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D. URBAN MORTGAGE CREDIT

I. FEDERAL HOME LOAN BANK BOARD, DIVISION OF RESEARCH AND STATISTICS

Mortgage market conditions in leading cities

In order to evaluate more effectively general conditions affecting different risk elements in mortgage lending, field surveys are being conducted in 239 cities of over 40,000 population. Data assembled include size and distribution of population; predominant economic activities determining community incomes; types and condition of mortgage finance institutions; extent of mortgage delinquency; amount of foreclosed property in hands of financial institutions; building and real estate activity; sales and rental trends. Each city is being mapped to show the physical property and mortgage risk conditions in accordance with the findings of each local survey.

The preparation and direction of this study is under Corwin A. Fergus, Director of the Division of Research and Statistics. No publication of the individual city surveys is planned as the information collected is for the confidential use of the Federal Home Loan Bank Board and its agencies. There is, however, a possibility that the composite results of these city surveys may be released at a future date.

2. FEDERAL HOUSING ADMINISTRATION, DIVISION OF
ECONOMICS AND STATISTICS

Analysis of mortgage investment experience

To promote the accumulation of more adequate information on the investment experience of private financial institutions, a technique for recording and analyzing relevant mortgage data by private financing agencies has been developed, and internal studies by private institutions encouraged. Among the more important items and relationships on which information is sought are: (a) the content and characteristics of institutional mortgage portfolios; (b) methods of adding to and disposing of mortgages; (c) shifts in terms of mortgage classes of properties mortgaged, methods of repayment; (d) the prevalence and extent of delinquency; (e) relationship of delinquency to age of mortgages, and type of property mortgaged; (f) the prevalence of foreclosure and the relationship of foreclosure to mortgage and property features; (g) the relationship between delinquency and foreclosure.

Prepared under the direction of L. N. Bloomberg, and available on request from the Division of Economics and Statistics. It is hoped that a number of institutions will apply the technique of analysis developed and pool their results through the Federal Housing Administration. This will make it possible for the Division of Economics and Research to work out summaries of the mortgage lending experience of groups of institutions.

See also IVD₁₀ and 11

3. FEDERAL HOUSING ADMINISTRATION, DIVISION OF
ECONOMICS AND STATISTICS

*An experience study of insured modernization
loans and mortgages*

Using the internal records of the Federal Housing Administration for each insured loan and mortgage, this study involves an exhaustive analysis of the recorded data with a view to ascertaining significant information on the economic status of borrowers, the relationship of debt service to income and property values, the age and condition of properties, etc. It is expected that the findings will contribute to the development of standards for appraising risk and soundness of real estate lending.

A summary of the analyses prepared thus far by the Division of Economics and Statistics appears in the *Annual Report* of the Federal Housing Administration for 1936.

4. FEDERAL HOUSING ADMINISTRATION, DIVISION OF
ECONOMICS AND STATISTICS

*Operating experience of large scale housing
projects*

To aid in the development of objective standards for judging the relationship between various income, expense and balance sheet items in large scale housing projects, a summary is being compiled of the profit and loss statements and balance sheets of apartment houses and other large scale housing projects for 1935 and as many earlier years as practicable. Data have been accumulated covering more than 700 housing projects in New York, Chicago, Washington, Kansas City and San

Francisco. The financial statements collected are being analyzed by years and characteristics of properties.

In preparation under the direction of Paul M. Green. This survey is in an advanced stage and is expected to be completed in 1937.

5. FEDERAL HOUSING ADMINISTRATION, DIVISION OF
ECONOMICS AND STATISTICS

Principles of city structure

This investigation has the broad objective of ascertaining basic principles underlying the interrelationships of different urban areas, commercial, industrial and residential. Various unpublished statistics showing housing and intra-city population shifts are intensively examined with a view to determining patterns of city growth. A central part of the study is devoted to the analysis of property condition and durability in leading cities. Using information made available through real property inventories sponsored by the CWA and PWA during the last two years, property condition maps for more than 100 cities have been prepared. Differences in rent levels and property values in different areas are indicated on these maps; individual areas are also rated from a property standpoint as stable, improving, declining and hazardous, on the basis of data reflecting a variety of growth factors. Included in the significant summary data, organized by city blocks, on which these maps have been based are total residential structures, business structures, owner or tenant occupancy, average rent, percentage of structures under fifteen years of age, structures in need of repairs, and race of occupants. The principal focus of the study is on housing or residential

property conditions rather than on business and industrial properties.

In preparation under the direction of Homer Hoyt as a project of the Division of Economics and Statistics. Completion of the investigation is expected by spring 1937. The results will be published as a special FHA bulletin.

6. FEDERAL HOUSING ADMINISTRATION, DIVISION OF ECONOMICS AND STATISTICS

The relationship between income and rent

Relying on data gathered in the Financial Survey of Urban Housing, and in a similar survey supervised by the FHA for nine West Virginia cities, this investigation is concerned with the relationship between income and expenditure in housing tenants. Confined by available data to a period of declining individual incomes, 1929-35, the object of the investigation is to determine whether the proportion of income spent for housing accorded with some consistent pattern or underwent considerable change. By this means it is hoped to attain more reliable standards for appraising the soundness of relationship between mortgage debt charges and income. The surveys used as a source cover 10 to 20 per cent of the tenant occupied dwelling units in each city surveyed.

