

Dhananjayrao Gadgil Librar



GIPE-PUNE-021741

**BUILDING AND LOAN ASSOCIATIONS
IN NEW JERSEY**

**LONDON: HUMPHREY MILFORD
OXFORD UNIVERSITY PRESS**

**BUILDING AND LOAN
ASSOCIATIONS
IN NEW JERSEY**

**A DISSERTATION
PRESENTED TO THE
FACULTY OF PRINCETON UNIVERSITY,
IN CANDIDACY FOR THE DEGREE
OF DOCTOR OF PHILOSOPHY**

**BY
HOWARD S. PIQUET**

PRINCETON
PRINCETON UNIVERSITY PRESS
1930

COPYRIGHT, 1930, BY HOWARD S. PIQUET

X9(D1)62:1.73/3

GU

21791

PRINTED AT THE PRINCETON UNIVERSITY PRESS
PRINCETON, NEW JERSEY, U.S.A.

21741

ACCEPTED BY THE
DEPARTMENT OF ECONOMICS AND SOCIAL INSTITUTIONS
DECEMBER 1929

FOREWORD

FROM these beautiful islands in mid-Pacific where the papaia and the cocoanut wave ALOHA to the sun, where the trade winds sing in the trees Na Lei o Hawaii and where there is romance in legend, it is but a brief span to the subject of this treatise.

In the Building and Loan Association the spirit of friendship and the earnestness of cooperation, the character-building of thrift and the incentive for industry, the miracle of compound interest and the happiness of home owning, constitute a romance in fact.

For many centuries craftsmen banded into Guilds for their mutual protection and betterment within the special trade or profession with which each Guild was concerned. It was a natural sequence for the Guild idea to be applied to more personal and private affairs. The English Home Building Club was of this order and became the forerunner of our mutual Building and Loan Association, the first successful cooperative in the United States.

Changing economic conditions have brought about many variations of the original plan as it has evolved through the serial to the optional payment. In some sections of the country the associations have developed a wonderful flexibility. They can accommodate in any way those who wish to enjoy the benefits of membership, even to the extent of guaranteeing the rate of dividend.

The associations that have been operating in New Jersey for nearly one hundred years are of the mutual type and it is interesting to have their fundamentals analyzed to see if there have been any refinements in the course of time. By the process of observation, verification and interpretation the real condition

FOREWORD

of the associations has been disclosed and it furnishes a new basis for their further progress.

This investigation constitutes the dissertation required for the degree of Doctor of Philosophy. The degree is a badge of scholarship indicating intellectual leadership proceeding upward to the rôle of discoverer and creator. The young scholar is zealous in ever-increasingly independent endeavor. His thesis must show technical mastery of its subject and undoubted power of research, for both the facts and the conclusions must be ably expounded and defended before an examining committee of the Faculty.

The discovery and promulgation of truth is the progressive principle of civilization. It is realized only by absolute freedom of investigation. Too often the wish is father to the thought, and opinion assumes the authority of truth. Yet truth has little value when accepted only on authority which unintentionally or otherwise may misrepresent or suppress it. To avoid such possibility every facility has been extended to Dr. Piquet officially by the State through the Bureau of Building and Loan Associations, and by the New Jersey League of Building and Loan Associations to enable his study to be thorough and impartial.

There is a certain absence of dogmatism or aggression in the impersonality of scientific research. Its achievements in physics and chemistry and biology have given rise to a belief in its unlimited potency. At least no one will deny that a knowledge of fact is essential to intelligent action, or that the value of any industry to the community is measured by its usefulness in that community. With characteristic modesty, Dr. Piquet has shown that in no line of endeavor are these principles reflected more clearly than in the local Building and Loan Association.

The investigation has been only a means of discovering facts to be submitted to the verdict of public judgment. Whether the New Jersey Building and Loan Association should remain a small neighborhood institution or whether it should be in-

FOREWORD

creased in size in order that its ability to serve may be broadened; whether this should be brought about through merger; whether such consolidation will give more satisfactory returns to the member, or easier terms to the borrower; whether home ownership will be made more attractive for the itinerant and more encouraging for the topical thrifty; these and innumerable other problems must be reasoned out.

Dr. Piquet not only has settled questions of outward fact but has weighed the feeling as to values that lie at the bottom of the most vital and most persistent differences in judgment with regard to New Jersey Building and Loan Associations. He has shown that the business of building and loan has become sounder and safer for all concerned; that it has deserved and won widespread popularity because its growth has been gradual, as though it came up from the soil; and that it is a bit like the family itself, a distinctive relationship in our life of work and love.

Here we have a new perspective through the lens of truth, a fund of information which is of interest and value to those who look forward to the future with every confidence in the continued prosperity of the New Jersey Building and Loan Association.

H. R. HEYDON

Honolulu, Hawaii

April 21, 1930

Damnant quod non intelligunt

AUTHOR'S PREFACE

TO MR. HOWARD R. HEYDON, *Secretary of the New Jersey League of Building and Loan Associations*, belongs the credit for sensing the need, at this time, of impartial research into the building and loan association movement in New Jersey. His enthusiasm for such a study has elicited the financial assistance necessary to enable the impecunious pedagogue to gather, sift, and publish the many facts and figures relating to building and loan associations in this State.

To Professor Frank A. Fetter, of Princeton University, the author is indebted for a painstaking overhauling of the manuscript and for helpful criticism as to the order of presentation. The suggestions of Professor James G. Smith, also of Princeton and Chairman of the author's Doctoral Dissertation Committee, have been very valuable, particularly with respect to a number of the graphic presentations.

Thanks are also due Mr. Elmer K. Sexton, President of the Thrift Building and Loan Association of Newark, and Mr. Nathan Lifshus, Secretary of the Tenth Ward Building and Loan Association of the same city, for their interest and constructive criticism. Mr. W. Walter Streeter, Secretary of the Junction Building and Loan Association of Jersey City, has shown great interest in the mathematical side of the work and has given generously of his time and experience. To Mr. James H. McNish, Deputy Commissioner of Banking and Insurance in Charge of Building and Loan Associations in New Jersey, the author is indebted for access to the annual association reports filed in his office.

This study has been in preparation for over two years and in the course of this time the author has had ample opportunity to discuss the controversial issues with many persons intimately connected with the building and loan movement. Throughout

AUTHOR'S PREFACE

all he has tried to maintain an attitude of strict impartiality. However, in the building and loan movement, as elsewhere, there are those enthusiasts who, when they come face to face with certain facts which do not coincide with their own preconceptions, mistake impartiality for hostility. Although in the long run Truth needs no defender, the great danger to the social sciences today is the reluctance to accept fact as fact.

Two or three men, well known in building and loan circles, who have read and criticized the manuscript in great detail, have requested that their names be omitted from this page. In spite of their failure to distinguish between research and advocacy, the author acknowledges not only his indebtedness to them for clarifying in his mind a number of important points, but also his deep appreciation of their whole-hearted sincerity as building and loan men.

These difficulties account, in part, for the delay in publication.

It is not possible, here, to thank individually all of those active building and loan workers throughout the State—Secretaries, Attorneys, and Presidents of associations—who have been on every occasion more than generous in answering the author's questions. There then would be no space remaining for the study itself. It would be ungracious, however, to fail to mention the assistance of Miss Sura Bornstein, secretary par excellence.

H.S.P.

PRINCETON, NEW JERSEY
JULY, 1930

TABLE OF CONTENTS

	PAGE
<i>FOREWORD</i> By HOWARD R. HEYDON	vii
<i>AUTHOR'S PREFACE</i>	xi
<i>INTRODUCTORY</i>	xxvii
<i>CHAPTER I. ORIGIN AND HISTORY</i>	1
Origin, 1—In Great Britain, 1—In Other Foreign Countries, 4—In the United States, 5—In New Jersey, 7.	
<i>CHAPTER II. NEW JERSEY: A BUILDING AND LOAN STATE</i>	12
Size of Associations, 16—Growth of Building and Loan Associations in the United States, 21—Growth of Building and Loan Associations in New Jersey, 24—Compared with Other Institutions for Saving, 27—Growth in Other Leading States, 32—Distribution of Building and Loan Activity in New Jersey, 33—Summary, 36.	
<i>CHAPTER III. THE THEORY OF THE BUILDING AND LOAN ASSOCIATION</i>	37
Compound Interest Accumulation, 41—Simple Interest, 42—Interest Compounded Quarterly, 44—The Two Compared, 45—Instalment Investment, 45—The Sinking Fund Principle, 47.	
<i>CHAPTER IV. ASSOCIATION ORGANIZATION AND STRUCTURE</i>	51
Names of Associations, 52—Structure Types, 53—Management and Control, 61—Officers, 62.	
<i>CHAPTER V. SHARES AND SHAREHOLDERS</i>	65
Shareholders' Liability, 68—Types of Shares, 69—Share Certificates, 72—Single-payment Shares, 72—Paid-up Shares, 75—Summary, 88.	
<i>CHAPTER VI. INVESTMENT WORTH OF BUILDING AND LOAN SHARES</i>	89
Earnings, 89—Apportionment of Profits, 90—Profits Al-	

TABLE OF CONTENTS

lowed on Early Withdrawal, 94—Method of Analysis, 95— Rate Yield in Serial Associations (Instalment Shares), 99— Geographical Analysis, 102—By Size of Associations, 104— Short-Term Instalment Shares, 105—Optional Payment As- sociations, 106—Single-payment Shares, 109—Paid-up Shares, 110—Savings Banks, 110—Convertibility Into Cash, 111—Safety, 113—Losses, 114—State Supervision, 118— Summary, 119.	
CHAPTER VII. LOAN PRACTICES: LOAN PROCEDURE	121
Application for a Loan, 121—Appraisal Fees, 121—Geo- graphical Spread, 127—Size of Loans, 128—Property Ap- praisal, 130—Credit Inquiry, 135—Title Insurance, 137— Other Insurance, 139—Disbursement of Loan Funds, 144.	
CHAPTER VIII. LOAN PRACTICES (CONTINUED)	148
Types of Loans, 148—Classified as to Security, 148—Classi- fied as to Stage of Construction, 149—Classified as to Terms of Repayment, 152—Straight Loans, 152—Combination Loans, 153—Investment in Securities, 154—Property Loaned on, 115—Farm Loans, 158—Loans to Non-members, 159— Income-tax Exemption, 159—The Polify Ruling, 164—Su- preme Court Decision in the Cambridge Case, 166.	
CHAPTER IX. INCOME FROM LOANS	170
Rates Earned on Mortgage Loans, 170—Premium Charges, 171—Rates Earned on Share Loans, 177—Fines, 180— Membership Fees, 182—Criticism by Bankers, 184.	
CHAPTER X. A FINANCIAL PICTURE	187
Compared with Savings Banks, 188—Present Discussion of the Question of Liquidity, 197—Cost of Doing Business, 200 —An Historical Picture, 202—Summary, 207.	
CHAPTER XI. LOAN COST TO BORROWERS	210
Illustration of Faulty Computation, 215—Statistical Analy- sis, 218—Combination Loans, 222—Cost of Share Loans, 224—Reducing-Interest Plan, 226—Early Repayment, 233— Loans with "B Shares," 237—"B Share" Plan and Combina- tion Loan Plan Compared, 238—A Further Consideration, 241.	

TABLE OF CONTENTS

CHAPTER XII. BUILDING AND LOAN PERSONNEL:	
SALARIES, OCCUPATIONS, MOTIVES	243
Salaries and Fees, 245—Occupations, 248—New Business and Expansion, 251.	
CHAPTER XIII. CONCLUSION	256
The New Jersey League of Building and Loan Associations, 256—The United States Building and Loan League, 259— The Present Situation in New Jersey, 259—Summary, 263— Conclusion, 265.	
SELECTED REFERENCES	271
APPENDIX	279
INDEX	339

LIST OF TABLES

TABLE	PAGE
1. Ranking of the Seven Leading Building and Loan States, 1928	13
2. Relative Importance of Building and Loan Savings in New Jersey, 1928	14
3. Data on Savings Banks and Building and Loan Associations in the United States and in New Jersey, 1928	16
4. Average (arithmetic) Size of Building and Loan Associations in Selected States and in the United States, 1928	18
5. Distribution of Building and Loan Associations in New Jersey, by Size Groups, 1928	19
6. Percentage Changes in Assets of Savings Banks and Building and Loan Associations in the United States, by Five-Year Periods, 1900-1925	23
7. Percentage Changes in Membership of Savings Banks and Building and Loan Associations in the United States, by Five-Year Periods, 1900-1925	23
8. Percentage Changes in Assets of Savings Banks and Building and Loan Associations in New Jersey, by Five-Year Periods, 1900-1925	25
9. Percentage Changes in Membership of Savings Banks and Building and Loan Associations in New Jersey, by Five-Year Periods, 1900-1925	27
10. Growth of Savings Deposits, Time Deposits, and Building and Loan Association Shareholder Accounts, New Jersey, 1910-1928	29
11. Seven Leading Building and Loan States Arranged in Order of Percentage Increase in Building and Loan Assets Per Capita of Population, 1900-1928	32
12. Number of Building and Loan Associations, Assets, Membership, and Per Capita of Population Figures, New Jersey, by Counties	34
13. Growth of the Optional Payment Plan of Association Operation in New Jersey, by Geographical Divisions, 1905-1928	58
14. Distribution of Associations by Plan of Operation in Size Groups, New Jersey, 1928	60
15. Borrowing and Non-Borrowing Membership, Building and Loan Associations in New Jersey, 1900-1928	65

LIST OF TABLES

TABLE	PAGE
16. Sex and Residence of Building and Loan Association Members, New Jersey, 1928	67
16A. Data on Building and Loan Shares Held in Trust and by Corporations, New Jersey, 1928	67
17. Shares and Shareholders of Building and Loan Associations in New Jersey, 1928	71
18. Comparison of Accumulation of Profits on Single-Payment and Instalment Shares, Dividends at Six Per Cent (nominal) Compounded Monthly	73
19. Comparison of Withdrawal Ratios, Instalment Shares, Paid-up Shares, and Savings Bank Deposits, New Jersey, 1916-1928	80
20. Data on Paid-up Share Holdings	87
21. Ratio of Profits Allowed on Withdrawal to Profits Apportioned, Instalment Shares in Serial and in Optional Payment Associations Compared, New Jersey	107
22. Rate and Frequency of Dividends on Paid-up Shares of Building and Loan Associations in New Jersey	109
23. Dividends Paid by Savings Banks in New Jersey, 1928	111
24. Frequency Distribution of Appraisal Fees on a Local Loan of \$5,000, by Size Groupings	124
25. Appraisal Fee Practice, Mortgage Loans on Completed Properties, Building and Loan Associations in New Jersey, 1928	125
26. Appraisal Fees Imposed on Local and on Distant Loans (of \$5,000) by Those Associations Which Vary Their Fees on This Basis, 1928	126
27. Appraisal Fees Imposed on Small and on Large Loans by Those Associations Which Vary Their Fees on This Basis, 1928	127
28. Distance at Which Associations Grant Mortgage Loans	128
29. Maximum Percentage of Appraised Value on Which Associations Will Lend, City, Suburban, and Rural Properties Compared, 1928	134
30. Maximum Percentage of Appraised Value upon Which Associations Will Lend, Selected Cities of New Jersey, 1928	135
31. Data on Use and Cost of Title Insurance by Building and Loan Associations in New Jersey, 1928	138
32. Data on Insurance, Building and Loan Associations in New Jersey, 1928	141
33. Methods of Disbursing Funds on Loans, 1928	145
34. Data on Construction Loan Practices	151

LIST OF TABLES

TABLE	PAGE
35. Data on Combination Loan Practices	154
36. Loans on Specialized Properties, Data for 1928	157
37. Data on Straight Loan Practices	168
38. Premium Practices of Building and Loan Associations in New Jersey on Mortgage Loans, 1927 and 1928	173
39. Table for Ascertaining the Effect of Premium Charges on the Earning Rate of Loans, Nominal Interest Rate Six Per Cent, from the Point of View of the Association	179
40. Data on Fines and Membership (including Transfer) Fees, 1928	181
41. Comparative Balance Sheets, Building and Loan Associations and Savings Banks in New Jersey, 1928	191
42. Comparative Statements of Receipts and Disbursements, Building and Loan Associations and Savings Banks in New Jersey, 1928	192
43. Salaries Viewed as an Expense, Building and Loan Associations and Savings Banks Compared, New Jersey, 1928	201
44A. Percentage Distribution of Assets of Building and Loan Associations in New Jersey, 1900-1928	202
44B. Percentage Distribution of Liabilities of Building and Loan Associations in New Jersey, 1900-1928	202
45A. Percentage Distribution of Net Receipts of Building and Loan Associations in New Jersey, 1900-1928	203
45B. Percentage Distribution of Net Disbursements of Building and Loan Associations in New Jersey, 1900-1928	204
46. Comparison of Sinking Fund (Regular B. & L.) Plan and Reducing-Interest Plan, Loan Rate and Dividend Rate Both at Six Per Cent (Annual Compound). Loan of \$1,000	228
47. Regular Building and Loan Plan and Reducing-Interest Plan Compared as to Cost When Dividend Rate Differs from the Rate of Interest	230
48. Compensation of Building and Loan Directors and Officers in New Jersey, 1928	244
49. Occupational Groupings of Directors and Officers of Building and Loan Associations in New Jersey, 1928 (Percentage Distribution)	248
50. Foreclosures by Building and Loan Associations in New Jersey in 1928	260

APPENDIX TABLES

TABLE	PAGE
A. Statistical Sources	279
B. Growth of Savings Banks and Building and Loan Associations in the United States and in New Jersey, 1900-1928	280
C. Bank Deposits and Building and Loan "Due Shareholders" Accounts Compared, Selected Cities in New Jersey, December 31, 1928	281
D. Assets in Leading Building and Loan States of the United States, 1900, 1910, 1920, and 1928	282
E. Frequency of New Series in Serial Associations	283
F. Officers, Directors, and Appraisal Committees	284
G. Data on Shareholders and Shareholdings	285
H. Shareholdings, by Type of Share, 1928	287
I. Associations Issuing Paid-up, Single-payment, and Juvenile Shares, by Counties, 1928	290
J. Ratio of Withdrawals to Respective Receipts, Savings Banks, Building and Loan Paid-up Shares, and Building and Loan Instalment Shares, New Jersey, 1900-1928	291
K. Apportionment of Earnings	293
L. Rate of Dividend Yield (Monthly Compound) on Instalment Shares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution	294
M. Withdrawal Allowances in Optional Payment Associations	302
N. Withdrawal Allowances in Non-Serial Associations	302
O. Trend of Average Size of Loans Outstanding in Building and Loan Associations, by Counties, 1919-1928	303
P. Credit Inquiry Concerning Applicants for Loans	304
Q. Data on Insurance	305
R. Association Loan Practice with Respect to Specialized Properties	306
S. Rates Yielded Associations on Mortgage Loans; Frequency Distribution, by Counties, 1927	307
T. Rates Yielded Associations on Share Loans; Frequency Distribution, by Counties, 1927	311
U. Historical Balance Sheets, Building and Loan Associations in New Jersey, 1900-1928	314

APPENDIX TABLES

TABLE	PAGE
V. Historical Receipts and Disbursements Statements, Building and Loan Associations in New Jersey, 1900-1928	316
W. Balance Sheets, Building and Loan Associations in New Jersey; Percentage Distribution Figures, by Counties, 1928	318
X. Receipts and Disbursements, Building and Loan Associations in New Jersey, Percentage Distribution Figures, by Counties, 1928	320
Y. Real Rates to Borrowers on Fully-amortized Building and Loan Loan of \$5,000	322
Z. Association Office Hours	326
AA. Compensation of Building and Loan Directors in New Jersey, 1928	327
BB. Annual Compensation of Building and Loan Presidents, Secretaries, and Treasurers in New Jersey, by Counties, 1928	329
CC. Occupational Classification of Building and Loan Directors, by Counties, 1928	332
DD. Occupational Classification of Building and Loan Presidents, Secretaries, and Treasurers, by Counties, 1928	333

LIST OF CHARTS AND ILLUSTRATIONS

	PAGE
<i>Frontispiece</i>	vi
Distribution of Building and Loan Assets in New Jersey, 1928	vi
<i>Chart I</i>	
Where Savings Are Placed in New Jersey	15
<i>Chart II</i>	
Average Size of Building and Loan Associations and Mutual Savings Banks, United States and New Jersey, 1928	17
<i>Chart III</i>	
Distribution of Building and Loan Associations by Size Groups, New Jersey and Essex County Compared, 1928	20
<i>Chart IV</i>	
Per Capita of Population Comparisons, Building and Loan Associations and Savings Banks in the United States and in New Jersey, 1928	20
<i>Chart V</i>	
Growth of Building and Loan Associations and Savings Banks in the United States, 1900-1927	22
<i>Chart VI</i>	
Growth of Building and Loan Associations and Savings Banks in New Jersey, 1900-1927	26
<i>Chart VII</i>	
Growth of All Savings Accounts in Banks and Building and Loan Associations Compared with Growth in Population, New Jersey, 1910-1927	28
<i>Chart VIII</i>	
Changes in the Composition of Savings in New Jersey, 1910-1928	30
<i>Chart IX</i>	
Rates of Growth of Savings and Time Deposits in National Banks, State Banks, Trust Companies and Savings Banks, and of Shareholders' Accounts in Building and Loan Associations, New Jersey, 1910-1928	31

LIST OF CHARTS AND ILLUSTRATIONS

	PAGE
<i>Chart X</i>	
Rates of Growth of Building and Loan Association Assets in Massachusetts, New Jersey, and Pennsylvania, 1900-1928	33
<i>Chart XI</i>	
Building and Loan Association Assets and Membership, Per Capita of Population, by Counties in New Jersey, 1927	35
<i>Chart XII</i>	
Growth of a Lump-sum Investment of \$1,000 for Fifteen Years at Six Per Cent, Simple Interest and Interest at Quarterly Compound Compared	43
<i>Chart XIII</i>	
Growth of an Instalment Investment of One Dollar per Month for Fifteen Years at Six per Cent, Simple Interest and Interest at Monthly Compound Compared	47
Pictorial Representation of a Fully Amortized Building and Loan Type of Loan	49
(Insert) Facsimile Share Certificates	facing 72
<i>Chart XIV</i>	
Growth of Single-Payment Share (Initial Investment \$100) and Growth of Instalment Share (Dues \$1.00 Per Month) Compared, Six Per Cent Dividends Compounded Monthly	74
<i>Chart XV</i>	
Withdrawal Ratios, Savings Bank Deposits, Paid-up Shares and Instalment Shares Compared, New Jersey, 1900-1928	82
<i>Chart XVI</i>	
Range and Mode of Earning Rates, Based on Book and Withdrawal Values of Instalment Shares in Serial Building and Loan Associations in New Jersey	100
<i>Chart XVII</i>	
Rate Yield on Full-term Instalment, Short-term Instalment, and Paid-up Shares in Building and Loan Associations and on Savings Bank Deposits, New Jersey	101
<i>Chart XVIII</i>	
Rate Yield on Full-term Instalment Shares, by Geographical Divisions, Serial Building and Loan Associations in New Jersey	103

LIST OF CHARTS AND ILLUSTRATIONS

	PAGE
<i>Chart XIX</i>	
Rate Yield on Full-term Instalment Shares, by Size of Association (Assets), Serial Building and Loan Associations in New Jersey	105
Sample Application Blanks for Mortgage Loan and for Building and Loan Shares	122-4
<i>Chart XX</i>	
Methods of Disbursing Loan Funds to Borrowers, Percentage Distribution of 959 Reporting Associations	146
<i>Chart XXI</i>	
Rates Earned by Associations on Mortgage Loans, by Counties	176
<i>Chart XXII</i>	
Rates Earned by Associations on Share Loans, by Counties	178
<i>Chart XXIII</i>	
Graphic Historical Balance Sheets, Building and Loan Associations in New Jersey, 1900-1928	206
<i>Chart XXIV</i>	
Graphic Historical Statements of Receipts and Disbursements, Building and Loan Associations in New Jersey, 1900-1928	208
<i>Chart XXV</i>	
Graph for Ascertaining the Real Rate Borne by a Fully Amortized Building and Loan Mortgage Loan	220
<i>Chart XXVI</i>	
Graphic Portrayal of a Share Loan	225
<i>Chart XXVII</i>	
Graphic Comparison of a "B-Share" Loan and a Regular Combination Loan, Interest Rate and Dividend Rate Both at Six Per Cent	239
<i>Chart XXVIII</i>	
Salaries Paid to Directors and Officers of Building and Loan Associations in New Jersey, 1928	246
<i>Chart XXIX</i>	
Occupational Groupings of Directors and Officers of Building and Loan Associations in New Jersey, 1928	250
Samples of Building and Loan Association Advertising	254-5

INTRODUCTORY

AN ORGANIZED group of persons which deals solely, or principally, in the lending or borrowing of funds constitutes a financial institution. One very important financial institution in the modern English-speaking world is the building and loan association. It accumulates, in countless communities, millions of dollars in relatively small savings which it purposefully directs, through loans to borrowing members, to expenditure in the purchase—and construction—of homes.

In 1928 there were, in the United States, almost thirteen thousand building and loan associations, with a total membership very close to twelve million, and with assets exceeding eight billion dollars. Yet, until very recently, they have been relatively neglected as a subject for impartial research.

It is the purpose of this book to consider briefly the theory of the building and loan association and then to inquire into the structure and operating philosophy of associations in the State of New Jersey. This State is an important leader in the building and loan field, and withal has adhered to the original building and loan idea in so far as mutuality and cooperation are concerned.

For a more general discussion of building and loan theory, and building and loan types, the reader is referred to the well known work of Clark and Chase.¹ The present discussion is essentially a survey, and only enough of general theory is given to enable the reader to grasp the significance of New Jersey practices. A survey of any given territory cannot wander very far beyond the borders of that territory. It is limited extensively, as to scope, just as the theoretical treatise is limited, intensively, with respect to detailed information.

¹ Clark, H. F. and Chase, F. A., *Elements of the Modern Building and Loan Associations*, New York, Macmillan, 1927.

BUILDING AND LOAN IN NEW JERSEY

A noteworthy survey of building and loan associations in the entire United States was published in 1893 by Carroll D. Wright, then United States Commissioner of Labor. This work, admirable though it was in the 'nineties, is out of date today. As for individual State surveys, two precede the present, the one by H. Morton Bodfish on *Money Lending Practices of Building and Loan Associations in Ohio*,² and the other by Messrs. Riegel and Doubman, *The Building-and-Loan Association*.³ The latter is based chiefly on Pennsylvania practices. The present study, therefore, being only the third to appear, leaves plenty of room to subsequent investigators.

The objectives in this work on New Jersey building and loan associations, specifically stated, are to answer as authoritatively as possible the following broad questions:

- (1) Where does New Jersey rank, among the States of the United States, in the building and loan association movement?
- (2) On what bases are building and loan associations in this State organized?
- (3) What is the investment worth of building and loan shares?
- (4) What is the explanation of the rate of dividend paid?
- (5) What is the real cost of a building and loan mortgage loan?
- (6) In what ways do money-lending practices differ in associations throughout the State?
- (7) What of the future of the New Jersey building and loan association?

Data concerning aggregate assets, membership, and number of existing associations down to 1928 have been obtained from the published reports of the Commissioner of Banking and Insurance of New Jersey.

² Bureau of Business Research Monograph Number 8, Ohio State University Press, Columbus, Ohio, 1927.

³ Riegel, R. and Doubman, J. R., *The Building-and-Loan Association*, New York, Wiley, 1927.

INTRODUCTORY

Figures for receipts and disbursements of associations have not been tabulated by the Department since 1924. Consequently, in order to obtain representative percentages—totals of the various items comprising receipts, disbursements, assets and liabilities, and other information—for 1928, it was necessary to analyze the individual reports filed by the associations with the Commissioner. Through the kindness of this official, permission was obtained to examine the individual reports of approximately one thousand associations.

More complete information regarding the money-lending side has been obtained by questionnaire. The form used was necessarily rather cumbersome since it had to cover all types of associations and all variations in money-lending practices. Several hundred follow-up letters and numerous calls were necessary in order to render the replies usable.

Difficulty attaches to the questionnaire method in a building and loan survey. Association officials are, for the most part, part-time men; very often they are non-financial men. A lengthy questionnaire on business practices disquiets them, and unless full reply is made compulsory by State authority, it is apt to find filing space in the office waste-basket. A fourteen per cent return, well distributed, therefore, is probably about as satisfactory as could be expected.

The information obtained from these two sources has been placed on master cards and from them tabulated and interpreted. In all, information concerning 1008 associations (representing approximately sixty-five per cent of all associations in the State) is presented. Financial data have been obtained and tabulated for 862 associations (a fifty-five per cent return), membership data for 975 (a sixty-two per cent return) and data on money-lending practices for 218 (a fourteen per cent return on the questionnaire). Table A in the Appendix indicates the basis for the study by counties, and therefrom it appears that the returns are sufficiently distributed to form the basis for an intelligent analysis.

BUILDING AND LOAN IN NEW JERSEY

With the exception of figures for aggregate assets and liabilities down to 1928, and aggregate receipts and disbursements down to and including 1924 (which appear in the published reports) the figures and percentages have been computed from the individual association reports and from the questionnaires.

CHAPTER I

ORIGIN AND HISTORY

Origin

COOPERATION in finance is probably as old as finance itself. Historians have found traces of cooperative money-lending clubs in China several centuries before the Christian era,¹ the counterpart of which exist in that country today. Although their purpose has not been the stimulation of building construction and home ownership, they closely resemble, in many respects, the present-day, western model building and loan association. They provide for instalment dues and interest, bidding for loans, systems of fines or penalties, and strict mutuality in the distribution of profits.

Some writers endeavor to trace the movement back to the days of ancient Greece. Facts concerning all these very early societies, however, are very inadequate, and existing historical accounts of them are colored with the ink of conjectural and renovated history. About all that is really known is that the fundamental theory of cooperative money-lending is very, very old.

In Great Britain

The building and loan association, as known to Americans today, is distinctly of British origin. Although the historical thread of the British building societies becomes very thin beyond 1809, there is evidence of the formation of a society in Birmingham as early as 1781.² Subscribers in this organization, meeting

¹ Gray, J. H., *History of the Laws, Manners, and Customs of the People of China*, Vol. II, pp. 84-6.

² Bellman, H., *The Silent Revolution*, Chap. v. Bellman is of the opinion that further research will reveal the existence of building societies antedating 1781. He attributes to Langford, the historian of Birmingham, the statement that this was merely the first attempt to establish a building society on a large scale. (In his *Century of Birmingham Life*, Vol. I, p. 201.)

BUILDING AND LOAN IN NEW JERSEY

monthly, paid dues of half a guinea per share. The society used the fund to build homes, open new streets, and to improve old ones. The members balloted, not for monetary loans, but for the actual houses and lots.

Liberté, Égalité, Fraternité, slogan of the French Revolution, expresses the spirit of late eighteenth and early nineteenth century Europe. Across the Channel, in England, it was evidenced by the rapid formation of many provident institutions, chiefly for the benefit of the laboring classes, such as cooperative stores, cooperative workshops, savings banks, and building societies.

Thenceforth, the thread of building and loan history becomes less tenuous. The legality of the Greenwich Union Building Society, established in 1809, was questioned and the court record in the case furnishes a picture of its operation.³

Its object was the raising, by monthly subscriptions, of a fund or capital, to be laid out in building houses, which were to be divided among the members. . . . The society was to consist of not more than fifty members, holding, in the aggregate, not more than 200 shares, of £210 each. They met upon the first Thursday in every month, when the books continued open for two hours, and each member was obliged to pay two guineas on every share held by him, until £210 should be paid on each share. The first default in making the payment so required, subjected the delinquent to a forfeiture of 2s. 6d., the second 5s., the third 10s. 6d., and if, after notice, he should still refuse to comply with the articles, he should be excluded, and the money advanced by him forfeited, unless he should, within three months from his last default, provide a person who should be voted eligible to become a member of the Society. In such case, the member thus selling his share should forfeit ten per cent upon his subscriptions for the benefit of the Society, unless his default were excusable on the ground of misfortune. The members were to draw lots, from time to time, as often as the funds of the Society amounted to £100 clear. Every share should consist of a dwelling-house of the best materials, to be completed in a workmanlike manner. . . . And from the time such house was finished the member owning it should pay to the Society five per cent per annum on the £210 share, so drawn and advanced, until the final close of the Society, when each member should have paid his £210 on each share held by him.⁴

³ Pratt v. Hutchinson, East's Reports, 511.

⁴ Quotation from Endlich, G. A., *Law of Building Associations*, p. 4, Sec. 5.

ORIGIN AND HISTORY

It is a perfect example of what was to be known later as a *terminating* building and loan association, although it is to be noted that these early associations actually built houses and disposed of them. Today, in America, they lend the funds; the borrower attends to the actual construction.

