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CHAPTER 2

The Growth and Present Position of Federal Credit Programs

THE growth of federal credit programs has been so rapid that they now constitute what is in fact a second financial system, operating in part competitively with private finance and in part supporting and complementing the private financial system. The object of the present chapter is to give a brief factual account of the growth of these programs and to show their importance, especially from the standpoint of the amounts involved, relative to the activities of private lenders. Major subgroupings will be followed through but otherwise details will be kept to a minimum. The tabulations will distinguish between (a) programs administered by direct agencies of the federal government and by those that are quasi-public in nature, (b) direct government lending and the insurance or guarantee of loans made by private institutions, and (c) financial services rendered to different major sectors of the economy. A more detailed account of the growth of credit programs in the agriculture, business, and housing sectors is given in Part II, Chapters 6, 7, and 8, respectively.

The Growth of Federal Credit Programs

The statistical history of federal credit programs can be told most effectively when divided into two periods, 1917–1931 and 1932–1953. The activities were of relatively modest size in the first period and consisted mainly of lending by federally sponsored agencies; it was not until after 1932 that direct agencies of the federal government came into action as major instruments of policy, raising to a billion a year and more the volume of credit extended by all agencies. Also, it was only after 1932 that the insurance or guarantee of privately made loans was employed to supplement direct federal lending. The broad outlines of this statistical record are shown in Charts 1 and 2, the former showing the amount of credit outstanding and the latter the volume extended during each year.[1]

[1] The amounts entered under the basic categories in charts and tables of federal credit activities are as follows:

Loans cover (a) the full amounts of loans extended by specified federal and federally sponsored agencies; (b) the amounts disbursed to private lenders by federal

BEFORE 1932

For purposes of this account, federal credit activities may be regarded as originating in 1917. At that time they consisted exclusively of lending by the federal land banks, and only about $40 million was outstanding (Chart 1). This was a modest beginning; but steep growth followed. By the mid-twenties additional agencies, also of the federally sponsored type—the federal intermediate credit banks—were active, and some agencies of the federal government itself had entered the field; outstandings by then had reached $1.5 billion. This increase resulted largely from the refinancing of farm loans in the agricultural crisis following World War I and from loans to railroads as they were returned to private control after wartime nationalization.

The episode was short-lived, however, and from 1924 through 1929 the curve of total outstandings traced a level course. In fact, the holdings of direct federal agencies began to decline as early as 1922, and only the continued increase in outstandings of federally sponsored agencies kept up the total. But with provision of new credit for farm production purposes and price support in the Agricultural Marketing Act of 1929 the outstandings of direct federal agencies rose markedly, and total federal holdings reached $2.0 billion at the end of 1931, with direct agencies of the government accounting for the lesser share, about one-third.

As we shall see, the course and tempo of development then altered radically.

FROM 1932 THROUGH 1953

Picking the story up with the activities of federally sponsored agencies in 1932, it will be observed (Chart 1) that outstandings rose quickly to around $2.5 billion and stayed close to that level until 1942, when they began to decline. This wartime reduction in

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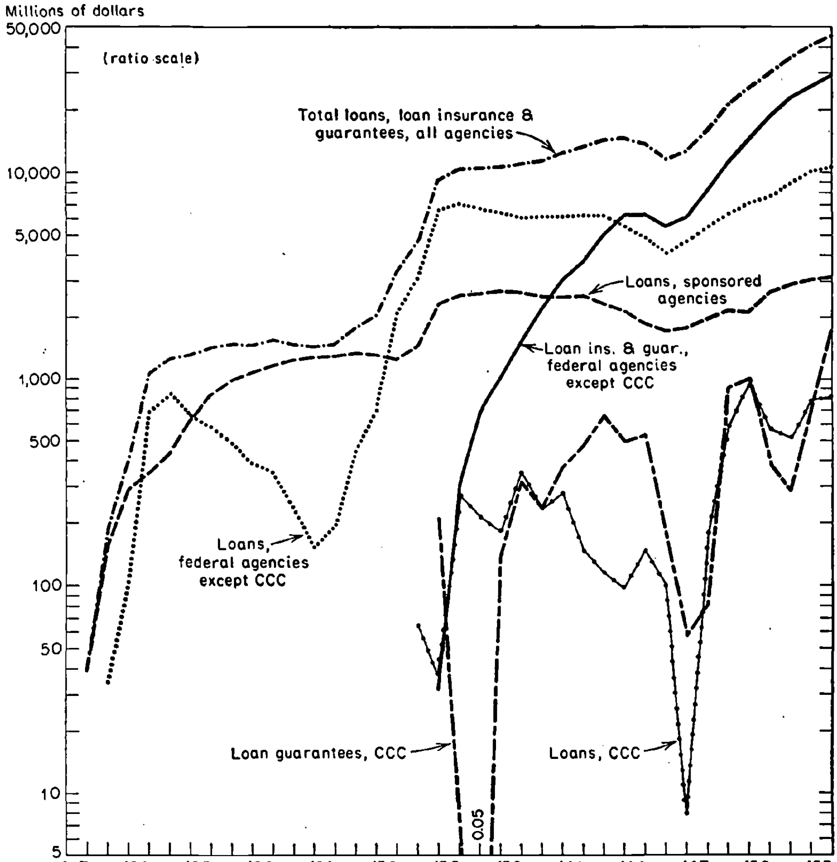
agencies in purchasing outstanding loans made under federal insurance or guarantee; and (c) the amounts disbursed on loans made in participation with private lenders, mainly by direct federal agencies but also by the Federal Reserve Banks.

Loan insurance covers the full amounts of loans extended by private lenders and insured by federal agencies. *Loan guarantees* cover (a) the amounts federally guaranteed, ranging from 100 percent to seldom lower than 50 percent of a privately made loan; and (b) the amounts of the federal shares authorized under deferred participations, where the government stands ready to take up an agreed percentage of a privately made loan.

Stock purchases, included if identifiable as primarily credit aid, cover the amount of federal funds invested.

CHART 1

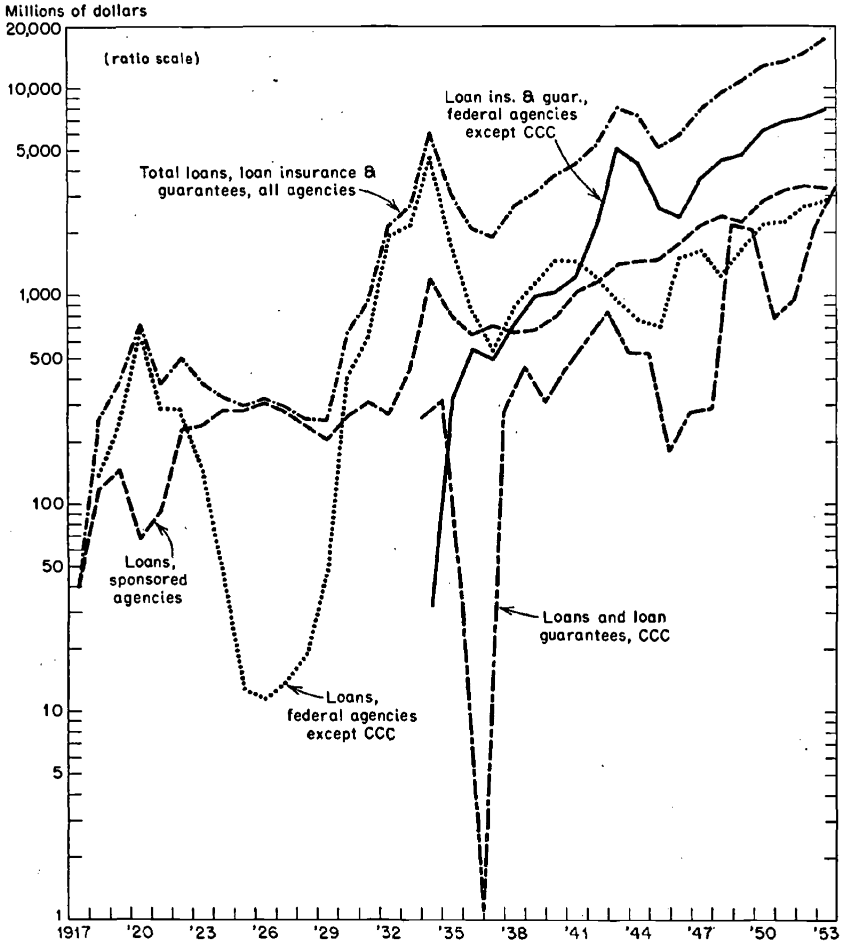
Federal Lending and Loan Insurance or Guarantees: Outstandings at Year Ends, 1917–1953



