of the space in the structure.

No attempt was made to get data on the distribution by sex of HOLC borrowers. It was not uncommon, however, for the wife to make the application in her name, since she frequently was the holder of title to the property. Also, there were many joint husband-wife applications, in view of the frequency of joint ownership of real estate.

Information is given in Table 9, however, on two other personal characteristics of borrowers, namely, age and number of dependents. Few of the HOLC borrowers—approximately 10 percent—were under thirty-five years of age and less than 25 percent were more than fifty-five years old. The remaining 65 percent of the HOLC loans made were to borrowers between the ages of thirty-five and fifty-five, while only 55 percent of the nonfarm, owner-occupied dwellings in the New York region were held by people in this age group. In all probability, a smaller proportion of the owners in the highest age bracket had a mortgaged home than did the younger owners and where there was a mortgage this had presumably been reduced in amount by repayment. These conditions plus the likelihood of somewhat steadier incomes probably account for the relatively lower dependence of those over fifty-five years of age on HOLC aid. The

TABLE 9 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS MADE, AND OF ALL NONFARM, OWNER-OCCUPIED DWELLINGS, IN THE NEW YORK REGION, BY AGE OF OWNER AND NUMBER OF DEPENDENTS

Characteristics of Owners	HOLC Loans <sup>a</sup>	Percentage Distribution	
		HOLC Loans <sup>a</sup>	Nonfarm Dwellings <sup>b</sup>
<b>AGE OF OWNER <sup>c</sup></b>			
Under 35 years	405	10.4%	12.1%
35-44	1,311	33.8	28.5
45-54	1,231	31.7	27.8
55-64	634	16.3	19.3
65 and over	268	6.9	12.3
Not available	34	.9	.1
<b>NUMBER OF DEPENDENTS</b>			
None	226	5.8	6.1
1	653	16.8	21.6
2	737	19.0	20.5
3	842	21.7	19.4
4	527	13.6	13.5
5	298	7.7	8.3
6 and over	414	10.6	10.6
Not available	186	4.8	..
Total	3,883	100.0%	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey.

<sup>b</sup> Based on 1,620,978 urban and rural nonfarm, owner-occupied dwellings in the New York region as estimated from the Bureau of the Census, 15th Census: 1930, *Population*, Vol. 6, pp. 227, 858, 920; 219, 847, 904.

<sup>c</sup> Distribution of owners of nonfarm, owner-occupied dwellings by age includes only male heads of families; 217,950 female heads of families are excluded.

majority of borrowers had from one to four dependents and, as might be expected, this distribution for HOLC borrowers was about the same as that shown in the 1930 Census for all owners of nonfarm, owner-occupied dwellings in the New York region.<sup>5</sup>

Loan applications did not give direct information on the native origin or color of borrowers, but something of these characteristics can be inferred from data from the HOLC appraisal form on the characteristics of the neighborhood in which the applicant's structure

<sup>5</sup> Questions about the definition of "dependent" arise. One question, for example, is whether the data on income cited earlier include the incomes of all persons listed as dependents. It is believed that, in general, the treatment was consistent and the income of dependents was grouped with that of the applicant.

was located. About half the properties (44 percent) were located in what were described as "native white" neighborhoods and about an equal number (42 percent of the total) in neighborhoods described as "native white and foreign." Only 1 percent of the applications covered properties in neighborhoods described as "Negro"; the remainder of the structures were located in mixed areas. The low percentage of applicants from Negro areas doubtless reflects the fact that most Negroes in the New York region, and particularly in New York City, lived in rented quarters and did not, therefore, fall within the limits of the HOLC programs.