The spread of building societies must have been rapid⁴ for, by 1836, Parliament deemed it necessary to pass the first Benefit Building Societies' Act.⁵ This relieved most of the legal documents from the troublesome stamp tax, exempted the societies from the usury laws, enabled them to adopt model mortgage forms, and permitted them to discharge a mortgage by mere receipt without reconveyance.⁷

The following two decades or so witnessed continued expansion and rapid displacement of the terminating plan by the *permanent plan*.⁸ By 1850 there were in the United Kingdom well over two thousand building societies, some of them with assets approaching two million pounds.⁹

Parliament looked upon building societies with favor and in 1874 passed a second Building Societies' Act which granted them still greater privileges.¹⁰ They now became legally established corporations, and there was laid down a series of requirements which the rules of every society were to meet. An Act of 1894 altered several of these rules and under this Act, with some amendments, building societies function in England to this day.

The housing shortage, occasioned by the World War, caused building societies in Britain to expand rapidly. Funds which ordinarily would have gone to pay for rented quarters found their way into owned homes via these societies.¹¹ In 1927, there were,

⁴ There is evidence of their formation in Scotland, the earliest at Kirkcudbright, in 1815, under the leadership of the Earl of Selkirk. See Endlich, *op. cit.*, p. 4, and Clark and Chase, *Elements of the Modern Building and Loan Associations*, p. 454.

⁵ 6 and 7 Will. IV, c. 32.

⁷ cf. Brabrook, Sir Edward. *Building Societies*, p. 56.

⁸ *infra*, p. 40.

⁹ Bellman, H., *The Building Society Movement*, p. 11.

¹⁰ Brabrook, *op. cit.*, p. 73.

¹¹ Bellman, H., *The Silent Revolution*, *op. cit.*, Chap. III.

BUILDING AND LOAN IN NEW JERSEY

in England, Scotland and Wales, 1046 incorporated associations, with assets exceeding £220 millions, and with a membership totaling close to one and one-half million.¹²

In Other Foreign Countries

English-speaking people have taken most whole-heartedly to the idea of self-help emphasized in the building and loan movement. There are building societies, to a greater or lesser extent, in Ireland, Australia, Canada, India, New Zealand, South Africa, British Guiana, Ceylon, Jamaica, Saint Lucia, and Trinidad.¹³

But, outside of Britain and her Dominions, and the United States, state aid is preferred to pure cooperation. Continental Europe is dotted with "credit unions," which are cooperative, but which lend for short-time needs as well as for home ownership. France, Belgium, Italy, and Spain have entered upon projects of state aid for the development of cheap housing. In Germany, there are a few building societies, but these are dwarfed by several huge credit associations and loan banks. Since 1920 cooperative credit has been developed in Germany to a marked degree, through the aid of federal, state, and municipal authorities. There have appeared, also, Settlement Cooperative Societies (Siedlungsgenossenschaften) which erect small garden homes.¹⁴

Holland experienced no war-time cessation in building construction and the building and loan movement has taken no

¹² The *Building Societies Yearbook* for 1928 (official handbook of the National Association of Building Societies) gives the following statistical summary for the years 1914-1927:

YEAR	ASSETS	MEMBERSHIP	NEW MORTGAGE LOANS
1914	£ 66,191,130	627,240	£ 8,761,950
1920	87,060,358	747,589	25,094,961
1925	169,214,658	1,129,455	49,822,473
1926	193,856,034	1,257,400	52,150,941
1927	223,346,082	1,416,456	55,886,903

¹³ Bellman, H., *The Building Society Movement*, Chap. VIII.

¹⁴ cf. *The Essential Characteristics and Differences of American Building and Loan Associations Compared with English Building Societies and European Continental Methods*. Address delivered by Dr. Alexander Block before the Thirty-Sixth Annual Convention of the United States Building and Loan League. See their 1928 "Proceedings."

ORIGIN AND HISTORY

very firm root there. There are a few housing associations, but they are semi-public in character. In Sweden there are several hundred building societies which are also partially dependent upon the state for funds.

In most of these continental enterprises, what self-aid there is, is in conjunction more or less with state aid, and hence must be included, in part, in the category of state welfare work. The building and loan association, in its pure cooperative form, finds its greatest development in English-speaking lands, and particularly in America.

In the United States

Twenty-two years after the Greenwich Union Society was established in England, a building and loan association was in process of formation on this side of the Atlantic, at Frankford, Pennsylvania (now a suburb of the city of Philadelphia). This was the Oxford Provident Building Association, which commenced business on January 3, 1831, and which remained in existence until June, 1841.

This was a terminating association with monthly payments of three dollars per share, the maturity value of which was \$500.¹⁶ A membership fee of five dollars and a monthly fine of twenty-five cents per share were imposed. Loans were granted up to \$500 per share to the member bidding the highest premium.¹⁶ The *Frankford Herald* of January 14, 1888, gives credit for the importation of the idea from England to Samuel Pilling, Jeremiah Horrocks, and Dr. Henry Taylor, although one author¹⁷ endeavors to prove that the idea came directly from the Schulze-Delitzsch Societies in Germany.

For fourteen years thereafter, apparently, the idea did not spread, for the second association of which there is any record was established at the same place in 1845.¹⁸ But after 1845 the

¹⁶ *infra*, p. 48.

¹⁶ Clark and Chase, *Elements of the Modern Building and Loan Associations*, p. 457.

¹⁷ Bergengren, R. F., *Cooperative Banking*, p. 72.

¹⁸ Willoughby, William F., *Building and Loan Associations*, p. 23.

BUILDING AND LOAN IN NEW JERSEY

idea gained ground rapidly, and in 1850 the State of Pennsylvania enacted a special law for their incorporation. Figures and records which would indicate the early spread of building and loan associations in the United States unfortunately are scarce. It is known, however, that in the decade of the 'sixties, 148 associations were chartered in Pennsylvania, and in the 'seventies, close to 400 more. It was not until 1893 that anything like a comprehensive survey was made. In that year Commissioner Wright¹⁹ published his memorable nation-wide study. Comprehensive statistics since 1895 have been compiled by H. F. Cellarius, Secretary of the United States Building and Loan League.²⁰

Certain it is, however, that the building and loan movement soon spread into other States. Clark and Chase²¹ succeeded in gathering from official and non-official sources the date of the first appearance of an association in each of the several States. They serve to indicate the spread of the idea westward.

Pennsylvania	1831	Arkansas	1869
New York	1836 ²²	North Carolina	1870
Maryland	1843	Iowa	1870
New Jersey	1849 ²³	Louisiana	1873
Illinois	1849	Tennessee	1873
Massachusetts	1850	Wisconsin	1883
Ohio	1857	Utah	1883
Michigan	1861	Maine	1883
Georgia	1866	Connecticut	1886
Texas	1867	New Hampshire	1887
Delaware	1867	Colorado	1889
Kansas	1868	Oklahoma	1890
Minnesota	1869	Oregon	1890

With the exception of a rather serious set-back in the 'nineties, caused by the meteoric rise and fall of the national associations,²⁴ the growth of local building and loan associations has

¹⁹ *supra*, Introductory.

²⁰ These figures appear annually in the *Proceedings of the U.S. Building and Loan League*, Cincinnati, Ohio.

²¹ *op. cit.*, p. 461.

²² Clark and Chase give New York as 1848, but the Brooklyn Building and Mutual Fund Loan Association was established in 1836. See Endlich, *The Law of Building Associations*, p. 5.

²³ Given by Clark and Chase as 1847.

²⁴ Starting in the middle west and spreading eastward (with the largest of them

ORIGIN AND HISTORY

been steady,²⁵ although it has not followed a single course. Many plans of operation, differing among the several States, and even within the borders of a given State, have evolved. Yet, differ as they may as to technique of operation, their basic theory is unchanged.

Since the 'fifties the States have sought to regulate the formation and management of building and loan associations, through more or less comprehensive statutes²⁶ which provide for supervision by the banking departments.

In New Jersey

The idea of a *mutual savings fund* is traceable in New Jersey back as far as 1828, when the first mutual savings bank was

(in New York) the *national* associations appeared in large numbers throughout the early 'nineties of the last century. Operating through agents of the high-powered variety and promising huge dividends together with short maturities they made strong appeal to the unwary. The tight money market, brought on by the panic of 1893, acted as a stimulus and the period 1893-1896 represents the peak of their development. But their downfall, after 1897, was as phenomenal as their rise. They had been able to pay attractive dividends, at first, because they were granting loans at as high as eleven and twelve per cent. Borrowers, at such a price, with local associations and banks lending at six and seven per cent, could be recruited only from the ranks of the poor risks rejected by the latter. The nationals had not the necessary local facilities for proper investigation of risk. And, to attract borrowers, loans were often granted on exaggerated property valuations.

The crash started in 1897 with the five million dollar failure of the Southern Building and Loan Association of Knoxville, Tenn. The public lost confidence, as usual, even more rapidly than they had grabbed originally at the promises of get-rich-quick profits, and the movement itself was soon dead. There are not more than a half-dozen nationals now operating in the entire country.

cf. *American Building Association News*, Vol. XLIII (1923), pp. 167, 210, 254, 311, 416, 460.

²⁵ See Chap. II.

²⁶ Discussion of the law of building and loan associations is available in a number of works. Endlich, G. A., *The Law of Building Associations*, published in 1886, was for long the standard work, but is now out of date.

Sundheim, J. H., *Law of Building and Loan Associations* (second edition, 1922), presents a good treatment of the law, with emphasis upon the statutes of Pennsylvania, New Jersey, Ohio, Massachusetts, Illinois, and New York. It does not, however, go beyond 1922 and therefore does not include the 1925 revision of the New Jersey law. Nor is the historical development of the law traced.

The most recent and comprehensive treatment of New Jersey Building and Loan law is found in Smith, J. B. R., *Supplement to Second Edition of New Jersey Corporation Law* (1927).

BUILDING AND LOAN IN NEW JERSEY

formed. This was the Newark Savings Fund Association,²⁷ established in February of that year. Its charter authorized the receipt of deposits of over one dollar from "tradesmen, mechanics, laborers, minors, servants, and other persons, as they shall save from their earnings or otherwise lawfully acquire, and from time to time wish to deposit in the said fund for safe keeping." Funds were to be invested in government securities, good stocks and bonds, and on bond and mortgage.

The success of mutual savings funds in New Jersey, and also, undoubtedly, the success of the newly formed building and loan associations in Pennsylvania, induced the New Jersey legislators to try to encourage their formation in their own State, for the preamble of an Act of 1847²⁸ to encourage the establishment of mutual savings associations reads as follows:

"Whereas associations for investing and accumulating the periodical and other contributions of the associators for the creation of a fund, to be finally distributed equally among them have in other states been found highly conducive to public and individual prosperity, by encouraging and fostering the virtues of temperance, industry, economy, and frugality; and whereas, such associations are entitled to legislative countenance, and encouragement, therefore" The Act then goes on to provide for membership, management, and investment of the funds of the association. In investing the funds, preference was always to be given to the members offering the most satisfactory security, but at a rate of interest not to exceed six per cent.

This, however, was for the encouragement of general mutual *savings* institutions. The idea of mutual saving for the specific purpose of facilitating home ownership apparently had not yet taken hold. From the records it appears that the building and loan association movement did not officially invade New Jersey until 1849, on February 24 of which year the State Legislature

²⁷ Acts of the Fifty-Second General Assembly of the State of New Jersey, 1828, p. 76.

²⁸ Acts of the Seventy-First Legislature of the State of New Jersey, p. 172. Passed March 4, 1847.

ORIGIN AND HISTORY

passed an Act to incorporate the *Builders' Loan Society*²⁹ of Newark. This was, it seems, the first building and loan association in the State; in all probability the first to be incorporated by the State Legislature. Because it fully describes the plan and working of this early association the text of the Act of Incorporation is given here in full.

An Act to Incorporate the Builders Loan Society.

1. Be it enacted by the Senate and General Assembly of the State of New Jersey, That all such persons as shall become stockholders to the capital stock herein after mentioned, their associates, successors, and assigners, be, and are hereby created a body corporate and politic, in and by the name of the Builders Loan Society, to be located in Newark, New Jersey, with a capital of one hundred thousand dollars, with liberty to increase it to one hundred fifty thousand dollars, to be divided into shares of one hundred dollars each, for the purpose of assisting the members of the society and others to the acquisition of homes and estates, and to the removal of encumbrances and liabilities upon real property already held by them, and to enable them to receive the amount of their shares in advance, upon furnishing mortgage security, and without the usual danger of foreclosure, with payments by small convenient, periodical installments; and for the purpose of affording more complete and convenient accommodation in their purchases, payments, loans, small deposits and business, to mechanics, builders, merchants, farmers, labourers, clerks, and all classes of small means or of regular incomes; and by the said name, for the above purposes, the said society shall have power to take, hold, and convey real estate or other property or money in fee, trust, pledge, mortgage, deposit, or otherwise.

2. And be it enacted, That it shall be lawful for said society to have and receive from any member or members any sum or sums of money, by way of any bonus on any share or shares, for the privilege of receiving the same in advance prior to the same being realized by payments of installments, and also to receive uniform payments of principal and interest upon the whole sum advanced monthly, or otherwise, and to relet the same from month to month but no dividend of more than eight per cent per annum, payable semi-annually, shall be declared upon the capital; all other profits and accumulations to be credited to the account of the periodical classes of borrowers, in proportion to the sums advanced from said capital to the respective classes, to assist in the repayment of their loans.

²⁹ Acts of the Seventy-Third Legislature of the State of New Jersey, p. 113. Approved February 24, 1849.

BUILDING AND LOAN IN NEW JERSEY

3. And be it enacted, That the installment mutual shareholders or borrowers shall be divided into periodical classes, and shall have a right to demand from the capital, each month, for loans for the respective periods of said classes, an amount not to exceed one thousand dollars, to be divided into sums of one hundred dollars each; and the funds, business, and securities of said periodical classes shall be separate and distinct, and shall not be liable, in law or equity, by implication or otherwise, to or for each other, except for proportionate shares of expenses and by express contract; but all payments, profits, and accumulations of the business of each class, respectively, shall be credited to that class, to assist in the repayment of its loans and liabilities, and for its sole use and benefit.

4. And, be it enacted, That the property affairs, and business of the society shall be under the control of a board of twelve directors, a majority of whom shall be citizens of New Jersey, which said board of directors shall be chosen annually, at such times and places as the by-laws shall direct, the said directors shall have power to elect such officers with such duties and in such manner as the by-laws shall direct and to fix the compensation of said officers; and a majority of said board of directors shall constitute a quorum; the said board of directors shall cause to be prepared, annually, by the secretary, a true and faithful exposition of the affairs of the society at that time, which shall be open to the inspection of all the members, and be laid before them at their annual meeting or such other as may be appointed by the society.

5. And be it enacted, That Isaac Van Wagenen, John Whitehead, and T. Russell Jencks be appointed commissioners to receive subscriptions to the capital stock of said society, at such time and place as they may designate, in the city of Newark, in this State, who shall call the meeting for organization so soon as five thousand dollars of the said capital stock is subscribed; at which meeting for organization the stockholders shall proceed to elect such directors and officers, and make such by-laws as they may deem necessary for conducting the affairs of said society; and such directors and officers shall hold office until their successors shall be elected; all such by-laws and all rules and regulations made from time to time by the society, and in force for the management of its business, and all contracts, covenants, or liabilities, in pursuance of all or any of such by-laws, rules, or regulations, subject to the limitations and provisions of this act, shall be legal, valid, and binding, in law and equity on the several officers and on the members and their representatives.

6. And be it enacted, That the said society shall possess the general powers, and be subject to the restrictions and liabilities contained in the act entitled "An Act Concerning Corporations," approved the 14th day of

ORIGIN AND HISTORY

February, 1846, so far as the same are compatible with the provisions of this act.

7. And be it enacted, That this act shall take effect immediately.

This, the first building and loan association in the State, was a serial⁸⁰ association, charged premiums in addition to interest on loans, and limited dividends to a maximum of eight per cent per annum. Although it was incorporated eighteen years after the appearance of the first association in America—next door at Frankford—contemporary comment viewed the undertaking as highly novel. In its issue of Wednesday, February 14, 1849, the *Newark Daily Advertiser*⁸¹ carried, along with its other comments on current legislation, the following paragraph:

The Newark Builders' Loan Society, now before the Legislature, asking a charter, is a novel institution with us, though its friends say that it has been tried with success in England, Canada, etc. The professed object is to afford to the laboring classes facilities for loans of money, and the means of accumulating property. Persons may become members by subscribing for \$100 shares, payable in monthly installments of 50 cents each; the funds thus collected are re-let in sums of \$100 to members only, and each member can borrow only to the amount of shares he has subscribed for; the loans to be secured by mortgage. The borrower, during the subsequent months, must pay his monthly installments and the interest on the money he borrowed, and so on—the payments being constantly re-let, accumulate by compound interest. The letting is done by auction, to the one who bids the highest bonus. It is calculated that \$1.00 per month constantly re-let at 6% accumulates to \$100 in 81 months, and \$1.75 to the same amount in 57 months. The reinvesting and compounding monthly being the secret of the advantage proposed for the members.

The history of the development of the building and loan association movement in New Jersey after 1850 remains, as yet, unchronicled and the facts seem to be unusually elusive. Certain it is, however, that the growth was rapid and steady, for by the turn of the century there were over three hundred associations in the State, with assets exceeding fifty million dollars and a membership of close to one hundred thousand.

⁸⁰ *infra*, p. 40.

⁸¹ On file in the rooms of the New Jersey Historical Association in Newark.

CHAPTER II

NEW JERSEY: A BUILDING AND LOAN STATE

IN NEW JERSEY today there are 1563 local building and loan associations,¹ with assets exceeding one billion dollars and a membership of over one million.

Assets and membership of building and loan associations in the entire United States in 1928 totaled \$8,016 millions and twelve millions, respectively. Table 1 indicates the relative ranking of each of the seven leading building and loan States; Pennsylvania, Ohio, New Jersey, Massachusetts, Illinois, New York, and Indiana.

It will be seen that New Jersey, which ranks third with respect to both total assets and total membership, is surpassed in both cases by Pennsylvania and Ohio. But New Jersey, in point of population, is a small State, having some 3.8 millions of inhabitants in contrast to Pennsylvania's 9.9 millions and Ohio's 6.8 millions.² On a per capita of population basis, New Jersey takes first place with respect to assets and second place (yielding only to Ohio) with respect to membership. On the per capita

¹ Distributed among the counties as follows:

COUNTY	NO. ASSNS.	COUNTY	NO. ASSNS.
Atlantic	52	Middlesex	70
Bergen	88	Monmouth	40
Burlington	28	Morris	29
Camden	171	Ocean	14
Cape May	24	Passaic	74
Cumberland	15	Salem	5
Essex	599	Somerset	10
Gloucester	24	Sussex	4
Hudson	174	Union	100
Hunterdon	8	Warren	9
Mercer	25		
		STATE TOTAL	1563

(From a letter of the Department of Banking and Insurance, dated December 30, 1929.)

² Population estimates of the U.S. Bureau of the Census for July 1, 1928.

A BUILDING AND LOAN STATE

TABLE I
Ranking of the Seven Leading Building and Loan States, 1928*

	ASSETS			MEMBERSHIP					
	TOTAL (OOO OMITTED)	RANK	PER CAPITA OF POPULATION	RANK	TOTAL	RANK	PER CENT OF POPULATION	RANK	POPULATION (1928)
Pennsylvania	\$1,340,056	1	\$136	3	1,753,253	2	17.8	3	9,854,000
Ohio	1,237,521	2	181	2	2,452,025	1	35.9	1	6,826,000
New Jersey	1,032,429	3	270	1	1,250,000	3	32.7	2	3,821,000
Massachusetts	516,138	4	120	4	512,714	6	12.0	5	4,290,000
Illinois	419,928	5	57	6	873,000	4	11.8	6	7,396,000
New York	401,461	6	35	7	577,121	5	5.0	7	11,550,000
Indiana	298,282	7	94	5	440,168	7	13.9	4	3,176,000
Entire United States	8,016,034	-	67	-	11,995,905	-	10.0	-	120,013,000

* Source: Secretary's Annual Report, U.S. Building and Loan League, Salt Lake City Convention (1929), p. 6.

basis of comparison, Pennsylvania ranks third both as to assets and membership.

Ohio and New Jersey are thus close competitors for first place as building and loan States. It is a question whether assets or membership should be chosen as the basis for comparison, but it should be observed that Ohio's percentage of population represented by building and loan membership is only ten per cent greater than the corresponding figure for New Jersey, whereas New Jersey's assets per inhabitant figure is forty-nine per cent greater than the corresponding figure for Ohio. A smaller percentage of the population of New Jersey are members of building and loan associations, but these members have larger holdings, per head, than those of Ohio.³

It would be interesting to compare the relative importance of building and loan savings to total savings in New Jersey and in the country as a whole; but that is not possible because of the lack of adequate figures.

³ It should be noted that in all cases the membership figures are inflated. Many persons are members of more than one association and are counted a number of times. Also, in any given association an individual may carry more than one account.

BUILDING AND LOAN IN NEW JERSEY

It is possible, however, to compare the position of building and loan savings with other types of savings, in this State. This has been done in Table 2. Savings accounts in building and loan associations, trust companies, national banks, state banks, savings banks, and credit unions total \$2,261 millions. This includes only those savings deposited in plainly-designated savings accounts. It does not include savings invested in bonds and stocks, insurance policies, or funds privately hoarded. Whether, indeed, anything approaching an exact estimate of the total savings of the people of any nation, State, or locality, could be made is extremely doubtful.

The building and loan figure (\$913,548,950) includes the

TABLE 2
Relative Importance of Building and Loan Savings in New Jersey, 1928
(IN THOUSANDS OF DOLLARS)

SAVINGS* IN:	AMOUNT	PERCENTAGE DISTRIBUTION
Building and Loan Associations (due shareholders)	\$ 913,549†	40.4%
Trust Companies (time deposits)	561,785‡	24.9
Savings Departments of National Banks	446,266§	19.7
Mutual Savings Banks (due depositors)	261,436‡	11.6
Savings Departments of State Banks (time deposits)	51,157‡	2.3
Stock Savings Banks (due depositors)	26,140‡	1.1
Credit Unions (due depositors)	170‡	0
Total	\$2,260,503+	100.0

* Figures include all dividends and interest unpaid except that in the case of building and loan associations only seventy-five per cent of the profits are included. In the published reports of the Bureau of Building and Loan Associations unapportioned profits, apportioned profits, and reserves are lumped together under the heading "profits." The inclusion of seventy-five per cent of this figure is very conservative since analysis of the individual association reports for 1928 indicates that less than eight per cent of the proprietary account is kept as reserve or surplus.

† Annual Report of the Commissioner of Banking and Insurance Relative to Building and Loan Associations, Trenton, 1928 (figures obtained in advance of publication).

‡ Annual Report of the Commissioner of Banking and Insurance Relative to Savings Banks, Trust Companies, etc., Trenton, 1928, pp. vi, 7, 89, 101.

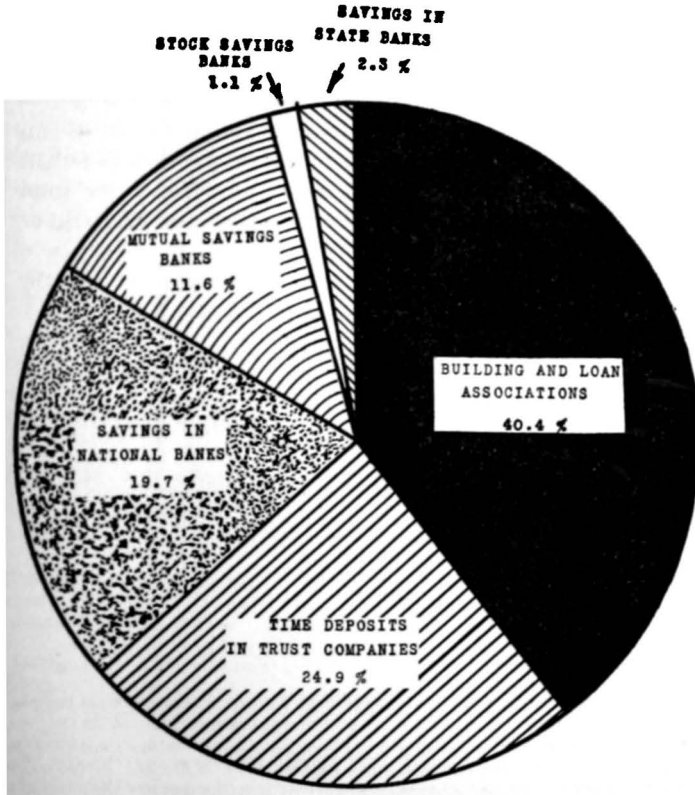
§ Annual Report of the Comptroller of the Currency, U.S. Government Printing Office, 1928, p. 41.

0 Less than one-tenth of one per cent.

+ Postal savings deposits (\$2,386,029) not included since the bulk of this amount is redeposited in banks and appears in the other figures.

A BUILDING AND LOAN STATE

CHART 1: WHERE SAVINGS ARE PLACED IN NEW JERSEY
(Percentage Distribution Diagram Based on Table 2)



total amount due shareholders, both borrowing and non-borrowing. And rightfully so, since every borrower with pledged shares is also a saver, waiting for the day when his savings fund will be large enough to pay off the mortgage on his home. Interpreted in this way *the building and loan association is New Jersey's most important savings institution*. They were the depositories, in 1928, of over forty per cent of all financial institu-

BUILDING AND LOAN IN NEW JERSEY

tional savings in the State, an amount equal to over three times the aggregate of savings bank deposits.

Size of Associations

There were 12,666 building and loan associations in the United States in 1928. These had assets of \$8,016 millions and a membership of some twelve millions. The (arithmetical) average size of a building and loan association is thus \$632,878.

In the same year, the 616 mutual savings banks in the country, with total assets of some \$9,688 millions, averaged \$15.7 millions per institution, and the 791 stock savings banks, with assets of \$1,707 millions, averaged \$2.2 millions.

In 1928, also, there were 11.7 million depositors in the mutual savings banks and 3.2 millions in the stock savings institu-

TABLE 3*

Data on Savings Banks and Building and Loan Associations in the United States and in New Jersey, 1928

	UNITED STATES	NEW JERSEY
Number of mutual savings banks	616	27
Number of stock savings banks	791	1
Total number of savings banks	1407	28
Assets of mutual savings banks (000 omitted)	\$ 9,688,159	\$ 292,463
Assets of stock savings banks (000 omitted)	\$ 1,707,197	\$ 30,477
Assets, all savings banks (000 omitted)	\$ 11,395,356	\$ 322,940
Depositors, mutual savings banks	11,732,143	468,820
Depositors, stock savings banks	3,272,415	45,548
Depositors, all savings banks	15,004,558	514,368
Number of building and loan associations	12,666	1,563
Assets of building and loan associations (000 omitted)	\$ 8,016,034	\$1,032,429
Membership of building and loan associations	11,995,905	1,195,510
Population	120,013,000	3,821,000

*Data on savings banks in the United States from the 1928 Annual Report of the Comptroller of the Currency. Data on savings banks in New Jersey from the 1928 Annual Report of the Commissioner of Banking and Insurance Relative to Savings Banks, Trust Companies, etc., Trenton, N.J. Data on building and loan associations in the United States from the 1928 Report of the Secretary of the United States Building and Loan League. Data on building and loan associations in New Jersey from the office of the Commissioner of Banking and Insurance of New Jersey. Population figures are July 1 estimates of the U.S. Bureau of the Census.

A BUILDING AND LOAN STATE

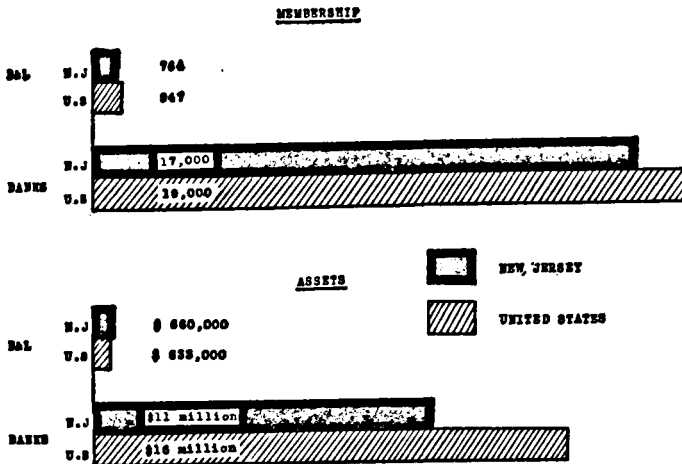
tions, which brings the average membership per institution of the former to approximately 19,000 and of the latter to approximately 4,200 as compared with the building and loan average membership of 947.

It is evident that building and loan associations, in comparison with savings banks, are small institutions, both as to assets and membership. The average mutual savings bank is twenty-five times as large as the average building and loan association, from the standpoint of assets, and twenty times as large from the standpoint of membership.

The 1563 building and loan associations in New Jersey in 1928 had assets of \$1,032 millions and a membership of some 1.2 millions. The (arithmetical) average size is thus approximately \$660,000.

In the same year, the twenty-seven mutual savings banks in the State, with total assets of some \$292 millions averaged \$10.8 millions per institution and the one stock savings bank in

CHART II: AVERAGE SIZE OF BUILDING AND LOAN ASSOCIATIONS AND MUTUAL SAVINGS BANKS, UNITED STATES AND NEW JERSEY, 1928
(Based on Tables 3 and 4)



BUILDING AND LOAN IN NEW JERSEY

the State had assets of some \$30 millions. There were 468,820 depositors in the mutual savings banks and 45,548 in the one stock savings bank, bringing the average membership of these institutions to 17,364 and 45,548 respectively. The building and loan association average for the State is 764.

The average building and loan association in New Jersey appears to be somewhat larger as to assets than in the country at large, but smaller as to average membership, indicating larger assets per member. The average mutual savings bank in the State is about sixteen times as large as the average building and loan association from the standpoint of assets and twenty-three times as large from the standpoint of membership. Of the seven leading States examined, the largest associations are found in Massachusetts and Ohio, and the smallest in Pennsylvania.

TABLE 4*

Average (arithmetic) Size of Building and Loan Associations in Selected States and in the United States, 1928

STATE	NO. ASSOCIATIONS IN STATE	ASSETS PER ASSOCIATION	MEMBERSHIP PER ASSOCIATION
Pennsylvania	4,272	\$ 313,684	410
Illinois	916	458,436	953
New Jersey	1,564	660,121	764
Indiana	402	741,996	1,095
New York	313	1,282,622	1,844
Ohio	812	1,524,040	3,020
Massachusetts	226	2,283,798	2,269
United States	12,666	632,878	947

*Derived from Table D in the Appendix and from Annual Report (1928) of the Secretary of the United States Building and Loan League.

The arithmetic mean, however, does not present a satisfactory picture of the size of the associations in the State, since it tends to inflate the average by over-emphasizing the larger members of the group. It has been used above only for purposes of comparison among the various States, and for that purpose is probably sufficiently accurate inasmuch as the distortion affects all the figures. A much truer picture is presented by the use of the mode, or most frequently occurring size. Of the 1002

A BUILDING AND LOAN STATE

New Jersey associations reporting data on this subject, 595 (fifty-nine per cent) have assets of under less than one-half million dollars. In every county of the State, except Essex, the mode⁴ is in the "under \$250,000" class. The accompanying fre-

TABLE 5
Distribution of Building and Loan Associations in New Jersey, by Size Groups, 1928

GROUPING, BY ASSETS	NUMBER OF ASSOCIATIONS
	IN GROUP
Under \$250,000	338
\$ 250,000 to \$ 500,000	257
500,000 to 750,000	154
750,000 to 1,250,000	141
1,250,000 to 5,000,000	103
Over \$5,000,000	9
Total reporting	1,002

quency distribution diagram compares the size of all New Jersey associations with the size of associations in Essex County.

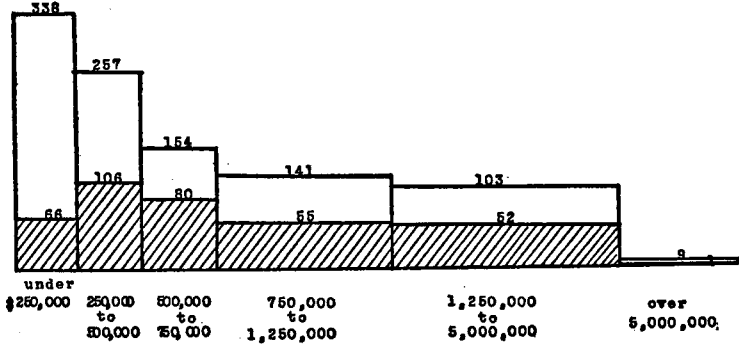
On a per capita of population basis, building and loan associations in New Jersey are over four times as important (as to assets) as in the country as a whole, whereas the savings banks of the State are slightly smaller than those for the country as a whole. New Jersey is not far above the country's average as to the percentage of total population represented by savings bank depositors, but is well above the country's average as to the percentage of total population represented by savers in building and loan associations. In the country as a whole there is one building and loan association for every 9475 people; in New Jersey, one for every 2443.

⁴ The "average" most commonly used and universally understood is the arithmetical average (or *arithmetical mean*). This simply adds the items and divides the total by the number of items. The weakness of this form is that it tends to over-emphasize the items of high value relative to the items of low value. The following is an extreme case, but it is brief and illustrates the point. In the series: 14, 10, 10, 4, 3, 3, 3, 3, 3, 3, 3, 1 the arithmetic mean is 5. Yet, no one of the numbers is 5, and 3 occurs most often.