Stock purchases primarily for credit aid are included with loans; for further details, see Chapter 2, footnote 1. Data except for CCC are from Tables A-1 and A-2. Series for the Commodity Credit Corporation refer to its direct loans on commodities for price support purposes and (since 1949) for construction of storage facilities, or to its guarantees of similar loans made by other lenders, and are as given by the Department of Agriculture in "Agricultural Finance Review," Vol. 17, November 1954, pp. 92ff., with the 1933 direct loan figure from "Agricultural Statistics, 1952," p. 726.

CHART 2

Federal Lending and Loan Insurance or Guarantees: Annual Volume, 1917–1953



Stock purchases primarily for credit aid are included with loans; for further details, see Chapter 2, footnote 1. Data except for CCC refer to calendar year and are from Tables A-1 and A-2. Amounts of commodity and storage facility loans by the Commodity Credit Corporation, combined with amounts of similar loans made by other lenders under CCC guarantee, are shown for fiscal years, as supplied by the agency; calendar-year amounts for inclusion in the total line were estimated by linear interpolation (1933–1938) or were taken from data published annually by the Department of Agriculture in "Agricultural Statistics," adjusted in some years to exclude commodity purchases or loans not fully processed.

outstandings reflects the fact that they consisted mostly of farmers' obligations to federal land banks and that the farm prosperity of the war years made it possible to retire much of the long-term farm debt. After 1945, however, the curve is on the rise again—largely because of increased land bank activity, loans by the banks for cooperatives, and Federal Home Loan Bank loans to member institutions, mainly savings and loan associations—and by the end of 1953 it reached $3.1 billion.

Outstandings of agencies belonging wholly within the federal government, which at the end of 1931 had amounted to less than $720 million, in one year's time increased to $2.1 billion; and by the end of 1934 they had been swelled, in the government's massive effort to forestall economic depression and to moderate its impact on farmers, business concerns, and homeowners, to $6.5 billion. Equally significant, at no time except during World War II has the curve of outstandings shown more than a slight tendency to retreat. It makes little difference to this general account whether we include or exclude Commodity Credit Corporation loans in connection with farm price support. Although important in the sector they serve, they have formed only a minor part of total outstandings and guarantees of all the federal agencies combined.

There has been far less stability in the history of loan insurance and guarantees, programs which in recent years have added spectacularly to the scope of federal credit aid. Beginning with a modest $1 billion in the mid-thirties, outstandings increased more or less regularly until by 1950 they approached $19 billion and at the end of 1953 were about $30 billion. Though these amounts are not in all aspects commensurable with the totals for direct loans, they mark an area of federal protection and influence so large as to dominate the entire present picture of government credit activities.

In short, the recent record (1946 through 1953) shows slow but steady increase in the outstandings of loans by federally sponsored agencies, a more rapid increase in those of the strictly federal agencies, and, most striking of all, a continued sharp rise in the curve of federal insurance and guarantees.

The Relative Importance of Federal Lending

How important has federal credit been within the nation's total debt? A broad answer to this question is given in Table 2, which collects the available information on all components except the debt

TABLE 2

Outstanding Amounts of Direct Loans Held by Federal and Federally Sponsored Agencies Compared with Net Private and Net State and Local Debt at Decennial Years, 1920–1950
(*dollar figures in billions*)

	1920	*1930*	*1940*	*1950*
Outstanding amounts of direct loans[a]	*$ 1.0*	*$ 1.8*	*$ 7.9*	*$ 10.2*
Federal agencies	0.7	0.4	5.4	7.6
Federally sponsored agencies	0.3	1.3	2.4	2.6
Net private and net state and local government debt[b]	*86.6*	*136.3*	*113.2*	*190.0*
Net private debt	80.7	122.2	96.7	169.3
Net state and local government debt	5.9	14.1	16.5	20.7
Ratio of federal loans to net private and net state and local government debt	1.2%	1.3%	7.0%	5.4%
Federal agencies	0.8	0.3	4.8	4.0
Federally sponsored agencies	0.4	1.0	2.2	1.4

[a] Based on data in Tables A-1 and A-2. Amounts will not always add to totals due to rounding.

[b] Data are from the *Survey of Current Business* (Department of Commerce), September 1953, Table 1, p. 14. Net private debt includes the mortgage and nonmortgage obligations of individuals and noncorporate businesses, and the long-term debt of corporate borrowers. Data for state and local government debt are as of June 30 of each year; other data are for the year end.

owed by the federal government. The table shows at ten-year intervals since 1920 the total amount owed by private borrowers and state and local governments, and measures against that total the amounts owed to federal and federally sponsored agencies under their direct loan programs.

It will be seen at once that the high point in the relative importance of the federal programs was reached in 1940, when outstanding loans of agencies of the federal government itself accounted for 4.8 percent, and such loans together with those of federally sponsored agencies, for 7.0 percent, of the total net debt of individuals, businesses, and state and local governments. These percentages were somewhat lower in 1950, despite the increased dollar amount of federal outstandings, for the reason that the volume of nonfederal debt grew much more rapidly in the decade 1940–1950 than the volume of credit obtained from federal and federally sponsored agencies. It is instructive also to observe that over the three decades up to 1950 the growth in relative importance was greater for the federal than for the federally sponsored agencies. For strictly federal agencies the ratio of their outstandings to total net debt increased fivefold; for the quasi-public agencies, only three and a half times.

A different perspective is provided by Table 3, which distributes outstanding loans made under federal programs by major sector of the economy served (excluding miscellaneous programs), and compares them at ten-year intervals with the corresponding amounts for the chief types of private institutional lenders—commercial banks, mutual savings banks, insurance companies, and savings and loan associations. Again it is in 1940 that the over-all importance of federal lending appears relatively highest. In that year the outstandings of federal and federally sponsored agencies combined were one-seventh as large as the total for private lending institutions—the ratio having increased more than fivefold from 1920 to 1940. The decline in the ratio that occurred between 1940 and 1950 was due, as the absolute figures show, to the far more rapid growth of private institutional than of public lending.

The table also reveals that over-all figures comparing the amount of federal credit outstanding with that extended by private agencies mask important differences among different sectors of the economy. In agriculture and in lending to financial institutions, the programs of federal and federally sponsored agencies have attained substantial importance relative to private lending. For business, for minor governmental units, and for urban housing, outright federal lending has been minor as compared to financing by private institutions. These contrasts reveal how important it is, in judging the relative position of federal credit programs, to look separately at the different sectors of the economy to which their services are directed. Accordingly, we turn to the fields of agriculture, business, and urban housing.

