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APPENDIX B

PRELIMINARY QUESTIONNAIRES AND LOAN EXPERIENCE CARD AND INSTRUCTIONS

Exhibit 1 of this appendix is the preliminary questionnaire sent to a sample of commercial banks to obtain information from which to compute subsampling ratios. Comparable information for savings and loan associations was obtained through the questionnaire presented as Exhibit 2.

Instructions for the selection of sample loans were sent to each of the institutions selected for inclusion in the sample. A copy of the instructions for life insurance companies is reproduced as Exhibit 3. The instructions for commercial banks and savings and loan associations were substantially the same as those for insurance companies, but certain differences should be noted.

(a) Each life insurance company was requested to sample every 100th loan made after January 1, 1920, whereas commercial banks and savings and loan associations were assigned different subsampling intervals computed separately for each institution (see Appendix A, page 131f.). Regardless of the filing system used, commercial banks and savings and loan associations were instructed to begin by selecting the first loan made after January 1, 1920 and every n^{th} loan thereafter.

(b) Commercial banks were requested to sample only those loans held for their own accounts, exclusive of trust department mortgage holdings. Banks using a filing system similar to that identified as Method B in Exhibit 3 were instructed to start at the beginning of their files of inactive mortgage loans. If their mortgage loans were interfiled with other types of loans, the sample banks were requested to select the first loan (regardless of type) made after January 1, 1920 and every n^{th} loan thereafter, and upon completion of the sampling process to reject from the group of selected loans all those that were not urban mortgage loans (besides rejecting the successor loans described in the instructions for insurance companies). If a loan originally selected turned out to have been canceled before disbursement of funds, banks were instructed to substitute the next loan in the file. The instruction relating to a subsequent increase in the value of the property securing a loan, given on page 161, did not apply to the loans selected by banks.

(c) Savings and loan associations were divided into two groups: those sampling current loans only and those sampling all loans made after January 1, 1920. Separate instructions were prepared for each group. For associations reporting all loans the instructions were similar to those followed by commercial banks, except that associations included loans secured by farm properties in their samples. Associations not expected to be able to canvass past loans were requested to select the first loan in their files of active mortgage loans and every n^{th} loan thereafter, and to trace successor loans back through their closed files in order to obtain the complete history of the transaction.

Transcription cards on which to enter data for individual loans were supplied to each institution. A copy of the card used by insurance companies and commercial banks is reproduced here as Exhibit 4. The card for savings and loan associations was slightly different. A farm property category was added to Item C. For two of the categories in Item D (fully amortized and partially amortized conventional loans) the following were substituted: amortized, share accumulation plan; amortized, cancel and endorse; and amortized, direct reduction. Item E, calling for the original schedule of payments, was replaced by a question on the purpose of the original loan (for example, construction, home purchase, and refinancing of debt owed to another mortgagee).

EXHIBIT 1

Preliminary Data for Study of Mortgage Lending Experience

Bank Identification Number ______________

____

1. What is the approximate number of new urban mortgage loans made since January 1, 1920 (or thereabouts) by your bank? ______________
2. Have mortgage loans made since January 1, 1920 had numbers assigned to them? Yes ( ) No ( )
3. Indicate the manner in which you file ledger cards on active urban mortgage loans and on inactive loans (i.e., those that have been paid in full, sold, or assigned to other mortgagees, or on which property was acquired):

(a) Are they filed separately from all other loans, or are they merged with all types of loans?

	Active Loans	*Inactive Loans*
Filed separately	( )	( )
Merged with others	( )	( )

(b) Are they filed in numerical order, in alphabetical sequence, or otherwise?

Filed numerically ( ) ( )
Filed alphabetically ( ) ( )

If filed by some other method, please explain briefly:

____

____

EXHIBIT 2

Preliminary Data for Study of Mortgage Lending Experience

Name of Association ______________________________
City ______________________________ State ______________

I. Has your association been in continuous operation since 1920, uninterrupted by merger or segregation of assets? (Conversion to federal charter or change in corporate name should *not* be considered an interruption unless accompanied by segregation of assets.)