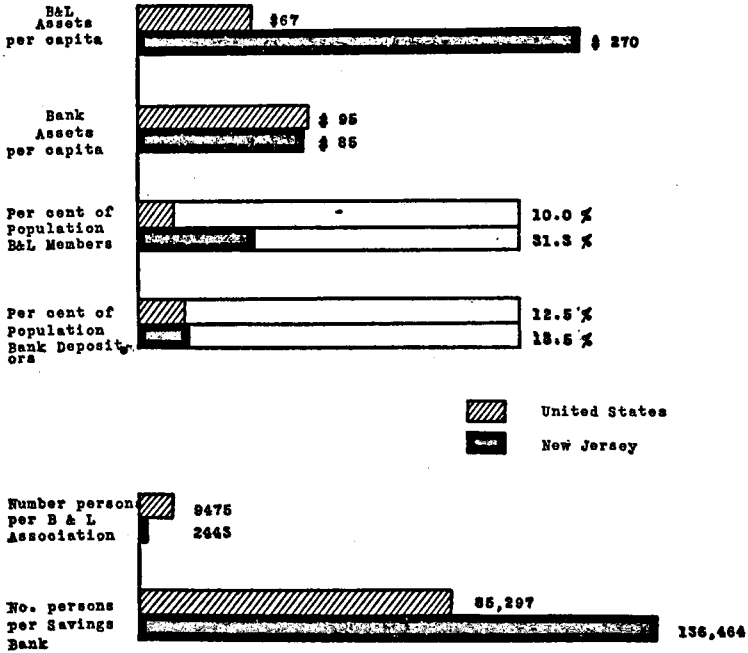
The *mode* splits the series into equal size groupings and calls the *most frequently occurring* phenomenon the average. In the illustrative case, the mode is 3. The mode is chosen where practicable in this investigation because it eliminates extreme variations and because it is the type that best conveys the conception of an average in the sense of a typical case.

BUILDING AND LOAN IN NEW JERSEY

**CHART III: DISTRIBUTION OF BUILDING AND LOAN ASSOCIATIONS BY SIZE GROUPS,
NEW JERSEY AND ESSEX COUNTY COMPARED, 1928**
(Shaded portions represent Essex County Associations)



**CHART IV: PER CAPITA OF POPULATION COMPARISONS, BUILDING AND LOAN
ASSOCIATIONS AND SAVINGS BANKS IN THE UNITED STATES
AND IN NEW JERSEY, 1928**
(Based on Table 3)



A BUILDING AND LOAN STATE

Growth of Building and Loan Associations in the United States.⁶

From 1900 to 1905 the assets of building and loan associations in the United States were increasing, but less rapidly than were the assets of the savings banks (the increases in the five-year period being ten and twenty-eight per cent respectively). But, since 1905, the assets of building and loan associations have been growing more rapidly than the assets of the savings banks; the former having increased twelvefold, and the latter only threefold, in the past twenty-three years. (See Table 6, Chart V, and Appendix Table B.) If the present rates of growth continue, building and loan assets should overtake savings bank assets in 1932 or 1933.

In no five-year period since 1905 have the savings banks, in the country as a whole, exhibited a rate of growth as great as the rate of growth of the building and loan associations. The accompanying table indicates that, although the rate of growth of building and loan associations has slackened (increasing, since 1924, at an average annual rate of 15.3 per cent), the growth of assets of savings banks has lagged even more markedly (increasing, since 1924, at an average annual rate of 5.7 per cent).

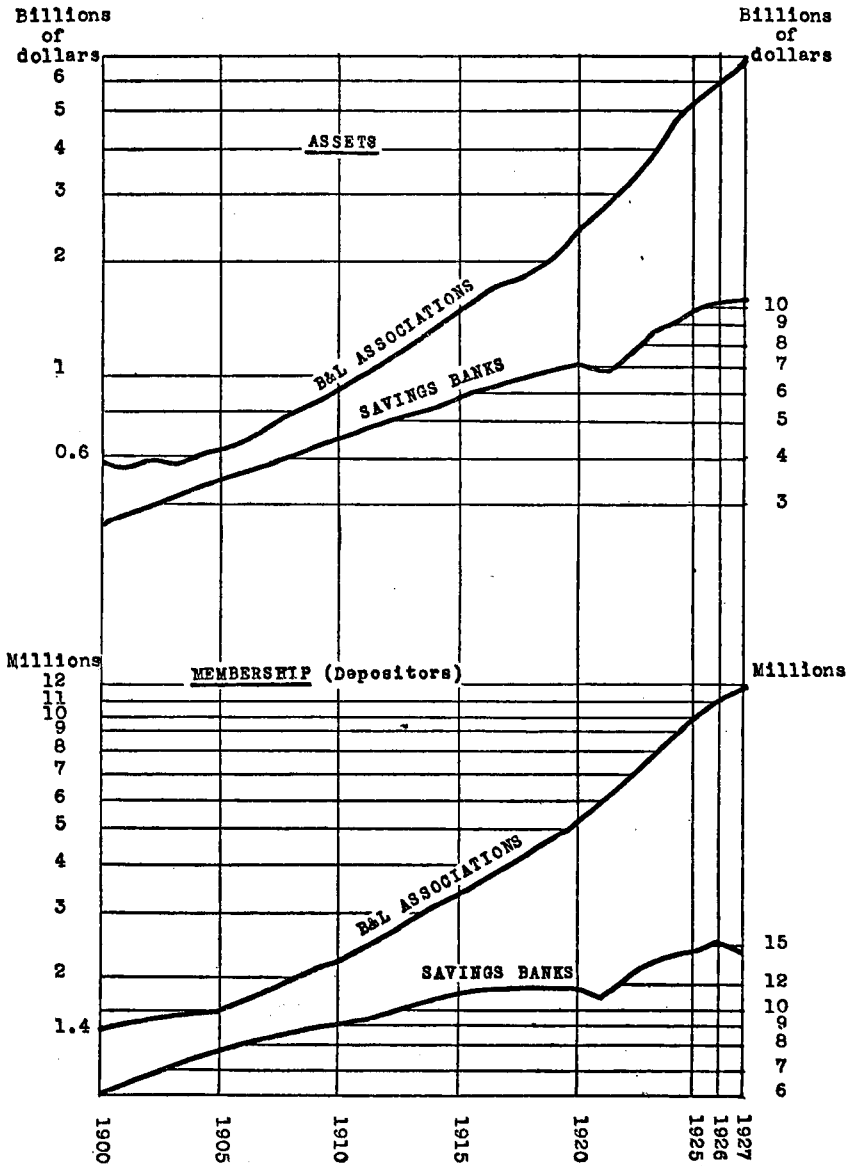
Similar relative trends, even to a more marked degree, are present as well in the membership figures. (See Table 7 and Chart V.) The curves are flatter, however, since the inflationary factor of a monetary unit of falling value is not present, as

⁶ It is important to observe that the charts in this section are ratio charts and depict *rate* of growth. They are not natural scale diagrams. In a ratio chart, equal vertical distances represent, not equal absolute amounts, but equal percentages of change. For example, in an ordinary natural scale diagram, a growth from 10 to 20 is assigned no greater importance than a growth from 100 to 110. But, the additional ten units in the former case represent an increase of 100 per cent, whereas in the latter case the additional ten units represent an increase of only 10 per cent. A ratio chart assigns a vertical distance to the former ten times as great as to the latter.

Since ratio charts depict *rates* of growth, the significant feature is the *slope*, or angle, of the curves. Parallel lines represent equal rates of change. And, since the absolute figures cease to be of significance, any and all lines on ratio (logarithmic) scale can be compared, as to slope, without reference to their points of origin.

CHART V: GROWTH OF BUILDING AND LOAN ASSOCIATIONS AND SAVINGS BANKS IN THE UNITED STATES, 1900-1927 (Ratio Scale)

(See Appendix, Table B)



A BUILDING AND LOAN STATE

TABLE 6*

Percentage Changes in Assets of Savings Banks and Building and Loan Associations in the United States, by Five-Year Periods, 1900 to 1925
(1925 to 1930 estimated)

PERIOD	SAVINGS BANKS	B. & L. ASSOCIATIONS
Between 1900 and 1905	+28.3%	+ 10.1%
" 1905 " 1910	+33.1	+ 48.1
" 1910 " 1915	+24.0	+ 59.3
" 1915 " 1920	+28.2	+ 69.8
" 1920 " 1925	+40.4	+118.6
" 1925 " 1930 (estimated)**	+28.1	+104.4

*The figures upon which these and the percentages in the following tables are based will be found in Table B in the Appendix.

**Assuming the average rates of growth in the period 1925-1928 to continue through 1930. This seems sufficiently precise in view of the annual increases since 1924, which have been:

	SAVINGS BANK ASSETS	B. & L. ASSETS
1924 over 1923	6.8%	20.9%
1925 " 1924	8.3	15.6
1926 " 1925	6.1	15.0
1927 " 1926	2.0	13.3
1928 " 1927	5.3	11.7
(Annual average)	5.7%	15.3%

It does not, however, recognize the probable continuance of the retardation in the growth of building and loan association assets. Should this retardation continue, or be accentuated, it is likely that building and loan assets will not exceed savings bank assets until some few years later.

in the case of the asset figures. The difference in the relative slopes of the curves, nevertheless, is even greater than in the asset figures, building and loan association membership exhibiting an annual average rate of growth between 1924 and 1928 four and one-half times greater than the rate of growth in the number of savings bank depositors.

TABLE 7

Percentage Changes in Membership of Savings Banks and Building and Loan Associations in the United States, by Five-Year Periods, 1900 to 1925
(1925 to 1930 estimated)

PERIOD	SAVINGS BANKS	B. & L. ASSOCIATIONS
Between 1900 and 1905	+26.0%	+ 9.8%
" 1905 " 1910	+18.8	+32.1
" 1910 " 1915	+23.4	+53.7
" 1915 " 1920	+ 1.3	+48.8
" 1920 " 1925	+28.3	+99.2
" 1925 " 1930 (estimated)	+ 9.5	+62.0

BUILDING AND LOAN IN NEW JERSEY

In the course of the past twenty-eight years (1900 to 1928) building and loan membership in the United States has grown from approximately one and one-half millions to twelve millions, an increase of 702 per cent. Building and loan members in the United States are not yet as numerous as savings bank depositors, but if the present relative rates of growth continue, the former should overtake the latter by 1933.⁶

Growth of Building and Loan Associations in New Jersey

The situation in New Jersey is quite similar. Here the assets of building and loan associations, although they increased less markedly than the assets of savings banks between 1900 and 1905,⁷ have been growing much more rapidly than the latter since 1905. In absolute amount, building and loan association assets actually overtook savings bank assets between 1910 and 1915. In 1928 the assets of the former amounted to \$1,032 millions, of the latter to \$323 millions.

Since 1920 the growth of building and loan association assets in New Jersey (relative to the growth of savings bank assets) has been greater than the relative growth of association assets in the country as a whole. It should be pointed out, however, that although the average annual increase of building and loan association assets in this State since 1924 has been 20.8 per cent, and that of the savings banks 5.7 per cent, the retardation in the *rate* of growth of building and loan assets has been more marked,

⁶ The annual percentage changes in rate of growth since 1924 have been:

	SAVINGS BANK	B. & L.
	DEPOSITORS	MEMBERSHIP
1924 over 1923	+ 4.7%	+ 18.8%
1925 " 1924	+ 4.9	+ 15.6
1926 " 1925	+ 3.4	+ 7.9
1927 " 1926	- 2.3	+ 6.3
1928 " 1927	+ 1.3	+ 5.8
(Annual average)	+ 2.4%	+ 10.9%

⁷ See Table 8, and Chart VI. In New Jersey, savings bank assets were increasing 2.6 times as rapidly as building and loan assets, and in the country as a whole, 2.8 times as fast.

A BUILDING AND LOAN STATE

TABLE 8

*Percentage Changes in Assets of Savings Banks and Building and Loan Associations in New Jersey, by Five-Year Periods, 1900 to 1925
(1925-1930 estimated)*

PERIOD	SAVINGS BANKS	B. & L. ASSOCIATIONS
1900-1905	+41.1%	+ 18.2%
1905-1910	+20.4	+ 45.9
1910-1915	+22.9	+ 66.2
1915-1920	+52.7	+ 66.0
1920-1925	+29.0	+170.2
1925-1930 (estimated)*	+35.0	+148.7
 * Annual percentage changes:		
1924 over 1923	+6.3%	+22.3%
1925 " 1924	+6.2	+31.1
1926 " 1925	+5.8	+17.7
1927 " 1926	+6.5	+16.6
1928 " 1927	+3.8	+16.5
Average (1924-1928)	+5.7%	+20.8%

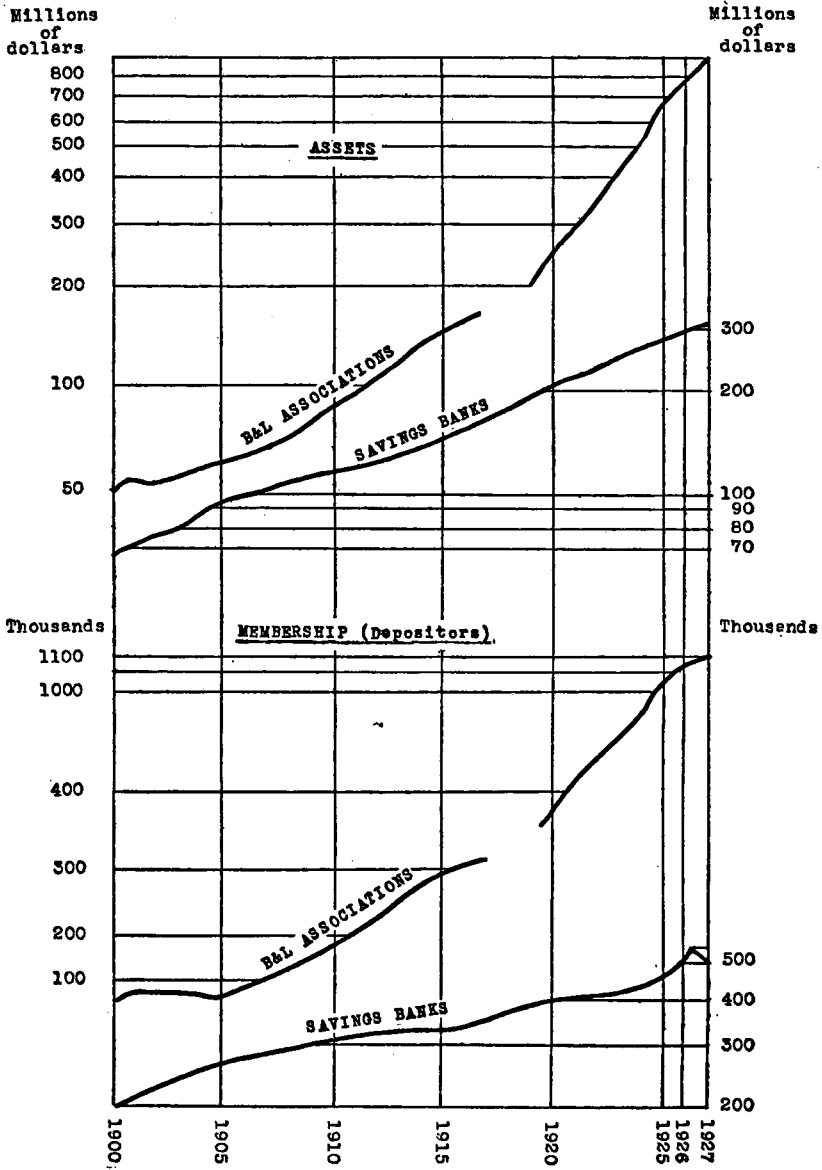
since 1925, than the retardation in the rate of growth of the assets of the savings banks. Between 1920 and 1925 building and loan association assets increased almost six times as rapidly as savings bank assets; since 1925 the present rates of growth indicate that between 1925 and 1930 they will have increased not much over four times as fast.

Similar conclusions may be inferred from the membership figures (Table 9 and Chart VI). In the 1900-1905 period, savings banks were growing much more rapidly than were the building and loan associations; but, since 1905 the latter have been advancing by leaps and bounds, overtaking the former, in absolute amount, in the 1915-1920 period. In 1928 there were 514,368 savings bank depositors in the State. In the same year there were 1,195,510 members of building and loan associations.

From 1920 to 1925 the growth of building and loan association membership in New Jersey relative to savings banks was greater than the relative growth of building and loan associations in the country as a whole. But, since 1925, building and loan membership in New Jersey, although increasing more rapidly than savings bank membership, has not been holding its

CHART VI: GROWTH OF BUILDING AND LOAN ASSOCIATIONS AND SAVINGS BANKS IN NEW JERSEY, 1900-1927 (Ratio Scale)

(See Appendix, Table B)



A BUILDING AND LOAN STATE

TABLE 9

*Percentage Changes in Membership of Savings Banks and Building and Loan Associations
in New Jersey, by Five-Year Periods, 1900 to 1925
(1925-1930 estimated)*

PERIOD	SAVINGS BANKS	B. & L. ASSOCIATIONS
1900-1905	+29.5%	+ 3.2%
1905-1910	+15.6	+ 38.8
1910-1915	+ 7.9	+ 57.0
1915-1920	+21.7	+ 51.6
1920-1925	+15.1	+136.6
1925-1930 (estimated)*	+27.6	+ 73.3
 * Annual percentage changes:		
1924 over 1923	+ 5.5%	+15.3%
1925 " 1924	+ 2.8	+27.1
1926 " 1925	+26.8	+ 7.5
1927 " 1926	-13.9	+ 7.7
1928 " 1927	+ 3.0	+ 2.5
Average (1924-1928)	+ 4.8%	+12.0%

own in relation to the rest of the country. Here the increase in building and loan membership will be 6.5 times as great as the increase in savings bank depositors if the present rates of growth continue through 1930. However, since the savings bank membership figure for the United States exhibits a retardation in growth since 1925 (see Table 7) from 28.3 per cent to 9.5 per cent, and the New Jersey savings banks exhibit an acceleration from a five-year increase of 15.1 per cent to 27.6 per cent, the *relative* falling off in building and loan membership growth in New Jersey can be accounted for partly by the relatively slow rate of growth of savings bank membership throughout the remainder of the country.

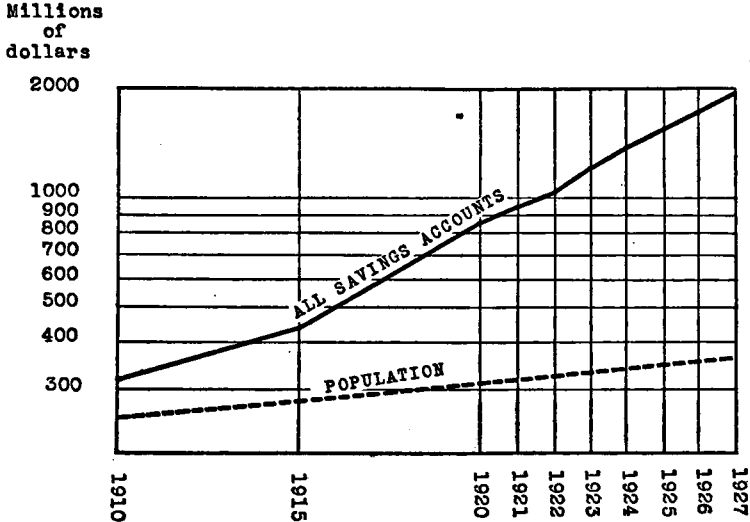
Compared with Other Institutions for Saving

Chart VII exhibits the growth, since 1910, of all savings in banks and building and loan associations in New Jersey and compares this with the growth in total population. Conclusions as to per capita saving, however, would have to take into account the shrinkage in the purchasing power of the dollar since 1910.

BUILDING AND LOAN IN NEW JERSEY

CHART VII: GROWTH OF ALL SAVINGS ACCOUNTS IN BANKS AND BUILDING AND LOAN ASSOCIATIONS COMPARED WITH GROWTH OF POPULATION.
NEW JERSEY, 1910-1927

(See Table 10)



Charts VIII and IX, which should be interpreted together, portray graphically the increasing relative importance of savings in building and loan associations in comparison with savings in other institutions. In 1910 building and loan shareholders' accounts constituted 25.8 per cent of all institutional savings in the State, and savings bank deposits 33.4 per cent. By 1928 the former accounted for 40.4 per cent and the latter for only 12.7 per cent. The most striking fact in the observation is the *relative* decline in the importance of savings bank deposits. Time deposits in trust companies have just about held their own, relatively. Time deposits in State banks have accounted consistently for less than three per cent of all institutional savings. Building and loan shareholders' accounts and savings deposits in National banks have absorbed the savings which otherwise, in all probability, would have found their way into the savings banks.

TABLE 10
Growth of Savings Deposits, Time Deposits, and Building and Loan Association Shareholder Accounts, New Jersey, 1910-1928
(Value figures expressed in thousands)

YEAR	TRUST COMPANIES*†		NATIONAL BANKS†‡		STATE BANKS*		SAVINGS BANKS*		B. & L. ASSOCIATIONS*		TOTALS	
	TIME DEPOSITS	PER CENT IN-CREASE	TIME DEPOSITS	PER CENT IN-CREASE	TIME DEPOSITS	PER CENT IN-CREASE	DEPOSITS	PER CENT IN-CREASE	DUE SHARE-HOLDERS	PER CENT IN-CREASE	AMOUNT	PER CENT IN-CREASE
1910	\$ 83,319		\$ 41,501		\$ 3,906		\$105,228		\$ 81,259		\$315,213	
1915	128,371	54.1	42,352	2.1	7,886	101.9	129,651	23.2	135,232	66.4	443,492	40.7
1920	274,625	113.9	139,010	228.2	22,677	187.6	203,582	57.0	214,821	58.9	854,715	92.7
1921	289,853	5.5	177,847	27.9	23,178	2.2	204,756	0.6	257,574	19.9	953,208	11.5
1922	309,363	6.7	198,450	11.6	27,000	16.5	213,210	4.1	304,122	18.1	1,052,145	10.4
1923	350,269	13.2	245,696	23.8	32,216	19.3	223,817	5.0	362,448	19.2	1,214,446	15.4
1924	394,195	12.5	288,558	17.4	37,488	16.4	234,360	4.7	438,836	21.1	1,393,437	14.7
1925	428,846	8.8	331,888	15.0	42,614	13.7	247,547	5.6	557,163	27.0	1,608,058	15.4
1926	476,381	11.1	369,178	11.2	46,820	9.9	260,233	5.1	657,337	18.0	1,809,949	12.6
1927	540,897	13.5	395,200	7.0	50,791	8.5	274,272	5.4	721,443	9.8	1,982,603	9.5
1928	561,785	3.9	446,266	12.9	51,157	0.7	287,576	4.9	913,549	26.6	2,260,333	14.0
1910-1928		574.3		975.3		1209.7		173.3		1024.2		617.1
1920-1928		104.6		221.0		125.6		41.3		325.3		164.5
1925-1928		31.0		34.5		20.0		16.2		64.0		40.6

PERCENTAGE DISTRIBUTION

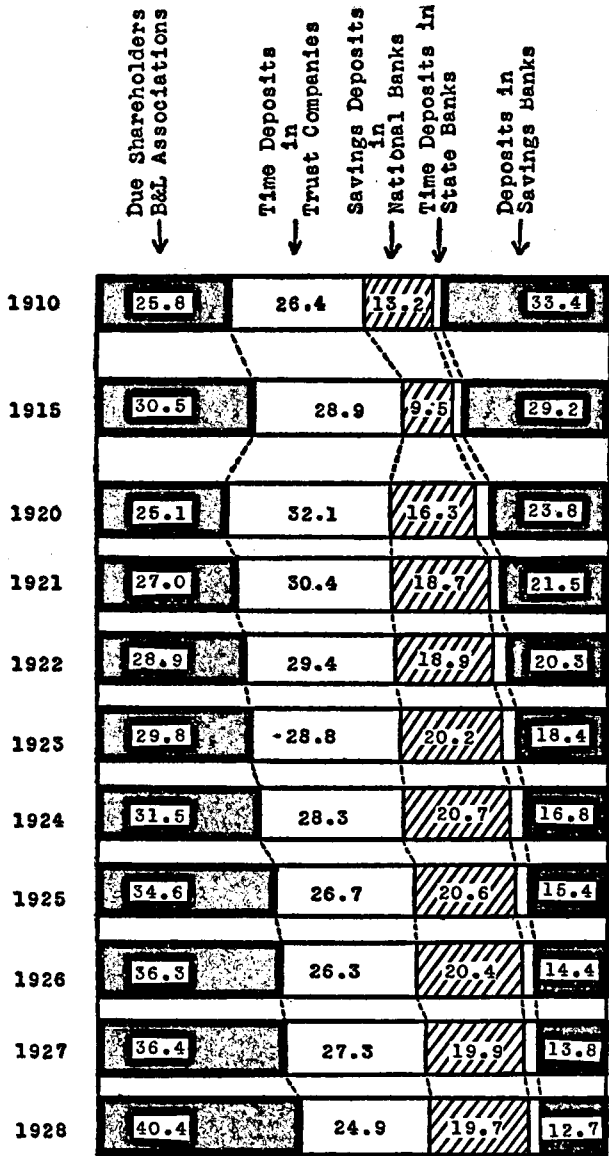
1910	26.4	13.2	1.2	33.4	25.8	100.0
1915	28.9	9.5	1.8	29.2	30.5	100.0
1920	32.1	16.3	2.7	23.8	25.1	100.0
1921	30.4	18.7	2.4	21.5	27.0	100.0
1922	29.4	18.9	2.6	20.3	28.9	100.0
1923	28.8	20.2	2.7	18.4	29.8	100.0
1924	28.3	20.7	2.7	16.8	31.5	100.0
1925	26.7	20.6	2.7	15.4	34.6	100.0
1926	26.3	20.4	2.6	14.4	36.3	100.0
1927	27.3	19.9	2.6	13.8	36.4	100.0
1928	24.9	19.7	2.3	12.7	40.4	100.0

* Data from Annual Reports of the Commissioner of Banking and Insurance.

† Includes time deposits and certificates of time deposit.

‡ Annual Reports, Comptroller of the Currency, Washington, D. C.

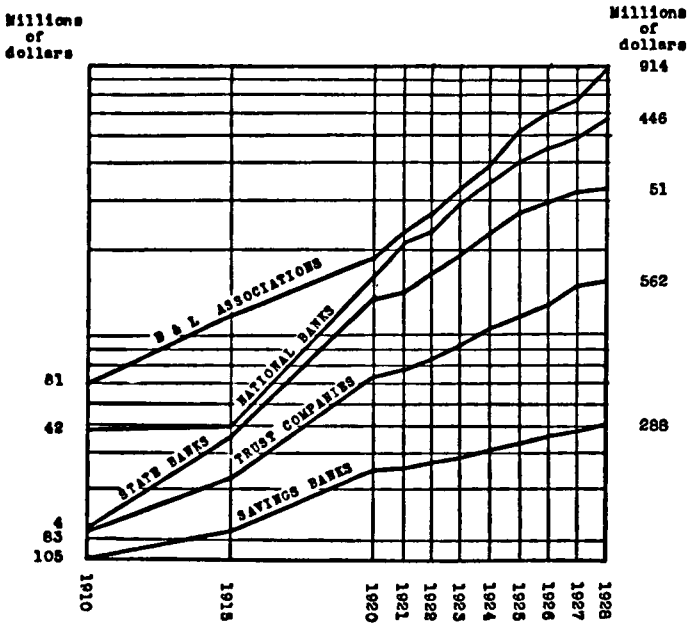
CHART VIII: CHANGES IN THE COMPOSITION OF SAVINGS IN NEW JERSEY, 1910-1928
 (Percentage Distribution Diagram. See Table 10)



A BUILDING AND LOAN STATE

In absolute amount (as Table 10 demonstrates) the savings in all institutions, including the savings banks, have increased. The rate of growth, however, since 1920, has been far more rapid in the case of the building and loan associations than in the case of any other single institution. The curves in Chart IX,

CHART IX: RATES OF GROWTH OF SAVINGS AND TIME DEPOSITS IN NATIONAL BANKS, STATE BANKS, TRUST COMPANIES AND SAVINGS BANKS, AND OF SHAREHOLDERS' ACCOUNTS IN BUILDING AND LOAN ASSOCIATIONS, NEW JERSEY, 1910-1928
(Ratio Scale. See Table 10)



which are all in ratio scale, indicate this clearly, showing for the period 1920-1928 an increase in building and loan shareholders' accounts of 325 per cent, and in savings deposits in National banks an increase of 221 per cent. Since 1925 building and loan associations have maintained the lead, having increased sixty-

BUILDING AND LOAN IN NEW JERSEY

four per cent between 1925 and 1928. Savings deposits in National banks maintain second place and time deposits in trust companies are now in third place as to rate of growth, having increased thirty-one per cent in the same three-year period. Savings in State banks and savings banks follow with increases of twenty and sixteen per cent respectively. Savings bank deposits trail throughout, having increased only forty-one per cent in the eight-year period (1920-1928) and 173 per cent in the eighteen-year period (1910-1928).⁸

Growth in Other Leading States

Earlier in this chapter⁹ it was seen that New Jersey today ranks first, among the seven leading building and loan states, so far as building and loan association assets per capita of population are concerned.

TABLE II*

Seven Leading Building and Loan States Arranged in Order of Percentage Increase in Building and Loan Assets per Capita of Population, 1900-1928

STATE	PERCENTAGE INCREASE 1900-1928	STATE	PERCENTAGE INCREASE 1920-1928
Massachusetts	1118%	Pennsylvania	339%
New Jersey	896	New Jersey	257
Indiana	697	New York	216
Pennsylvania	676	Illinois	171
Ohio	614	Massachusetts	168
New York	592	Indiana	152
Illinois	472	Ohio	128

* Figures upon which these rates are based will be found in Table D in the Appendix.

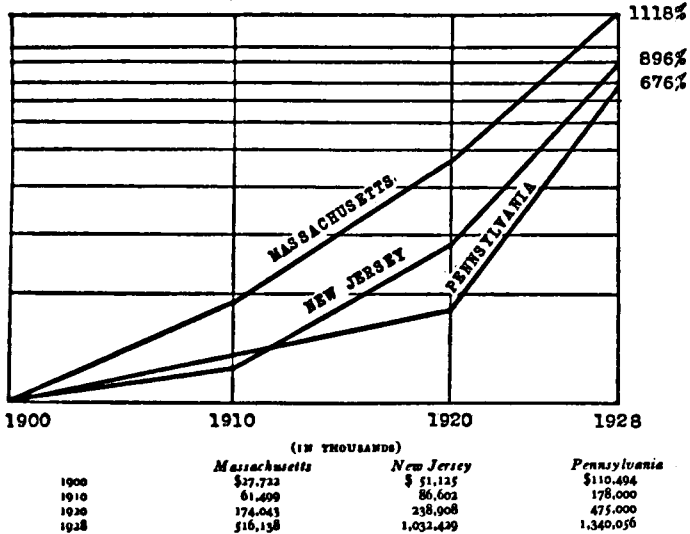
The growth in per capita building and loan association assets was more rapid in Massachusetts than in New Jersey from 1900 to 1920. Since 1920, however, the rate of growth of the associations in New Jersey has been exceeding the rate of growth of those in Massachusetts. The rapid increase of the Massachusetts

⁸ See Table C in the Appendix for an analysis of savings bank deposits and building and loan association "due shareholders' accounts" in seven leading cities in the State. It appears that in Newark the latter now exceed all bank deposits.

⁹ *supra*, p. 13.

A BUILDING AND LOAN STATE

CHART X: RATES OF GROWTH OF BUILDING AND LOAN ASSOCIATION ASSETS IN MASSACHUSETTS, NEW JERSEY, AND PENNSYLVANIA, 1900-1928
(Ratio Scale. See Table 11)



associations in the earlier years, however, brings the total increase in that State since 1900 to 1118 per cent.

In Pennsylvania, on the other hand, the rate of growth of assets per capita since 1920 has been greater than in New Jersey, as was also the case from 1900 to 1910. But, the relative retardation between 1910 and 1920 brings the total increase since 1900 down to 676 per cent, as compared with 896 per cent in New Jersey.¹⁰

*Distribution of Building and Loan Activity in New Jersey.*¹¹

Essex County, due principally to the popularity of building and loan associations in the Newark area, leads all the counties

¹⁰ It is unnecessary to repeat that in all of these charts *only* the slopes of the curves are significant. The steeper the curve, the more rapid the rate of growth. Parallel lines indicate equal rates of growth.

¹¹ See frontispiece.