AGRICULTURE

Of the $7.7 billion of farm mortgage debt outstanding on January 1, 1954 federal and federally sponsored agencies—the Farmers Home Administration, the Federal Farm Mortgage Corporation, and the federal land banks—accounted for 19 percent, which was higher than the comparable figures for 1920 and 1930 but only about one-half that for 1940, when they held more than 40 percent of the mortgage debt of farm enterprises (Chart 3). The reduction of their percentage share between 1940 and 1954 was due both to a decline

TABLE 3

Outstanding Amounts of Direct Loans Held by Federal and Federally Sponsored Agencies Compared with the Outstanding Amounts of Loans and Securities Held by Private Institutional Lenders at Decennial Years, 1920-1950, by Sector of Economy Served

(dollar figures in millions)

Year and Type of Lender	Agriculture[a]	Business[b]	Financial Institutions[c]	Urban Housing[d]	Minor Governmental Units[e]	Total[f]
1920 Federal agencies	$ 5	$ 680	..	..	..	$ 684
Federally sponsored agencies	350	..	..	..	..	350
Private institutions	6,523	24,594	$ 55[g]	$ 6,503	$ 1,903	39,578
1930 Federal agencies	243	125	..	..	1	369
Federally sponsored agencies	1,339	..	..	..	..	1,339
Private institutions	5,143	31,979	480	22,047	3,879	63,528
1940 Federal agencies	1,481	842	172	2,227	533	5,255
Federally sponsored agencies	2,237	9	201	..	..	2,448
Private institutions	2,544	24,651	77	18,478	7,486	53,236
1950 Federal agencies	2,157	3,199	h	1,543	503	7,402
Federally sponsored agencies	1,815	3	816	..	..	2,634
Private institutions	4,888	59,871	181	49,709	11,353	126,002
	Holdings of Federal and Federally Sponsored Agencies as Percentages of the Holdings of Private Institutions					
1920 Federal agencies	0.1%	2.8%	..	..	..	1.7%
Federally sponsored agencies	5.4	..	..	..	..	0.9
1930 Federal agencies	4.7	0.4	..	..	i	0.6
Federally sponsored agencies	26.0	..	..	..	..	2.1
1940 Federal agencies	58.2	3.4	223.4%	12.1%	7.1%	9.9
Federally sponsored agencies	87.9	i	261.0	..	..	4.6
1950 Federal agencies	44.1	5.3	i	3.1	4.4	5.9
Federally sponsored agencies	37.1	i	450.8	..	..	2.1

(continued on next page)

TABLE 3 (*continued*)

[a] Outstandings of private institutions include farm real estate loans of open state and national banks in 1920 and 1930, of all insured commercial banks in 1940, and of all operating banks in 1950; farm real estate loans of life insurance companies; and non-real-estate loans of all operating banks to farmers (information not being available on loans to agricultural cooperatives, and CCC-guaranteed loans being excluded).

Sources: For federal and federally sponsored agencies, Table A-3 and A-4. For private institutions, *Agricultural Statistics, 1952*, Department of Agriculture, pp. 721 and 732, and *Agricultural Statistics, 1953*, p. 634.

[b] Outstandings of private institutions cover, for commercial and mutual savings banks in continental United States, their commercial and industrial loans (including open market paper), loans to security brokers and dealers, holdings of bonds, notes, debentures, and stock of domestic and foreign corporations, and holdings of Federal Reserve bank stock; for insurance companies (legal reserve life, fraternal life, fire and marine, and casualty and surety), their holdings of corporate bonds and stocks (railroads, public utilities, and industrials); and the business investments of savings and loan associations.

Sources: For federal and federally sponsored agencies, Table A-5. For the various private institutions, as follows: Banks, from the *Annual Reports* of the Comptroller of the Currency and the *Federal Reserve Bulletins*, except that the commercial bank data for 1920 and 1930 are NBER estimates obtained by inflating the data on business loans and discounts and business securities of national banks by the ratio of total loans and discounts of national to all banks and of total securities of national to all banks; data for 1940 and 1950 were adjusted for Federal Reserve Bank paid-in capital. Legal reserve life insurance companies, from the *Life Insurance Fact Book, 1954* (Institute of Life Insurance). Fire and marine and casualty and surety insurance companies, from "The Changing Importance of Institutional Investors in the American Capital Market," by Charles H. Schmidt and Eleanor J. Stockwell, in *Law and Contemporary Problems* (Duke University, School of Law), Vol. 17, No. 1, Winter 1952, p. 12. Fraternal life companies, for 1920–1940 from *A Study of Saving in the United States* by R. W. Goldsmith (Princeton University Press, 1955), Vol. 1, Table I-10, p. 462; and for 1950, estimated from the *Fraternal Monitor* (May 1951). Savings and loan associations, for 1920 and 1930 from Goldsmith, *op.cit.*, Tables J-2 and J-5, pp. 436 and 441, and for 1940 and 1950 from *Trends in the Savings and Loan Field, 1951*, Home Loan Bank Board, p. 4.

[c] Outstandings of private institutions include loans to banks by commercial and mutual savings banks, and advances to savings and loan associations other than those made by the Federal Home Loan banks.

Sources: For federal and federally sponsored agencies, Table A-6. For private institutions, as in note b above.

(*continued on next page*)

TABLE 3 (*continued*)

[d] Outstandings of private institutions include nonfarm real estate loans of commercial and mutual savings banks; nonfarm mortgages of legal reserve life insurance companies; total real estate mortgages of fraternal life, fire and marine, and casualty and surety companies; and net mortgage loans and real estate sales contracts (except in 1920 and 1930) of savings and loan associations.

Sources: For federal agencies, Table A-7. For private institutions, as in note b above, except that data for commercial and mutual savings banks for 1920–1940 were estimated by linear interpolation of June 30 holdings.

[e] Outstandings of private institutions include obligations of states and political subdivisions held by commercial and mutual savings banks and by all insurance companies mentioned above.

Sources: For federal agencies, Table A-8. For private institutions, as in note b above.

[f] The estimates given in this column for the loan and security holdings of private financial institutions account for the following proportions of net private and net state and local government debt shown in Table 2: 46 percent in 1920; 47 percent in 1930 and 1940; and 66 percent in 1950.

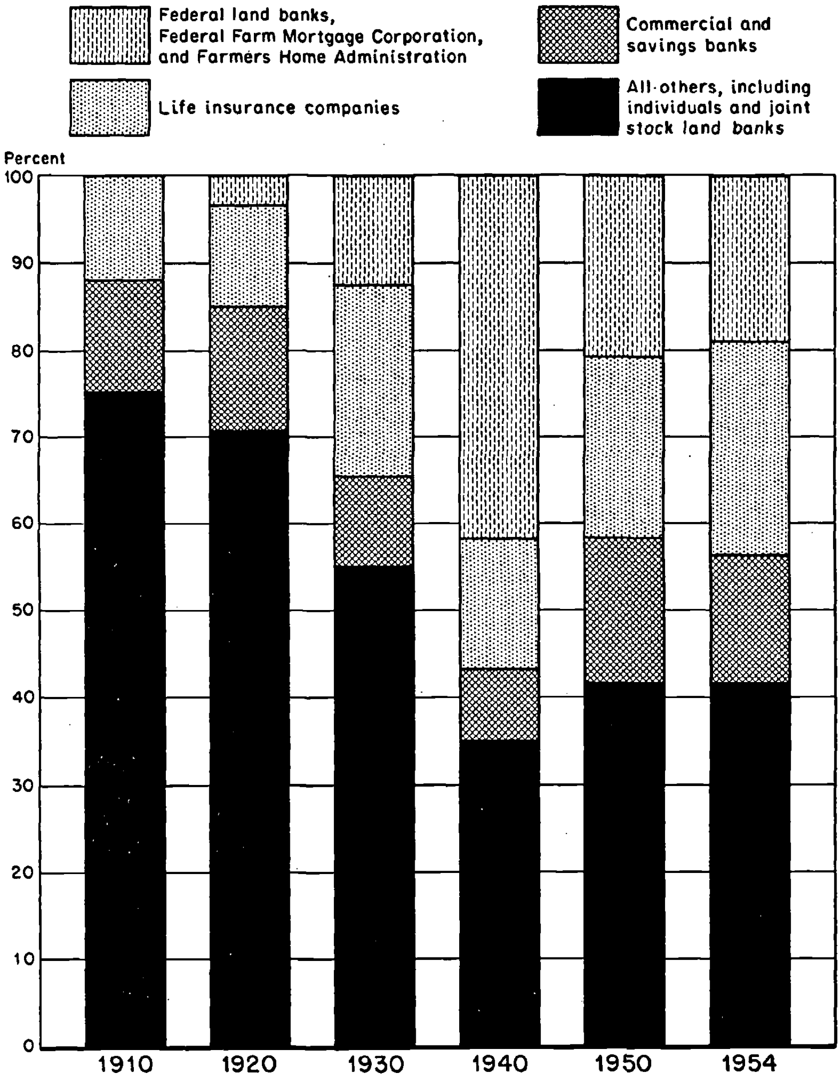
[g] Represents borrowings of savings and loan associations only. Data for loans to banks were not available.