CHARACTERISTICS OF PROPERTIES  
FINANCED BY THE HOLC

The majority of properties on which HOLC loans were made in the New York region, and doubtless to an even greater degree over the rest of the country, were homes of modest size and value. As will be seen in Table 10, they consisted in the main of one- or two-family

TABLE 10 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS  
MADE IN THE NEW YORK REGION, BY NUMBER OF ROOMS  
AND TYPE OF PROPERTY <sup>a</sup>

Type of Property	Number of Rooms				All Loans	
	1-5	6-8	9-11	12 & Over	Number	Percentage of Total
<i>No Business Use</i>						
1-family	15.8%	71.1%	10.5%	2.4%	1,677	43.2%
2-family	..	12.7	50.2	37.0	641	16.5
3-family	..	1.0	10.9	88.1	193	5.0
4-family	..	1.2	2.4	95.1	82	2.1
<i>Partial Business Use</i>						
1- to 4-family	8.5	54.4	20.4	16.7	1,276	32.9
Total	9.7%	50.8%	20.1%	19.0%	3,883	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey. Excludes loans for which type of property or number of rooms was not available.

homes and about one-half, regardless of the number of dwelling units included in the structure, had from six to eight rooms.<sup>6</sup> A point of interest to be observed in the table is that, of the total number of

<sup>6</sup> The definition of "room" is not clear, but it is known that bathrooms, halls, porches, basements, and attics were not included.

structures on which HOLC loans were made, nearly 60 percent were capable of providing some income in addition to the value of the dwelling space of the owner: many structures either accommodated more than one family or were used to some degree for business purposes.<sup>7</sup>

Despite the early urban development of the New York region, about 42 percent of the houses in the region were less than fifteen years old in 1934 and 27 percent were less than ten years old, according to the census. Loans made by the HOLC were somewhat more heavily concentrated on newer structures, with 52 percent of the loans made on houses of less than fifteen years of age at time of appraisal and 34 percent on houses of less than ten years of age (Table 11). Naturally, therefore, the homes had been, on the average, owned for only a few years by the applicants who came to the HOLC for refinancing. Seventy percent of the houses had been purchased in the twenties and another large block, 14 percent, were bought in 1930 or later. In all probability, most HOLC applications were from persons who had bought new, or nearly new, homes in the construction boom that followed World War I and lasted throughout the greater part of the twenties.

Further information on the general quality of the homes on which these HOLC loans were made is given in Table 12, which shows that in general they were reasonably well equipped with heating and bathing facilities. Of all the structures in the sample, all but 13 percent had central heating and only 5 percent were without bath; over 80 percent of the structures had both central heating and as many, or more, baths as the number of families for which the dwelling was intended.

An additional indication of the quality of HOLC-financed structures is the HOLC appraiser's estimate of the rental value of the property under "normal" conditions, which includes the rental value of all dwelling units in the structure, the value of the structure for possible partial business use, and, in some cases, an allowance for additional garage space. The tabulation of these data in Table 13 shows that there was a very wide distribution of properties according

<sup>7</sup> The exact nature of the definition of "business use" is not clear, and in many cases it may have involved only a very limited use of the facilities in question; furthermore, it is not known whether this characteristic of the properties was really favorable or, as may have been the case where rental units were vacant, whether it constituted a burden to the mortgagor.

TABLE 11 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS MADE, AND OF ALL NONFARM, OWNER-OCCUPIED DWELLINGS, IN THE NEW YORK REGION, BY AGE OF DWELLING AND YEAR OF PURCHASE

Characteristics of Dwelling	HOLC Loans <sup>a</sup>	Percentage Distribution	
		HOLC Loans <sup>a</sup>	Nonfarm Dwellings
AGE OF DWELLING <sup>b</sup>			
Under 10 years	1,332	34.3%	26.6%
10-14	700	18.0	14.7
15-19	269	6.9	} 58.7
20-29	504	13.0	
30-39	358	9.2	
40-49	194	5.0	
50 and over	184	4.8	
Not available	342	8.8	..
YEAR OF PURCHASE <sup>c</sup>			
Before 1900	22	.6	..
1900-09	90	2.3	..
1910-19	379	9.8	..
1920-29	2,719	70.0	..
1930 and after	534	13.7	..
Not available	139	3.6	..
Total	3,883	100.0%	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey.