TABLE 12*

Number of Building and Loan Associations, Assets, Membership, and Per Capita of Population Figures, New Jersey by Counties

COUNTY	ASSETS (1927)	RANK	NO. OF ASSNS. (1928)	RANK	MEMBERSHIP (1927)	RANK	POPULATION † (1920)	RANK	ASSETS PER CAPITA OF POPULA- TION	PERCENT- AGE OF POPULA- TION REPR- ESENTED BY B. & L. MEMBER- SHIP	NO. OF PERSONS (POPULA- TION) TO EACH B. & L. ASSN.
Essex	\$418,460,888	1	601	1	500,402	1	652,089	1	\$642	76.7	1,085
Hudson	87,861,787	2	172	3	132,888	2	629,154	2	140	21.1	3,658
Bergen	64,394,578	3	88	5	77,281	4	210,703	4	306	36.7	2,394
Union	52,180,264	4	100	4	76,371	5	200,157	5	261	38.2	2,002
Camden	50,640,446	5	174	2	80,902	3	190,508	6	266	42.5	1,095
Atlantic	39,902,738	6	52	8	43,836	8	83,914	10	476	52.2	1,614
Passaic	39,503,247	7	74	6	54,578	6	259,174	3	152	21.1	3,502
Middlesex	29,983,633	8	70	7	46,982	7	162,334	7	185	28.9	2,319
Monmouth	29,969,465	9	40	9	38,240	9	104,925	9	286	36.4	2,623
Burlington	13,067,694	10	28	10a	15,723	12	81,770	12	160	19.2	2,920
Mercer	11,029,440	11	25	11a	16,203	11	159,881	8	69	10.1	6,395
Morris	10,974,607	12	28	10b	26,157	10	82,694	11	133	31.6	2,953
Gloucester	8,939,896	13	24	12	13,001	14	48,224	14	185	27.0	2,009
Cumberland	8,833,943	14	15	13	13,892	13	61,348	13	144	22.6	4,090
Cape May	7,408,753	15	25	11b	10,603	15	19,460	21	381	54.5	778
Ocean	4,456,867	16	14	14	6,835	16	22,155	20	201	30.9	1,583
Somerset	3,275,555	17	9	15a	4,469	17	47,991	15	68	9.3	5,332
Warren	2,089,905	18	9	15b	3,674	18	45,057	16	46	8.2	5,006
Salem	1,576,913	19	5	17	2,073	19	36,572	17	43	5.7	7,314
Hunterdon	1,091,770	20	8	16	2,020	20	32,885	18	33	6.1	4,111
Sussex	525,116	21	3	18	850	21	24,905	19	21	3.4	8,302
State	\$886,167,505	—	1,564	—	1,166,980	—	3,155,900	—	\$281	37.0	2,018

* Data from Annual Report, Department of Banking and Insurance.

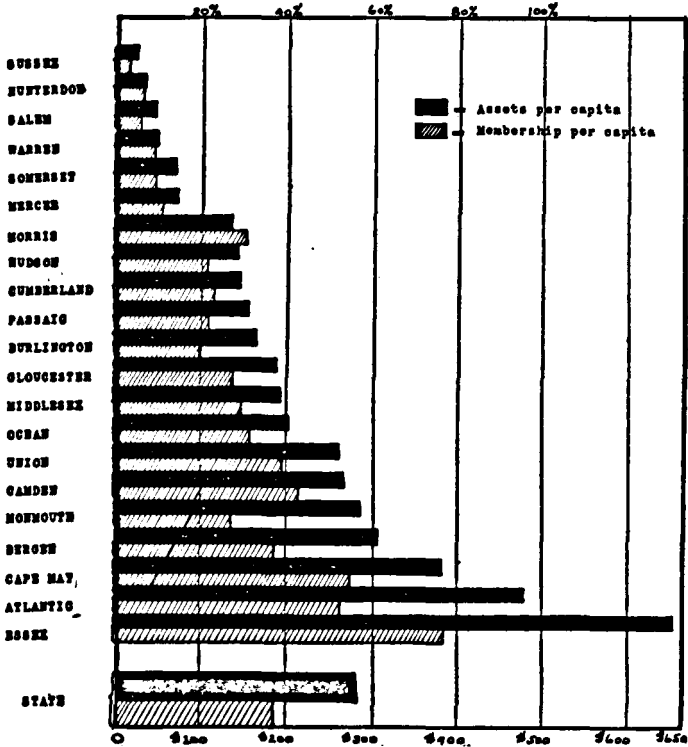
† The most recent year for which county population figures are available is 1920. Consequently the per capita figures in this table are inflated and are of significance only as indicating *relative* importance.

A BUILDING AND LOAN STATE

of the State in number of associations (38.4 per cent of all associations in the State), in total building and loan assets (47.9 per cent of the total on December 31, 1928), in total membership (43.4 per cent of the total in 1928), in assets per capita of population, and in the proportion of population represented by building and loan membership. Hudson County,

CHART XI*: BUILDING AND LOAN ASSOCIATION ASSETS AND MEMBERSHIP, PER CAPITA OF POPULATION, BY COUNTIES IN NEW JERSEY, 1927

(See Table 12)



* Of relative significance only. See note to Table 12 upon which this Chart is based. Upper figures indicate percentage of population represented by building and loan membership; lower figures, assets per capita of population.

BUILDING AND LOAN IN NEW JERSEY

its closest competitor for first place, has total assets of \$106 millions (compared with \$522 millions in Essex County on December 31, 1928) and a membership of 135,000 (compared with 519,000 in Essex County).

Table 12 presents the relative ranking of the counties of the State with respect to each of these items and Chart XI presents the per capita asset and per capita of population membership figures. It will be observed that the relative per capita membership corresponds fairly closely with the relative per capita assets. Marked variation is found in only a few counties where the per capita holdings appear to be above the average.

Summary

As an institution for savings, therefore, it is evident that building and loan associations in New Jersey have been becoming increasingly popular, until today they comprise the largest single institution for saving in the State, with one association for approximately every 2400 inhabitants, with assets amounting to \$270 per capita of population, and with a membership representing almost one-third of the total population.

CHAPTER III

THE THEORY OF THE BUILDING AND LOAN ASSOCIATION

THERE is considerable lack of clarity in the minds of many as to just what a building and loan association is.¹ That it is an institution of finance and that it is more or less cooperative is probably universal knowledge. But the technique of its operation, the source of its income, and its significance in our economic life, are less generally understood.

A building and loan association is a financial institution. It is *cooperative* in that its members, who save money together and lend money to each other, all have an equal say in association control. It is usually (always in New Jersey) *mutual* in that its members, borrowers and non-borrowers, share in the profits substantially in direct proportion to their investment. They are all partners on an equal legal footing. More specifically, a building and loan association is a corporation,² the purpose of which is to furnish investors with convenient facilities for systematic and profitable saving, and to provide borrowers with resources for the erection and purchase of homes. Like credit unions, which are also cooperative, they exist primarily for the man of relatively small means. But, they differ in that the former confines its investments to real estate mortgages and loans on its own shares, whereas the latter deals in smaller amounts and for more general purposes. The building and loan association is the specialist in small and medium-sized loans on real estate mortgage

¹ Throughout the country different names are applied to these associations. In Massachusetts, for example, they are known as *Cooperative Banks*. Elsewhere they are known as *Cooperative Savings and Loan Associations*, *Mutual Savings and Loan Associations*, etc. In England they are usually known as *Building Societies*.

² They have been classified as "partnerships with corporate rights," *infra*, p. 68.

BUILDING AND LOAN IN NEW JERSEY

security; the credit union is the general practitioner in the small loan field.

To illustrate, suppose fifty persons form a building and loan association, each agreeing to save five dollars every month, with the end in view of accumulating a fund, for each, of \$1000. After two hundred months \$1000 would have been saved by each member and the total fund of \$50,000 would be available for distribution. However, the funds (dues) received periodically by the association from the members do not lie idle. They are invested, and the accumulation of earnings thereon shortens the period of "maturity" to something under two hundred months. Further, those who conceived the building and loan idea intended not simply to provide a means for cooperative saving; they wanted to become home-owners, to "be their own landlords." Hence, they agreed that as soon as, and whenever, the common treasury should contain \$1000, this amount was to be loaned to one of their own number on real estate pledged as security.

At the end of four months, there would be \$1000 available. This is loaned, on mortgage and with interest, to one of the members who is thus aided in building or acquiring a home. In addition to paying his membership dues of five dollars each month, he must pay interest for the use of the \$1000. At the end of eight months, another \$1000 is available for a second member. He also must pay interest in addition to dues. At the end of twelve months another \$1000 will be available; and so on. Through cooperation, the borrowing members are enabled to become home-owners much sooner than they would have been able, otherwise, and the sums paid as interest to the association for the use of the common funds furnish the association with a steady income.

Early in their experience associations discovered that the demand for loans was so great that the savings of the borrowing members were in themselves insufficient to provide the necessary funds. Non-borrowing—or investing—members were then encouraged to place their funds with the association.

THE THEORY OF THE ASSOCIATION

Naturally, some members are more anxious than others to obtain the \$1000 loan: In order to decide priority, the members used to bid, as at auction, for the loans, and the member bidding the highest became the first borrower. Such premium charges, which exist today but in slightly different form, furnish associations with an important secondary source of income, and help shorten the maturity period.

Thus, sometime considerably before two hundred months has elapsed (depending upon the rate of interest and the premium income) each of the fifty members receives his \$1000. If one hundred and forty months are required to reach maturity, each member would receive \$1000 in return for the \$700 dues he paid in, and the annual *effective* rate of return would be 5.92 per cent.⁸ The association then terminates, for its goal has been achieved.

This, the so-called *terminating* association, early developed fundamental weaknesses. All shares were issued as of the same date, and members who joined subsequently were compelled to duplicate the amount already paid in by each of the original members, plus such dividends or profits as would place them all on an equal footing. Consequently, each month it became more difficult to become a member. And too, not enough of the members were desirous of becoming borrowers. Too many were interested only as investors. After a certain number of loans had been made, the loanable fund grew far beyond the demand for it on the part of the members. Persons outside the original group who wanted loans could not be accommodated; the necessity of making back payments was too onerous. The only solution

⁸ The reader should distinguish throughout between *nominal* and *effective* rates of interest (dividend). "The *effective rate of interest* is interest actually earned on 1 in a year. If interest is convertible more than once a year, the result is to give an effective rate greater than the *nominal* or quoted rate. Thus, we may have a nominal rate 0.04, but if interest is payable semi-annually, the effective rate is

$$(1.02)^2 - 1 = .0404$$

That is, on a principal of \$10,000 a nominal rate of 0.04 convertible semi-annually gives in one year \$404 of interest." (See Rietz, H. L., Crathorne, A. R., and Rietz, J. C., *Mathematics of Finance*, p. 15.)

BUILDING AND LOAN IN NEW JERSEY

was to liquidate the association before the scheduled maturity date, and before the anticipated fund of \$50,000 had been accumulated.

The terminating plan was too rigid and it soon gave way to the continuous, or what has since come to be called, the *serial plan*. This type is predominant in New Jersey today. Under it shares (usually with monthly payments of one dollar per month and a maturity value of \$200) are issued in *series*, annually, semi-annually, quarterly, or monthly. New members may join a current series at any time by making back payments on that series only. This relieves the severe rigidity of the terminating plan and transforms the serial association into a perpetual organization. There are no terminating associations in New Jersey today.

The fundamental theory of the serial association is, however, the same as the theory of the old terminating association. It is really a combination of terminating associations operating under the same management except that loans are made without regard to series. Each series runs its own course and matures independently, though a single member may hold shares in a number of different series. The excessive accumulation of idle funds, however, which was a source of embarrassment to the early terminating associations, is remedied by pooling the funds and applying them to loans under later series. The funds of the association are dealt with as a unit, so far as loans and earnings are concerned. Profits of the association are apportioned annually, semi-annually, or quarterly, among the various series according to the time each series has run, and the number of shares in that series.⁴

The capital of a building and loan association accumulates from month to month and consists of the combined dues, interest, premium, and fees paid in by the members. At the start the association's capital is but a collection of agreements to save co-operatively and promises to pay interest on loans.

⁴ *infra*, p. 90.

THE THEORY OF THE ASSOCIATION

Details of operation vary greatly and some of them will be discussed later. One development is the *optional payment plan*, under which the idea of series is abandoned completely. Investing members pay what and when they will, compulsory payments being retained only for borrowing members. This plan is even less rigid than the serial plan, in that members may join at any time without making any back payments.

Underlying all plans of operation, however, is the fundamental theory of the building and loan association; namely, *cooperative saving* for the purpose of creating a common fund to be loaned to members who wish to own their own homes. Plans and techniques of operation are infinite in their variation,⁸ but the basic theory is everywhere the same.

The profitableness of a building and loan investment is due to the two principles of *compound interest* accumulation and the *sinking fund*.

Compound Interest Accumulation

One of the basic principles underlying a sound savings plan is *continuous* investment. Interest is a price which is paid for the advance use of purchasing power and idle funds represent just so much unused purchasing power. Such funds are similar, in

⁸ In New Jersey the serial plan is still predominant, although optional payment associations are growing rapidly, as Chapter IV demonstrates. The optional payment plan is similar to the *Dayton*, or *Ohio* Plan in so far as the idea of series is abandoned and payments may be made and withdrawal accomplished at any time. They differ, however, in that Dayton associations frequently accept deposits (contractual obligations) at a fixed rate of interest. Dayton plan associations do not exist in New Jersey. Whatever the plan of operation, the building and loan association in New Jersey is always a strictly mutual institution. There are no depositors; all shareholders are *members* of the association and share directly in the profits.

In addition to serial associations and optional payment associations, and midway between them, are the so-called *non-serial* associations, which are found principally in Union County. Here there is no stated interval between series. Payments may commence at any time but, once begun, each member's shares constitute a separate series, and payments become compulsory as in the serial association. It is really a variant of the serial type, the distinguishing characteristic being that membership can start at any time and no back payments are required.

For a concise discussion of some of the more important plans in use throughout the country the reader is referred to Clark and Chase, *Elements of the Modern Building and Loan Associations*, Chap. III.

BUILDING AND LOAN IN NEW JERSEY

essence, to idle merchandise on the merchant's shelves. Both are unsold salable goods; both indicate a failure to realize a realizable income.

Interest on investment should be reinvested immediately in order to reap the gains of compounding. It is precisely because the building and loan association provides automatic compounding of dividends at an attractive rate that it has proved so profitable to so many investors. Profits of associations, in so far as instalment shares are concerned, are apportioned but not actually paid to members except on withdrawal or at maturity. The profits are reinvested automatically and continue to earn dividends along with the dues actually paid in. The investor is relieved of all administrative responsibility.

Chart XII illustrates the importance of compounding. It compares the growth of a single investment of \$1000 at six per cent *simple* interest and at six per cent (nominal) interest, *compounded quarterly* (or 6.14 per cent *effective*).⁹

Simple Interest

Simple interest is calculated only on the principal paid in, and is directly proportional to time. Let

P denote the principal,

r denote the rate of interest,

n denote the time in years, and

I denote the amount of interest.

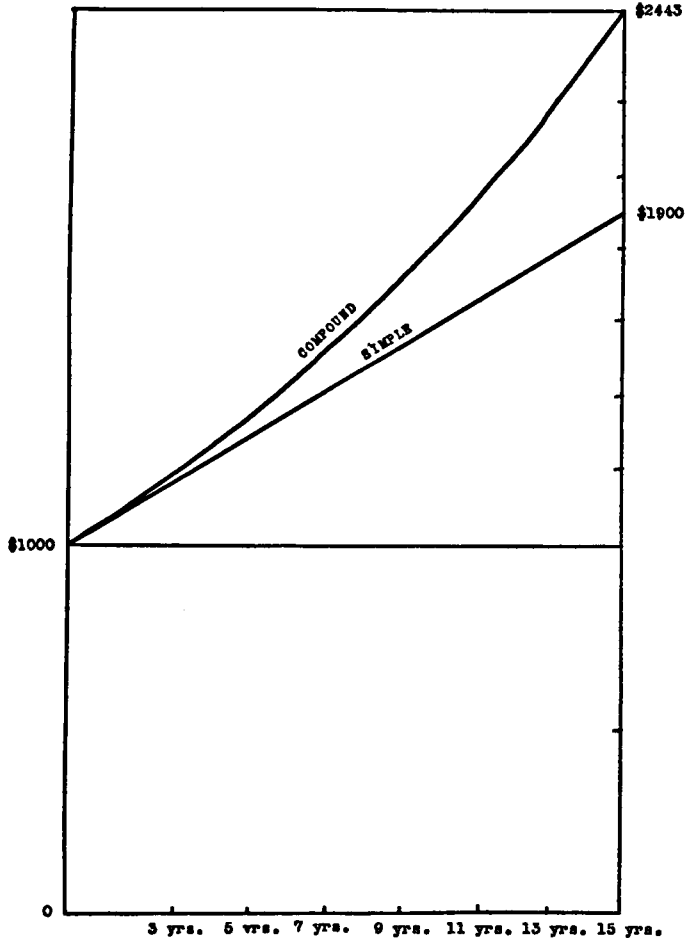
Then, $I = Pnr$; that is, the amount of interest is equal to the principal multiplied by the rate by the time. Thus, on a principal of \$1000, six per cent simple interest for five years would be equal to $\$1000 \times 5 \times 0.06$ or \$300. On the graph, the \$1000 investment has grown as follows:

AT THE END OF	PRINCIPAL	INTEREST	INVESTMENT
1st year	\$1000	\$ 60	\$1060
3rd year	1000	180	1180
5th year	1000	300	1300
7th year	1000	420	1420
9th year	1000	540	1540
11th year	1000	660	1660
13th year	1000	780	1780
15th year	1000	900	1900

⁹ *supra*, p. 39, note 3.

THE THEORY OF THE ASSOCIATION

CHART XII: GROWTH OF A LUMP-SUM INVESTMENT OF \$1,000 FOR FIFTEEN YEARS AT SIX PER CENT, SIMPLE INTEREST AND INTEREST AT QUARTERLY COMPOUND COMPARED



BUILDING AND LOAN IN NEW JERSEY

Interest Compounded Quarterly

The interest rate is always expressed as an *annual* rate per cent. Six per cent "compound interest" is a meaningless expression unless the period of conversion (compounding) is stated. Thus, six per cent compounded semi-annually yields a return on the total investment of three per cent every six months (6.09 per cent, *effective* rate); six per cent compounded monthly, a return of one-half of one per cent every month (6.17 per cent, *effective* rate), and so on.

Using the same symbols as were used above, we arrive at a general compound interest formula. At six per cent, compounded annually, the interest for one year will be $P + Pr$ (that is, $\$1000 + \$60 = \$1060$). This new amount now becomes the principal (P) for the second year's calculation. The interest on it is $(P + Pr)r$; that is $(1000 + 60) 0.06$ or $\$1060 \times 0.06 = \63.60 , and the total investment becomes $\$1060 + \$63.60 = \$1123.60$. Algebraically,⁷ the investment at the end of the second year is expressed $S = P(1 + r)^n$. This formula also applies when the conversion period is oftener than once a year, except that r is replaced by the rate for the *period of conversion*. Thus, if the problem calls for six per cent, compounded quarterly, r becomes 0.015 and n becomes 4 for a single year's calculation. For two years' calculation, r remains 0.015 but n becomes 8.⁸

⁷ Using the same symbols as were used above (text, page 42)—

$$\begin{aligned} S &= P + Pr + (P + Pr)r \\ &= P(1 + 2r + r^2) \\ &= P(1 + r)^2 \end{aligned}$$

And, likewise, $P(1 + r)^2$ becomes the principal in the calculation for the third year—

$$\begin{aligned} S &= P(1 + r)^2 + P(1 + r)^2r \\ &= P(1 + r)^2(1 + r) \\ &= P(1 + r)^3 \end{aligned}$$

Since each unit of principal at the beginning of any year will accumulate to $1 + r$ units at the end of the year, the amount of the investment may be arrived at by multiplying the principal by $1 + r$. The general formula for the amount (S), at the end of n years, therefore, is

$$S = P(1 + r)^n$$

⁸ The same results may be obtained by using compound interest tables. Tables

THE THEORY OF THE ASSOCIATION

On the graph, the investment of \$1000 at six per cent, compounded quarterly, has grown as follows:

AT THE END OF	ORIGINAL PRINCIPAL	+	TOTAL GAIN IN INTEREST	=	TOTAL INVESTMENT
1st year	\$1000	+	\$ 61.36	=	\$1061.36
3rd year	1000	+	195.62	=	1195.62
5th year	1000	+	346.86	=	1346.86
7th year	1000	+	517.22	=	1517.22
9th year	1000	+	709.14	=	1709.14
11th year	1000	+	925.33	=	1925.33
13th year	1000	+	1168.87	=	2168.87
15th year	1000	+	1443.22	=	2443.22

The Two Compared

The difference is significant. One thousand dollars, if placed at six per cent, simple interest, will grow in fifteen years to \$1900. If placed at six per cent interest, compounded quarterly, it will grow in the same period to \$2443.22. The difference, after fifteen years, between the simple interest investment and the compound interest investment is \$543.22, or over one-half the original investment of \$1000. It pays to take full advantage of compounding and this is what building and loan associations do automatically for their members. The more frequent the conversion periods at a given nominal rate, the greater the gain.

Instalment Investment

The illustration given above refers to a lump sum investment of \$1000. On instalment shares the difference between simple interest and compound interest is also noticeable. But of course, as the time factor does not operate for the full period on the entire amount paid in, the difference is not so great. The following chart and table illustrate the difference for a fifteen year period⁹ between six per cent simple interest and six per cent interest, compounded quarterly and monthly, for an instalment

giving *effective* rates at intervals of one-tenth of one per cent have been constructed by W. Walter Streeter, Chairman of the Mathematical Committee of the New Jersey League of Building and Loan Associations, but have not yet been published.

⁹ Building and loan association shares mature in considerably less than fifteen years—usually from eleven to twelve years.

BUILDING AND LOAN IN NEW JERSEY

investment of one dollar per month. At the end of the period \$180 has been paid in. At simple interest, the total investment has grown to \$261.45 and at monthly compounding to \$292.27. The difference between the two is \$30.82 which is 17.1 per cent of the total amount paid in.

Table showing accumulation of \$1.00 placed at 6% interest (nominal) at the first of each month; simple, quarterly compound, and monthly compound interest compared

AT END OF	PAID IN	SIMPLE INTEREST	ANNUAL COMPOUND	QUARTERLY COMPOUND	MONTHLY COMPOUND
1st year	\$ 12.00	\$ 12.39	\$ 12.39	\$ 12.40	\$ 12.40
3rd year	36.00	39.33	39.44	39.51	39.53
5th year	60.00	69.15	69.84	70.06	70.12
7th year	84.00	101.85	104.00	104.48	104.59
9th year	108.00	137.43	142.38	143.25	143.45
11th year	132.00	175.89	185.50	186.92	187.25
13th year	156.00	217.23	233.95	236.11	236.62
15th year	180.00	261.45	288.39	291.53	292.27

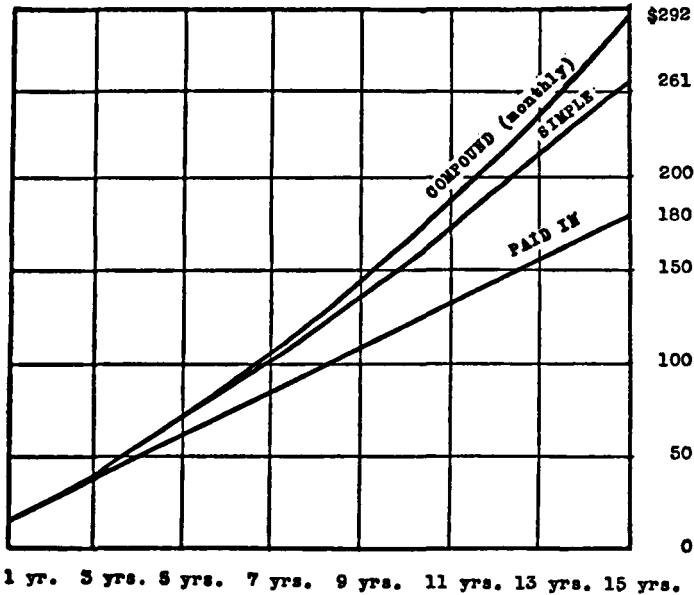
Of course, savings banks, commercial banks, and trust companies, as well as building and loan associations, provide facilities for the automatic reinvestment of dividends (and interest) and so also furnish the advantages of automatic compounding. Two points, however, must be considered. First, how does the rate of return on building and loan shares compare with the rate of return on savings bank deposits? In New Jersey, as will be shown in Chapter VI, the rate of return to the long-time investor is considerably higher to the member of a building and loan association than to the depositor in a bank.

Secondly, in so far as the serial plan is concerned, the building and loan method provides a gentle force of compulsion to the instalment saver. His deposits are made in the form of dues and if he omits a payment he very often subjects himself to a fine. It is claimed that this is highly desirable, from a psychological point of view, since it reinforces the common fascination of watching savings grow with the contrary dislike of a monetary fine, however small. This feeling, however, is not universally concurred in.¹⁰

¹⁰ *infra*, p. 180.

THE THEORY OF THE ASSOCIATION

CHART XIII: GROWTH OF AN INSTALMENT INVESTMENT OF ONE DOLLAR PER MONTH FOR FIFTEEN YEARS AT SIX PER CENT, SIMPLE INTEREST AND INTEREST AT MONTHLY COMPOUND COMPARED
(Payments Made at First of Each Month)



The Sinking Fund Principle

Just as automatic and frequent compounding at a relatively high rate attracts the investor to the building and loan association so, also, on the money-lending side are there inducements to the conservative borrower. Chief among these is the *sinking fund* feature.

Funds are usually loaned only to members. The borrower pays interest for the use of the money (plus, very often, an additional premium charge). He gives his bond and a first lien against his real property as security. In addition, he agrees to subscribe to shares in the association, and these also he assigns

BUILDING AND LOAN IN NEW JERSEY

as collateral for the loan. By the time maturity is reached, the value of the shares (if it is a fully amortized loan) equals the amount of the loan.¹¹ The shares are then used to liquidate the loan, the mortgage is released, and the borrower becomes the full owner of the property.

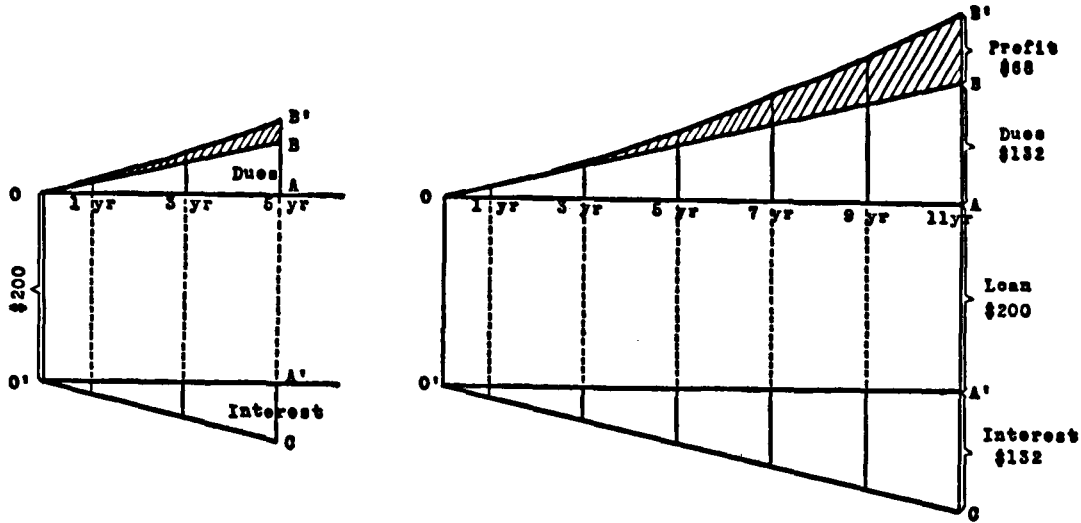
The fact that the borrower is also a systematic investor in the association means that as the life of the loan advances the size of his *investment* increases. With dues of one dollar a month per \$200 of maturity value, this investment, after something like eleven or twelve years, will be sufficiently large to wipe out a loan of equal amount.

When the loan is made, and the shares subscribed, it is not known *when* the value of the shares will equal the amount of the loan. The maturity date depends upon the earnings of the association, since building and loan associations are strictly mutual. Thus, in the following graphic illustration, where horizontal distances represent time elapsed and vertical distances represent dollars, only the amount of dues and interest to be paid in each month are known at the start. The distances between OA and OB are not known, and cannot be known except as time passes. The greater the profits of the association, of course, the sooner will maturity arrive. When the distance AB plus BB' (dues paid in plus earnings apportioned) equals the distance AA' (the amount of the loan), the loan is paid off and the mortgage and the shares cancelled.

This is nothing more than the creation of a sinking fund which is invested in the association itself at an attractive rate of return. The borrowing member, by paying two dollars per month (one dollar dues and one dollar interest) instead of one dollar (in interest alone) on each \$200 borrowed has created a fund large enough to liquidate his obligation to the association. Were it not for this fund, it would be necessary for him to repay the entire loan at a stated future date; it would then be a *straight loan*. Experience teaches that in a large per-

¹¹ In practice, loans are frequently repaid before share maturity is reached. *infra*, p. 233.

PICTORIAL REPRESENTATION OF A FULLY-AMORTIZED BUILDING AND LOAN TYPE OF LOAN



In the left diagram five years have elapsed. Dues paid in total \$60 and interest \$60. Apportioned earnings amount to \$14.05 which, so far, is a return on the investment in shares of 7.8 per cent (nominal rate) compounded monthly (8.36 per cent *effective* rate). The more rapidly the distance AB' grows the shorter will be the maturity period (horizontal distance).

In the right diagram eleven years have elapsed and the share has just matured at \$200. Dues paid in total \$132, as does the interest. Apportioned earnings amount to \$68, which is a return on the share investment of 7.3 per cent compounded monthly. AB' (value of the share) equals AA' (amount of the loan) and the former is applied to the liquidation of the latter.

BUILDING AND LOAN IN NEW JERSEY

centage of cases straight loans are not repaid at the expiration of their three- to five-year term. Instead, the borrower usually has to refinance and still has the repayment of principal to worry about.

Amortization through building and loan shares eliminates this trouble and cost of re-financing through regular monthly payments. The psychological result is as great as the principle is simple. It is easier for the conservative investor to pay one dollar a month for 132 successive months than to pay \$200 in one lump sum 132 months from now, in spite of the heavier monthly payments which such a repayment plan involves—and earnings on his investment with the building and loan association are automatically and profitably invested for him.

CHAPTER IV

ASSOCIATION ORGANIZATION AND STRUCTURE

"The term 'building and loan association' . . . shall apply to and include all corporations, companies, societies or associations or persons acting together under a declaration of trust, commonly known as common law companies organized for the purpose of enabling its members to acquire real estate, make improvements thereon, and to remove incumbrances therefrom by the payment of money in periodical instalments or principal sums; and for the accumulation of a fund to be returned to members who do not obtain advances for such purposes, when the funds of the corporation, company, society or association amount to a certain sum per share, or otherwise doing business in the manner of what are commonly known as building and loan associations. Any such association may operate under either the serial plan or the optional payment plan, as its constitution shall provide. Such association issuing shares at fixed times or in series and requiring a given amount to be paid on each share at stated intervals shall be known as a serial plan association. Such association issuing shares with a minimum payment and not requiring a given amount to be paid thereafter on each share at stated intervals shall be known as an optional payment plan association."¹

BUILDING and loan associations in New Jersey are, for the most part, relatively small. Assets average around one-quarter of a million dollars and membership per association between 750 and 800.² Lawyers in search of desirable contacts, merchants in the hope of building up a prosperous clientèle, and public-spirited citizens in general, unite in forming a mutual and cooperative financial institution which aids in fostering thrift and home ownership in the community. Often there is some one guiding spirit who takes upon himself the necessary details of organization and early operation and who later becomes the association secretary or association counsel.

Associations are incorporated upon executing, recording, and filing a certificate of incorporation, which must set forth the names, residences, occupations, and so forth, of those seeking to form the association.³ These must be at least nine in number;

¹ General Building and Loan Association Act, Article III, Paragraph 75.

² Arithmetical averages.

³ General Building and Loan Association Act, Article I, Paragraphs 1 and 2.

BUILDING AND LOAN IN NEW JERSEY

all must be citizens of the State and shareholders in the prospective association. Also, it is necessary that \$50,000 (maturity value) in shares be subscribed before the association may start business.

The Commissioner of Banking and Insurance approves the certificate and it is then recorded in the office of the clerk of the county in which the association is to be located. Upon final filing of the certificate with the Commissioner the association receives permission to start business. But, if it fails to commence within six months after the date of final filing the certificate becomes void.

Building and loan associations are subject to direct supervision by the State through the Department of Banking and Insurance. Such authority begins before the corporation comes into existence, because it is only if the Commissioner of Banking and Insurance is of the opinion that the establishment of such an association is warranted by community conditions and that it will be of public service that he may authorize its creation. Supervision continues throughout the life of the association⁴ and may, where the Commissioner considers that the association is insolvent, is exceeding its powers, is violating the law, or that its condition or methods are such as to make its operations hazardous to the public, bring about either its legal death or the removal of officers, directors, or attorneys.⁵

Names of Associations

Article I, Paragraph 3, of the 1925 Law requires that the words "building and loan association" be embodied in the name of every association. This is an historical remnant, for as will be pointed out below, savings members far outnumber borrowing members, and associations no longer buy, build and sell properties on their own account as a matter of common practice. It has been suggested that the word "building" be dropped

⁴ *infra*, p. 118.