( ) Yes ( ) No

II. If "yes," please answer the following:
- A. Number (an estimate will do) of mortgage loans made since January 1, 1920 ______________
- B. Are these loans numbered consecutively? ( ) Yes ( ) No
- C. Number of mortgage loans now on books ______________
- D. How are ledger cards filed (i.e., alphabetically, numerically, etc.)?
  1. For loans now on books ______________
  2. For loans paid off, foreclosed, etc. ______________

III. If "no," please answer the following:
- A. From what date has your association been in continuous operation? Since ______________ (year)
- B. Was this the year your association first began operations? ( ) Yes ( ) No
- C. If not, what change occurred on that date? ______________

  ____

  ____
- D. Number of mortgage loans now on books ______________
- E. How are ledger cards filed (i.e., alphabetically, numerically, etc.) for loans now on books? ______________

IV. Name and address of person to receive instructions and forms for reporting mortgage experience:

____

____

EXHIBIT 3

Mortgage Loan Experience Card—Instructions

Section I—Sampling Instructions

In selecting the individual ledger or mortgage cards from your file, use Method A or Method B depending on the way in which your ledger cards on mortgage loans are filed.

USE METHOD A IF YOUR LEDGER CARDS ARE FILED NUMERICALLY

(1) Find the number of the first loan made after January 1, 1920.

(2) The number of *the first loan selected for the sample* should be the first number, *after* the number noted in (1), that ends in two zeros—i.e., the first number that is a multiple of 100. Select that ledger card and the ledger card on *every hundredth loan* thereafter.

Examples: Suppose that the first loan made after January 1, 1920 carries the number 1623. Then the numbers of the loans in your sample would be 1700, 1800, 1900, 2000, and so on.

Suppose that the first loan made after January 1, 1920 carries the number 1104. Then the first loan in the sample would be number 1200, and the following loans would be 1300, 1400, 1500, and so on.

(If you wish, you can prepare a written list of these loan numbers before drawing the actual cards from the files.)

(3) *Omit all farm loans.* That is, if the ledger card bearing any of the numbers determined by step (2) happens to refer to a farm loan, omit that loan and proceed to the next number in the series.

Examples: If loan number 2200 turns out to be a farm loan, omit it from the sample and proceed to loan number 2300—*not to loan number 2201.*

If loan number 2300 is a farm loan also, disregard that loan as well and proceed to loan number 2400, continuing until the next city loan is reached.

(This situation will occur only when city loans and farm loans are numbered in a single sequence.)

(4) *Omit all "successor loans."* If the ledger card bearing any of the numbers determined by step (2) refers to a loan that was a successor to an earlier loan—that is, if the ledger card selected refers to a recast loan that was assigned *a new number*—omit the selected loan and proceed to the next number in the series.

Examples: Loan number 5600 is a "successor loan" because it represents an advance of additional funds on an earlier loan. When the loan was recast it was given a new number, 5600. Omit loan number 5600 and proceed to loan number 5700.

Loan number 9100 is a "successor loan" because it represents an extension of maturity on an earlier loan, with the recast loan given the new loan number 9100. Omit loan number 9100 and proceed to loan number 9200.

(5) Continue step (2) until you have gone through all your mortgage card files. With the exception noted in (4), *do not exclude any urban mortgage loan, even though it may seem extremely untypical of the mortgage experience of your company.*

* * *

USE METHOD B IF YOUR LEDGER CARDS ARE NOT FILED NUMERICALLY

(or if loans cannot be located conveniently by number in the file)

(1) Beginning with any file cabinet you choose, take the first loan card and every hundredth loan card thereafter throughout all your files. That is, the *first six* loans in your sample will be the 1st, 101st, 201st, 301st, 401st, and the 501st from your files.

Caution: Be sure to actually *count* the loans, so that you select every hundredth loan exactly. Do not guess or use short-cut methods in selecting the hundredth loan.

Also, be sure to count *loans,* not cards. If the same loan is represented by more than one card, count all the cards pertaining to that loan as *one* item.

(If inactive loans are filed according to the year in which they were made or paid off, it will of course be unnecessary to sample cabinets containing loans made before 1920.)

(2) *Omit all farm loans.* If urban loans and farm loans made by your company are filed together, some of the loans drawn in counting by the above system will be farm loans. In each such case, disregard the farm loan and proceed to the next hundredth loan until a city loan appears.