<sup>b</sup> For loans sampled, represents age of dwelling at time HOLC loan appraisal was made. As shown in Table 4 of Chapter 2, 78 percent of the loans were completed between August 1933 and December 1934. For all nonfarm, owner-occupied dwellings, represents the age distribution of structures in the New York region in 1934, as calculated from the Bureau of the Census, 16th Census: 1940, *Housing*, Vol. 2, Part 2, p. 395, and Vol. 2, Part 4, pp. 148 and 274.

<sup>c</sup> Available only for HOLC-financed properties.

to this measure. The higher rentals are closely related to the availability of rental space and business use.

Finally, HOLC-financed properties may be described, as in Table 14, in terms of the size of the community and the character of the district in which they were located. It will be observed that nearly one-third of the loans made in the New York region were made in New York City (the 1,000,000-and-over population class) but that 36 percent were made in communities that were of very moderate size, that is, of less than 25,000 population. It is evident from this tabu-

TABLE 12 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS  
MADE IN THE NEW YORK REGION, BY HEATING AND BATH-  
ING FACILITIES <sup>a</sup>

<i>Heating and Bathing Facilities</i>	<i>Number of Loans</i>	<i>Percentage of Total</i>
<i>Central Heating Facilities</i>	3,377	87.0%
No bath	66	1.7
Fewer baths than families	113	2.9
Same number of baths as families	2,970	76.5
More baths than families	221	5.7
Number of baths unknown	7	.2
<i>No Central Heating Facilities</i>	489	12.6
No bath	135	3.5
Fewer baths than families	60	1.5
Same number of baths as families	287	7.4
More baths than families	6	.2
Number of baths unknown	1	<sup>b</sup>
<i>Not Available</i>	17	.4
Total	3,883	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey.

<sup>b</sup> Less than .05 percent.

TABLE 13 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS  
MADE IN THE NEW YORK REGION, BY TYPE OF PROPERTY  
AND "NORMAL" MONTHLY RENTAL VALUE <sup>a</sup>

<i>"Normal" Monthly Rental Value</i>	<i>1-Family Dwellings</i>		<i>2- to 4-Family Dwellings</i>		<i>1- to 4-Family Dwellings with Business Use</i>	
	<i>Number of Loans</i>	<i>Percentage of Total</i>	<i>Number of Loans</i>	<i>Percentage of Total</i>	<i>Number of Loans</i>	<i>Percentage of Total</i>
Under \$35	356	21.2%	27	2.9%	163	12.8%
35-44	324	19.3	57	6.2	191	15.0
45-54	320	19.1	78	8.5	226	17.7
55-64	241	14.4	84	9.2	162	12.7
65-84	224	13.4	195	21.3	204	16.0
85-114	93	5.5	230	25.1	150	11.7
115 and over	41	2.4	214	23.4	138	10.8
Not available	78	4.7	31	3.4	42	3.3
Total	1,677	100.0%	916	100.0%	1,276	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey. Excludes fourteen loans for which property type was not available.

TABLE 14 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS MADE, AND OF ALL NONFARM, OWNER-OCCUPIED DWELLINGS, IN THE NEW YORK REGION, BY SIZE OF COMMUNITY AND NATURE OF DISTRICT

<i>Characteristics of Property Location</i>	<i>HOLC Loans<sup>a</sup></i>	<i>Percentage Distribution</i>	
		<i>HOLC Loans<sup>a</sup></i>	<i>Nonfarm Dwellings<sup>b</sup></i>
<b>SIZE OF COMMUNITY</b>			
1,000,000 and over	1,173	30.2%	21.5%
250,000-999,999	395	10.2	9.1
100,000-249,999	289	7.4	8.6
50,000-99,999	252	6.5	5.7
25,000-49,999	344	8.9	7.5
5,000-24,999	763	19.6	19.2
Under 5,000	651	16.8	28.4
Not available	16	.4	..
<b>NATURE OF DISTRICT<sup>c</sup></b>			
<i>Residential</i>	<i>3,365</i>	<i>86.6</i>	<i>..</i>
Stable	2,616	67.4	..
In transition	223	5.7	..
Status unknown	526	13.5	..
<i>Nonresidential</i>	<i>309</i>	<i>8.0</i>	<i>..</i>
Stable	136	3.5	..
In transition	112	2.9	..
Status unknown	61	1.6	..
<i>Not Available</i>	<i>209</i>	<i>5.4</i>	<i>..</i>
Total	3,883	100.0%	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey.