⁵ General Building and Loan Association Act, Revision of 1925, Article I, Paragraph 4; Article III, Paragraphs 56, 58, 59.

ORGANIZATION AND STRUCTURE

from the appellation, but each time the suggestion has been passed by. It is probably well that this is so, for although associations no longer are engaged directly in building construction, their lending operations are confined chiefly to loans on present or prospective buildings, principally homes. The word "building" serves to distinguish them clearly from other lending institutions and for that reason should be retained.

As in many other States, the law in New Jersey requires that the name of each association be unlike that of any other association in the State. A name represents goodwill, is included in the category of private property, and may not be appropriated by another.

Human ingenuity has been taxed to evolve distinctive names for the multitudinous associations. Many simply have adopted the name of the town in which they are located. Others have been more original and have sought to attract members by advertising elements of strength, thrift, the pride of home ownership, civic pride, honesty and progressiveness. Witness such names as: Security, Gilt Edge, Guarantee, Warranty, Old Hickory, Economy, Opportunity, Home Lovers, Home Builders, Our Town, Pride of Atlantic, Golden Rule, Big Brother and Aggressive. Several represent racial groups and are named accordingly, such as the Garibaldi, the Italian-American, the Polish-American and the Lithuanian. At least one association is directed solely by women and is named after Susan B. Anthony. The Up-to-the-Minute, and the Mile Square were eclipsed as to appropriateness, however, in the author's estimation, when he opened, almost four months late, an envelope containing the questionnaire of the Long-A-Coming Building and Loan Association.

Structure Types

Building and loan associations originated as *mutual* and *co-operative* community enterprises. Although in some States⁶

⁶ Clark and Chase, *Elements of the Modern Building and Loan Associations* (Chapter III) describes some of these types.

BUILDING AND LOAN IN NEW JERSEY

they have evolved from the simple serial type of organization to more complex forms, with guarantee stockholders, depositors, and other banking characteristics, in New Jersey they still remain fundamentally true to the original pattern so far as strict mutuality is concerned and in considerable degree have retained the serial plan of operation.

Of the 1527 associations listed in the 1927 Annual Report of the Commissioner of Banking and Insurance, 1416 (ninety-three per cent) are serial associations. Of the 1002 associations for which 1928 information is now available, 909 (ninety-one per cent) are of this type.

In the serial association dues are regularly payable—usually one dollar per month on a share with a maturity value of \$200—and in case of default the member is subjected to a penalty in the way of a small fine. Shares are issued in series⁷ (annually, semi-annually, quarterly, or monthly) and if one wishes to become a member between the opening dates of new series it is necessary for him to pay back dues. Serial association men uphold their plan because of its technical simplicity, and on the ground that it encourages thrift by imposing, through fines, a system of gentle compulsion. The so-called *non-serial* associations⁸ possess the added advantage of elimination of the waiting period between the inception dates of new series. Each

⁷ (Based on reports of 823 associations.) In all counties of the State, except Atlantic, Bergen, Essex, Mercer, Passaic and Union, the most frequent method is to start a new series every six months. In the counties enumerated, the quarterly method is most common. (See Table E in Appendix for tabulation by counties.)

FREQUENCY OF NEW SERIES	ESSEX COUNTY		REMAINDER OF STATE	
	NO. ASSNS.	% DIST.	NO. ASSNS.	% DIST.
annually	1	0.3	96	18.4
semi-annually	37	12.3	227	43.4
three times annually	22	7.3	17	3.3
quarterly	228	76.0	159	30.4
monthly	12	4.0	24	4.6
totals	300	100.0	523	100.0

⁸ Which are, in reality, serial associations operating on a monthly series basis, and for purposes of analysis should be classed with serial, rather than with optional payment, associations.

ORGANIZATION AND STRUCTURE

member becomes a series unto himself. He starts whenever he wishes and by that very act the association starts a new series. From then on, so far as the individual member is concerned, his position is the same as it would be in any serial association. He must make his payments regularly, or pay a fine.

The most extreme departure from the serial plan in this State is the optional payment plan, in which the idea of series and enforced regularity in the payment of dues are eliminated. Investing members pay a minimum initial amount per share, but thereafter they may save as much, or as little, as often as they choose. Fines are retained only for borrowing members; the investor can never be in arrears.*

Optional payment men argue: (1) that their plan is more flexible than the serial plan. It affords opportunity to adjust savings to income, and is desirable particularly if one's income is subject to severe fluctuation. It has distinct advantages in view of such hazards as illness, unemployment, and seasonal slumps. (2) that it serves, by attracting the large investor, to bring into the association large sums of money which results in rapid association growth. (3) that it does away with the penalizing of saving by eliminating fines. (4) that it does away with the necessity of having to meet lumped maturities such as serial associations encounter whenever a series matures, and which at such times frequently necessitates the rejection of worthy applications for mortgage loans.

Serial plan adherents argue: (1) that an indispensable characteristic of the building and loan association is that it deals in long-term financial transactions. It lends the bulk of its assets on long-term mortgage security and this, though it yields the association a handsome return, robs it of liquidity. It is essential, therefore, that members—whose funds are pooled and invested in this way—remain with the association until their shares mature. Ease of withdrawal necessitates, they claim,

* At least one optional payment association, however, cuts the dividend rate if the total payments in any six months' period do not equal at least six times the initial payment.

BUILDING AND LOAN IN NEW JERSEY

greater liquidity of assets, and the tendency for optional payment associations to pay generous profits on early withdrawal is said to be out of harmony with this thought.¹⁰ Also, the elimination of enforced regularity in the payment of dues in this type of association lends uncertainty to the calculation of future lending capacity. *Regularity of dues* and *low withdrawal ratios*, they maintain, are best preserved in associations which operate under the serial plan where fines are imposed on arrearages and where only small profits are allowed in the event of premature withdrawal. (2) that the serial association can be every bit as flexible as the optional payment association through the use of single payment and paid-up shares.¹¹ Failure on the part of some serial associations to utilize these devices of flexibility are not due to inherent weaknesses in the serial plan but are simply evidences of extreme conservatism on the part of the individuals concerned. (3) that the attraction to the large investor offered by the optional payment association is a disadvantage rather than an advantage in times when the demand for loans is light, for then the association finds itself with idle funds on its hands and is forced to cut the price (premium charge or even the interest rate) of loans. This, in turn, causes earnings to drop. They argue that paid-up shares can serve the same function to better advantage. (4) that the system of enforcing regularity in the payment of dues through the levying of fines on delinquencies serves to inculcate habits of thrift and (5) that the serial association has stood the test of time as a predominant type in this State; that although there are some very successful associations in the State that have operated under the optional payment plan for thirty-five years or more, that does not guarantee that the same degree of success would attend a wholesale shift to this type.

Later chapters will compare the two types of association with respect to earnings and investment standing. The subject of the

¹⁰ *infra*, p. 107, for an analysis of withdrawal ratios.

¹¹ *infra*, Chap. v.

ORGANIZATION AND STRUCTURE

relative merits of the two plans of association operation is a lively one in building and loan circles in New Jersey today. Each type fulfils a need, and there is nothing to prevent a person from belonging to both a serial and an optional payment association; to the former to stimulate his will to save, to the latter to take care of his excess savings, to serve as a sort of stabilizer between prosperity and depression.

Optional payment associations have been increasing most rapidly since 1925 in Essex County (see Table 13). Also, the largest proportion of optional payment associations (eleven per cent of all reporting associations in the County in 1928) is found in Essex County. In the remainder of northern New Jersey from two to five per cent operate under the optional payment plan, in central New Jersey from two to four per cent, and in the southern portion of the State, two per cent.¹²

Optional payment plan associations tend to be larger than serial plan associations (see Table 14). Over sixty per cent of the serial associations reporting have assets of under one-half million dollars; sixty-four per cent of the reporting optional payment associations have assets in excess of that amount.¹³

This is not to agree, necessarily, with some of the partisans of the optional payment plan in their contention that this plan *causes* associations to grow more rapidly than does the serial plan. It simply expresses a relationship, a coincidence, of two phenomena, and logically, either may be cause and either may be effect. It may just as truthfully be that the associations operate under the optional payment plan because they are large as that they are large because they operate under the optional payment plan.

¹² Uncertainty in the figures here. See notes to Table 13.

¹³ SIZE OF REPORTING ASSOCIATIONS, PERCENTAGE DISTRIBUTION

	ALL ASSNS.	SERIAL ASSNS.	OPTIONAL PAY- MENT ASSNS.
Assets under \$500,000	59.4 per cent	60.8 per cent	35.7 per cent
Assets exceeding \$500,000	40.6 "	39.2 "	64.3 "
	100.0 per cent	100.0 per cent	100.0 per cent

TABLE 13*

Growth of the Optional Payment Plan of Association Operation in New Jersey, by Geographical Divisions, 1905-1928

YEAR	STATE			ESSEX COUNTY			UNION COUNTY		
	NUMBER ASSOCIATIONS REPORTING	NUMBER ASSOCIATIONS OPERATING UNDER PERPETUAL PLAN	PER CENT OF ALL ASSNS. REPORTING OPERATING UNDER PERPETUAL PLAN	NUMBER ASSOCIATIONS REPORTING	NUMBER ASSOCIATIONS OPERATING UNDER PERPETUAL PLAN	PER CENT OF ALL ASSNS. REPORTING OPERATING UNDER PERPETUAL PLAN	NUMBER ASSOCIATIONS REPORTING	NUMBER ASSOCIATIONS OPERATING UNDER PERPETUAL PLAN	PER CENT OF ALL ASSNS. REPORTING OPERATING UNDER PERPETUAL PLAN
1905	389	37	9.5	118	12	10.2	22	9	40.9
1910	513	37	7.2	193	12	6.2	26	11	42.3
1915	745	60	8.1	306	18	5.9	42	21	50.0
1920	819	65	7.9	330	14	4.2	45	25	55.6

	NO. ASSNS. REPORTING	NO. REPORTED OPERATING UNDER		PER CENT OF ASSNS. REPORTED OPERATING UNDER			NO. ASSNS. REPORTING	REPORTED OPERATING UNDER		PER CENT OF ASSNS. REPORTED OPERATING UNDER			NO. ASSNS. REPORTING	REPORTED OPERATING UNDER		PER CENT OF ASSNS. REPORTED OPERATING UNDER		
		OP-TIONAL PAYT.	NON-SERIAL PLAN	OP-TIONAL PAYT.	NON-SERIAL PLAN	OTHER THAN SERIAL		OP-TIONAL PAYT.	NON-SERIAL PLAN	OP-TIONAL PAYT.	NON-SERIAL PLAN	OTHER THAN SERIAL		OP-TIONAL PAYT.	NON-SERIAL PLAN	OP-TIONAL PAYT.	NON-SERIAL PLAN	OTHER THAN SERIAL
1925	1407	—	82	—	5.8	5.8	545	—	19	—	3.5	3.5	82	—	35	—	42.7	42.7
1926	1473	—	92	—	6.2	6.2	576	—	25	—	4.3	4.3	88	—	39	—	44.3	44.3
1927	1527	34	77	2.2	5.0	7.2	603	26	19	4.3	3.2	7.5	97	1	40	1.0	41.2	42.2
1928	1002	56	37	5.6	3.7	9.3	363	39	2	10.7	0.5	11.2	66	2	27	3.0	40.9	43.9

*This table divides itself into two parts, the period from 1905 to 1920 and the period from 1925 to 1928. In the earlier period the number of associations reporting to the State Department of Banking and Insurance was incomplete. Since 1925, however, the reports have been practically complete so that the percentage figures for 1925, 1926, and 1927 are based on practically full data. The 1928 figures are based on an analysis of the individual reports of associations filed with the Department of Banking and Insurance.

From 1905 to 1925 all associations (other than the very few terminating plan associations then still in existence) operating under a plan other than serial were classified as *perpetual* or *permanent*. In 1925 and 1926 all associations other than serial are classed as *non-serial* (including the optional payment associations). In the 1927 report the term *optional payment* was introduced and an attempt made to distinguish between non-serial and optional payment associations. The result is confusion, since in effect an association operating under the "non-serial" plan is a monthly serial association. There is, further, no specific provision in the law for such a distinction. And, there is no way of knowing just how many of the associations reported as operating under the non-serial plan are actually optional payment associations.

TABLE 13—Continued

YEAR	REMAINDER OF NORTHERN NEW JERSEY†			CENTRAL NEW JERSEY†			SOUTHERN NEW JERSEY†		
	NUMBER ASSOCIATIONS REPORTING	NUMBER ASSOCIATIONS OPERATING UNDER PERPETUAL PLAN	PER CENT OF ALL ASSNS. REPORTING OPERATING UNDER PERPETUAL PLAN	NUMBER ASSOCIATIONS REPORTING	NUMBER ASSOCIATIONS OPERATING UNDER PERPETUAL PLAN	PER CENT OF ALL ASSNS. REPORTING OPERATING UNDER PERPETUAL PLAN	NUMBER ASSOCIATIONS REPORTING	NUMBER ASSOCIATIONS OPERATING UNDER PERPETUAL PLAN	PER CENT OF ALL ASSNS. REPORTING OPERATING UNDER PERPETUAL PLAN
1905	113	14	12.4	33	2	6.1	103	—	—
1910	130	12	9.2	34	2	6.1	130	—	—
1915	172	15	8.7	55	4	7.3	170	2	1.2
1920	185	16	8.6	68	6	8.8	191	4	2.9

	NO. ASSNS. RE- PORT- ING	NO. REPORTED OPERATING UNDER		PER CENT OF ASSNS. REPORTED OPERATING UNDER			NO. ASSNS. RE- PORT- ING	NO. REPORTED OPERATING UNDER		PER CENT OF ASSNS. REPORTED OPERATING UNDER			NO. ASSNS. RE- PORT- ING	REPORTED OPERATING UNDER		PER CENT OF ASSNS. REPORTED OPERATING UNDER		
		OP- TIONAL PAYT. PLAN	NON- SERIAL PLAN	OP- TIONAL PAYT. PLAN	NON- SERIAL PLAN	OTHER THAN SERIAL		OP- TIONAL PAYT. PLAN	NON- SERIAL PLAN	OP- TIONAL PAYT. PLAN	NON- SERIAL PLAN	OTHER THAN SERIAL		OP- TIONAL PAYT. PLAN	NON- SERIAL PLAN	OP- TIONAL PAYT. PLAN	NON- SERIAL PLAN	OTHER THAN SERIAL
1925	331	—	15	—	4.5	4.5	129	—	8	—	6.2	6.2	320	—	5	—	1.6	1.6
1926	343	—	16	—	4.7	4.7	136	—	8	—	5.9	5.9	330	—	4	—	1.2	1.2
1927	355	2	11	0.6	3.1	3.7	139	1	6	0.7	4.3	5.0	333	4	1	1.2	0.3	1.5
1928	254	8	6	3.1	2.4	5.5	102	2	2	1.8	1.8	3.6	217	5	—	2.3	—	2.3

† Counties grouped as follows:

Northern New Jersey

Bergen
Hudson
Morris
Passaic
Sussex
Warren

Central New Jersey

Hunterdon
Mercer
Middlesex
Monmouth
Somerset

Southern New Jersey

Atlantic
Burlington
Camden
Cape May
Cumberland
Gloucester
Ocean
Salem

TABLE 14*
Distribution of Associations by Plan of Operation in Size Groups, New Jersey, 1928

SIZE GROUP (ASSETS)	STATE				ESSEX COUNTY			STATE, EXCLUDING ESSEX COUNTY			
	NO. ASSNS. REPORTING	NO. ASSNS. OPERAT- ING UNDER		PER CENT OF ASSNS. OPERA'ING UNDER OPTIONAL PAYMENT PLAN	NO. ASSNS. REPOR'ING	NO. ASSNS. OPERA'ING UNDER		PER CENT OF ASSNS. OPERA'ING UNDER OPTIONAL PAYMENT PLAN	NO. ASSNS. REPOR'ING	NO. ASSNS. OPERA'ING UNDER	
		SERIAL PLAN	OPTIONAL PAYMENT PLAN			OPTIONAL PAYMENT PLAN	OPTIONAL PAYMENT PLAN			OPTIONAL PAYMENT PLAN	OPTIONAL PAYMENT PLAN
Up to \$500,000	595	575	20	3%	172	13	8%	423	7	2%	
\$500,000-\$1,250,000	295	278	17	6	135	14	10	160	3	2	
\$1,250,000-\$5,000,000	103	89	14	14	52	9	17	51	5	10	
Over \$5,000,000	9	4	5	56	4	3	75	5	2	40	
Total	1002	946	56	6	363	39	11	639	17	3	

*"Non-serial" associations are included in the serial group. There is no way of knowing how many optional payment associations, through error, reported that they operate under the "non-serial" plan.

ORGANIZATION AND STRUCTURE

Management and Control

The shareholders of a building and loan association constitute the membership of the corporation, and since associations are cooperative, each shareholder is allowed but one vote regardless of the number of shares he may own. Shareholders meet annually and a majority vote determines matters of general policy and elects the directors of the association. Officers are elected either by the Board of Directors or by the shareholders. Most associations also provide in their constitution for the calling of special meetings for special purposes.

As in the case of the business corporation, the actual management of a building and loan association is vested in a Board of Directors. The State law requires that this board be composed of not less than six directors, all of whom must be members of the association. Continuity is provided for, without sacrificing ultimate shareholder control, by requiring that at least one-third of the board shall be elected each year.¹⁴ The Board of Directors may be empowered by the constitution of the association to elect association officers, or that right may be, and often is, reserved for the shareholders at their annual meetings.¹⁵ Normally it is often difficult to distinguish, so far as attendance is concerned, between a shareholders' meeting and a meeting of the Board of Directors, although instances are not lacking in which shareholders, dissatisfied with the Board's management of the association, have stepped in and assumed active control.

Many investors are attracted to an association as much, if not more, by the personal character of the directors and officers as by the quality of the building and loan investment itself. It is,

¹⁴ The Statute (Article I, Paragraph 7) requires that they shall be elected ". . . by ballot, at the annual meeting . . . ; the polls at every such election shall be open for at least one hour, between the hours of nine o'clock in the morning and nine o'clock in the evening, at such time as the constitution may designate."

¹⁵ Information on this subject has been gathered from 196 associations. Of these, ninety-three (47 per cent) vest the power to elect association officers in the Board of Directors; seventy-three (37 per cent) reserve this power to the shareholders; and thirty (15 per cent) split the power between the two, usually providing that the president and vice-president are to be chosen by the shareholders, and the other officers by the Board of Directors. (See Table F in the Appendix.)

BUILDING AND LOAN IN NEW JERSEY

therefore, absolutely essential that the directors be men of the highest integrity and as financially literate as possible. Dishonesty is unpardonable, but financial ignorance and lack of familiarity with real estate values can often be quite as harmful to the innocent. That there have been comparatively few cases of fraud on the part of building and loan officials is a significant commentary on building and loan association personnel. And, those cases of fraud that have appeared have been rigorously prosecuted.¹⁶

Directors usually meet once a month,¹⁷ at which time they consider applications for loans, receive appraisal committee reports, and look after the general affairs of the association. For their services they sometimes receive a nominal fee but often receive nothing at all.¹⁸

Officers

By State law every association is required to have a president, vice-president, secretary, and treasurer, and is permitted to have such additional officers as the members themselves deem necessary.

The president of a building and loan association is usually a man of some prominence in the community. His name serves to attract members and to inspire confidence in the financial soundness of the association. He is the presiding officer at all meetings. He signs all checks, notes, and drafts of the association, and is sometimes charged with the responsibility of appointing appraisal committees. He most frequently serves without pay, although in some cases he does receive a small salary. The vice-president's chief function is to act for the president when that officer is absent.

The treasurer is the custodian of all funds of the association

¹⁶ *infra*, p. 114.

¹⁷ Of the 795 associations reporting on this point, in 753 (95 per cent) the directors meet once each month, in forty (5 per cent) twice per month, and in one, three times, and in still another, four times. In all counties the monthly meeting is most common. In Hudson County, however, twenty-seven per cent of the reporting associations (78) provide for more frequent regular board meetings.

¹⁸ *infra*, Chap. XII.

ORGANIZATION AND STRUCTURE

and is charged by law with the responsibility of depositing them promptly upon their receipt with a duly designated bank. In some associations the treasurer does little more than this; in others he is an accountant and is more intimately concerned with association affairs. He is often on a salary basis.

The busiest officer of all is the secretary; in fact, in some cases, for practical purposes, he *is* the association. He must be able to meet people, to explain to them the theory of building and loan association operation, and he must "know his town." On legal matters he must not be easily confused, and he must not be a stranger to the intricacies of insurance, taxation, and real estate values. He records the meetings of the association and has general supervision over the accounts. In smaller associations he is himself the bookkeeper. He, together with the president and treasurer, signs all checks of the association. He renders annual reports, and in general is the contact man between the association and the public.¹⁹ Some of the larger associations employ an assistant secretary and an assistant treasurer and a number of clerical workers.

Most associations retain an attorney (or solicitor) who represents the association in legal matters. Many attorneys, acting for several associations, have become specialists in building and loan work. It has been an inviting field to many young attorneys and they have not been blind to their opportunities. In some cases the attorney is relied upon to secure most of the applications for new loans.

Special committees are usually appointed by the Board of Directors, for special purposes. The most important of these is the Appraisal Committee. Its function is to examine and appraise the real estate and buildings of applicants for loans and to report to the association their opinion of the risk involved and the amount that can be loaned safely. For this service the borrower usually is required to pay a *fee*,²⁰ which is quite gen-

¹⁹ For discussion of salaries, see Chap. XII.

²⁰ *infra*, p. 121.

BUILDING AND LOAN IN NEW JERSEY

erally retained by the appraisers as compensation for their time and effort. In about one-half of the associations this committee is of the rotating type; that is, the members of the Board are grouped into teams and each team makes an appraisal, either by turn, or according to the locality of the loan. In about one quarter of the associations the appraisal committee is a standing committee, in office for one year or longer. In the remainder, the committee is appointed for the occasion by the Board, through the president.²¹

In most cases (95 per cent of the 193 associations reporting) the association does not utilize the services of other than association directors on the Appraisal Committee. In the others, real estate or construction experts, who are shareholders of the association, are frequently called in for this purpose.

²¹ Of the 197 associations replying to this question, 104 (53 per cent) report rotating committees, fifty-one (26 per cent) standing committees, and forty-two (21 per cent) appointed committees. See Table F in the Appendix.

CHAPTER V

SHARES AND SHAREHOLDERS

IN AN earlier chapter it was indicated that the original function of a building and loan association was to aid the members in acquiring homes of their own. Soon, however, non-borrowing or investing members appeared on the scene, and today they are far more numerous than are the borrowing members. They feed the fund which makes lending operations possible. Nevertheless, it must not be overlooked that it is the borrower who furnishes the demand and pays the price for the loans which make the building and loan wheels revolve.

Experience teaches that three investing members are needed to supply the funds required by one borrowing member. Since

TABLE 15*
*Borrowing and Non-Borrowing Membership, Building and Loan Associations
in New Jersey, 1900-1928*

YEAR	TOTAL MEMBERSHIP AT CLOSE OF FISCAL YEAR	BORROWING MEMBERS		NON-BORROWING MEMBERS	
		NUMBER	PER CENT OF TOTAL	NUMBER	PER CENT OF TOTAL
1900	129,131	30,863	23.8	98,268	76.1
1902	134,831	31,478	23.3	103,353	76.7
1904	127,989	33,069	25.8	94,940	74.2
1906	137,896	35,435	25.7	102,461	74.3
1908	157,354	39,375	25.0	117,979	75.0
1910	178,622	44,310	24.8	134,312	75.2
1912	219,418	52,109	23.7	167,709	76.4
1914	265,509	62,905	23.7	202,604	76.3
1916	299,913	72,655	24.2	227,258	75.8
1918	259,810	62,205	23.9	197,605	76.1
1920	426,264	95,676	22.4	330,588	77.6
1922	604,661	126,971	21.0	477,690	79.0
1924	792,967	162,827	20.5	630,140	79.5
1926	1,084,381	214,522	19.8	869,859	80.2
1928	1,195,510	249,714	20.9	945,796	79.1

*Data from Annual Reports of the Commissioner of Banking and Insurance.

BUILDING AND LOAN IN NEW JERSEY

1900 the non-borrowing membership has been growing only slightly more rapidly than the borrowing membership. In that year the former constituted seventy-six per cent of the total membership; today it represents seventy-nine per cent.

Any person capable of entering into a binding contract, or of acquiring property, may become a member of a building and loan association simply by becoming an owner of one or more shares in the association. Shares may be transferred, held by a minor, held in trust, or held by a corporation.¹

There is no restriction as to residence of shareholders, although a member may borrow from a building and loan association on real property only if that property is located within the borders of the State. Each shareholder over the age of sixteen is entitled to one vote, and when shares are pledged for loans, the pledgors may vote unless their shares have been transferred on the books of the association. An important attribute of a *cooperative* institution is that each member is allowed only one vote regardless of the size of his holdings. Large shareholders have no more to say in the affairs of a building and loan association than have the small shareholders. From this angle it is an association of shareholders rather than an association of capital.

The questionnaire sent out in connection with the present study included questions regarding the sex and residence of shareholders, and trustee, and corporation holdings of shares. The returns are too fragmentary to serve as the basis for conclusive inferences as to conditions in all parts of the State. The replies from sixty reporting associations indicate that men constitute sixty-nine per cent of the total membership, women twenty-eight per cent, and minors three per cent. Women and minor members are apparently most numerous, relatively, in Monmouth, Hudson, Essex, Bergen, and Atlantic Counties.

¹ Smith, J. B. R., *Supplement to New Jersey Corporation Law* (p. 316), is of the opinion that a corporation may subscribe for shares but may not "themselves become subscribers to issues of capital or become incorporators." Further, "whether an association may hold shares of another, even though there be statutory authority for transferring of shares, seems doubtful."

SHARES AND SHAREHOLDERS

TABLE 16*

Sex and Residence of Building and Loan Association Members, New Jersey, 1928

SEX OF MEMBERS		RESIDENCE OF MEMBERS	
Number associations reporting....	60	Number associations reporting....	125
Membership of associations reporting	45,615	Total membership of associations reporting.....	109,282
Number men.....	31,544	Number members non-residents of State of New Jersey.....	7,199
Number women.....	12,670	Per cent non-resident members..	6.6%
Number children.....	1,401		
PER CENT DISTRIBUTION			
Men.....		69.2%	
Women.....		27.8	
Children.....		3.1	

*Tables presenting the same data, *by counties*, will be found in Table G in the Appendix.

TABLE 16A*

Data on Building and Loan Shares Held in Trust and by Corporations, New Jersey, 1928

SHARES HELD IN TRUST		SHARES HELD BY CORPORATIONS	
Number associations reporting....	102	Number associations reporting....	118
Number associations reporting shares in trust.....	82	Number associations reporting shares held by corporations.....	79
Per cent of associations reporting having shares in trust.....	80.4%	Per cent of associations reporting having shares so held.....	66.9%
Total shares outstanding of associations reporting such shares..	890,263	Total shares outstanding of associations reporting such shares..	819,746
Number shares held in trust.....	11,210	Number shares held by corporations	11,282
Per cent of all shares held in trust	1.3%	Per cent of all shares held by corporations.....	1.4%

*Tables presenting the same data, *by counties*, will be found in Table G in the Appendix.

About seven per cent of the shareholders (in 125 reporting associations) live outside the borders of the State of New Jersey. The highest percentages of non-resident members are found in Ocean, Cape May, Essex and Bergen Counties. The figures for Ocean and Cape May Counties are too fragmentary, however, to be wholly trustworthy. One would expect Bergen and Essex Counties to show a rather high percentage of non-resident members because of their proximity to the metropolitan New York area.

BUILDING AND LOAN IN NEW JERSEY

Shareholders' Liability

The question of shareholders' liability in a building and loan association is not clearly defined. Under the New Jersey General Corporation Law,² a stockholder in an ordinary corporation is legally liable up to the entire amount (par value) of his stock in case the corporation cannot meet the demands of its creditors. The question then arises: Are the shareholders in a building and loan association liable up to the maturity value of their shares in the event of bankruptcy?

The answer is not readily obtainable in the law, but in theory seems clear. The par value of stock in an ordinary corporation represents *present* capitalization. The maturity value of a building and loan association share, on the other hand, represents *future* capitalization: more precisely, the maturity value of a share is stated merely to determine *when* the periodic payment of dues by the holder of the share is to cease. It seems logical to assume that, at any given time, the capital of a building and loan association should consist of the *dues paid in up to that time*, and that liability of the shareholder should stop there. So far as the writer knows this question has not been settled at law. The reader, therefore, is cautioned that the assumption here made is an opinion based on logic and is not an established fact in law.

The uncertainty arises from the peculiar legal status of building and loan associations. Technically they are corporations, although the courts in some cases have declared them to be partnerships endowed with certain corporate rights.³ Sundheim says:

They are corporations in the nature of partnerships and, therefore, much of the law applicable to ordinary corporations has no application to them, yet they are corporations for profit and are subject to the constitu-

² General Corporation Act, Section 21.

³ *In re* Assigned Estate of the National Saving Loan and Building Association, 9 W.N.C. (Pa.) 79; Christian's appeal, 102 Pa. 184, see page 189. *Hawley vs. North Side Bldg. etc. Assn.*, 11 Colo. A. 93; 52 P. 408; *In re* German Sav. and Loan Assn., 253 Fed. 722.

SHARES AND SHAREHOLDERS

tional provisions and general laws relating to corporations, unless especially excepted, and the method of organization and procuring a charter is the same as in all other cases, except that no bonus need be paid on the capital stock. They are peculiar, for, while a stockholder in an ordinary corporation for profit usually pays for his stock at once and does not expect to be called upon for any further payments, in a building association, stock is, with a few exceptions, paid for in instalments and when full paid the holder is paid its par value and is compelled to withdraw.⁴

Smith⁵ is of the opinion that in the absence of statutory provision specifically covering the subject, "shareholders of building associations hold the same relationship to the association with regard to corporate indebtedness that is held by shareholders in any other class of corporations. . . . Inasmuch, however, as insolvency of building and loan associations has been held to occur whenever the assets do not equal the theoretical value of the shares, and inasmuch as it is hardly probable that corporate obligations will exceed corporate assets, the practical effect of insolvency would be not to compel a further assessment upon the corporate shares, but to provide a dividend proportionately reduced to represent the holder's liability for the corporate debt. If an association, indeed, is found in so serious a situation that its corporate assets are not sufficient to pay its corporate debts there seems no doubt but that the shareholders would be compelled to submit to an assessment, sufficient in the aggregate to meet this corporate liability."

Types of Shares

There are four main types of building and loan shares in this State: instalment, paid-up, single-payment, and juvenile.

Instalment shares are the oldest type and also the most popular.⁶ All associations issue them, and ninety-four per cent of all

⁴ Sundheim, J. H., *Law of Building and Loan Associations* (second edition), pp. 21 ff.

⁵ Smith, J. B. R., *Supplement to New Jersey Corporation Law*, p. 256.

⁶ See Table 17 and Table H in the Appendix.

BUILDING AND LOAN IN NEW JERSEY

building and loan members hold them. The maturity value is usually \$200 and the dues one dollar per month, although there are many varieties and combinations of dues and maturity values.⁷ The State law⁸ requires that all shares issued by an association shall be of the same maturity value, but permits an association to change the maturity value of all new shares at any time. As a result we find some few associations, at any given time, with old shares of one maturity value and new shares of another.

When a person joins a building and loan association he subscribes for such number of shares as will represent at maturity the sum he aims to accumulate or for which he is able to pay.

⁷ Of the 944 associations for which data on this subject are available, 829 (88 per cent of those reporting) have but one type of share; namely, a maturity value of \$200 with dues of one dollar per month. The following summarizes the varieties for the State as a whole:

MATURITY VALUE	DUES	NO. ASSNS.	
\$200	\$1.00 mo.	888	
200	.25 wk.	20	
200	.90 mo.	1	
200	.75 mo.	1	
200	.70 mo.	7	
100	.50 mo.	19	
240	1.00 mo.	4	
250	.50 wk.	1	
250	1.00 bi-wk.	1	
300	1.00 mo.	1	
300	2.00 mo.	1	
Total associations reporting		944	
Per cent of all associations in State reporting			60.4
Per cent of associations reporting which have shares with a maturity value of \$200 (917 associations)			97.0
Per cent of associations reporting which have shares with a maturity value of \$100 (19 associations)			2.0
Per cent of associations reporting which have dues on a <i>monthly</i> basis (922 associations)			97.9
Per cent of associations reporting which have dues on a <i>weekly</i> basis (22 associations)			2.3

⁸ Article III, Paragraph 74.

SHARES AND SHAREHOLDERS

TABLE 17

*Shares and Shareholders of Building and Loan Associations in New Jersey, 1928**

TYPE OF SHARE	NO. OF SHARES OUTSTANDING	NO. MEMBERS HOLDING	AVERAGE HOLDING PER MEMBER (IN SHARES)	PER CENT OF ALL MEMBERS HOLDING
Instalment	14,590,503	1,125,987	13.0	94.2%
Paid-up	569,417	62,956	9.0	5.3
Single payment	22,032	2,503	8.8	0.2
Juvenile	18,358	4,064	4.5	0.3

* Table H in the Appendix gives same information in detail by counties. Data from Department of Banking and Insurance (preliminary figures).