[h] Less than $500,000.

[i] Less than 0.05 percent.

CHART 3

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.

in the dollar volume of their outstanding loans and to increased farm mortgage lending by private agencies and individuals.

Before 1933 the land banks were the only federal source of farm mortgage funds and accounted for comparatively small proportions of outstandings, ranging from 3.5 percent on January 1, 1920 to 13.5 percent at the beginning of 1933.[2] Through emergency programs undertaken during 1933 and 1934, which broadened the lending powers of the land banks and provided loan funds to the Land Bank Commissioner through the Federal Farm Mortgage Corporation, the proportion of credit extended to farmers by federal and federally sponsored agencies greatly increased. Land bank and Land Bank Commissioner loans accounted for 60 percent of the total dollar volume of farm mortgage recordings during the two-year period 1934–1935, when large numbers of farm mortgages were refinanced.[3]

The refinancing program tapered off in 1936, and from 1937 through 1953 only 12 percent of the total volume of farm mortgage recordings was supplied through the land bank system.[4] From 1938 on, the lending programs of the Farm Security Administration and its successor, the Farmers Home Administration, provided mortgage funds to farmers unable to obtain credit from other sources. Such loans, involving relatively high risks, have never represented more than 4 percent of the farm mortgage debt held by private and public lenders.

Regional differences in the sources of long-term farm credit are shown in Table 4, which distributes the farm mortgage credit outstanding in the several Farm Credit Administration districts on January 1, 1954 as among major types of lenders. Federal and federally sponsored agencies were most important in the New Orleans district (Alabama, Mississippi, Louisiana), where they accounted for 32 percent of the farm mortgage debt, and least important in the Berkeley district (the southern part of the Far West), where their mortgage credits accounted for only 11 percent of the total outstanding.

Turning to the short-term side of the farm credit market, we may note that at the beginning of 1954, 45 percent of the $6.2 billion of institutionally held non-real-estate debt owed by farmers con-

2 *Agricultural Statistics, 1952*, Department of Agriculture, Table 727, p. 721.

3 *Ibid.*, Table 728, p. 722.

4 *Agricultural Finance Review* (Department of Agriculture, Agricultural Research Service), Vol. 17, November 1954, Table 8, p. 89.

TABLE 4

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

Farm Credit Districts[a]	*Federal and Federally Sponsored Agencies*[b]	*Life Insurance Companies*	*All Operating Banks*	*Others*[c]
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.

[a] 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.

[b] Covers the federal land banks, the Federal Farm Mortgage Corporation, and the Farmers Home Administration.

[c] Refers to individuals and miscellaneous institutions.

sisted of loans made independently by banks, and another 28 percent consisted of bank loans under CCC guarantee. The remainder was held by federal and federally sponsored agencies: production credit associations (9 percent), the Farmers Home Administration (6 percent), the Commodity Credit Corporation (direct loans, 11 percent), and the federal intermediate credit banks (1 percent, in the form of advances to private lending institutions).[5]

Production credit associations are perhaps the most interesting of these institutions for purposes of this study, since their services come closest to duplicating those available through private channels. The relative positions of PCA's and of banks in short-term farm credit are shown in Table 5 on two different bases: (1) according to the amount of institutionally held credit, apart from loans and loan guarantees in connection with CCC's price support program; and (2) according to the number of farmers served by each. As to amount, for the country as a whole in July 1954 the banks held 71 percent and PCA's 16 percent, with other public or quasi-public agencies accounting for the rest. Regionally, the relative importance of PCA's was lowest in the Omaha credit district (Iowa, Nebraska, South Dakota, and Wyoming) and highest in the Columbia district (the Carolinas, Georgia, and Florida), a contrast reflected also in the number of farm borrowers served.

The shares of the non-real-estate farm credit market served by banks and by federal and federally sponsored agencies have changed considerably over time. Until 1930 commercial banks served practically the entire market. It is true that the emergency crop and feed loan program of the federal government was important in some areas during the twenties; loans to cattle raisers, livestock loan companies, and other private financing institutions were made by the War Finance Corporation during 1918–1928; and from 1923 the federal intermediate credit banks made loans to, and discounts for, private financing institutions serving individual farmers. Yet at the end of 1929 these programs accounted for only about 2 percent of the short-term farm credit outstanding.

Chart 4 shows the changes thereafter. On January 1, 1935—after the introduction of emergency relief programs in 1932 and 1933, the creation of the production credit associations and the CCC in 1933, and the expansion of the disaster loan and emergency crop and feed loan programs in 1933 and 1934—credit supplied directly by federal and federally sponsored agencies represented 30 percent of all short-term farm credit outstanding. During the next two years their percentage share again increased markedly. By January 1, 1937, when short-term farm lending by banks had fallen to 25 percent of what it was in 1929, over half of the outstanding non-real-estate farm credit

[5] *Ibid.*, p. 92.

TABLE 5

Percentages of Outstanding Non-Real-Estate Loans to Farmers Held by Banks and by PCA's as of July 1, 1954, and Percentages of Farmers Obtaining Bank and PCA Loans in 1951, by Farm Credit District

(dollar figures in millions)

FARM CREDIT DISTRICT[a]	NON-REAL-ESTATE DEBT, JULY 1, 1954 *Percentage Held by:* *Banks*	*PCA's*	*Total*[b]	PROPORTION OF FARMERS IN 1951 USING: *Bank Credit*[c]	*PCA Credit*
Springfield	68%	22%	$207	26.2%	7.6%
Baltimore	70	20	186	16.8	3.9
Columbia	53	31	284	26.5	7.5
Louisville	71	22	394	34.4	5.5
New Orleans	53	27	236	19.0	5.1
St. Louis	74	16	500	47.3	5.2
St. Paul	77	11	445	46.0	4.2
Omaha	84	8	576	63.8	2.8
Wichita	76	10	502	54.7	3.7
Houston	63	17	467	46.6	6.1
Berkeley	80	11	405	30.5	4.8
Spokane	63	23	288	39.8	6.4
United States	71%	16%	$4,489	36.9%	5.3%

Data for outstandings, which exclude bank and PCA loans guaranteed by the Commodity Credit Corporation in connection with price support, are from *Agricultural Finance Review* (Department of Agriculture, Agricultural Research Service), Vol. 17, November 1954, pp. 94–96. Data on number of farmers financed are from *Agricultural Credit and Related Data, 1953*, Agricultural Commission of the American Bankers Association, pp. 18ff.

[a] For a listing of states included in each farm credit district, see Table 4, note a. The bank series are classified according to location of bank; others, by location of security or borrower.