(3) *Omit all loans made before January 1, 1920.*

Example: If the 701st loan was made before that date, omit it, continue counting, and proceed to the 801st loan.

If the 801st loan was also made before January 1, 1920, omit it also, continue counting, and proceed to the 901st loan; and so on until a loan appears which was made after January 1, 1920.

(4) *Omit all "successor loans."* By "successor loan" is meant a loan which is a recast of an earlier loan—that is, additional funds were advanced, or the maturity was extended, and a new loan was written. If a card drawn in counting by the above system refers to such a loan, omit it and proceed to the next hundredth loan.

Examples: The 5601st loan from your files is a "successor loan" because it represents an advance of additional funds on an *earlier* loan. Omit the 5601st loan and proceed to the 5701st loan.

The 1101st loan from your files is a "successor loan" because it represents an extension of maturity on an *earlier* loan. Omit the 1101st loan and proceed to the 1201st loan.

(5) Continue in the same way through all your mortgage files. With the exceptions noted in (3) and (4), *do not exclude any urban mortgage loan, either on residential or income-producing properties, even though it may seem extremely untypical of the mortgage experience of your company.*

(6) If there are several files, be sure to sample all of them (except cabinets containing *only* loans made before 1920). For example, sample both active and inactive files; if there is a separate file of FHA loans, or a separate real estate contract file, sample these also, and so forth.

The order in which the file drawers are sampled does not matter. In going from one file drawer to another, or from one file to another, carry over the number of loans remaining in the last file drawer to those in the next file drawer, until the next hundredth loan is reached.

Example: If the last loan in a file cabinet is the 562nd, count the first loan in the next cabinet as the 563rd, and continue counting until you reach the 601st loan, which you take for the sample.

In other words, treat the files as if they were combined in one continuous and consecutive file.

* * *

Complete the Loan Histories

Whether you have used Method A or Method B, you have now assembled a group of ledger cards that represent a 1% sample of the loans made by your company.

The record must now be completed by adding a few more cards which will give the *full history* of each loan selected. This should be done as follows: Go through the sample, card by card. If a card shows that the loan was later recast and given a new loan number, and that another card was prepared, find the later card in your files and attach it to the card representing the original loan.

If the loan was recast more than once, you may have to attach two or more cards to the original card. In other words, you follow the loan forward, through its several modifications, until it was extinguished.

Example: (The numbers used here are those that might appear if cards were selected by Method A, but the principle is the same for cards selected by Method B.)

If loan number 1700 was selected in your original drawing of cards, and you see from the card that it was recast and a new loan written with a new number—say number 2276—then pull the card on loan 2276 and attach it to card 1700 as part of the same loan transaction.

Perhaps loan 2276 itself was subsequently recast, and another new loan written with a new number—say number 3402. Pull the card on loan 3402 and attach it to cards 1700 and 2276.

If card 3402 shows that the loan was not modified again, the three cards give the complete history of that loan.

In a very few cases you may find that the card representing a recasting of a loan is one that you *omitted* in your first drawing of cards because it was recognized as a "successor loan" (see paragraph 4 under Method A or B above). For example, you now find that card 6200 (which you correctly omitted in your first drawing) represents a modification of original loan number 400, which you included in the sample. In this case, card 6200 *does* belong in the sample; you therefore attach it to card number 400.

Exception: There is one type of loan alteration that is considered to be a termination rather than a modification of the original loan. If a loan was recast *because of a substantial increase in the value of the underlying property resulting from improvements,* consider the recast loan a *new* loan, not a modification. Do not attach the card representing the recast loan to the old loan card. Regard this loan as having been terminated at the date of the recasting.

For purposes of this rule, "substantial increase" means an increase of 25% or more in the value of the underlying property.

* * *

With the addition of these cards, which complete the loan histories, the sample is ready to be used for transcribing information to the "Mortgage Loan Experience Cards."

Each loan will use a separate card. We have sent you _____ cards, which allows a margin for wastage. If you need more, please ask us for them.

Instructions for filling out the Mortgage Loan Experience Card will be found in Section II, following.