<sup>b</sup> Based on 1,620,978 urban and rural nonfarm, owner-occupied dwellings in the New York region as estimated from the Bureau of the Census, 15th Census: 1930, *Population*, Vol. 6, pp. 221, 850, 908; 233, 868, 938; 236, 874, 943.

<sup>c</sup> Available only for HOLC-financed properties.

lation that HOLC aid was far from concentrated in the larger centers of population. On the basis of the 1930 Census, however, it appears that the loans in the HOLC sample were concentrated somewhat more heavily in New York City and less heavily in communities with populations under 25,000 than would be expected from the distribution of all nonfarm, owner-occupied dwellings in the New York region. As to the nature of the districts in which the structures were located, these were, as might be expected, primarily residential,

yet 14 percent of the structures were in nonresidential areas or in residential areas undergoing some transition.

VALUES OF PROPERTIES FINANCED  
BY THE HOLC

In one-fourth of all cases the properties on which loans were made by the HOLC in the New York region were appraised at less than \$5,000, another 40 percent at from \$5,000 to \$8,000, and the remainder at higher values. These data, given in Table 15, are the final HOLC review appraisals and were the basis on which HOLC loans were made. It should be indicated, however, that in making the appraisal consideration was given to the abnormality of current conditions and in most cases the appraisals were above the actual current market prices of the properties. It is not an easy matter to use the data for an estimate of the value per family unit for the sample of properties as a whole, since separate valuation was not given to the use of the structure for business purposes. It would appear, however, that a rough estimate of value per dwelling unit can be set at \$5,000, by no means a low standard for the early thirties.

TABLE 15 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS MADE, AND OF ALL NONFARM, OWNER-OCCUPIED DWELLINGS, IN THE NEW YORK REGION, BY VALUE OF PROPERTY

<i>Value of Property</i> <sup>a</sup>	<i>HOLC Loans</i> <sup>b</sup>	<i>Percentage Distribution</i>	
		<i>HOLC Loans</i> <sup>b</sup>	<i>Nonfarm Dwellings</i> <sup>c</sup>
Under \$2,000	46	1.2%	4.7%
2,000-2,999	166	4.3	5.3
3,000-4,999	764	19.7	15.2
5,000-7,999	1,511	38.9	24.6 <sup>d</sup>
8,000-9,999	480	12.4	15.8 <sup>e</sup>
10,000 and over	664	17.1	32.6
Not available	252	6.5	1.8
Total	3,883	100.0%	100.0%

<sup>a</sup> The sample data give the final HOLC review appraisal; the census data give the approximate current market value of the property in 1930 as estimated by the owner.

<sup>b</sup> National Bureau of Economic Research sample survey.

<sup>c</sup> Based on 1,620,978 urban and rural nonfarm, owner-occupied dwellings in the New York region, as estimated from the Bureau of the Census, 15th Census: 1930, *Population*, Vol. 6, pp. 221, 850, 908.

<sup>d</sup> Dwellings with an appraised value of \$5,000 to \$7,499.

<sup>e</sup> Dwellings with an appraised value of \$7,500 to \$9,999.

Data on the approximate current market value in 1930 of all nonfarm, owner-occupied dwellings in the New York region as estimated by the owners are also shown in Table 15. A comparison of these data with the appraised values of HOLC-financed properties is hazardous because of the different bases of valuation on which they were derived; but, if the two estimates of value are assumed to be comparable, it would appear that the proportion of HOLC loans on medium-sized properties (for instance, those with an appraised value of between \$3,000 and \$8,000) was heavier than the proportion of such dwellings to all dwellings in the New York region and that the HOLC made relatively small proportions of its loans on very low valued and very high valued properties.