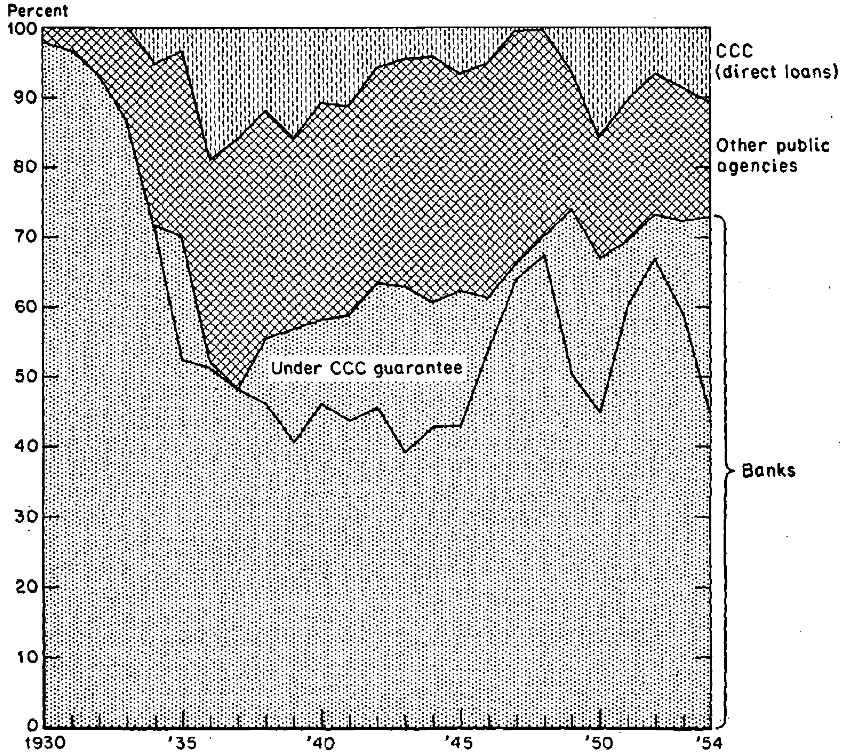
[b] Covers non-real-estate loans to farmers in continental United States (i.e. exclusive of loans to farmers' cooperatives) made by all operating banks, production credit associations, the Farmers Home Administration and its predecessors (including outstandings on loans made by the Emergency Crop and Feed Loan Division of the Farm Credit Administration and by the regional agricultural credit corporations), and private financing agencies (i.e. livestock loan companies and agricultural credit corporations) discounting with the federal intermediate credit banks. CCC direct loans, as well as guarantees, are excluded.

[c] Refers to all commercial banks.

was in the hands of the public agencies. The PCA's held 8 percent and the Resettlement Administration (one of the predecessors of the Farmers Home Administration) held 10 percent. Lending under the emergency crop and feed loan program and under the CCC direct loan program represented 13 percent and 16 percent, respectively,

CHART 4

Comparative Holdings of Non-Real-Estate Farm Debt by Banks, by the Commodity Credit Corporation, and by Other Federal and Federally Sponsored Agencies, 1930–1954



Data, as of January 1, are as given by the Department of Agriculture in "Agricultural Statistics, 1952," pp. 726 and 732, and "Agricultural Finance Review," Vol. 17, November 1954, pp. 92ff., and exclude loans to cooperatives.

Holdings of "other" public agencies are shown inclusive of loans under Commodity Credit Corporation guarantee, and refer to non-real-estate loans of the federal intermediate credit banks (to private institutions), production credit associations, the Emergency Crop and Feed Loan program, the regional agricultural credit corporations, and the Farmers Home Administration.

of total outstandings, while loans of the federal intermediate credit banks and regional agricultural credit corporations comprised the remaining 5 percent.

From 1938 through 1953, however—apart from CCC guarantees—the holdings of commercial banks grew more rapidly than the combined holdings of the federal and federally sponsored agencies, some of which had been curtailed or placed in liquidation. As a result, the publicly held share of short-term farm credit outstanding stood at 27 percent in January 1954, and the bank share (nonguaranteed) at 45 percent. Among the federal and federally sponsored agencies, the holdings of PCA's had held fairly constant at about 10 percent, whereas the holdings of the Farmers Home Administration, the FICB's, and the CCC had been reduced in relative importance.

Credit from federal agencies is of importance also in financing cooperatives, including those engaged in the marketing and processing of agricultural commodities and services and those organized for the special purpose of providing electric power and telephone services in rural areas. Table 6 shows the small amounts of such credit that were outstanding through 1935, the year the rural electrification program was introduced, and then the almost uninterrupted increase to the present level of $2.5 billion. Nearly four-fifths of that amount represents lending to electric cooperatives and is directly administered by the government. The financial aid to marketing cooperatives consisted at first (1930–1933) largely of loans from the Agricultural Marketing Act revolving fund, also a direct federal activity; but after the creation of the central Bank for Cooperatives and the twelve regional banks (1933) the holdings of federally sponsored agencies became relatively more important, ranging from 53 percent of total outstanding loans to marketing cooperatives at the end of 1934 to more than 90 percent at the end of 1946. Direct loans of the Commodity Credit Corporation have been important in some years, but only at the end of 1948 did they account for more than half of the amount owed by marketing cooperatives to federal and federally sponsored agencies.

Information showing the relative importance of public and private credit in the area of cooperatives is available for two dates, 1936 and 1954. A nationwide survey of farmers' groups in 1936 revealed that 31 percent of the amount owed by marketing and purchasing cooperatives had been supplied by the banks for cooperatives, and 46 percent by commercial banks, with the balance from a variety of sources.[6] Another nationwide survey in 1954 showed that the banks for coöperatives were supplying more than one-half of the credit used by cooperatives. This survey covered 632 cooperatives. The sources of credit for these cooperatives, in terms of reported outstanding bor-

[6] *A Statistical Handbook of Farmers' Cooperatives*, Farm Credit Administration, Bulletin 26, November 1938, pp. 180ff.

TABLE 6

Distribution of Outstanding Amounts of Loans to Farmers' Cooperative Associations among Federal and Federally Sponsored Agencies, 1929–1953

(dollar figures in millions)

	FEDERALLY SPONSORED AGENCIES	FEDERAL AGENCIES		
END OF YEAR	*Loans to Marketing and Processing Cooperatives*[a]	*Loans to Marketing and Processing Coops.*[b]	*Loans to Rural Electric Coops.*[c]	TOTAL
1929	64.2%	35.8%	..	$ 41
1930	32.0	68.0	..	201
1931	22.4	77.6	..	201
1932	5.8	94.2	..	169
1933	17.7	82.3	..	192
1934	53.0	47.0	..	117
1935	54.3	45.7	d	97
1936	52.8	45.4	1.8%	135
1937	54.6	27.1	18.3	164
1938	36.1	31.5	32.4	245
1939	25.9	18.0	56.1	301
1940	21.0	15.0	64.0	363
1941	30.0	10.1	59.9	508
1942	37.2	8.5	54.3	604
1943	40.9	6.4	52.7	628
1944	36.4	5.1	58.5	590
1945	28.0	3.6	68.4	572
1946	29.2	2.0	68.7	741
1947	23.7	16.1	60.2	1,179
1948	18.9	22.3	58.8	1,638
1949	17.0	13.1	69.9	1,791
1950	17.7	7.0	75.3	1,971
1951	18.5	9.2	72.3	2,312
1952	16.3	12.6	71.1	2,576
1953	14.9	6.0	79.1	2,505

Computed from Table 14 of the *Agricultural Finance Review* (Department of Agriculture, Agricultural Research Service), Vol. 17, November 1954, p. 93.