Section II—Instructions for Filling out the Mortgage Loan Experience Card

These instructions should be read through and compared with the Mortgage Loan Experience Card before any transcriptions are made from the ledger cards that you have drawn from your files by the sampling methods described in Section I.

* * *

Schedules A to H inclusive, and Schedule J, are to be filled in completely (so far as possible) for each loan in the sample.

Schedule I will be filled in for only a part of the loans selected.

Schedule K (reverse of card) will be filled in for only a few of the loans selected.

If data are not available, write "n.a." for the question involved.

If you feel that any special comments should be made on a particular loan, enter them on a separate sheet. Mark this sheet with the same identification number as the card it applies to, and attach it to the card.

* * *

In this analysis, a mortgage loan is defined as an obligation secured by a specific piece of *property*. Therefore, in filling out the Mortgage Loan Experience Card, the information recorded about each loan should carry the history of the loan forward, from its origination, through any modifications, to extinguishment, regardless of the fact that the original obligor may have been succeeded by one or more other obligors.

* * *

Schedule A. Loan Identification Number. A space is provided in which to give a number that will permit identification by your company of the loan on which information is transcribed. Whether this is the loan's actual file number, or a new number assigned so as not to disclose the loan's file number, does not matter for purposes of the National Bureau's analysis. In either case you should keep a record so that you can refer back to a particular loan if necessary; it is especially important to keep such a record if the number given in Schedule A is not the actual file number of the loan.

Schedule B. Location of Property. Enter here the state where the *property* is located, also the city or town. Do not indicate street address.

Schedule C. Type of Property. From among the listed types of property, check the one which best describes the *principal characteristic* of the property mortgaged. If the property is not adequately described by any one of the listed types, indicate its character under Item 13.

Schedule D. Type of Loan at Time of Making. Check the appropriate type of loan. If it is not possible to distinguish between a fully amortized and a partially amortized conventional (i.e., uninsured) loan, bracket types 2 and 3 and check the bracket.

Schedule E. Original Schedule of Payments. Check the type of principal and interest payment schedules which were set up *at the time the loan was made.*

Schedule F. Purchase Money Mortgage. Indicate here by a check mark whether the loan selected was a purchase money mortgage *when first put on the books.* A "purchase money mortgage" means a mortgage taken as part of the consideration received on the sale of property owned by the mortgagee.

Schedule G. Real Estate Sales Contract. Indicate here whether the transaction was initiated as a real estate sales contract.

Schedule H. Original Loan.

(1) Year loan was made: Give the last two figures of the year during which the loan was made; for example, a loan made at any time in 1927 would be indicated 27.

(2) Amount: Indicate the original amount in dollars, omitting cents.

(3) Appraised value: Give the original appraisal of land and buildings combined, in dollars, omitting cents.

(4) Contract term: Give the original term of the contract to the nearest year. If the original loan was written on a demand basis, write in "demand," or "demand after ______ years," whatever the case may be.

(5) Contract rate of interest: This refers to the *gross* rate of interest—that is, the rate charged to the borrower. It should be reported gross of any participations in interest by the company's correspondent or other agent.

Schedule I. Subsequent Modifications in Loan or Sales Contract. This schedule asks for information on such modifications of the original contract as may have been made; for example, an advance of additional funds, or forgiveness of part of the principal through compromise, or the extension of contract term (including cases in which the principal was reduced by payment and the loan term was extended), or changes in the contract rate of interest or loan type.

Such changes should be indicated in the appropriate columns of Schedule I. If several of the loan's features were changed in the same modification, make all the necessary entries on the same line. Leave those columns blank that refer to loan features that were not modified. Give amounts in dollars, omitting cents.

If additional space is needed to record contract modifications, use additional cards and staple or clip together. (Please mark all cards applying to a given loan with the same identification number.)

Unpaid balance at time of modification (column 2) and *unpaid balance after modification* (column 10) should be filled in every case.

In reporting *advance of additional funds* (column 3) ignore changes which resulted from periodic increases in the balance because of tax payment, etc. However, an increase in the balance because of payments of accumulated taxes on which the debtor was delinquent should be considered an "advance of additional funds." Also, if the loan was rewritten and the unpaid balance of the old loan reduced to zero, then the unpaid balance at the time the loan was rewritten should be given in column 2 and the amount of additional funds over and above the former balance entered in column 3; the resulting new unpaid balance should be reported in column 10.