An interesting relation can also be observed between appraised values and the amount of the borrower's investment in the property—calculated by adding to the purchase price of the house the cost of subsequent improvements, without allowance for depreciation—(Table 16). Of all the properties under consideration, over 50 percent were valued at from 60 to 90 percent of the amount of the borrower's investment, but about 10 percent at lower ratios. A surprisingly large percentage—11 percent—had an appraised value of more than the amount of the borrower's investment.

TABLE 16 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS MADE IN THE NEW YORK REGION, BY THE RATIO OF HOLC APPRAISAL TO BORROWER'S INVESTMENT IN PROPERTY <sup>a</sup>

<i>HOLC Appraisal in Percent of Borrow- er's Investment <sup>b</sup></i>	<i>Number of Loans</i>	<i>Percentage of Total</i>
Under 50%	118	3.0%
50-59	280	7.2
60-69	663	17.1
70-79	873	22.5
80-89	639	16.5
90-99	313	8.0
100 and over	443	11.4
Not available	554	14.3
Total	3,883	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey.

<sup>b</sup> Borrower's investment represents the purchase price of the house plus the cost of subsequent improvements, without allowance for depreciation.

Other measures of the value of HOLC-financed structures refer to the extent of their depreciation, as estimated by the HOLC appraiser, and of the proportion of land value to reproduction cost, less depreciation (Table 17). The great bulk of the properties showed relatively little estimated depreciation, which might be expected for a group of houses containing such a large proportion not

TABLE 17 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS MADE IN THE NEW YORK REGION, BY EXTENT OF DEPRECIATION OF STRUCTURE AND RATIO OF LAND VALUE TO REPRODUCTION COST <sup>a</sup>

<i>Property Valuation Indicators</i>	<i>Number of Loans</i>	<i>Percentage of Total</i>
DEPRECIATION IN PERCENT OF REPRODUCTION COST (BEFORE DEPRECIATION) <sup>b</sup>		
Under 5%	790	20.3%
5-14	635	16.4
15-24	1,328	34.2
25-34	422	10.9
35 and over	404	10.4
Not available	304	7.8
LAND VALUE IN PERCENT OF REPRODUCTION COST (LESS DEPRECIATION) <sup>c</sup>		
Under 20%	715	18.4
20-39	1,553	40.0
40-59	738	19.0
60-79	311	8.0
80 and over	314	8.1
Not available	252	6.5
Total	3,883	100.0%

<sup>a</sup> National Bureau of Economic Research sample survey.

<sup>b</sup> Depreciation at the time of appraisal was estimated by applying to the current reproduction cost the ratio of actual age to effective (economic) age of the building. In determining this effective age the HOLC appraiser considered the following factors: type of construction material used; degree of structural and architectural soundness; extent of reconditioning, repair or deterioration and the effect of such changes on the accrued depreciation at the normal rate.

Reproduction cost was the estimated current cost to produce the same building under local competitive conditions if a reasonable amount of similar construction were under way.

<sup>c</sup> Land value was the HOLC appraiser's estimate of normal fair value of the land as warranted by its use, its improvements (other than buildings) and its reasonable future, when viewed as security for a long-term loan.

more than ten or fifteen years old. Thus, 70 percent of the dwellings had depreciated by less than 25 percent, and only 10 percent by more than 35 percent. There may be a substantial margin of error in these valuation estimates of the HOLC, and particularly of the ratio of the value of the land to the reproduction cost (less depreciation) of the structure itself, but the reported data may be of interest. In nearly one-fifth of the cases, land was valued at less than 20 percent of the value of the structure, and in 40 percent of the cases at from 20 to 39 percent.

#### CHARACTERISTICS OF THE HOLC LOANS

Three features of HOLC loans may be noted to conclude this brief description. First, the great bulk of HOLC loans were for moderate amounts, over 55 percent being for less than \$5,000 and over 20 percent for amounts of less than \$3,000 (Table 18). A few loans were relatively large, 13 percent being in amounts of \$8,000 or more, but this is not surprising, considering that nearly one-fourth of the loans in the sample were secured by dwellings suitable for housing more than one family.

