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selected member and insured banks as included in examination reports. Such an investigation would provide additional data and at the same time supply an independent analysis and set of conclusions as a check and supplement to the analysis and conclusions of the direct inquiry. Moreover, it should be possible to cover a longer time span in an investigation using examination records than in one using data provided directly by banks.

Procedure

The first step is to prepare carefully an effective schedule for recording information. The second is to enlist the cooperation of active banks. The person assuming responsibility for this investigation should be especially qualified in investment and financial analysis. He should also be familiar with banking procedures and practices. Lastly, he should possess a high degree of competence in the use of statistical methods applicable to investment research problems. The active cooperation of the examination and research divisions of the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation should be sought from the beginning in shaping this project, and they should be regularly consulted at every step of the inquiry and analysis.

MORTGAGE LOAN EXPERIENCE OF BANKS IN SELECTED CITIES, 1926–1936

General Background

Since 1920 real estate loans have constituted an increasing proportion of bank loans to customers. Marked differences characterized this development in urban and rural banks, in national and state banks, and in different geographical areas. For banks as a whole, however, mortgage assets came to constitute a progressively more important source of earnings. Slow moving and of limited marketability, they became embarrassing assets as delinquencies and foreclosures mounted from 1929 to 1933. Even so and despite some reduction in the figures of bank holdings during the depression, largely due to write-offs and bank closings rather than liquidation, such assets constitute practically as large a portion of total earning assets as in 1929, approximately 9 per cent. Moreover, they constitute about 22 per cent of customers' loans as against 13 per cent in 1929. As a result of recent modifications of bankings laws, far reaching reforms of real estate financing practice, efforts of the Federal Housing Administration and other agencies to liquefy the mortgage market, and restricted opportunities for bank lending, it is a strong probability that banks generally will increase their mortgage advances in the future.

Specific Problem

In view of these considerations there is urgent need for more adequate quantitative information on the extent and nature of risk incurred in mortgage lending by banks. The object of the project here proposed is to assemble primary data based upon the mortgage loan records of active banks, and to ascertain precisely what the experience of banking institutions has been over ten or more years with this type of lending. Materials for the investigation would have to be obtained directly from a group of banks known to have engaged most actively in this field of operations. Coverage should naturally include large as well as small banks; national, state member and nonmember banks, savings banks, building and loan associations, and a satisfactory regional representation.

Procedure

Schedules for obtaining the essential facts have already been worked out by the Division of Economics and Statistics of the Federal Housing Administration, together with several of the necessary techniques for analysis. With preparatory work of this character done, it should be possible to enlist immediately the participation of the active banks which would lend copies of their mortgage records. Because of the value to bank managements of an internal study of their own real estate lending performance and also of having their experience related to that of other banks, there should be little difficulty in winning their cooperation. The warm support of state and other bankers' associations, in addition, would be essential from the outset.

Specifically, this project calls for the simultaneous launching of a series of mortgage experience inquiries, using a common research technique, in the larger financial centers of the states in which banks have engaged extensively in mortgage lending. These component sections of the project should be coordinated and centrally supervised at all stages. Results should be presented on a common pattern so that they could be combined into a national study. As far as possible, the research should be extended from the selected centers into smaller cities and towns so that data on the mortgage experience of small town institutions would in no way be neglected. The interest and active participation of insurance companies, trust companies and departments of banks, building and loan associations and other mortgage lending institutions should be sought and cultivated, and their experience compared.

Collateral with the foregoing inquiries this project contemplates the cooperative investigation of the examination reports of a selected group of banks over a period of years by the examination divisions of the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation and several state banking departments. Examination report data bearing on mortgage loans are known to be exceptionally adequate as a basis for special study, and hence may be expected to yield important supplementary information. The active interest and collaboration of the examination and research divisions of the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation would be essential to the successful consummation of the project as a whole.

The person chosen to conduct this inquiry should have a working knowledge of bank lending practices and bank records, familiarity with the general field of mortgage credit, experience in the compilation of mass data from schedules, and skill in statistical combination and analysis. Intimate cooperative relations should be established and maintained with the research staff of the Federal Housing Administration, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, as well as with those of other Federal agencies interested in mortgage credit.