Reduction by compromise (column 4) refers to the forgiveness of part of the unpaid principal balance by compromise, i.e., by agreement between mortgagor and mortgagee.

Under column 6 indicate the additional number of years for which the contract was extended. Thus, a contract having two years to run which was modified to mature in six years would be considered as having been extended for four years. For purposes of this calculation consider as a full year any part of a year which is six months or more.

Under column 7 indicate only the *new rate of interest.*

Column 8, *changes in loan type,* is provided to record such modifications or changes in the loan as alter its original type as shown in D above.

Under column 9 indicate the amount in dollars, omitting cents, of any *new appraisal* made in connection with a modification of the loan contract.

This will be the combined appraisal of land and buildings.

Schedule J. Loan Status. Indicate by year, or by giving the unpaid balance in the case of active loans, the status of the loan.

* * *

If the loan resulted in the acquisition of property *and if this property has been sold,* fill out Schedule K, which is on the reverse side of the mortgage card. In all other cases Schedule K is to be ignored.

Schedule K. Data on Property Acquired and Sold.

The primary purpose of Schedule K is to get a final figure of loss or gain on properties acquired and sold. This is reported in Item 16. Schedule K has been designed to enable respondents to build up a figure of loss or gain which will be comparable from company to company. However, the records of individual companies may provide a direct figure of loss or gain that is comparable to the one that would be derived under Schedule K, although it might be built up in a different way. In this case, it will be sufficient to report the company's available figure directly, but Items 7 and 14 should also be given, wherever possible.

If the figure of loss or gain on property which can be taken directly from a company's records is not comparable to Item 16 in Schedule K, but can readily be adjusted to achieve this comparability, such an adjusted figure will fulfill the needs of this study.

Individual items under Schedule K are defined as follows:

Item (4) This refers to the amount owed by the mortgagor, without giving effect to any write-downs in the book value of the loan made at any time prior to, or at the time of, foreclosure.

Item (5) This refers only to amounts paid out *prior* to foreclosure. Since the purpose is to measure the amount that the mortgagee has invested in a particular item of property, reports should exclude all payments of taxes and insurance for which the mortgagee acted merely as a transmitting agency. Further, amounts paid out prior to foreclosure should not be reported if they were included elsewhere in this schedule (e.g., if they were capitalized and shown in the loan balance given in Item 4).

Item (6) Give the amount of any delinquent interest which was due on the loan at the time it was transferred to real estate, provided this was not added to the loan balance and reported under Item 4. Note that it will be necessary to check under Item 6 if delinquent interest is calculated on a compound interest basis. Do not check if your calculation of delinquent interest is made on the basis of simple interest.

Item (8) Report all foreclosure costs, including legal, court, and advertising costs, incurred in connection with the foreclosure. Whether foreclosure costs are capitalized into the book value of the property or are charged currently against income does not matter for purposes of this schedule. You are asked merely to report the *amount* of the incurred costs.

Item (10) Any recoveries made through deficiency judgments or other settlements should be reported here.

Items (11), (12), and *(13)* If the income earned from property while held as real estate, and the expenses incurred on it (including expenditures for repairs and permanent improvements, and expenses incurred in connection with the sale of the property), are available separately, these should be recorded as indicated on the schedule. However, if there is available only a figure of net income or loss, this can be reported as such under Item 13 with a plus or minus sign to indicate its character.

Item (14) Report only the sale price of the property. Any expenses in connection with the sale (e.g., commissions) should be reported under Item 12.

Item (16) This summarizes the foregoing items in a figure of final loss or gain. As indicated above, you may build up this figure of loss or gain according to the sequence of items indicated in Schedule K; but if your records provide a direct single figure of loss or gain on the property, this figure may be substituted for Item 16 with a general statement, in a note accompanying the group of returned cards, explaining the difference between the process by which this figure was arrived at and the type of calculation indicated in Schedule K. In any case we would like to have a separate reporting of Items 7 and 14.