Second, HOLC loans were in general geared closely to the appraised value of the property securing them: three-fourths of all loans were made in amounts that were from 60 to somewhat over 80 percent of appraised value (Table 18).<sup>8</sup> This suggests that the HOLC loan amounts were relatively high, considering the fact that the appraisals were not intended to give full effect to the depressed real estate market conditions of the time. Nine percent of the loans, however, were for less than half of the appraisal.<sup>9</sup>

Finally, it is of interest to note the relation between the amount of the HOLC loan and the amount of the borrower's equity in the property (Table 18). The latter was estimated by subtracting from

<sup>8</sup> Congress limited HOLC loans to 80 percent of the appraisal, yet twenty-eight cases are shown with loans of more than 90 percent and more than one-fourth of the total fell within the 80 to 90 percent class; conceivably, though very improbably, the last group might all have been precisely at the 80 percent point. One explanation of such apparent discrepancies is that appraisals were sometimes raised during review without the change being noted on the appraisal form from which data were taken; another is that in some cases the loan figure may include amounts advanced for repair and reconditioning, while the appraisal figure was not adjusted to take account of the benefits of such spending to improve the property.

<sup>9</sup> Except for loans made in the early months, when financial conditions were very disorganized, most of these loans were probably of the type which HOLC officials said should have been made by private institutions.

TABLE 18 — PERCENTAGE DISTRIBUTION OF A SAMPLE OF HOLC LOANS MADE IN THE NEW YORK REGION, BY ORIGINAL LOAN AMOUNT, LOAN-TO-VALUE RATIO, AND RATIO OF BORROWER'S EQUITY TO ORIGINAL LOAN AMOUNT <sup>a</sup>

<i>Loan Characteristics</i>	<i>Number of Loans</i>	<i>Percentage of Total</i>
<b>ORIGINAL LOAN AMOUNT</b>		
Under \$2,000	323	8.3%
2,000-2,999	502	12.9
3,000-3,999	664	17.1
4,000-4,999	720	18.5
5,000-5,999	537	13.8
6,000-7,999	615	15.8
8,000-9,999	293	7.6
10,000 and over	219	5.7
Not available	10	.3
<b>LOAN-TO-VALUE RATIO <sup>b</sup></b>		
Under 40%	139	3.6
40-59	516	13.3
60-79	1,845	47.5
80-89	1,096	28.2
90 and over	28	.7
Not available	259	6.7
<b>BORROWER'S EQUITY IN PERCENT OF ORIGINAL LOAN AMOUNT <sup>c</sup></b>		
Less than 0%	561	14.5
0-24	968	24.9
25-49	920	23.7
50-74	498	12.8
75 and over	663	17.1
Not available	273	7.0
<b>Total</b>	<b>3,883</b>	<b>100.0%</b>

<sup>a</sup> National Bureau of Economic Research sample survey.

<sup>b</sup> Original loan amount as a percentage of the final HOLC review appraisal of the property.

<sup>c</sup> Borrower's equity was calculated as the difference between the estimated market price of the property at the time the loan was made by the HOLC and the amount outstanding on the loan, including delinquent taxes, and overdue interest. At best, however, the estimates of current market price are subject to a wide margin of error.

the appraiser's estimate of the current market price of the property (not the appraisal on the basis of which the HOLC made its loan) the principal and interest due on the original loan and the taxes on the property. In 17 percent of the cases the borrower's equity was 75 percent or more of the amount of the loan; in over one-third the

borrower had an interest of from 25 to 75 percent of the loan amount; in 25 percent the equity was not more than one-quarter of the amount of the loan; and in 15 percent of all cases the borrower had no equity in the property, its estimated value being less than the total of the debt against it. It is necessary to recall again, however, that HOLC appraisals were inevitably subject to a wide margin of error.