If he is a borrowing member and is borrowing on the regular building and loan plan, this sum is determined by the amount of his loan. If he fails to meet a payment on time he frequently incurs a fine. The time of maturity, of course, depends upon the earnings of the association; the higher the apportioned earnings, the shorter the maturity period.

In this State today there are over fourteen million instalment shares outstanding. These are held by over one million persons,⁹ and represent an (arithmetical) average holding of thirteen shares per member. The largest per capita holdings are found in Atlantic County (16.5 shares per member) and the smallest in Camden County (8.9 shares per member). In one small county (Salem) instalment shares are the only type of share issued. In every other county, instalment shares are supplemented by other types.¹⁰

Some associations issue *short-term* instalment shares. These usually mature at \$200, carry dues of two dollars per month and consequently arrive at maturity much earlier than the regular one-dollar dues per month shares. Since compound interest is not directly proportional to time, however, the life of the short-term is always more than one-half the life of the full-term

⁹ Not allowing for duplication in the reported figures.

¹⁰ See Table H in the Appendix for tabulation by counties.

BUILDING AND LOAN IN NEW JERSEY

share.¹¹ In the cases reported, such shares receive the same rate of dividend as do the full-term shares.

Share Certificates

Slightly more than sixty per cent of the 975 reporting associations issue share certificates, either as a matter of course or upon request of the shareholder. The others rely upon the pass-book method. The accompanying facsimiles of the share certificates issued by a large Newark association are in line with the tendency toward the issuance of attractively engraved certificates. Building and loan associations are stock corporations and share certificates serve to prove membership, which is a matter of considerable importance where collateral loans or stock transfers are involved.

Single-payment Shares

Single-payment shares represent the payment of a lump sum which, through the accumulation of earnings at the current dividend rate, reaches maturity in approximately the same period as an instalment share of the same maturity value. Single-payment shares in this State usually call for an initial payment of approximately \$100 and mature at \$200. A comparison is presented in Table 18 and Chart XIV of an instalment share carrying dues of one dollar per month and a \$100 single-payment share (both with maturity value of \$200) on a six per cent (nominal) monthly compound basis.

Single-payment shares are designed for the person who wishes to make a single long-term investment, and to allow the earn-

¹¹ Time required to mature a \$200 share, at stated dividend rates (nominal), earnings compounded monthly:

DIVIDEND RATE	FULL-TERM (\$1.00 PER MONTH)	SHORT-TERM (\$2.00 PER MONTH)
4%	153 mos. 3 days	86 mos. 6 days
5%	145 " 10 "	83 " 14 "
6%	138 " 14 "	80 " 29 "
7%	132 " 12 "	78 " 19 "
8%	126 " 29 "	76 " 14 "
9%	122 " 1 "	74 " 14 "

(See Robinsonian Maturity Tables, 1920 edition, p. 90.)

Installment Shares



Building and Loan Association

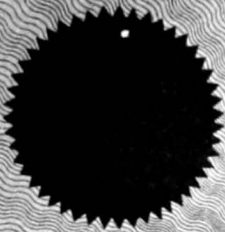
This is to Certify that

is the owner of

Shares of the Capital Stock of

The Truth Ward Building and Loan Association

Transferable only on the Books of the Association in person or by Attorney on surrender of this Certificate. Each share entitles the holder thereof to its proportion of the Funds and Property of the Association subject to the provisions of the Constitution and By-Laws.



In Witness Whereof, the Seal of the Association and the Signatures of its authorized officers are hereto attached at Newark, N. J., this _____ day of _____ A.D., 19 _____

Secretary

President

PAID-UP SHARES

NUMBER

1049

SHARES



The

Building and Loan Association

OF THE CITY OF NEWARK, NEW JERSEY

Incorporated February 19, 1887, under the Laws of the State of New Jersey

This is to Certify, That _____ has paid the full sum of _____ Dollars

being the par value of _____ PAID-UP SHARES of the Capital Stock of

The Building and Loan Association of the City of Newark, N. J.

Transferable only on the books of the Association by the holder thereof, in person or by attorney, upon the surrender of this certificate properly endorsed and subject to all the restrictions and provisions of the Constitution.

An annual profit of _____ per cent. is allowed on these shares in lieu of all other profits of the Association, payable semi-annually on the fourth Wednesday of June and December.

These shares may be redeemed by the Association at will, or by the holder hereof in accordance with the terms and provisions set forth in the Constitution of this Association and the resolutions of the Board of Directors of said Association now in effect or hereafter passed affecting same.

In Witness Whereof, this Association has caused this certificate to be signed by its duly authorized Officers, and its corporate seal to be hereunto affixed at Newark, N. J., this

day of _____ 19__

President

Treasurer

\$200.

SHARES AND SHAREHOLDERS

ings thereon to accumulate. The big advantage is automatic compounding at an attractive rate. Once the original investment has been made the investor need have no concern about having to re-invest the dividends.

TABLE 18

*Comparison of Accumulation of Profits on Single-Payment and Instalment Shares, Dividends at Six Per Cent (nominal) Compounded Monthly**

	SINGLE PAYMENT OF \$100 (VALUE)	INSTALMENT OF \$1.00 PER MONTH PAID-IN	BOOK VALUE
After 12 months	\$106.17	\$ 12.00	\$ 12.40
“ 36 “	119.67	36.00	39.53
“ 60 “	134.89	60.00	70.12
“ 84 “	152.04	84.00	104.59
“ 108 “	171.37	108.00	143.45
“ 132 “	193.16	132.00	187.25
“ 144 “	205.08	144.00	211.20
	(Matures in 139 mos.)	(Matures in 138 mos., 14 days)	

* Six per cent per annum, compounded monthly is the equivalent of 6.17 per cent effective. (*supra*, p. 39, n. 3.)

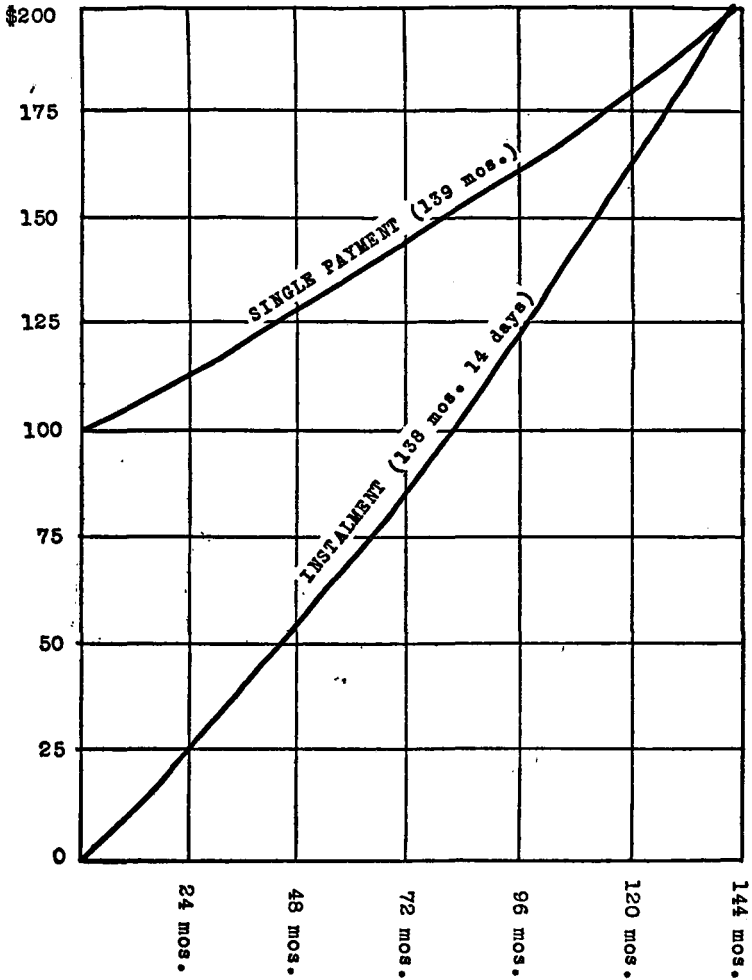
Single-payment shares have not been as popular as paid-up shares.¹² They are most commonly found in Atlantic County and the more rural portions of the State. Sussex County leads (on a percentage basis) with two out of the three associations issuing this type of share. Hunterdon County follows with seventeen per cent of the associations reporting this type, and is followed by Atlantic County (fourteen per cent), Warren (fourteen per cent), Monmouth (twelve per cent), and Cumberland (eleven per cent) Counties. There seems to be no marked correlation between the size of the association and the fact that it issues single-payment shares. Small associations as well as large associations issue them. Optional payment associations, of course, do not need to issue them, since their regular shares usually take full care of investors who in a serial association would be attracted by the features of the single-payment share.

The average holding of single-payment shares is approximately nine shares per holding member, for the State as a whole.

¹² This type is discussed in the section following. Also see Tables H and I in the Appendix.

BUILDING AND LOAN IN NEW JERSEY

CHART XIV: GROWTH OF SINGLE-PAYMENT SHARE (INITIAL INVESTMENT \$100) AND GROWTH OF INSTALMENT SHARE (DUES \$1.00 PER MONTH) COMPARED, SIX PER CENT DIVIDENDS COMPOUNDED MONTHLY



SHARES AND SHAREHOLDERS

The largest per member holdings are found in Burlington, Hunterdon and Camden Counties. Only two-tenths of one per cent of all building and loan association members in the State hold single-payment shares.

The amount (excluding profits apportioned) due single-payment shareholders represents three-tenths of one per cent of the total liabilities of all associations in the State,¹³ although it should be observed that this percentage has been increasing slightly since 1925, when the amount due shareholders for subscriptions on this type of share represented only one-tenth of one per cent of the total liabilities. Of the associations reporting fiscal data for 1928, single-payment share holdings are most important, relatively (to total liabilities) in Sussex, Atlantic, Cumberland, and Passaic Counties.¹⁴

The single-payment share is a comparatively recent innovation and represents a successful attempt to satisfy the demands of a well-defined type of investor, the man or woman desirous of setting aside a capital fund and allowing it to grow through automatic re-investment of earnings. Many other associations have met this same demand, but have done it by adopting the optional payment plan.

Paid-up Shares

The strain which serial associations sometimes experience at maturity dates can seriously curtail their lending power. The paid-up share was early evolved, in part probably, to meet this difficulty. Frequently the instalment savings member is not particularly anxious to withdraw his shares when they reach maturity but prefers, instead, to allow his capital to earn for him a satisfactory cash dividend. The thought quite naturally occurred, why not allow this money to remain with the association? This was soon done, and such shares labelled *paid-up* or *full-paid*. The next step, also quite logical, was to allow

¹³ See Table U in Appendix.

¹⁴ See Table W in Appendix.

BUILDING AND LOAN IN NEW JERSEY

members, or prospective members, to buy such shares outright for cash.

In the case of the single-payment share (discussed above) dividends are allowed to accumulate until the total of the original investment and the earnings equals a stated maturity value. Early withdrawal, as in the case of instalment shares, involves a diminution in earnings. Paid-up shares, on the other hand, yield regular cash dividends (sometimes erroneously designated interest)¹⁵ at a stated rate, on a lump sum investment (the face value of the shares) which amount is returned, in full, to the investor when he withdraws from the association. In consequence, such shares bear a slightly lower dividend rate than instalment and single-payment shares. They enjoy, however, no withdrawal priority and no preference as to participation in annual profits over other types of shares.¹⁶ Holders of paid-up shares are *members* of the association; they are not creditors. And the funds which they hand over to the association are not borrowed money from the point of view of the law.

The continued and increasing use of the paid-up share has aroused some criticism, both from building and loan men themselves who perceive potential dangers lurking in the practice, and bankers who assert that it gives the building and loan associations an unfair competitive advantage. The savings banker points out that the savings bank law limits the annual rate of dividend return on savings bank deposits to five per cent per annum.¹⁷ There is no such restriction on the rate of

¹⁵ *Interest* is a price paid for the use of funds and as such is definitely *contractual* in nature. *Dividend* connotes a share in residual product (profit). Paid-up shares in a building and loan association evidence membership and are in the same category as instalment shares. They receive the stipulated rate only if the earnings of the association permit.

Throughout this book the word *interest* will be confined to the contractual rate borne by loans, and the word *dividend* will be used to designate residual profit.

¹⁶ Building and Loan Association Act, Article III, Paragraph 74.

¹⁷ Laws of New Jersey Relating to Savings Banks (1925), Article VII, Paragraph 40. All profit over five per cent is to be retained by the bank as surplus until this account amounts to fifteen per cent of the deposits. "The managers of any savings bank whose surplus amounts to fifteen per centum of its deposits shall, at least once in three years, divide equitably the accumulation beyond such

SHARES AND SHAREHOLDERS

dividend building and loan associations may pay on any of their shares. Also, the savings bank law imposes limitations on types of investment in order to preserve liquidity for the payment of withdrawals, whereas building and loan associations are permitted to lend on real estate mortgage without such limitation.¹⁸

Paid-up shares are sometimes likened to savings bank deposits. They are fundamentally dissimilar, however, in that the holder of paid-up shares seeks a regular cash income on a lump sum and often permanent investment whereas the bank depositor either allows his dividends to accumulate or draws upon the principal as well as upon earnings. A number of building and loan association leaders are of the opinion that the opposition of certain bankers to building and loan associations in the public press, and elsewhere, emanates from the commercial banker, rather than from the savings banker, and in his rôle, not as banker, but as an interested party in title and mortgage companies. These companies sell to the public five and one-half and six per cent guaranteed mortgage certificates which appeal to the same class of investor as do paid-up shares. Although there are important legal distinctions¹⁹ between such certificates and paid-up shares, they are *economically* similar. They both yield a steady cash income on a lump sum investment and both appeal to the conservative income-seeker investor.

The critics of the paid-up share in the ranks of building and loan association men themselves base their objections upon the dangers which they sense in an excessive development of this type of share. Although it is true that paid-up shares carry no

authorized surplus, as an extra dividend to depositors. . . ." Of the twenty-five savings banks furnishing data on the subject, eight reported the declaration of extra dividends in 1928. (*infra*, p. 110.)

¹⁸ *infra*, p. 116.

¹⁹ The holder of a mortgage company certificate is a *lender* and receives contractual interest. The holder of a paid-up share in a building and loan association is a *member* of the association and receives dividends at a stated rate, in lieu of full participation in profits, *if earned*.

BUILDING AND LOAN IN NEW JERSEY

preference—either as to withdrawal priority or as to earnings—over instalment shares, one would expect holders of paid-up shares to be more likely to withdraw than holders of instalment shares. When the instalment shareholder withdraws from the association he is breaking his effectual agreement to remain with the association until his shares mature and for so doing is required to suffer a diminution in the rate of dividend.²⁰ The holder of a paid-up share already has received his dividends, regularly and in cash, and upon withdrawal receives only his original investment. Dividends, once paid, cannot be recovered. It would appear to be necessary, therefore, that building and loan associations be prepared to meet the expected heavier withdrawals on the part of paid-up shareholders. This situation is aggravated, the critics maintain, as paid-up shares grow in greater proportion than instalment shares; for, up to a certain indeterminate point the new funds arising from the dues payments of the instalment members are sufficiently plentiful and are adequate protection. The danger point, if there is one, lies somewhere in the unpredictable future.²¹

So much for the fears, as fears. What does actual experience teach? Have paid-up shares exhibited a high withdrawal ratio in comparison with instalment shares, and if so, to what degree?

The basis for such a comparison must be arbitrary as to time. Withdrawals appearing on the income statement at the end of any year can be compared readily with the dues outstanding at the end of that year, but this underestimates the importance of withdrawals by including in the latter figure the amounts received in new subscriptions throughout the year. Conversely, a ratio of annual withdrawals to dues outstanding at the beginning of the year tends to overstate the withdrawals

²⁰ *infra*, Chap. vi.

²¹ Associations have been criticized, too, for resorting to the issuance of paid-up shares as a substitute for borrowed money, a practice which—in so far as the funds thus acquired are used for meeting maturities and paying withdrawals—represents long-time borrowing for short-time purposes and is unsound in theory. See Chap. x for a financial picture of building and loan associations.

SHARES AND SHAREHOLDERS

by excluding from the base the amount of new subscriptions received in the course of the year.

As the correct percentage lies somewhere between these two extremes, both methods of computation are included in the analysis which follows. The first three columns in Table 19 indicate the ratio of withdrawals to dues outstanding in building and loan associations, and the ratio of withdrawals to total amount due depositors in savings banks, annually from 1916 to 1928, and are obtained by dividing the withdrawal figure by the respective "due shareholders" (due depositors in the case of the banks) figure at the *start of each year*. Columns four, five, and six represent the same ratios except that the withdrawals are related to the amount due shareholders (and depositors) at the *end of each year*.

It is significant that paid-up shares exhibit a much higher withdrawal ratio than do instalment shares, a ratio not far below that which obtains in the case of the savings banks. Since 1916 the average annual ratios of withdrawals to amounts due shareholders and depositors have been:

Savings bank deposits	—	between	41	and	73	per cent
Building and loan paid-up shares	—	"	30	"	65	"
Building and loan instalment shares	—	"	8	"	10	"

The figures from which these ratios have been computed include dividends but do not include payments on matured instalment shares since these are definitely predictable and can be provided for far in advance.

There is another angle, however, from which withdrawal ratios should be viewed. The defender of paid-up shares argues that a comparison based on the ratio of withdrawals to dues outstanding is not to the point because the essential thing is the ready cash at hand to meet withdrawals and that this is intimately affected by current receipts. This is particularly important, it is pointed out, inasmuch as paid-up shares represent such a small proportion of association business²² and receipts from dues are so highly regular. In 1928, receipts from paid-up shares accounted for only slightly over six per cent of

²² *infra*, Chap. x. See also Tables U and V in the Appendix.

TABLE 19*
Comparison of Withdrawal Ratios, Instalment Shares, Paid-up Shares, and Savings Bank Deposits, New Jersey, 1916-1928

YEAR	RATIO OF WITHDRAWALS † TO "DUE SHAREHOLDERS AT START OF YEAR" BUILDING AND LOAN ASSOCIATIONS		RATIO OF WITHDRAWALS TO "DUE DEPOSITORS AT START OF YEAR" SAVINGS BANKS	RATIO OF WITHDRAWALS † TO "DUE SHAREHOLDERS AT END OF YEAR" BUILDING AND LOAN ASSOCIATIONS		RATIO OF WITHDRAWALS TO "DUE DEPOSITORS AT END OF YEAR" SAVINGS BANKS
	INSTALMENT SHARES	PAID-UP SHARES		INSTALMENT SHARES	PAID-UP SHARES	
	1916	11.3%		47.2%	46.2%	
1917	10.4	40.8	58.7	8.3	29.6	37.8
1918	10.7	46.7	54.6	8.6	29.1	34.0
1919	9.1	36.8	81.5	7.3	23.5	41.5
1920	9.2	54.2	97.1	7.2	21.4	46.2
1921	9.4	123.0	76.1	7.1	33.4	44.5
1922	9.8	81.6	70.0	7.3	36.2	41.0
1923	9.8	88.0	84.4	7.3	35.2	45.3
1924	9.9	82.7	76.2	7.4	33.5	42.9
1925	†	†	80.5	†	†	43.9
1926	†	†	79.4	†	†	43.8
1927	†	†	75.0	†	†	42.4
1928	11.3§	48.4§	°	8.7§	29.1§	°
Annual Average	10.1	64.9	73.3	7.8	30.1	41.2
Annual Average (excluding 1921)	10.2	58.5	73.1	7.9	29.7	40.8

* All figures include dividends as well as dues and deposits. "Due shareholders at start of year" and "due depositors at start of year" obtained by subtracting receipts from shareholders and receipts from depositors during the year from the "due shareholders" and "due depositors" accounts, respectively, at the close of the year. All data from the published Annual Reports of the Commissioner of Banking and Insurance except the building and loan figures for 1928. These have been computed from figures appearing in the individual annual reports of associations filed with the Deputy Commissioner.

† Figures from which these percentages have been computed do not include matured shares.

‡ Receipts and disbursements figures for building and loan associations have not been tabulated in the Annual Reports of the Commissioner of Banking and Insurance since 1924.

§ Based on the individual annual reports of 862 building and loan associations filed with the Department of Banking and Insurance.

° The Bank Report for 1928 does not include withdrawals from savings banks.

SHARES AND SHAREHOLDERS

total building and loan association receipts, amounted to less than one-fourth of the receipts from instalment shareholders and to less than one-third of the receipts from repayment of mortgage and share loans.

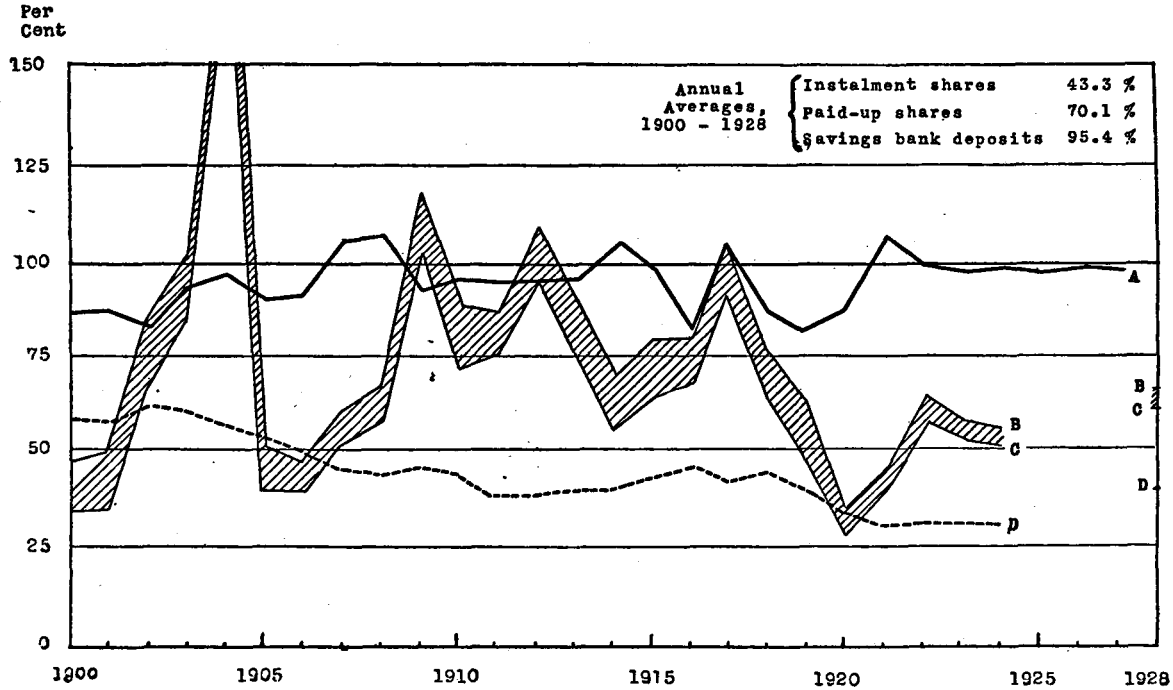
Chart XV compares the ratios of withdrawals to respective dues (and deposit) receipts, annually since 1900, in the case of instalment shares, paid-up shares, and savings bank deposits. Curve A is the savings bank ratio and has been obtained by dividing annual withdrawals (including dividends) by the receipts from new annual deposits. Curves B and C indicate the ratio of annual withdrawals of paid-up shares to annual receipts from new paid-up shares. (Curve B includes profits; curve C omits them.) Strictly speaking, curve A is not comparable with curve B because of the fundamental distinction between bank deposits and paid-up shares. The bank credits dividends to the depositor's account but cannot predict at what time the depositor will choose to withdraw them. The building and loan association pays profits on paid-up shares in cash and knows just when it will have to make such payments. The unknown element is the time when the holder of paid-up shares will choose to withdraw his principal. Therefore, curve A is more properly comparable with curve C, since both represent withdrawal contingencies that cannot be foreseen with any degree of precision. Curve D represents the ratio of annual withdrawals of instalment building and loan shares to annual receipts from instalment dues.

It will be observed that, on this basis of comparison also, the annual average withdrawal ratio is highest in the case of savings bank deposits, and in building and loan associations higher in the case of paid-up shares than in the case of instalment shares, the annual average ratios (1900-1928) being:²⁸

Savings bank deposits	(dividends included)	95 per cent
Building and loan paid-up shares	(principal only)	70 per cent
Building and loan instalment shares	(dividends included, matured shares excluded)	43 per cent

²⁸ See Table J in Appendix.

CHART XV*: WITHDRAWAL RATIOS, SAVINGS BANK DEPOSITS, PAID-UP SHARES AND INSTALMENT SHARES COMPARED, NEW JERSEY, 1900-1928



* Curves represent ratios of annual withdrawals to annual subscriptions (or deposits). Based on Table J in Appendix.

Curve A represents ratio of withdrawals (including dividends) to new deposits of savings banks.

Curve B represents ratio of withdrawals (subscriptions plus profits) to new subscriptions of paid-up shares in building and loan associations.

Curve C represents ratio of withdrawals (subscriptions only) to new subscriptions of paid-up shares in building and loan associations.

Curve D represents ratio of withdrawals (including profits) to new receipts of instalment shares in building and loan associations.

All figures, except those for 1928, are from the Annual Reports of the Commissioner of Banking and Insurance. The breaks in curves B, C, and D for the years 1925, 1926, and 1927 are occasioned by the failure of the Department of Banking and Insurance to tabulate receipts and disbursements figures for those years. The 1928 ratios are based on an analysis of the individual annual reports of 862 associations.

SHARES AND SHAREHOLDERS

The savings bank curve (A) hovers about the 100 per cent line, indicating that annual withdrawals just about equal annual receipts from depositors. Building and loan instalment share withdrawals (D) since 1905 have remained consistently below one-half the amount received annually in instalment dues.

The long-time downward trend in both building and loan curves—paid-up shares and instalment shares—is also marked. This is probably due to the rapid growth of building and loan associations; to the fact that the annual increase in receipts has succeeded in keeping always a lap ahead of the annual increase in withdrawals. The fact that the withdrawal ratios in the case of paid-up shares tend to be lower after 1917 than before—to a more pronounced degree even than the similar tendency in the case of instalment shares—can perhaps be accounted for by the evolution of the paid-up share. Originally it was just what its name implies, a *paid-up* share; that is, an instalment share which, having reached maturity, was not immediately withdrawn but was allowed to remain for a while longer with the association. Withdrawal of such shares is nothing more than postponed withdrawal of matured instalment shares. Since the War, however, paid-up shares have come to be rather *full-paid* shares, representing new investment rather than temporary hang-overs from matured instalment shares.²⁴ It is the writer's opinion first, that this changed character of the so-called paid-up share helps account for the pronounced drop exhibited by the paid-up share withdrawal ratio curve, and second, that with the increased use of paid-up shares the law of averages operates more fully, introducing a greater degree of stability in the aggregate.

The withdrawal ratio in the case of paid-up shares, however, fluctuates widely, in contrast to both the savings bank and the instalment share ratios. That is, in certain years, due either to heavier actual withdrawals or to lowered receipts from new

²⁴The suggestion has been made that the name of this type be changed to *income shares*.

BUILDING AND LOAN IN NEW JERSEY

issues of such shares, or both,²⁵ the withdrawal ratio jumped suddenly upward, cutting or coming close to the 100 per cent line four times in the past twenty-eight years—which indicates that in those years paid-up share withdrawals exceeded paid-up share receipts.

It appears that paid-up shares are more erratic as to withdrawal than instalment shares, due probably to the fact that withdrawal of the former occasions no diminution in earnings such as is involved in the withdrawal of the latter. On the other hand, paid-up shares represent an investment for income rather than a temporary deposit of savings and, as one would expect, exhibit a lower withdrawal ratio than savings bank deposits. The backbone of the building and loan industry is still the instalment share, which has exhibited (from 1900 to 1928) a low withdrawal ratio and a high degree of stability. The habit of regular thrift, once acquired, is a powerful force. And, to the extent that instalment savers are also mortgage borrowers, the realization that failure to pay dues regularly makes it just that much more difficult to liquidate a loan and might even involve the loss of real property or troublesome refinancing, is equally powerful.

There are those in building and loan circles who maintain that in the recent financial crisis (October-November, 1929) withdrawals by instalment shareholders in most northern New Jersey associations were far heavier, relatively, than withdrawals by holders of paid-up shares. The statement is based on

²⁵ The fact that in the preceding analysis (of the ratio of withdrawals to *dues outstanding*—see Table 19) the paid-up share withdrawal ratio exceeded the savings bank withdrawal ratio in the years 1921, 1922, 1923, 1924 when withdrawals were related to "due shareholders at the *start* of each year" but not when related to "due shareholders at the *end* of each year" lends support to the assertion that the high ratio of paid-up share withdrawals in 1921 and 1922 (when related to receipts from new paid-up shares) exhibited in Chart XV, is due more to a relative drop in the rate of increase of paid-up share receipts than to a suddenly disproportionate increase in actual withdrawal demands on the part of holders of this type of share.

Note, however, the remarkable stability in the withdrawal ratio, in both analyses, of instalment shares.

SHARES AND SHAREHOLDERS

intimate contact with association operation, but figures are not yet available to prove the point. The fact remains that between 1900 and 1928 paid-up shares were more subject to withdrawal than instalment shares, in the State as a whole. The stock market crisis of 1929 was severe and that the normal situation with respect to withdrawals was seriously modified is not beyond the bounds of reason.²⁶

The paid-up share—together with the optional payment plan of association operation and the single-payment share—has performed, and is performing, useful service in providing a degree of flexibility to building and loan associations not otherwise obtainable, and in aiding the growth of the building and loan association movement in general. But, because paid-up shares exhibit a higher withdrawal ratio than instalment shares, they should be kept supplemental to instalment shares. As they come to occupy a greater degree of prominence they will bear careful watching lest they be the entering wedge in what may prove to be an undermining of the fundamental building and loan principle and the substitution therefor of the banking principle, with its concomitant, the requirement that assets be kept liquid.²⁷

The New Jersey Building and Loan statutes recognize the potential danger of an excessive expansion of paid-up shares and contain several safety clauses with reference to them.²⁸ First, no member may hold paid-up shares in an association in excess of two per cent of the liability of that association for dues on instalment shares. Second, in no case may a member hold paid-up shares of a value in excess of \$25,000 in any one association.²⁹ Third (a facilitating clause) “. . . paid-up shares shall only be surrendered and withdrawn on the same terms and

²⁶ *infra*, p. 262.

²⁷ See Chap. x.

²⁸ Building and Loan Association Act, Article III, Paragraph 74.

²⁹ “. . . Provided, however, that this limitation shall not apply to paid-up shares that are received by a person by will or under the statute of distribution, or held as collateral security.”

BUILDING AND LOAN IN NEW JERSEY

under the same conditions as provided in the constitution for the surrender and withdrawal of instalment shares; provided, that agreements may be entered into by and between any such association and any of its members holding paid-up shares, as the constitution shall provide, whereby said members waive participation in the general profits of such association in consideration of a fixed profit on the paid-up shares."

The first two clauses are positive restrictions on associations and prevent any member from holding so large a block of paid-up shares in any one association that he might cause embarrassment to the association by withdrawal. The third clause enables an association to protect itself by mildly discouraging paid-up shares through the apportionment on them of a dividend rate somewhat lower than the rate apportioned on other shares.

In addition to the foregoing criticisms of paid-up shares, there has been the sentimental objection that paid-up shares are undemocratic, that paid-up shareholders are likely to be wealthier individuals than instalment shareholders, and that this is out of harmony with the democratic ideal of the building and loan association. The argument is not significant, for each member is allowed only a single vote regardless of the size of his holdings.

Paid-up shares have become more and more popular in this State; over sixty per cent of all associations now issue them. In 1899 the amount due paid-up shareholders represented only six-tenths of one per cent of all liabilities. Today it accounts for about ten per cent.⁸⁰ Although they rank next to instalment shares in numerical importance, only five per cent of all building and loan members in the State are holders of this type (as compared with ninety-four per cent who are holders of instalment shares). Over 40,000 members hold slightly over 475,000 shares, which is an average holding, per member, of about

⁸⁰ See Table U in Appendix.

SHARES AND SHAREHOLDERS

twelve shares (approximately \$2400).³¹ They are most common in the counties listed in Table 20.

Paid-up shares are popular with optional payment associations (eighty-four per cent of such associations issued them in

TABLE 20*
Data on Paid-up Share Holdings

COUNTY	PER CENT OF ASSNS. REPORTING WHICH ISSUE PAID-UP SHARES	PER CENT OF ALL MEMBERS HOLDING PAID-UP SHARES	PER CENT OF TOTAL LIABILITIES REPRESENTED BY PAID-UP SHARES
Essex	93.4	6.9	13.3
Atlantic	89.3	13.7	26.9
Passaic	72.2	10.9	19.7
Bergen	70.0	4.8	8.4
Union	69.7	3.1	5.4
Cumberland	3.3	7.1	11.4
Sussex	1.4	7.1	22.9
State	63.4	5.2	10.4

*For complete tabulation of paid-up shares, by counties, by size of association, and by types of association, see Tables H and I in the Appendix.