It will be noted that this schedule ignores changes by adjustment in the book value of real estate. We are doing this because increases in the book value of property, representing a capitalization of costs such as those incurred under Items 5, 6, 8, and 12, will have been provided for by these items; while decreases in the book value of acquired real estate can be ignored in this analysis of sold properties.

* * *

EXHIBIT 4

National Bureau of Economic Research — MORTGAGE LOAN EXPERIENCE CARD — Financial Research Program

A. [ ]

B. Location of property: State ____________ City or town ____________

C. Type of property (check one)
- 1 ( ) One-family, no business
- 2 ( ) Two-family, no business
- 3 ( ) Three-family, no business
- 4 ( ) Four-family, no business
- 5 ( ) Business and 1- to 4-family
- 6 ( ) Apartments, no business
- 7 ( ) Apartments and business
- 8 ( ) Office building
- 9 ( ) Store only
- 10 ( ) Store and office
- 11 ( ) Manufacturing and industrial
- 12 ( ) Vacant lot or land
- 13 ( ) Other (please specify) ______

D. Type of loan at time of making (check one)
- 1 ( ) FHA
- 2 ( ) Conventional, fully amortized
- 3 ( ) Conventional, partially amortized
- 4 ( ) Conventional, nonamortized
- 5 ( ) Veterans Adm. guar. or ins. loan

E. Original schedule of payments (check)

	Prin.	Int.
1. Monthly	( )	( )
2. Quarterly	( )	( )
3. Semi-annual	( )	( )
4. Annual	( )	( )
5. None	( )	

F. Is this a purchase money mortgage? Yes ( ) No ( )

G. Is this a real estate sales contract? Yes ( ) No ( )

H. Original loan: (1) Year loan was made ____________
(2) Amt. $________ (3) Appraised value $____________
(4) Contract term (in years) ____________
(5) Contract rate of interest ____________%

I. Subsequent modifications in loan or sales contract:

Month and Year of Modification (1)	Unpaid Balance at Time of Modification (2)	Changes in Outstanding Balance: Advance of Additional Funds (3)	Changes in Outstanding Balance: Reduction of Principal: By Compromise (4)	Changes in Outstanding Balance: Reduction of Principal: By Payment (5)	Extension of Contract Term (in yrs.) (6)	Change in Contract Rate of Interest (7)	Changes in Loan Type (see D above) (8)	New Appraisal (9)	Unpaid Balance after Modifications (10)
First	$	$	$	$		to____%		$	$
Second						to____%			
Third						to____%			

J. Loan status: (1) Still on books (state unpaid balance) $____________ (2) Paid off (year) ____________
(3) Transferred to HOLC (year) ____________ (4) Loan sold or assigned (year) ____________
(5) Title acquired (year) ____________; by foreclosure ( ); by voluntary deed ( )

(If property was acquired and sold fill in Schedule K on reverse side of this card)

(continued on next page)

EXHIBIT 4 (continued)

Fill in Schedule K *only* if property was acquired *and* sold

K. Data on property acquired and sold			
(1) Year in which property was sold ________			
(2) Was a purchase money mortgage taken? Yes ( ) No ( )			
(3) Was property sold under a real estate sales contract? Yes ( ) No ( )			
(4) Unpaid principal balance of loan at time of transfer to owned real estate	$________		
(5) Amounts paid out in taxes, insurance, etc., prior to foreclosure, if not included elsewhere in this schedule	$________		
(6) Delinquent interest at time of transfer to real estate (Check here if this figure represents compounded interest ___)	$________		
(7) Total of items 4, 5, and 6		$________	
(8) Foreclosure costs paid (legal, advertising, etc.)		$________	
(9) Total of items 7 and 8			$________
(10) Proceeds of deficiency judgments and other settlements		$________	
(11) Income from property while held as real estate	$________		
(12) Expenses incurred on property (taxes, insurance, repairs, improvements, management, and commissions on sale, etc.)	$________		
(13) Net income (+) or loss (−) on property (item 11 minus item 12)		$________	
(14) Sale price		$________	
(15) Net of items 10, 13, and 14			$________
(16) Loss (or gain) on property (item 15 minus item 9)			