[a] Covers loans for production and general farm operating purposes made by the federal intermediate credit banks, 1929–1953, and loans made by the central and regional banks for cooperatives for operating purposes, the marketing of commodities, and construction or acquisition of marketing facilities, 1933–1953 (including CCC-guaranteed loans in 1941 through 1947).

[b] Represents loans for marketing and operating purposes made from the Agricultural Marketing Act revolving fund, 1929–1952; loans to cooperatives for rehabilitation purposes, and to water-facility cooperatives and defense relocation corporations, made by the Farmers Home Administration and its predecessors, 1937–1953; and loans to farm marketing cooperatives by the Commodity Credit Corporation, 1936–1953. But FHA loans in 1934–1936 are excluded for lack of annual data.

[c] Refers to loans made by the Rural Electrification Administration to electric or telephone cooperatives for construction of electric facilities, purchase and installation of electrical appliances and plumbing, and construction or expansion of telephone facilities.

[d] Less than 0.05 percent.

rowings at the close of fiscal years ending in 1954, were as follows:[7]

Lenders	*Percent of Total*
Banks for cooperatives	57.8
Commercial banks	10.3
Marketing and supply companies	1.6
Regional marketing and purchasing cooperatives	2.8
Individuals	4.0
Insurance companies	4.7
Certificates of indebtedness (usually members)	16.5
Miscellaneous sources	2.3
Total	100.0

A rough method of gauging the relative importance of public and private credit in financing rural electrification is to compare the number of customers served by organizations borrowing from the Rural Electrification Administration—public power districts, states and municipalities, and private power companies—with the total number of farms receiving central-station electricity. According to the annual survey conducted by REA, 4,888,460 farms (as defined in the 1950 census) were receiving central-station electricity on June 30, 1953.[8] At that time REA borrowers were serving 3,951,940 rural customers, of which about two-thirds were classed as farmers. Hence rural electric cooperatives (which represent more than 90 percent of REA borrowers) were serving about half of the farms in the United States receiving central-station electricity.

In 1949 the REA began a program for financing the construction and expansion of telephone facilities in rural areas. Loan allocations under this program through June 30, 1953 provided facilities for 302,597 subscribers; among them were 163,000 new subscribers, representing 5 percent of the 1950 census estimate of farms without telephones (3,322,554).[9]

A few federal agencies besides those already mentioned were active in extending credit to the agricultural sector during the 1930's. Among them were the Reconstruction Finance Corporation, which

[7] Based on survey by Farmer Cooperative Service, U.S. Department of Agriculture.

[8] *Report of the Administrator of the Rural Electrification Administration, 1953,* pp. 1, 14, and 15.

[9] *Ibid.,* p. 9, and *Agricultural Statistics, 1953,* Department of Agriculture, pp. 545 and 729.

disbursed $67 million in loans to private institutions for financing exports of surplus agricultural commodities and for financing the storage and marketing of farm commodities and livestock, and the Electric Home and Farm Authority, which discounted about $50 million of dealer paper originating in the sale or installation of electrical and gas appliances and equipment for farm use. And from World War II through 1953 the Veterans' Administration and the Farmers Home Administration insured or guaranteed, to a total of $180 million, loans for purchase or improvement of farm properties. All in all, federal lending in the agriculture sector has tended since the thirties to approach and even surpass the amounts advanced by private lending institutions. In 1950, federal farm credit outstanding totaled four-fifths of the amount held by commercial banks and life insurance companies as recorded in Table 3, but the comparison is marred by lack of information on loans to cooperatives by the private lenders. At a very rough estimate, their inclusion would lower the ratio of publicly to privately held farm credit in 1950 from four-fifths to about three-fourths.[10]

BUSINESS

It was shown in Table 3, above, that outstanding federal loans to business at the end of 1950 amounted to about 5 percent of the aggregate debt owed by business to major private financial institutions. Another indication that extensions of credit to business by federal and federally sponsored agencies have been comparatively unimportant on an over-all basis is given in Table 7, in which the out-

[10] Nearly one-half of the farm credit outstanding under federal programs at the end of 1950 represented loans to cooperatives, with the major share comprised of borrowings from REA by electric cooperatives. In its 1936 survey of farmers' cooperatives, cited above, the Farm Credit Administration found that outstanding commercial bank borrowings by marketing and processing cooperatives were 50 percent more than such credit held by the federally sponsored banks for cooperatives, which would indicate, if applicable to 1950, that about $525 million should be added to the total for holdings of private lending institutions in Table 3. That would be the only considerable addition, since rural electric cooperatives are almost entirely financed by REA. Thus the total for outstanding loans of commercial banks and life insurance companies both to farmers and to cooperatives in 1950 would probably not exceed $5.5 billion, with public holdings just short of $4 billion, or about 73 percent as large.

Confining the comparison to credit extended to farmers, the FCA reports that the combined holdings of the federal land banks, production credit associations, Federal Farm Mortgage Corporation, Farmers Home Administration, and federal intermediate credit banks at the beginning of 1950 were slightly less than one-half the amount held by commercial banks and life insurance companies. A similar relationship is indicated by the 1950 data in Table 3 after adjustment of holdings of public agencies to exclude loans to cooperatives.

TABLE 7

Outstanding Amounts of Federally Supplied Credit to Business as Percentages of Outstanding Net Business Debt, 1929–1953

(dollar figures in billions)

		FEDERAL CREDIT AS % OF NET BUSINESS DEBT	
END OF YEAR	NET BUSINESS DEBT[a]	*Direct Loans*[b]	*Direct Loans, Loan Insurance, and Guarantees*[c]
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 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.

[a] 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*.

[b] Covers outstandings on direct loans made by the Director General of the Railroads and the Interstate Commerce Commission, the Maritime Administration and its predecessors, the War Finance Corporation, the Reconstruction Finance

(continued on next page)

TABLE 7 (*continued*)

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.

[c] 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.

standing amounts of federally supplied credit are expressed as percentages of the net business debt outstanding at year ends, 1929 through 1953 (i.e. the aggregate net private nonfarm debt exclusive of loans on one- to four-family residences, consumer installment debt, and short-term corporate debt other than notes and accounts payable). Throughout this period, outstanding federal loans amounted to no more than 3 percent of the total owed by individuals and corporate and noncorporate borrowers. Governmental insurance and guarantee of private loans to business has also been small; even when the Regulation V loan guarantee program was most active (1943 and 1944), only 2 percent of the net business debt was federally protected.

It would appear that the proportions of the business population served by federal credit agencies have been equally small. From the beginning of its business loan operations in 1934 through June 30, 1953 the RFC authorized nearly 60,000 direct and participation loans to business enterprises; but the number of borrowers was less than that, because of cancellations and of repeat borrowers. During the same period the Export-Import Bank authorized about 500 loans, of which an estimated one-tenth may have involved American business firms. Under its ship construction loan program, which began in the early twenties, the Maritime Administration and its predecessors extended credits to only a handful of merchant shipbuilders and operators; and from 1934 to mid-1953 the industrial loans approved by the Federal Reserve Banks numbered only 3,758.[11] Even the V-loan program, which involved federal guarantees of war production loans totaling more than $10.5 billion, made credit available to only 4,864 business firms during 1942–1946.[12] From September 1942 through 1945, 4,487 loans were authorized by the Smaller War

[11] *Federal Reserve Bulletin*, June 1954, p. 603.

[12] Susan S. Burr and Elizabeth B. Sette, *A Statistical Study of Regulation V Loans*, Board of Governors of the Federal Reserve System, 1950, Table 4, p. 21.