1928) and tend, also, to be found most consistently among the larger associations, all reporting associations with assets exceeding five million dollars issuing them.

There is nothing in the State law to prevent a minor from owning regular shares in a building and loan association. There is, however, specific provision made by which associations are

³¹ Based on 975 reporting associations in 1928. This figure is, however, an arithmetical average. The largest single holdings of paid-up shares indicated by the reports, by counties, are:

COUNTY	LARGEST HOLDING REPORTED	COUNTY	LARGEST HOLDING REPORTED
Hudson	\$114,000	Camden	\$ 15,000
Atlantic	40,000	Mercer	8,000
Essex	37,800	Gloucester	6,200
Bergen	25,000	Ocean	6,000
Monmouth	25,000	Cumberland	5,000
Union	25,000	Cape May	4,000
Passaic	25,000	Warren	4,000
Morris	18,000	Burlington	3,000
Middlesex	19,000	Somerset	3,000

(See note 29, on page 85.)

BUILDING AND LOAN IN NEW JERSEY

permitted to issue special shares called juvenile shares, to minors. These are exempt from all fines, and the owners may not be required to make regular or specific payments. They are to bear, however, the same rate of dividend as the regular instalment shares.

Juvenile shares offer an excellent opportunity for teaching thrift in the community, an opportunity with potentialities as great as the school savings banks. Unfortunately, the associations have not taken a great interest in this type of share; only eleven of the 975 reporting associations issue them. They are found in only six counties in the State (among the associations reporting),⁸² and tend to be found in the larger serial associations. The 18,358 juvenile shares reported are held by 4,064 children which represents an average holding of slightly higher than four shares per holding member. Juvenile shareholders comprise only one-half of one per cent of the total building and loan membership, but are more numerous than single-payment shareholders.

Summary

In this chapter the various types of shares issued by building and loan associations throughout the State and statistics relating to shareholders have been examined. It has been found that non-borrowing members are more numerous than borrowing members, that women and children constitute slightly less than one-third of the total membership, and that less than ten per cent of the members are non-residents of the State of New Jersey. The instalment share is still the most popular type of share. Next in order of popularity are paid-up, juvenile, and single-payment shares. Each of these types has been examined, and some of the more important of the adverse criticisms of paid-up shares considered. It was concluded, in passing, that there is still room for considerable development of juvenile and single-payment shares.

⁸² In Atlantic, Bergen, Essex, Hudson, Passaic, and Union Counties. See Table H in the Appendix.

CHAPTER VI

INVESTMENT WORTH OF BUILDING AND LOAN SHARES

THE worth of an investment is judged by: (1) safety of principal, (2) rate of earnings, and (3) marketability, or convertibility into cash. The *speculator* is the professional risk-taker and focuses his attention chiefly on the second and third criteria. The *investor*, per contra, is interested in high earnings only if safety of principal is not impaired. And, that particular type of investor with whom we are chiefly concerned; namely, the average middle-class saver is interested secondly in converting his shares into cash should an emergency in his personal finances arise. With all his funds tied up in long-term investments, unforeseen hospital bills, unemployment, and other ill-fortune might prove highly embarrassing, if not disastrous. Such thrift would be fallacious wisdom.

It is the purpose of this chapter to analyze the investment value of building and loan shares in New Jersey from the point of view of each of these criteria. We shall consider them, however, in the order: (1) earnings, (2) convertibility into cash, and (3) safety.

I. EARNINGS

It would be incorrect to compare simply the earnings of building and loan shares with the earnings of industrial and government bonds. Bonds are usually of relatively large denomination and pay simple interest. It is necessary for the investor himself to reinvest these earnings if he is to enjoy the advantages of compound interest accumulation. Savings bank accounts and building and loan shares, on the other hand, are intended for the small investor and both provide automatic compounding. For

BUILDING AND LOAN IN NEW JERSEY

the typical middle-class wage-earner compounding the return yielded by bond interest is difficult if not impossible; human will is too weak and time seems too valuable. If building and loan shares, therefore, yield a rate of return no higher even than that offered by high-grade bonds it can with reason be claimed that for the small investor, other things equal, such as safety and convertibility, the share is the better investment.

Apportionment of Profits

Building and loan profit apportionment procedure is a fascinating, but somewhat technical, subject and cannot be entered into here further than to present enough of the theory to make clear the discussion which follows as to earnings on building and loan shares.

All profits, above a certain minimum set aside as reserve¹ or unapportioned profits, are *apportioned* among the shares (since a building and loan association is a mutual institution) but not necessarily actually paid to a member prior to the maturity date of his shares. Apportioned profits plus dues paid in constitute what is termed the *book value* of a share. In serial associations the book value of a share is ascertained by dividing the profits apportioned to the series (determined by the age of the series) of which it is a part by the number of shares comprising the series or by actually ascertaining the value of a share according to its age in months (equated time). In optional payment associations each shareholder's account is treated separately and appears as such on the books of the association.

There are two plans for apportioning profits in general use in New Jersey today, the simple interest (partnership) plan and the compound interest plan. The former is the older and still the more widely used.²

Under the *simple interest plan* profits are apportioned ac-

¹ See Chap. x.

² Of the 527 associations reporting on this point, 638 (69 per cent) use the partnership plan, and 289 (31 per cent) the compound interest plan. Data by counties will be found in Table K in the Appendix.

INVESTMENT WORTH OF SHARES

ording to equated time, or to the number of months that the association has had the use of one dollar of the investor's money. Thus in an association, shares in which carry dues of one dollar per month, a member who has been making payments for twenty-four months would be entitled to receive dividends for 300 dollar-months.^a The distributable profits (all up to that date) are then divided equally according to the number of dollar-months per series. The fundamental feature in this plan is that every year (or however often apportionment occurs) *all—less the portion kept out as reserve or unapportioned—the profits to date* are distributed among all the shares in all series. No apportionment is ever final, except the last in any particular series; generous profits apportioned in earlier years may evaporate in subsequent apportionments, and early lean years may be compensated for by more substantial profits later on. Accordingly, no member is assured of his earnings until his shares finally mature or until he withdraws from the association.

The arguments usually presented in favor of this method are (1) that it distributes the unforeseen or accidentally exaggerated gains and losses of any one year among all the shares, (2) that by tending to delay the maturity of the older series it acts as a

^a For (assuming payments to be made on the first of each month) the association has had the use of:

\$1.00 for 24 months	\$1.00 for 12 months
1.00 for 23 months	1.00 for 11 months
1.00 for 22 months	1.00 for 10 months
1.00 for 21 months	1.00 for 9 months
1.00 for 20 months	1.00 for 8 months
1.00 for 19 months	1.00 for 7 months
1.00 for 18 months	1.00 for 6 months
1.00 for 17 months	1.00 for 5 months
1.00 for 16 months	1.00 for 4 months
1.00 for 15 months	1.00 for 3 months
1.00 for 14 months	1.00 for 2 months
1.00 for 13 months	1.00 for 1 month

Total \$1.00 for 300 months

Or, by formula, where N equals the number of months,

$$\frac{N(N+1)}{2} = \frac{(24)(25)}{2} = 300$$

BUILDING AND LOAN IN NEW JERSEY

corrective in those associations which, because they utilize poor apportionment systems, apportion too highly in earlier years (illustrated by the practice of placing all gross premiums in the apportioned profits for any given year) and (3) that it is simple to use and is easily understood even by those who are not mathematically-minded.⁴

It is objected to, on the other hand, because (1) it conceals current profits by merging them in with the past; a decline, for instance, in the rate of profit in any given year can be hidden in the total profit account, (2) it fails to take cognizance of the fact that early members have been identified with the association for a longer period of time, have borne their share of the risks and losses throughout, and should be allowed a higher rate therefor.

Almost one-third of the associations in the State have adopted some form of compound interest apportionment. At least two such plans are in use, the *Dexter* plan and the so-called *Compound Interest Scale* plan.⁵ In principle they are very similar in that they distribute finally, in each period, the profits of the *current* period only. Once apportioned, the profits remain with the share and are considered as a part of the principal which cannot be dwarfed by a subsequent falling off in the association's rate of earnings. Compound interest apportionment is used by optional payment associations and is more acceptable, from the point of view of investment theory, than the simple interest plan, provided the accounting system be sufficiently sound to prevent apportioning as profits in any one year that which should be spread over a number of years. The advantages of compound

⁴ The first and second arguments are sometimes used to justify the allowance of small profits on early withdrawal, *infra*, p. 94.

⁵ Streeter, W. W., "Apportionment of Earnings," *Building and Loan Guide* (Official Publication of the New Jersey League of Building and Loan Associations), Vol. VI, No. 4, November 1927. This article distinguishes between the mechanics of these two plans. Under the *Dexter* plan a different effective rate is apportioned each year; under the *Compound Interest Scale* the same effective rate is maintained throughout.

INVESTMENT WORTH OF SHARES

interest apportionment are the converse of the disadvantages, listed above, of the simple interest plan.

There are some associations which apportion profits more often than annually. Of 927 reporting associations, ninety-two per cent apportion annually, seven per cent semi-annually, and one per cent quarterly or monthly.⁶ Comparison among associations as to rate of dividends on shares is thus rendered difficult by the multiplicity of profit apportionment plans and frequencies. The mere statement (usually made in the printed annual statement for shareholders) that a certain per cent has been apportioned is devoid of meaning for purposes of comparison. An association operating on a simple interest basis and truthfully advertising "eight per cent profits apportioned in the fiscal year just closed" might be paying its older shareholders not more than the equivalent of five per cent per annum, compounded quarterly. One association that has come to the writer's attention advertises "nine per cent on all dues paid in." Technically, the statement is correct, but its effect is misleading since it refers to simple interest. The nine per cent is allowed *only on dues paid in*; profit is not allowed on earnings. On a share 132 months old this would amount (nine per cent simple interest) to \$197.84 which is equivalent to slightly less than seven per cent nominal interest, compounded monthly (or 7.22 per cent, *effective* rate) on one dollar a month for 132 months (\$199.14).

Another association advertises "7.44 per cent earned on stock during the year ending 1928." On a monthly compound basis, an eleven-year-old share in this association receives earnings equivalent to something between five and six per cent per annum on a monthly compound basis, and a member withdrawing from the association before the fifth year actually receives less than three per cent per annum compound interest (monthly). For purposes of comparison, therefore, it is necessary to place all associations on a uniform basis. Then and only then will the rate per cent figure be significant.

⁶ See Table K in the Appendix for data on frequency of profit apportionment by counties.

BUILDING AND LOAN IN NEW JERSEY

Profits Allowed on Early Withdrawal

Savings banks and savings departments of commercial banks allow dividends, or interest, already credited to be withdrawn, in full, at any time upon the giving of due notice of withdrawal. Building and loan associations usually allow the shareholder who withdraws early only a part of the profits already apportioned on his shares. The reasons for the practice arise out of the unique character of the building and loan association.

First, and most important, is the fact that the members, upon subscribing to shares in a serial association, agree to continue payments for a stated period. Early withdrawal is a modification of the agreement and is a demand for funds which most often must come from the *income* of the association. As will be emphasized in a later chapter⁷ the bulk of building and loan association assets are invested in long-term real estate mortgages, a practice which is possible and safe only if, and so long as, the members allow their funds to remain with the association. The more frequent, and the larger, the demands for withdrawal on the part of the members the more important is the question of association liquidity. High withdrawals and a high degree of liquidity go together. Low withdrawal allowances are a recognition of this basic fact and have been adopted in order to discourage early withdrawal.

Second, there is the need for insuring against possible loss of the investment of the withdrawing shareholder's money. The funds which he actually paid in up to the time of his withdrawal have been invested in long-term mortgages. The funds he receives from the association upon withdrawal come out of the association's income. Should an investment loss develop *after* he withdraws he is beyond reach for he is no longer a member. Yet as a member of a mutual, cooperative institution he should bear his proportion of the losses as well as of the profits. A low profit allowance on early withdrawal seeks to effect equity from this angle.

⁷ See Chap. x.

INVESTMENT WORTH OF SHARES

Third, some associations apportion profits too generously in the early years chiefly through the failure to spread gross premiums over the whole period of the duration of the loans. Low withdrawal values render it impossible for the holders of young shares to cash in on this error.

Fourth, if early withdrawal is made too easy, say the adherents of low withdrawal allowances, an important incentive to thrift is eliminated. And inculcation of the habit of saving has been, and still is, one of the strong arguments in favor of the building and loan association.

To those borrowing members who are interested not in withdrawing their shares but in allowing them to accumulate as a virtual sinking fund over a long period of time in order to wipe out a mortgage, withdrawal allowances are of but little consequence. To the non-borrowing members, however, who might otherwise place their savings in a bank, and to the borrowing members who plan to use their shares to repay their mortgage loans sometime before maturity of the shares is reached, this practice is of prime importance. The following comparisons include both book values and withdrawal values, and in judging the dividend rate it is necessary to keep the various types of investor in mind; those interested in the long-time pull (instalment and single-payment shareholders); those desiring an annuity to start at once (paid-up shareholders); and those who may have to withdraw their investment before maturity is reached and who are, therefore, particularly concerned about convertibility into cash.

Method of Analysis

In this and the following sections we shall analyze and compare the dividend rate yield of (1) instalment shares in building and loan associations operating under the serial plan, (2) instalment shares in associations operating under the optional payment plan, (3) paid-up shares, (4) single-payment shares, and (5) savings deposits in banks.

Most serial associations publish, in their annual printed

BUILDING AND LOAN IN NEW JERSEY

statement for shareholders, the book values and withdrawal values of all instalment shares outstanding. The following is a typical example:

(1) SERIES	(2) YEAR ISSUED	(3) NO. OF SHARES	(4) DUES PAID	(5) PROFIT PER SHARE	(6) BOOK VALUE PER SHARE	(7) VALUE OF SERIES	(8) WITH- DRAWAL VALUE PER SHARE
C	1917	312½	\$132.00	\$62.88	\$194.88	\$60,900.00	\$161.04
D	1918	298¾	120.00	51.97	171.97	51,376.04	144.00
E	1919	446	108.00	42.10	150.10	66,944.60	127.44
F	1920	412	96.00	33.26	129.26	53,255.12	111.36
G	1921	373¾	84.00	25.47	109.47	40,852.67	95.76
H	1922	590¾	72.00	18.71	90.71	53,586.93	80.64
I	1923	228½	60.00	13.00	73.00	16,680.50	66.00
J	1923	188	54.00	10.51	64.51	12,127.88	58.86
K	1924	323¾	48.00	8.30	56.30	18,198.97	51.84
L	1924	238	42.00	6.36	48.36	11,509.68	44.94
M	1925	457	36.00	4.67	40.67	18,586.19	38.16
N	1926	597	24.00	2.07	26.07	15,563.79	24.96
O	1927	322½	12.00	.52	12.52	4,162.90	12.24

Regardless of the method of profit apportionment used by this particular association, it is possible to compute the rate on any basis—simple interest, annual compound, semi-annual compound, quarterly compound, or monthly compound interest—for any of the figures appearing in columns six and eight. Thus the figure for series G in column six (\$109.47) representing the present (book) value of a share of 84 months' life and which has cost \$84.00 in dues (\$1.00 per month for 84 months) can be interpreted in the following ways:⁸

- 8.66 per cent simple interest
- 7.53 per cent interest, compounded annually
- 7.39 per cent interest, compounded semi-annually
- 7.33 per cent interest, compounded quarterly
- 7.28 per cent interest, compounded monthly

⁸ The annual simple interest rate is ascertained by dividing the profit on the shares (\$25.47) by the product of the equated time divided by 12; viz.:

$$\frac{25.47}{84 \times \frac{84}{2} \times \frac{1}{12}} = \frac{30564}{3528} = 8.66.$$

See: Kent, F. C., *Mathematical Principles of Finance* (1927), p. 119.

INVESTMENT WORTH OF SHARES

It so happens that this association apports under the simple interest (or partnership) plan and is enabled to advertise "profits over eight and one-half per cent." Yet shareholders in series C (shares eleven years old) and series E (shares nine years old) have received an apportionment on a monthly compound interest basis of less than seven per cent per annum, nominal rate or between 6.8 and 6.9 per cent and between 7.1 and 7.2 per cent respectively, *effective* rates. Should they desire to withdraw they would receive, in actual cash, a return of only between three and four per cent per annum, compounded monthly.

In this way it would be possible to compare, on a uniform basis, the rate of dividend yield of practically all serial associations. Such procedure would, however, be most tedious, and altogether impracticable in the present study. Recourse has been made, therefore, to such interest tables as are available in published form. The most finely-divided tables on the market to date⁹ give monthly compounded values at intervals of one per cent down to three per cent per annum (one-quarter of one per cent per month). Quarterly compound tables would probably be more satisfactory for purposes of comparison with savings bank rates. Unfortunately, however, such tables are unavailable, at least with rates sufficiently low to include the low

The formulae for ascertaining the compound interest rates are:

$$\begin{aligned} \text{(a) Annual compound} &= 109.47 = \frac{(1+i)^7 - 1}{i} \\ \text{(b) Semi-annual " } &= 109.47 = \frac{(1+i)^{14} - 1}{i} \\ \text{(c) Quarterly " } &= 109.47 = \frac{(1+i)^{28} - 1}{i} \\ \text{(d) Monthly " } &= 109.47 = \frac{(1+i)^{84} - 1}{i} \end{aligned}$$

The symbol i in these formulae represents rate per conversion period and must be multiplied by 2, 4, and 12 respectively to ascertain the (nominal) annual rates in (b), (c), and (d).

The rates given above in the text have been derived, however, by Mr. W. W. Streeter from his as yet unpublished building and loan interest tables.

⁹ *Robinsonian Tables.*

BUILDING AND LOAN IN NEW JERSEY

withdrawal values of early share life, or extending through a period of eleven years.

There are, however, semi-annual compound interest tables which cover a period of over 200 months and extend as low as three per cent per annum. The monthly compound tables, however, have been chosen in this study since some savings banks compound their dividends quarterly. Quarterly tables, therefore, if used in analyzing building and loan share dividends would tend to overstate the rate paid by the associations. As no savings bank in the State compounds more frequently than four times a year, the use of monthly compound interest tables in presenting building and loan rates slightly *understates* the nominal building and loan rates relative to the rates yielded by savings deposits in banks.

In addition, since none of the tables now available presents fractional rates on a monthly compound basis, the rate is presented, throughout, as falling within a rather broad range. This automatically eliminates the bulk of the small difference occasioned by the use of monthly compound interest tables, except at the upper fringe. Thus, in the following illustration, the four to five per cent class would include at the end of the seventh year, all values falling between \$97.08 and \$100.75.

	4 PER CENT		5 PER CENT	
	MONTHLY COMPOUND	SEMI- ANNUAL COMPOUND	MONTHLY COMPOUND	SEMI- ANNUAL COMPOUND
At the end of 1st year	\$ 12.26	\$ 12.26	\$ 12.33	\$ 12.33
At the end of 3rd year	38.31	38.29	38.91	38.89
At the end of 5th year	66.52	66.46	68.29	68.20
At the end of 7th year	97.08	96.96	100.75	100.56
At the end of 9th year	130.17	129.97	136.61	136.28
At the end of 11th year	166.02	165.70	176.24	175.70

A share in a building and loan association which, at the end of the seventh year, is worth \$100.56, therefore, would be included in this class, although it represents five per cent on a semi-annual compound basis, and should be so stated for accurate comparison with other institutions which compound less frequently. In the comparisons which follow this possibility

INVESTMENT WORTH OF SHARES

that at certain levels the building and loan rate is slightly understated should be kept in mind.

Optional payment (and the so-called non-serial) associations publish no such lists of share values, since shares are not issued serially in either, nor dues payable regularly (for non-borrowers) in the former. Only the 1928 rate (usually stated in the annual association reports on a compound interest basis) is available. Single-payment shares are sometimes listed in the annual printed statements as are the values of instalment shares, and to the extent that data concerning them are available, have been analyzed with the aid of Robinsonian Table No. 8a. In the case of paid-up shares the analysis involves simple observation of the stated rate published in the annual association reports.

The rates paid by savings banks are regularly published by the State Department of Banking and Insurance. In order to check up on recent changes, however, they have been verified by personal communication with each of the savings banks in the State.¹⁰

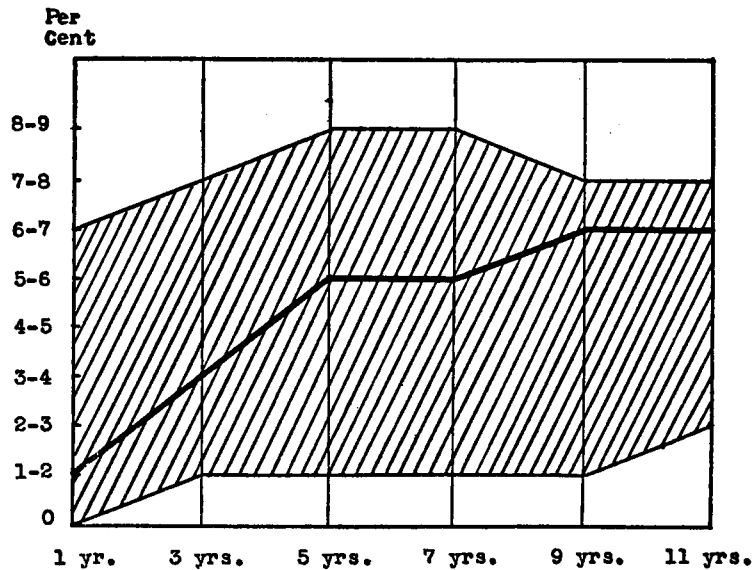
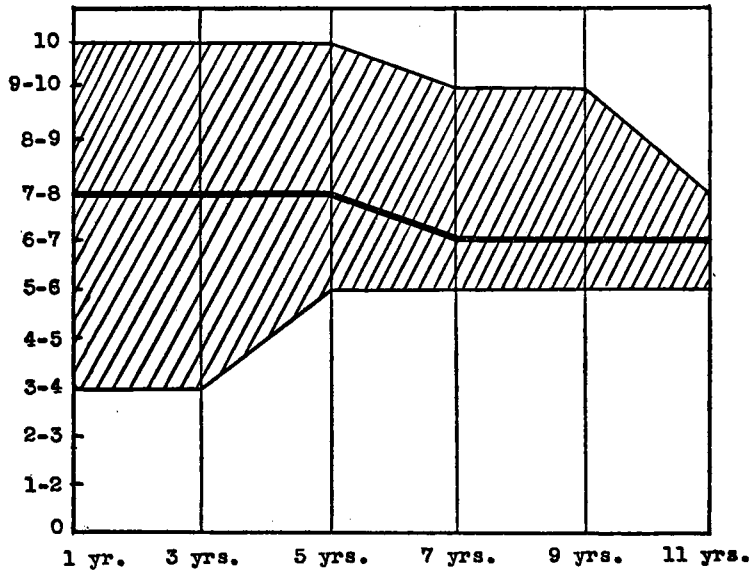
Rate Yield in Serial Associations (Instalment Shares)

The diagrams in Chart XVI indicate the wide range in book values and withdrawal values of instalment shares in serial associations that obtains throughout the State. The former (upper diagram) range, in the first year, from three to ten per cent (nominal rate, monthly compound) but taper off in the eleventh year to between five and eight per cent.¹¹ The heavy lines are the modal, or most frequently occurring rates. Withdrawal values (lower diagram) are somewhat less scattering in the earlier years but end up at from two to eight per cent by the end of the eleventh year. It will be observed that apportioned dividend rates in early years are high but drop as later years of share life are reached. Dividend rates on actual

¹⁰ Twenty-six of the twenty-eight savings banks made reply.

¹¹ Unless otherwise specified the rates mentioned in the remainder of this chapter are to be interpreted as nominal, compounded monthly.

CHART XVI*: RANGE AND MODE OF EARNING RATES, BASED ON BOOK AND WITHDRAWAL VALUES OF INSTALMENT SHARES IN SERIAL BUILDING AND LOAN ASSOCIATIONS IN NEW JERSEY

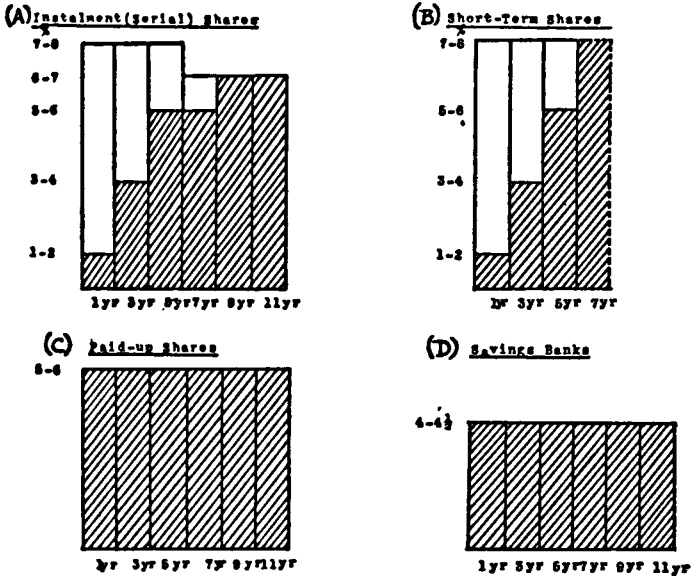


*The upper diagram represents book values; the lower diagram withdrawal values. Figures at left represent nominal rates per cent on a monthly compound basis. Figures at bottom of each diagram represent age of shares in years. Shaded portions indicate the rate range found in associations throughout the State, and heavy lines represent the modal (most frequently occurring) rate. Based on Table L in Appendix.

INVESTMENT WORTH OF SHARES

withdrawal are very low in early years and coincide with apportioned dividend rates only after the ninth or eleventh year of share life. Diagram A in Chart XVII brings these two modes together and illustrates the relationship more clearly.¹² Book values start out at between seven and eight per cent and remain at this high level until the seventh year when they fall to between six and seven per cent. Withdrawal values commence

CHART XVII* : RATE YIELD ON FULL-TERM INSTALMENT, SHORT-TERM INSTALMENT, AND PAID-UP SHARES IN BUILDING AND LOAN ASSOCIATIONS AND ON SAVINGS BANK DEPOSITS, NEW JERSEY



*Rate is annual, compounded monthly. Total height of rectangle represents rate yield on book value of share; shaded portion represents rate actually paid on withdrawal of share. See Table L in Appendix.

¹²The upper limit of the larger rectangles in diagram A of Chart XVII corresponds to the mode in the upper diagram of Chart XVI (the most usual rate *apportioned* on shares, on a monthly compound basis). The upper limit of the shaded rectangles in diagram A of Chart XVII corresponds to the mode in the lower diagram of Chart XVI (the most usual rate, on a monthly compound basis, actually allowed on withdrawal).

BUILDING AND LOAN IN NEW JERSEY

at from one to two per cent at the end of the first year of share life and until the seventh year are still under six per cent.¹³

Low withdrawal values in the case of the younger shares is the price instalment shareholders pay for the high earnings which their fellows who remain with the association will receive when their shares finally mature. Apportioned profits in early years of share life are unimportant to the long-pull investor. He is interested in the maturity date; the earlier it occurs the higher will be his real rate of earnings. The downward drop in the book value rate in the older shares is accounted for by the prevalence of the partnership plan of apportioning profits. Simple interest is proportional to time; compound interest effects greater acceleration as time passes.¹⁴ The older shares in associations apportioning in this way, when measured by rates appearing in compound interest tables, naturally exhibit a lower rate than the newer shares. This phenomenon, however, tends to disappear to the extent that compound interest apportionment is displacing the simple interest method.¹⁵

Geographical Analysis

The same method of analysis has been applied to various sections and counties of the State (see Chart XVIII). Among the serial associations, those in Passaic, Atlantic, and Union Counties apportion the highest profits up to the third year (eight to nine per cent). Atlantic continues this rate through the fifth year and then joins company, after the seventh year, with Camden and Passaic. On shares eleven years old, the mode in all counties drops to between six and seven per cent.

But these are only apportioned values. Withdrawal values

¹³ It must be understood that this is not true in *all* associations. It is simply the most frequently occurring case in a large number (625) of associations examined. Frequency figures for the State as a whole, by counties and by size of association will be found in Table L in the Appendix.

¹⁴ *supra*, p. 71.

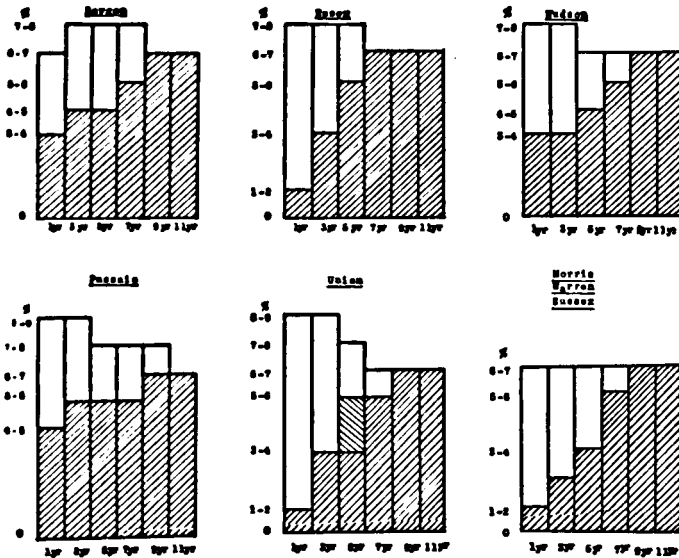
¹⁵ In a compound interest association the line might conceivably be highly irregular due to high apportioned profits in one year and low in another. Sounder financial management involves the maintenance of a dividend rate policy, whereby exceptional profits in any one year are applied to a fund to be used to fill in the lean years. This should cause the line to be practically horizontal.

INVESTMENT WORTH OF SHARES

tell a different story. Atlantic and Union Counties lose their early generosity, and only Passaic remains with withdrawals in the first year of from four to five per cent, and from the third year to the eighth year of from five to six per cent.

Examination of the diagrams will indicate the most frequently occurring practices at a glance. All in all, among the serial associations, those in Passaic County appear to be, on the average, the most generous, and those in Camden the most con-

CHART XVIII*: RATE YIELD ON FULL-TERM INSTALMENT SHARES, BY GEOGRAPHICAL DIVISIONS, SERIAL BUILDING AND LOAN ASSOCIATIONS IN NEW JERSEY



*Rate is annual, compounded monthly. Total height of rectangle represents rate yield on book value of share; shaded portion represents rate actually paid on withdrawal of share. Reverse shading indicates absence of distinct modal average. See Table L in Appendix.

servative. The current practice is for withdrawal value to overtake book value between the seventh and ninth years, although it will be observed that the two tend to coincide somewhat earlier in Essex County, and in Passaic County fail to meet before the eleventh year only because book values tend to be

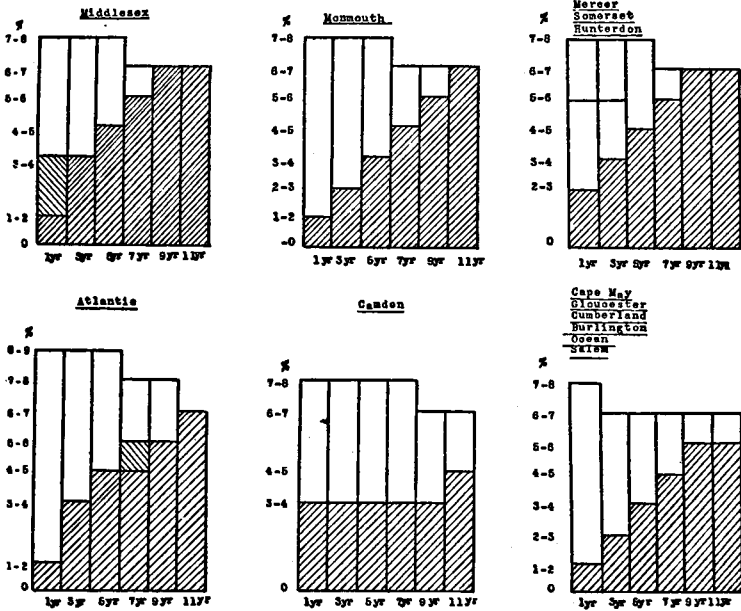
BUILDING AND LOAN IN NEW JERSEY

higher. Withdrawal values there are just as high as in Essex except in the seventh year.

By Size of Associations

From the point of view of compound earning rate at maturity, there seems to be little direct relationship between the rate earned and the size of the association, the modal rate for both large and small associations being between six and seven per cent. The large association, like the small association, appor-

CHART XVIII (Continued)



tions profits anywhere between six and eight per cent and allows only a small percentage on withdrawals in the first year of share life. The larger associations appear, however, to be somewhat more generous in withdrawal policy after the third year, when allowances average about one per cent higher than in the small associations.