In preparation under the direction of J. Bion Phillipson as a project of the Division of Economics and Statistics, results are expected to be published in a special FHA bulletin.

See also IIB(d) 2

7. FEDERAL HOUSING ADMINISTRATION, DIVISION OF
ECONOMICS AND STATISTICS

Underwriting manual for insured mortgages

As a means of contributing to the soundness of residential mortgage financing, an underwriting manual has been prepared to facilitate the appraisal of mortgage risk. Methods of mortgage risk rating, dwelling valuation, and dwelling cost estimation are fully analyzed, and detailed risk rating instructions are given. Though specifically conceived as an aid to the underwriting of mortgages eligible for insurance under Title II of the National Housing Act, the usefulness of the manual is not confined to such financing. Based on accumulated information concerning the best practice in mortgage financing, it is being continuously revised as new information on the soundness of mortgage credit becomes available.

The Underwriting Section is primarily responsible for the preparation of this Manual, under the direction of Frederick M. Babcock.

8. NATIONAL BUREAU OF ECONOMIC RESEARCH

Economic position of urban residential real estate
(Real Estate Financing and Economic Stability)

Growing out of the financial survey of urban housing in 61 cities, a handbook is being prepared collating significant urban mortgage data and presenting them in such a way as to facilitate secondary research in real estate and mortgage problems. The materials covered bearing directly on the soundness of mortgage credit include: (a) the trend of urban real estate values; (b) the distribution of residential properties by type of structure,

value, age, condition, and tenure of occupancy; (c) rents for urban residential property and the relationship of rents to space and value; (d) rents and family incomes; properties mortgaged and the ratio of mortgage debt to value; (e) types, terms and interest rates of mortgages; (f) sources of mortgage credit; (g) measures of mortgage risks.

In preparation under the direction of David L. Wickens, an Associate of the National Bureau, as part of a large investigation of real estate financing and economic stability, financed from funds given for the purpose by the Social Science Research Council. Publication of this handbook is expected in early summer 1937.

For the main description of this project see IIB(b)2; see also VC2

9. NATIONAL BUREAU OF ECONOMIC RESEARCH

Mortgage financing of old urban properties
(*Real Estate Financing and Economic Stability*)

As part of a large study of real estate financing and economic stability, detailed investigation is being made of the mortgage indebtedness of broad areas in the Lower East Side and the Harlem district of New York City. This project is intended to supply information on practices of financing old properties without reference to depreciation and other elements that affect the soundness of mortgages.

Directed by David L. Wickens, an Associate of the National Bureau, and financed with WPA funds. The results are to be published as part of the National Bureau's study of real estate financing and economic stability.

See also VC2

10. MORTGAGE CONFERENCE OF NEW YORK

The status of mortgage investments of metropolitan savings banks

This investigation is concerned with the mortgage investment experience of eight New York savings banks from 1930 to 1935, and four banks in 1936, and covers all mortgage investments in New York City, Long Island and Westchester County. Investment elements investigated include type of property, e.g., residential, hotel or apartment, commercial, industrial; and the age, construction and location of the mortgaged property.

Directed by J. F. McKean, Executive Secretary of the Mortgage Conference. Findings are made available to member banks only.

See also IVD₂

11. NEW YORK STATE BANKERS ASSOCIATION, COMMISSION FOR THE STUDY OF THE BANKING STRUCTURE

Real estate mortgage loans in commercial banks of New York State

This study is analyzing the mortgage loan records of State banks outside New York City with the object of deriving from a survey of commercial bank experience with mortgage loans more effective standards for sound mortgage lending.

In preparation under the direction of F. E. Richter, Statistician of the Commission for the Study of the Banking Structure. The project is at present in a formative stage, the scope and methods of analysis being as yet undetermined.

See also IVD₂

12. ROWLANDS, D. T. [UNIVERSITY OF PENNSYLVANIA]

Financial experience of business properties exclusive of office buildings and small residential types

The object of this investigation is to bring together all available materials on business property financing in metropolitan centers, particularly in Philadelphia. Data bearing on the financing of apartment houses are receiving especial attention. The study incorporates life histories of business properties covered, including such factors as age, condition, use, area characteristics and changes, occupancy, management, kinds and amounts of financing, mortgage costs and terms, amortization provisions, rents and taxes. Ratios computed cover the relationship of: (a) mortgage debt to property value; (b) debt service and taxes to total and net income; (c) management expenses to total and net income.

The National Bureau of Economic Research is providing clerical assistance to the author, and the National Association of Building Owners and Managers is cooperating in providing data. In addition, the Prudential Life Insurance Company is supplying data on fifty business properties in Minneapolis and St. Paul. Data on Indianapolis properties have already been obtained from confidential sources. Completion of the study is expected by fall 1937.