Plants Corporation, another wartime agency.[13] The only federal program which directly touched a substantial number of enterprises —mainly very small, new ventures—was the business loan guarantee and insurance program of the Veterans' Administration. Up to mid-1953 a total of 205,450 VA-guaranteed business loans had been closed.[14]

On the basis of the above inventory it may be estimated that perhaps 280,000 enterprises benefited from federal or federally sponsored credit services at one time or another during the past twenty years. This number forms only about 7 percent of the more than four million operating business firms in the United States as of June 30, 1953. Admittedly the two measures correspond only roughly. The former includes some authorizations later canceled, concerns number of loans rather than number of different borrowers, covers a span of years, and includes some firms no longer in existence, whereas the latter characterizes one point in time and strongly reflects the increase in new business formations after World War II. To some extent these differences are counterbalancing: an estimate of about 5 percent for the proportion of business firms in the United States served by federal credit agencies seems reasonable.

Private financial institutions have served the credit needs of a vastly larger segment of the American business population. At the end of 1939, approximately 1,200,000 business firms were indebted to private institutional lenders, mainly commercial banks.[15] In 1946, member banks in the Federal Reserve system alone had an estimated 673,000 loans outstanding to business concerns.[16] If the businesses that have obtained credit from commercial finance companies, life insurance companies, and other types of private agencies were added to those served by the commercial banking system, the smallness of the number of firms—perhaps 280,000—that have been served by public agencies would appear even more striking.

HOUSING

Federal credit programs in the urban housing field consist prima-

[13] Douglas R. Fuller, *Government Financing of Private Enterprise*, Stanford University Press, 1948, Table 6, p. 151.

[14] *Loan Guaranty*, Veterans' Administration, June 1953.

[15] Neil H. Jacoby and Raymond J. Saulnier, *Business Finance and Banking* (National Bureau of Economic Research, Financial Research Program, 1947), p. 42.

[16] Albert R. Koch, "Business Loans of Member Banks," *Federal Reserve Bulletin*, March 1947, p. 253.

rily of the insurance or guarantee of loans extended privately for the construction, purchase, or repair of homes and apartment dwellings. In addition, during the thirties the federal government refinanced distressed mortgages on a large scale, and currently as well as during those years has been extending credits to home financing institutions, purchasing and making secondary distributions of insured and guaranteed mortgages, lending directly to mortgagees where credit is unavailable locally, and making loans to local governments, authorities, or other bodies for low-rent housing projects. Credit aid to urban housing, except for the direct loans to home financing institutions, has been administered by strictly federal rather than sponsored agencies.

It will be clear from Table 8 that the FHA-insured loan plays a prominent part in the financing of home repair and modernization.

TABLE 8

Outstanding Consumer Installment Loans for Home Modernization and Repair Held by Private Financial Institutions, and Proportion FHA-Insured, 1939–1953

(dollar figures in millions)

End of Year	*Home Repair and Modernization Loans*[a]	*Estimated Percent FHA-Insured*[b]
1939	$ 298	43%
1940	371	46
1941	376	55
1942	255	76
1943	130	98
1944	119	78
1945	182	62
1946	405	51
1947	718	57
1948	843	72
1949	887	72
1950	1,006	68
1951	1,090	71
1952	1,406	65
1953	1,649	68

Data for home repair and modernization loans are from the *Federal Reserve Bulletin,* April 1953, pp. 346 and 347, and March 1955, p. 310; those for FHA-insured home improvement loans were compiled from the *Annual Reports* of the Federal Housing Administration and of the Housing and Home Finance Agency.

[a] Covers only repair and modernization loans on owner-occupied homes. Refers to outstanding amounts of loans held by commercial and mutual savings banks, sales and consumer finance companies, credit unions, industrial loan companies,

(continued on next page)

TABLE 8 (*continued*)

savings and loan associations, and other lending institutions holding consumer installment loans.

[b] The underlying data for FHA-insured loans are estimates of outstanding net proceeds of single family home improvement loans derived by applying to total average year-end outstandings on all property improvement loans the percentages of annual volume used for the improvement of single family dwellings.

It is estimated that since 1939, the first year in which data necessary for the calculation are available, FHA-insured loans for the improvement of single family homes have represented at least 40 percent of the amounts outstanding on all loans for the repair and modernization of owner-occupied dwellings; in some years, particularly during the period of wartime controls, FHA-insured loans accounted for more than three-fourths of total outstandings. Though data for other types of properties are lacking, it is known that the insured loan plays a smaller part in the improvement of business structures and multifamily and farm dwellings than of one-family homes.

Somewhat greater accuracy is possible in measuring the importance of federal loan insurance and guarantees in the vastly larger residential mortgage field. Figures showing the proportion of building starts and of mortgage recordings which involved either VA or FHA financing are given in Table 9. There was little thought, when the FHA mortgage insurance program was initiated in 1934, that it would assume the importance that it has now attained. It is no exaggeration, however, 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. As Table 9 shows, about two-thirds of the multiunit residential construction starts during the post-World War II period involved insured or guaranteed financing, and from two-fifths to one-half of the smaller structures started carried this protection. After 1951 the percentage of multifamily residences started with FHA-insured loans dropped sharply, and was slightly more than 25 percent in 1953. The proportion of one- and two-family homes financed with VA-guaranteed and FHA-insured loans continued to represent about two-fifths of such units under construction. On a different basis of measurement—mortgage recordings up to $20,000 size, which include transfers of existing properties as well as the financing of new construction—insured and guaranteed loans in 1953 accounted for roughly three-tenths of the dollar volume of transactions.

TABLE 9

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: VA-Guaranteed Loans[a]: 1- and 2-Family Houses[c]	VA-Guaranteed Loans[a]: Total	FHA-Insured Loans[b]: 1- and 2-Family Houses[d]	FHA-Insured Loans[b]: Multi-family Dwellings[e]	FHA-Insured Loans[b]: Total	PERCENTAGE DISTRIBUTION OF DOLLAR VOLUME OF NONFARM HOME MORTGAGE RECORDINGS OF $20,000 OR LESS: FHA-Insured	VA-Guaranteed	Conventional
1935	..	..	7%	5%	6%	f	..	f
1936	..	..	18	5	16	f	..	f
1937	..	..	19	11	18	f	..	f
1938	..	..	32	19	30	f	..	f
1939	..	..	37	21	34	20%	..	80%
1940	..	..	37	9	34	19	..	81
1941	..	..	38	10	36	19	..	81
1942	..	..	56	46	55	25	..	75
1943	..	..	76	98	80	20	..	80
1944	..	..	65	89	67	15	..	85
1945	3%	3%	20	15	20	8	3%[g]	88
1946	14	13	11	6	10	4	22	74
1947	27	25	23	63	27	8	28	64
1948	13	12	28	68	32	18	16	66
1949	13	11	32	62	36	19	12	69
1950	17	15	31	76	36	15	19	66
1951	16	15	22	65	26	12	22	66
1952	14	13	25	37	26	11	15	74
1953	16	15	23	26	24	12	16	73

(continued on next page)

TABLE 9 (*continued*)

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.

[a] 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.

[b] The underlying data represent dwelling units in houses and housing projects meeting FHA first compliance inspection.

[c] 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.

[d] 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.

[e] 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.

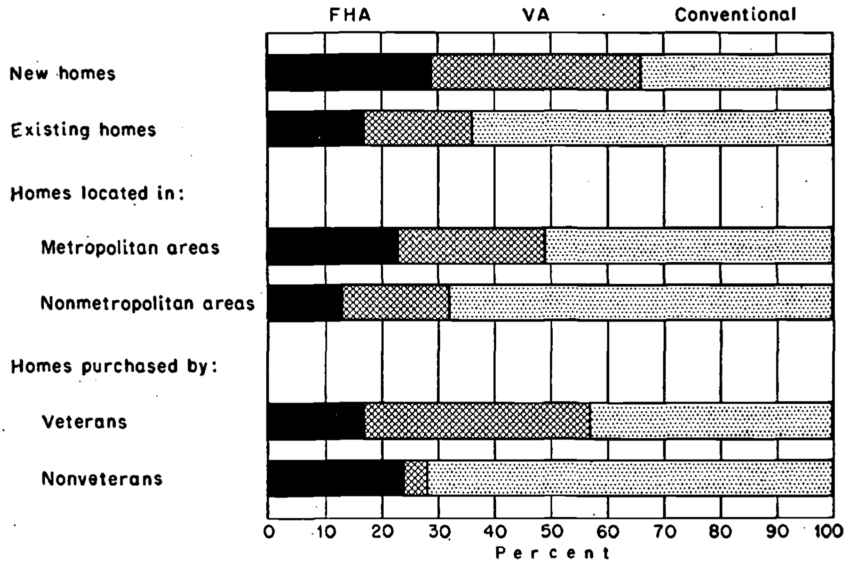
[f] Not available.

[g] Includes recordings made during 1944.

The relative frequency with which insured and conventional loans are used in financing small residential properties is shown in Chart 5.

CHART 5

Proportion of Insured and of Conventional Mortgages for New vs. Existing Homes and Metropolitan vs. Smaller Communities



Data are from a sample survey by the Board of Governors of the Federal Reserve System of 1,368 persons who purchased one- and two-family nonfarm dwellings for owner occupancy between October 12, 1950 and March 15, 1951. See "Federal Reserve Bulletin," July 1951, Tables 13, 21, and 23, pp. 788, 795, and 796.

Federally protected financing, particularly VA-guaranteed loans, is more important than purely private financing in connection with new construction, but less so in the transfer of existing structures; in metropolitan areas, insured or guaranteed loans are as frequent as conventional loans, but outside the large cities conventional loans predominate.

Direct loans by federal agencies have been extended in the housing field both for refinancing and new money purposes. At the end of 1935 the outstanding loans of the Home Owners' Loan Corporation, mainly for refinancing, were second only to the amounts held by savings and loan associations, and accounted for nearly one-fifth of the total outstanding mortgage debt on one- to four-family homes.[17] Although unimportant nationally, direct lending by federal agencies

[17] *Housing Statistics*, Housing and Home Finance Agency, January 1954, p. 20.

to homeowners and to private builders has been significant in some cases at the local level. During 1941–1944, the Defense Homes Corporation advanced slightly less than $1 million for the construction of housing in defense areas, and since 1950 the Veterans' Administration has closed about $290 million in loans to veterans for home purchase or construction in localities, mainly rural, where VA-guaranteed credits at maximum permissible interest rates were unavailable from private sources.

Through the operations of the Public Housing Administration and its predecessors, and to some extent through programs of the Housing and Home Finance Agency, the federal government has extended nearly $3.7 billion in credit to states, municipalities, and other local public bodies for the planning and construction of low-rent housing and slum clearance projects. In addition to advancing $3.6 billion for public housing construction, the Public Housing Administration guarantees short-term note and bond obligations sold to private investors by local housing authorities with which PHA has financing agreements. Outstanding commitments under this program averaged about $230 million over the years 1940–1949; as a result of the increased building activity of 1950, commitments rose noticeably, reaching $1.9 billion at the end of 1953.

Loans to home financing institutions are made through the federally sponsored Home Loan Banks. From 1932 through 1944 borrowings by member institutions, principally savings and loan associations, were relatively small; but the funds advanced from 1945 through 1953 totaled $4 billion, nearly three times the total disbursements made through 1944.

Finally, the federal government has provided facilities for the purchase and secondary distribution of mortgages covered by federal insurance or guarantee. Through June 30, 1947, when its activities were discontinued, the RFC Mortgage Company disbursed $496 million, of which $393 million represented purchases of federally insured home and project mortgages. The Federal National Mortgage Association, set up in 1938, purchased $1.3 billion in FHA-insured home and housing project mortgages, and $2.6 billion in VA-guaranteed mortgages, through December 31, 1953. Some indication of the role of federal agencies in the secondary market for insured loans is given by Table 10, which weighs their purchases and sales of FHA-insured home mortgages against those of private financial institutions over the years. In the total volume of purchases

TABLE 10

Relative Importance of Federal Agencies and Private Financial Institutions in the Secondary Market for FHA-Insured Home Mortgages, 1935–1953

YEAR	MORTGAGES PURCHASED		MORTGAGES SOLD	
	Federal Agencies[a]	*Private Institutions*[b]	*Federal Agencies*[a]	*Private Institutions*[b]
1935–1936	15.8%	84.2%	0.1%	99.9%
1937	24.9	75.1	5.6	94.4
1938	28.3	71.7	5.3	94.7
1939	28.4	71.6	2.9	97.1
1940	15.9	84.1	1.4	98.6
1941	12.9	87.1	1.1	98.9
1942	8.1	91.9	2.0	98.0
1943	7.0	93.0	26.3	73.7
1944	10.4	89.6	3.0	97.0
1945	4.4	95.6	21.8	78.2
1946	0.3	99.7	8.7	91.3
1947	0.1	99.9	0.7	99.3
1948	11.7	88.3	0.1	99.9
1949	23.6	76.4	0.1	99.9
1950	5.8	94.2	14.9	85.1
1951	3.0	97.0	5.9	94.1
1952	10.1	89.9	2.7	97.3
1953	19.8	80.2	1.5	98.5

Data are from the *Annual Reports* of the Federal Housing Administration and the Housing and Home Finance Agency, and refer to the face amount of mortgages insured under Sections 8, 203, 603, 603–610, 611 and 903 of the National Housing Act.

[a] Covers transactions of the RFC Mortgage Company, the Federal National Mortgage Association, the U.S. Housing Corporation, and (in 1938) the Federal Deposit Insurance Corporation.

[b] Refers to activities of state and national banks, savings banks, savings and loan associations, insurance companies, mortgage companies, investment and finance companies, endowed institutions, and other similar investment groups or funds.

and sales in the secondary mortgage market, the activities of federal agencies have been relatively unimportant. Mortgages purchased by federal agencies comprised 20 percent or more of the total dollar volume only in the last half of the thirties and in 1949.

OTHER AREAS SERVED

Among the lending programs of federal agencies that fall outside the scope of agriculture, business, and housing are such diverse activities as the disaster loan programs of the Reconstruction

Finance Corporation and the Disaster Loan Corporation, loans to Indians and Indian organizations by the Bureau of Indian Affairs, loans for economic improvement by the Puerto Rico Reconstruction Administration, loans to students by the Federal Security Agency, or loans to holders of government life insurance by the Veterans' Administration. Even in the aggregate, however, these have not been large; estimated disbursements under these miscellaneous programs, some of which began as early as 1911, totaled less than $800 million through the end of 1953.

Loans to state and local authorities for purposes other than housing construction warrant separate mention. Through December 1953, funds totaling upwards of $1.8 billion had been advanced by federal agencies such as the Inland Waterways Corporation (during the twenties); the RFC, the Public Works Administration, and the Tennessee Valley Authority (during the thirties); and, more recently, the Housing and Home Finance Agency—principally for financing the construction of public works and other community facilities.

To banks and other private financial institutions, credit has been extended not only in the housing field (through Home Loan Bank loans to mortgage lending institutions) but for more general purposes. After World War I, the War Finance Corporation advanced about $5 million in loans to banks and building and loan associations. From 1932 through the end of World War II, mainly during the depression years, the RFC disbursed more than $2.7 billion in loans, and $1.2 billion for stock subscriptions, to banks, insurance companies, and other financial institutions. During the same period the Home Owners' Loan Corporation and the Treasury Department invested nearly $275 million in shares of federal- and state-insured savings and loan associations.