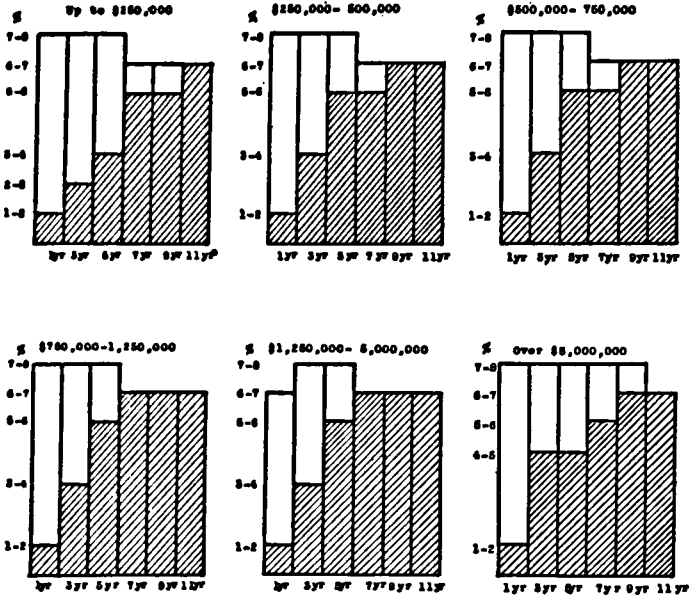
INVESTMENT WORTH OF SHARES

The fact that earnings are no higher probably indicates that the overhead per share is just as high, or at least almost as high, in the large association as in the small association. The larger association usually has a more elaborate association headquarters to maintain, the expense of which probably offsets the other savings effected.

Short-term Instalment Shares

To meet the requirements of investors who desire to invest for a somewhat shorter period, but yet are not unwilling to sacrifice the right of early profits in view of a larger ultimate gain, a number of associations now issue *short-term* or *double* shares.

CHART XIX*: RATE YIELD ON FULL-TERM INSTALMENT SHARES, BY SIZE OF ASSOCIATION (ASSETS), SERIAL BUILDING AND LOAN ASSOCIATIONS IN NEW JERSEY



*Rate is annual, compounded annually. Total height of rectangle represents rate yield on book value of share; shaded portion represents rate actually paid on withdrawal of share. See Table L in Appendix.

BUILDING AND LOAN IN NEW JERSEY

These usually require dues of two dollars per month, and mature in approximately seven years.

Fifty-nine associations (of the 1008 reporting) issue short-term shares.¹⁶ Such shares carry no preference as to dividends—a practice forbidden by the Building and Loan Association Act¹⁷—over regular full-term instalment shares. Diagram B in Chart XVII presents the data for thirty-seven of these associations in a form which facilitates ready comparison with all associations in the State (Diagram A). It will be seen that the associations which issue short-term shares tend to be those which apportion profits of from seven to eight per cent for the first three years. But only at maturity do short-term shareholders receive full profits. For the first five or six years such shares possess no relative advantage in the way of increased withdrawal profit over regular full-term shares. The fourth rectangle (seventh year) represents only one association and is probably higher than a more representative group of short-term shares would exhibit. It is likely that in such associations withdrawal and book values would coincide at the six to seven per cent level.

Short-term shares are fitted primarily to the needs of the investor who joins an association with no intention of withdrawing before the seventh year. They do not compete with paid-up shares which are designed for the investor who wants cash dividends from the start.

Optional Payment Associations

Optional payment associations state, in their annual reports, only the rate of dividend apportioned for the current year. Although this is usually on a compound interest basis and represents proportional accretions to all shares, old as well as new,

¹⁶ Located in the following counties:

Essex	33 assns.	Camden	2 assns.
Hudson	9 "	Monmouth	2 "
Union	5 "	Middlesex	1 "
Passaic	3 "	Gloucester	1 "
Atlantic	2 "	Sussex	1 "

¹⁷ Article III, Paragraph 74.

INVESTMENT WORTH OF SHARES

it tells us nothing as to past earnings of the older shares. The best that can be done is to ascertain the 1928 rates of apportionment.

Data are available for fifty-two optional payment associations, four of which report on a simple interest basis.¹⁸ Of the remainder, forty (77 per cent) report a compound rate of between six and seven per cent, and six a rate of between seven and one-quarter and eight per cent.¹⁹ The mode is thus between six and seven per cent and coincides broadly with the modal rate apportioned by serial associations.

It is possible to analyze withdrawal rates in optional payment associations only roughly, since book values of individual accounts are not known. Each association does report, however, the scale of its withdrawal allowances (as a percentage of book values) by years. The modal average indicates, markedly, that the current tendency is to allow no profits during the first year but thereafter to allow full profits on withdrawals.

In the table which follows the ratios of withdrawal to book values for the serial associations have been calculated from the upper figures in the modal range (Diagram A, Chart XVII).

TABLE 21*

Ratio of Profits Allowed on Withdrawal to Profits Apportioned, Instalment Shares in Serial and in Optional Payment Associations Compared, New Jersey

		(MODAL ANALYSIS)	
		SERIAL ASSOCIATIONS	OPTIONAL-PAYMENT ASSOCIATIONS
After	1st year	25 per cent (43.4)**	100 per cent (39.2)**
"	3rd "	48 " " (36.1)	100 " " (39.2)
"	5th "	72 " " (28.9)	100 " " (41.2)
"	7th "	84 " " (27.8)	100 " " (76.5)
"	9th "	100 " " (58.9)	100 " " (80.4)
"	11th "	100 " " (68.5)	100 " " (98.0)

* Based on Tables L and M in the Appendix.

** Figures in parentheses represent per cent of associations reporting which allow the modal rate indicated.

¹⁸ Reporting 9.0, 8.0, 7.9, 7.0 per cent respectively.

¹⁹ 5 associations report 6.0 %	23 associations report 7.0 %
1 association reports 6.3 "	2 associations report 7.25 "
5 associations report 6.5 "	1 association reports 7.5 "
5 associations report 6.6 "	2 associations report 7.7 "
1 association reports 6.75 "	1 association reports 8.0 "

BUILDING AND LOAN IN NEW JERSEY

The percentages in parentheses after both the serial and optional payment columns represent the proportion of all associations in the class reporting which allow the modal rate.

There are a number of optional payment associations in the State, of course, that do not allow full profits on early withdrawals. A distinct sub-mode is discernible among this group:

After 1st year	40-50% allowed
“ 3rd year	60-70 “
“ 5th year	80-90 “
“ 7th year	70-80 “
“ 9th year	80-90 “

Up to and including the fifth year even these ratios are greater than the usual serial association withdrawal allowance. The predominant tendency of optional payment associations to pay full profits on withdrawal, if these figures are truly representative, therefore, seems established.

Among the associations listed as non-serial, the modal average rate for 1928 is also between six and seven per cent.²⁰ But the percentage allowed on withdrawals is lower than the modal withdrawal percentage for serial associations in the entire State, and those in Union County (in which most of the non-serial associations are located).²¹

PERCENTAGE OF PROFITS ALLOWED ON WITHDRAWAL

	NON-SERIAL ASSNS. (MODE)	SERIAL ASSNS. (UNION CO.) (MODE)
Up to end of 1st year	0	0
After 1st year	1-10%	21.7%
After 3rd year	10-20 “	42.1 “
After 5th year	30-40 “	59.3 “
After 7th year	50-60 “	83.6 “
After 9th year	70-80 “	100.0 “
After 11th year	100 “	100.0 “

²⁰ 8 associations report 6.0%	1 association reports 8.0%
1 association reports 6.5 “	1 association reports 8.5 “
7 associations report 7.0 “	1 association reports 9.0 “
1 association reports 7.2 “	2 associations report 10.0 “
2 associations report 7.5 “	

²¹ See Table L in the Appendix.

INVESTMENT WORTH OF SHARES

Single-payment Shares

The data at hand are insufficient to furnish a really adequate index of earnings on single-payment shares. It appears from the few cases examined, however, that they yield the investor just a shade higher allowances on withdrawal than do instalment shares. Single-payment shares usually represent an initial payment of from \$100 to \$105 which is allowed to grow, through the accumulation of apportioned profits, to a maturity value of \$200.

Although the Building and Loan Association Act²² provides that profits apportioned on single-payment shares shall be at

TABLE 22
Rate and Frequency of Dividends on Paid-up Shares of Building and Loan Associations in New Jersey

COUNTY	RATE				FREQUENCY			
	6%	5½%	5%	4½%	EVERY 12 MOS.	EVERY 6 MONTHS	EVERY 3 MOS.	EVERY MONTH
Atlantic	20		5			25		
Bergen	13	5	22		1	35	4	
Burlington		1	3			3	1	
Camden	6	5	15			26		
Cape May	1				1			
Cumberland			1			1		
Essex	188	60	37		1	271	13	
Gloucester	2		4			4	2	
Hudson	4	3	34		3	23	15	
Hunterdon								
Mercer	1		6			7		
Middlesex	3	2	9		1	12	1	
Monmouth	5		4		1	8		
Morris	1	3	9			13		
Ocean	1					1		
Passaic	15	4	15			30	4	
Salem								
Somerset			1			1		
Sussex		2				2		
Union	15	2	24	1	3	36	2	1
Warren			2			2		
Total	275	87	191	1	11	500	42	1
554 %	49.6	15.7	34.5	0.2	2.0	90.3	7.6	0.2

²² Article III, Paragraph 73.

BUILDING AND LOAN IN NEW JERSEY

the same rate as profits apportioned on instalment shares, at least one association has come to the writer's attention which apportions profits at a lower rate on the former than on the latter.

Paid-up Shares

Paid-up shares yield the investor of a lump sum regular cash dividends—usually semi-annually²³—at the rate of from five to six per cent per annum. Table 22 illustrates the practice by counties. It will be observed that only one association reports paid-up shares bearing less than five per cent (in Union County) and that in most counties the usual dividend rate on such shares is five per cent. Six per cent shares predominate in Atlantic and Essex Counties, and are also quite common in Monmouth and Passaic Counties.

Savings Banks

Commercial banks often maintain savings departments, but the rate of return on such deposits is less than the rate apportioned on building and loan shares and is no higher than the rate paid by savings banks. Postal savings deposits yield the depositor even less. For our purposes the most instructive comparison will be between building and loan shares—particularly of optional payment associations—and savings bank deposits.

There are only twenty-eight savings banks in New Jersey. Of these, twenty-seven are of the mutual variety and, like building and loan associations, pay dividends only if such dividends are earned. The usual dividend rate is from four to four and one-half per cent per annum, with dividends compounded quarterly or semi-annually. (See Table 23.)

Most of them, however, allow dividends on monthly balances even though the rate is not compounded that often. Some allow dividends from the date of deposit to the date of withdrawal.

²³ Of the 554 associations reporting such shares for 1928, 500 (ninety per cent) are on a semi-annual, forty-two (eight per cent) on a quarterly, eleven (two per cent) on an annual, and one on a monthly basis.

INVESTMENT WORTH OF SHARES

II. CONVERTIBILITY INTO CASH

Convertibility of building and loan association shares into cash is effected either by complete or partial withdrawal or by borrowing from the association on the shares as collateral.

The Building and Loan Association Act²⁴ provides that a shareholder²⁵ may withdraw his shares at any time, by giving such written notice as may be provided for in the constitution or by-laws, not to exceed thirty days. Withdrawals, the law further provides,²⁶ are to be paid in the order in which the notices

TABLE 23
*Dividends Paid by Savings Banks in New Jersey, 1928**

COUNTY	NO. OF BANKS	DIVIDEND RATE		FREQUENCY OF COMPOUND
		REGULAR (ANNUAL) PER CENT	EXTRA PER CENT	
Burlington	1	3	1	semi-annually
Essex	1	4½	—	semi-annually
	5	4½	—	quarterly
	2	4	½ (for the year)	quarterly
	1	4½	↑	↑
Hudson	1	4	½ (for the year)	semi-annually
	1	4	—	semi-annually
	1	4	—	quarterly
	2	4	↑	↑
Mercer	1	3	1 (for the year)	quarterly
	1	3	1 (for the year)	semi-annually
Middlesex	1	4	¾	quarterly
	1	4	—	quarterly
Morris	1	4½	¾	quarterly
Passaic	1	4	—	semi-annually
Somerset	1	4½	—	semi-annually
	1	4	—	quarterly
Union	2	4½	—	annually
	1	4	¾	semi-annually
	2	4	—	quarterly
Totals	28			{ annually 2 banks { semi-annually 8 " { quarterly 15 "

* Data from replies to a letter addressed to the treasurer of each savings bank.

† No reply received to letter of inquiry. Data from the Annual Report of the Commissioner of Banking and Insurance.

²⁴ Article III, Paragraph 49.

²⁵ All types of shares are on the same legal footing.

²⁶ Article III, Paragraph 52.

BUILDING AND LOAN IN NEW JERSEY

thereof are received, but not more than one-half of the receipts of any one month are required to be used for the payment of withdrawal claims. However, a withdrawal claim which remains unpaid for six months becomes a legal debt of the association; the shareholder becomes a creditor and may then sue for the withdrawal value of his shares. In normal times sufficient funds are usually available to meet all withdrawal demands. The observation was made in a previous section that ordinarily the profit allowed on withdrawal of instalment and single-payment shares in early years of share life is low, full profits being allowed usually only after five or more years.

The member who needs funds temporarily usually can borrow on his shares as collateral from the association or from a commercial bank. Such loans, when made by the association, are known as *share loans*. The State law restricts the amount of a share loan to ninety per cent of the withdrawal value of the shares pledged. Share loan provisions largely eliminate the disadvantages of rigidity which inhere in instalment and single-payment shares and add assurance to the shareholder of protection against unforeseen emergency. It does not, however, remove that objection with regard to the investor who might have to withdraw permanently because he finds himself unable to keep up his regular payments.

Share loans are made by over eighty-five per cent of the associations in the State,²⁷ and the amounts so loaned (by approximately two-thirds of all the associations in the State) amounted, in 1928, to over eight and one-quarter million dollars. This amount is equal to eight per cent of all receipts from instalment dues and represents approximately two per cent of total disbursements. Such loans are usually made up to the full legal limit of ninety per cent of withdrawal value, although some associations fix the maximum at a lower figure.²⁸ They are

²⁷ *infra*, p. 148.

²⁸ Of the 188 associations replying to this question on the questionnaire:

168	allow up to	90%	of withdrawal value
1	allows	85	" " " "
7	allow	80	" " " "
10	" " "	90	" " dues paid in
1	allows	100	" " " "

INVESTMENT WORTH OF SHARES

usually made to extend for the full life of the shares pledged, although some associations specify a shorter period or make them payable on demand.⁹⁹

The real cost of a share loan depends upon the relationship between the rate of earnings on the shares (which earnings continue even though the shares are pledged) and the loan costs (interest and premium charges).¹⁰⁰ The possibility of profiting at the expense of an association paying dividends of seven per cent by borrowing at six per cent is usually eliminated by charging a premium sufficiently high to offset the difference in the specified rates.

III. SAFETY

A building and loan mortgage grows better and better as time elapses, and it is this fact that helps account for the high degree of safety in building and loan associations. In an ordinary real estate mortgage (non-amortized or straight loan) the mortgagee's only equity, other than the personal bond of the mortgagor, is the value of the property itself. Property values fluctuate and at times undergo deflation. Every depreciation in property value represents just so much shrinkage in the equity behind the mortgage loan.

A building and loan mortgagee's equity, too, is the value of the property itself. He enjoys, in addition, the assurance that as the mortgage grows older, the gross value of the borrower's shares—his sinking fund—is growing larger. Every mortgage is accompanied by a bond which is a promise, under seal, by the borrower to repay the amount of the loan and which legally evidences personal liability. In case of default the association

⁹⁹ In the 185 associations replying share loans have life spans as follows:

To maturity in	136	associations
On demand in	35	"
To six months in	8	"
To two years in	3	"
To one year in	1	"
To three months in	2	"

¹⁰⁰ *infra*, p. 224.

BUILDING AND LOAN IN NEW JERSEY

not only can foreclose the mortgage and have the court order the property sold, but also can seek recovery from the borrower, personally, on the bond for any deficiency suffered. The value of the bond, on the other hand depends in part upon the property of the borrower. Money cannot be extracted from thin air, and if the borrower has no property which can be attached, the lender stands a good chance of losing if the property fails to sell at a figure high enough to pay off the mortgage.

On a building and loan mortgage, the member's shares are pledged as security and in case of default the withdrawal value is applied, on foreclosure, to the account of the mortgage debt.³¹ As this fund accumulates, therefore, the effective equity in back of the mortgage increases. The older a building and loan mortgage is the better it is.

Losses

An individual holding a mortgage on a specified property must himself bear the full risk. If the mortgagor defaults and the property is sacrificed, the mortgagee must stand all losses. A building and loan share, on the other hand, represents a claim secured by mortgage not against certain specified property, but against all properties mortgaged with the association. A loss on any one property is thus distributed among all the shareholders. It is a diffusion of risk as in insurance.

There has not been a failure of a building and loan association in this State since 1907, and with the exception of rather large losses in one association in Hackensack in 1924, and one in Newark in 1929,³² the losses in these institutions have been negligible. In the 942 associations (sixty per cent of all the associations in the State) for which detailed financial data are available, total losses in 1928 amounted to only \$56,461, of

³¹ Building and Loan Association Act, Article III, Paragraph 49.

³² In the first-named case the association is reported to have lost some \$200,000. The officers and directors, together with the bonding company, made good every dollar of the dues paid in by the shareholders and the association was soon restored to good standing. In the second case prosecution resulted in conviction.

INVESTMENT WORTH OF SHARES

which \$42,810 represents losses on properties foreclosed, and the remainder losses due to depreciation and to bookkeeping errors. The total figure represents less than one one-hundredth of one per cent of total assets, less than five one-hundredths of one per cent of all mortgage loans outstanding, and about nine-tenths of one per cent of the amount held in reserve as surplus or unapportioned profits. And there is no reason for believing that 1928 was an abnormally prosperous year.

These ratios seem suspiciously low. The figures upon which they are based, however, are the best available and have been tabulated from the audited and State-examined individual annual reports. All statistics purporting to indicate losses, no matter how accurate in other respects, are inevitably misleading. Technically, a *loss* is suffered whenever an association sells a piece of property, at foreclosure sale, for a price lower than the value set on that property by the association at the time the loan was granted. Very often the association itself buys in such property, holds it for a time, and then sells it for the original figure, or higher.

The State law requires that every association officer, director, employee, or agent handling or having the custody of money, securities, or records belonging to the association, shall give a surety bond sufficient in amount to satisfy the Board of Directors of the association and the Commissioner of Banking and Insurance. In addition, this officer of the State is empowered to order the amount of any bond to be increased to any amount.

The financial policy of all associations is determined, in a broad way, and in many technical matters in detail, by law. Branches and agents are forbidden, restrictions are made on paid-up shares, and many other restrictions of powers and rights are enumerated. Of prime importance are the restrictions upon the investment of funds. Since we shall later be concerned with loan practices, the law on this point is given here, in full:

26. The funds of every such association shall be invested in the following and no other way:

BUILDING AND LOAN IN NEW JERSEY

I. Real estate.

In the purchase of lands or building lots and erecting buildings and improvements thereon, or in the purchase of lands already improved; which lands, buildings and improvements shall be within this State and shall be already contracted to be sold to the members of such association, payable in the shares of the association, or in periodical instalments for a period such as shall be agreed upon and designated in its constitution; at the expiration of which term, all payments having been made, the lands, dwellings and improvements so sold and conveyed to the members of such association shall become the property of the grantees, discharged from all further payment; in the purchase of lands and the erection or improvement of buildings thereon for the purpose of providing offices for the transaction of its business; the amount that may be so invested in such lands and buildings together with the amounts due on obligations payment of which is secured by liens or mortgages on said lands and buildings shall not, in the aggregate, exceed five per centum of the value of the assets of such association; the interest on the amount so invested, calculated at the rate of six per centum per annum less the annual income obtained from subrentals or otherwise of any part of such building, shall be charged against the aggregate amount of expense as limited by this act;

II. Mortgage loans to members.

In loans to members on bonds secured by mortgage which shall be a first lien on real estate in this State, not to exceed eighty per centum of the cash value thereof, if improved or fifty per centum if vacant land, payable in shares of such association, or by periodical instalments; except where any such association holds a mortgage on real estate which is a first lien, such association may increase its loan thereon and secure the same by a second or subsequent mortgage; the total indebtedness to such association, less the amount of dues paid on the shares pledged for such loan, shall not exceed eighty per centum of the cash value of the real estate, if improved, or fifty per centum of the vacant land, loaned on, and all the mortgages held by such association shall be prior to any other encumbrance on said real estate;

III. Redemption of shares.

In the redemption of shares of such association;

IV. Loans on shares.

In loans upon the pledge or collateral security of the shares of such association, not to exceed ninety per centum of the withdrawal value of such shares;

INVESTMENT WORTH OF SHARES

V. Mortgage loans to non-members.

In loans to persons not members, or to members without pledge of their shares as collateral security, on bonds secured by mortgage, which shall be a first lien on improved real estate in this State, not to exceed sixty-five per centum of the cash value thereof; such loans also may be simultaneous with or subsequent to loans of the character authorized by paragraph II of this section; *provided*, the sum of all the loans on the real estate mortgaged shall not exceed sixty-five per centum of the cash value thereof; and *provided, further*, at least fifty per centum of such a loan shall be of the character authorized by paragraph II of this section; a purchase money mortgage given to such association upon real estate sold by it shall not be considered a loan within the meaning of this subdivision; a premium or discount taken by any such association for loans of the character specified in this paragraph shall not be deemed to be usurious;

VI. Securities.

The purchase of any or all of the securities in which savings banks of this State are authorized by law to invest, or as a loan upon any of such securities as collateral, not to exceed eighty per centum of their market value; *provided*, investments or loans authorized under this paragraph of this section and mortgage loans unaccompanied by one of the character authorized by paragraph II of this section shall only be made from moneys on hand not required for any of the purposes specified in paragraphs I, II, III, IV, and V hereof, or for the payment of withdrawals or matured shares, or for the purpose of creating a fund for the payment of maturing shares.

Provided, further, that a sum equivalent to not less than ten per centum of the average annual cash payments made in the three preceding fiscal years by such association to shareholders on shares withdrawn and on shares matured and on loans authorized under paragraph IV hereof shall be invested by such association in the following manner:²²

(a) In stocks or bonds or interest-bearing notes or obligations of the United States, or those for which the faith of the United States is distinctly pledged to provide for the payment of the principal and interest thereof;

(b) In the interest-bearing bonds of this State, or in any bonds authorized by the laws of this State to be issued by any commission appointed by the Supreme Court of this State by virtue of any law of this State;

(c) In the bonds of any State in the Union that has not, within ten years previous to making such investment by any such association,

²² This proviso added by the 1930 Legislature.

BUILDING AND LOAN IN NEW JERSEY

defaulted in the payment of any part of either principal or interest in any debt authorized by any law of such State to be contracted;

(d) In the bonds of any county, township, municipality or school district of this State issued pursuant to the authority of any law of this State; provided, such county, township, municipality or school district shall not, within the five years next preceding, have defaulted in the payment of any part of either principal or interest of any legal debt or obligation thereof; and provided, further, the total indebtedness of any borough or village does not exceed ten per centum of its assessed valuation, and such school district bonds are by law charged upon all the property of the inhabitants of such district; or in any interest-bearing obligation issued by the county in which such building and loan association is situated, or by any city, town, township, borough or village in such county;

(e) In any demand or time deposits in, or certificates of deposit of, any bank or trust company in this State, which deposits or certificates shall be in the name of such association and shall be designated "liquid investment fund"; moneys acquired by such association from the sale or hypothecation of securities specified in subdivisions (a), (b), (c) and (d) hereof, or from the sale, surrender, hypothecation or withdrawal of such deposits or certificates of deposit, shall be used only for the purpose of making payments to shareholders on shares withdrawn or on shares matured or on loans authorized under paragraph IV hereof; and no such association shall agree to invest any moneys in the manner permitted by paragraphs I, II and V hereof when its investments in such securities and/or deposits and/or certificates shall be less than the percentage herein required; and every such association shall be subject to such rules and regulations respecting the methods of investing funds in such securities, deposits and certificates and the custody and control of such securities, deposits and certificates as the Commissioner of Banking and Insurance shall prescribe.

State Supervision

In order properly to enforce the law and to check up on association affairs, there has been set up in the State Department of Banking and Insurance a Bureau of Building and Loan Associations.⁸⁴ Headed by a Deputy Commissioner of Banking and Insurance and an Assistant Deputy, and manned by a corps

⁸⁴ The other bureaus in this department are the Bureau of Banking and the Bureau of Insurance. This functional organization was established in 1926.

INVESTMENT WORTH OF SHARES

of fifty-seven examiners, and an office force in both Trenton and Newark, this Bureau is ever on the alert to uncover and prosecute violations of the law. The State is divided into four districts⁸⁸ and to each a corps of examiners, headed by a district examining supervisor, is assigned. The law requires that the affairs and accounts of every association be examined by the State at least once in every two years. Examinations often are made more frequently—sometimes annually—and association officials do not know when the examiners are apt to appear on the scene.

Summary

The character of the building and loan mortgage makes it an investment as safe as it is profitable. Actual losses have been very low.

Building and loan shares are convertible into cash by borrowing on shares as collateral as well as by withdrawal. In most cases the borrower on shares is allowed to borrow up to ninety per cent of the book, or the withdrawal, value of his shares. In the 862 associations examined new share loans granted in 1928 amounted to slightly over eight million dollars, which is equal to about seventeen per cent of the actual withdrawals (which amounted to slightly under fifty million dollars). Total share loans outstanding amounted, in the same year, to thirteen million dollars, or three per cent of the total amount due all shareholders for dues paid in (in the same 862 associations).⁸⁹

Instalment shares are fitted to the requirements of the long-time saver but in most cases yield attractive dividends only after four or five years. For the saver who wishes to accumulate a

⁸⁸ District A includes the cities of Newark, Jersey City, and Bayonne.

District B includes the counties of Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Hunterdon, Mercer, and Warren.

District C includes the counties of Middlesex, Monmouth, Ocean, Somerset, Union, and Essex (excluding Newark).

District D includes the counties of Bergen, Morris, Passaic, Sussex, and Hudson (excluding Jersey City and Bayonne).

⁸⁹ Share loans outstanding (\$12,940,054) amounted, in 1928, to 2.4 per cent of the mortgage loans outstanding.

BUILDING AND LOAN IN NEW JERSEY

savings fund, and who is protected by insurance against unforeseen emergencies which might otherwise necessitate withdrawal, building and loan instalment shares offer a higher (six to seven per cent) return than any other savings institution in the State.

For the saver who wishes to set aside a sum and allow it to grow through compound dividend accumulation, building and loan single-payment shares are attractive. They are relatively a new type of share and experience with them is not yet abundant. The feature of regularly recurrent payments, however, is eliminated.

Paid-up shares compete principally with mortgage company investment certificates and usually yield the investor a regular cash dividend of between five and six per cent per annum.

Optional payment associations appear to have earnings similar (six to seven per cent) to those of serial associations, but to be more generous in their withdrawal allowances. To the extent that they operate on a "full profit on all withdrawals" basis they are in direct competition with savings banks and the savings departments of commercial banks. Members can pay as much and as often as they choose.

With respect to investment standing, therefore, building and loan shares appear in a very favorable light. Earnings and safety are high and shares are normally readily convertible into cash.

CHAPTER VII

LOAN PRACTICES: LOAN PROCEDURE

REAL estate loans are the chief outlet for building and loan association funds and are the principal source of association profit. It is in this side of association activity that business sagacity is the chief prerequisite to administrative success.

Application for a Loan

The would-be borrower, who either is already a member of the association or who has heard of the building and loan association through a friend, after satisfying himself that this is the type of loan that best fits his needs, files a formal loan application with the association. This includes a description of the property, a statement of its location, encumbrances, land and building values, etc. If the application is that of a newcomer for a regular, fully amortized, building and loan loan, an application for shares in the association, of a maturity value equal to the face amount of the loan, must also be filed.

Appraisal Fees

Most associations require that an appraisal fee accompany the loan application. This fee usually goes as compensation to the members of the Board of Directors who are sent out to appraise the property, and must be paid by the applicant, in most cases, whether the association accepts or rejects the application. In some associations, however, the borrower need not pay an appraisal fee¹ and in a few others the fee, or a part of it, is refundable if the loan is not granted. On a local loan of \$5,000 the most usual appraisal fee is from three to ten dollars. The following is a distribution table of appraisal fees on a local loan

¹ So indicated in the replies of only 23 of the 205 associations reporting. In the majority of these associations, the appraisers receive special compensation for their appraisal service direct from the association treasury.

APPLICATION FOR LOAN
TO
"X" BUILDING AND LOAN ASSOCIATION

The undersigned desires to procure a loan of \$ on the bond
of 193.....
Name of husband or wife
Secured by mortgage on the following property:
Located on the.....side of (No.....) N.J.
Distant.....feet.....from the corner of.....
Size of lot.....x..... Size of building.....x..... Bldg. Material.....
Purpose of use: Dwelling..... Store..... Garage.....
Improvements: Gas..... Electric..... Bath..... Heat.....
Is any building now in course of erection? Repairs in progress? Or made within four months?
Monthly rent: Dwelling \$..... Store \$..... Garage \$..... Total \$.....
Value of Lot \$..... Value of Building \$..... Total \$.....
Present incumbrances \$.....
REMARKS:

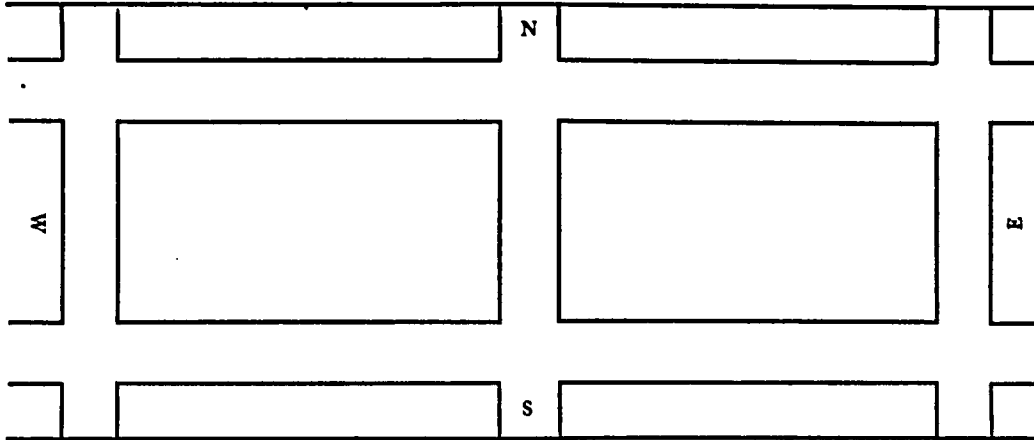
If this loan is granted either in the amount applied for, or in such other amount as the undersigned is willing to accept, the undersigned agrees to pay on demand:

1. The title examination and title closing fees and disbursements of counsel for said Association.
2. The premium fixed by the association upon the granting of said loan.

3. The premiums for fire and tornado insurance in such amount as the Association deems necessary for its protection which the undersigned agrees shall be effected on his behalf, not in excess of the value of the building on said premises, during the period of the loan by such brokers as the Association may designate.

If the undersigned is not the owner, but the agent for the owner, he represents that he is duly authorized by the owner to sign in his behalf.

Signature Owner
P.O. Address Agent
By Agent
Phone No.



We have examined the property within described and appraise it as follows:

Value of Ground \$.....	Total Value \$.....
Value of Building \$.....	Insurance required \$.....

We recommend that this application be granted in the sum of \$..... at..... % premium,
 that the mortgage money be advanced as the building progresses upon the report of.....
 that \$..... be withheld until the following repairs have been made

Dated193...

Committee.

BUILDING AND LOAN IN NEW JERSEY

..... |

Book Number..... Date.....193...

I hereby make application for.....Installment Shares in
 "X" BUILDING AND LOAN ASSOCIATION OF ELIZABETH, N.J.
 and agree to abide by the Constitution, copy of which I have received, and
 future amendments thereto.

Signature {

Residence Name in Full

Street Number City

Married..... Single.....

Wife's Name

Husband's Name

Date..... TRANSFERRED

Name

Address

of this size charged by 192 associations reporting data on the subject.

Almost one-half (forty-six per cent) of the associations which charge appraisal fees state that their practice is to charge a

TABLE 24*
Frequency Distribution of Appraisal Fees on a Local Loan of \$5,000, by Size Groupings

SIZE OF FEE	NO. OF ASSNS. CHARGING	
0	24	24 (0)
\$1.00	1	} 71 (\$1.00 to \$5.00)
1.50	1	
2.00	9	
3.00	37	
4.00	4	
5.00	19	
6.00	47	} 91 (\$6.00 to \$10.00)
7.00	1	
8.00	1	
9.00	29	
10.00	13	
12.50	2	
15.00	3	} 6 (\$12.50 to \$20.00)
20.00	1	
Total reporting		192

*Data from questionnaires.

LOAN PRACTICES: LOAN PROCEDURE

higher fee on distant loans than on local loans; and twenty-eight associations (fifteen per cent of those reporting fees) vary the appraisal fee with the size of the loan. The former practice prevails to some extent in practically all the counties of the State, but the latter appears to be confined to associations in the Counties of Atlantic, Bergen, Essex, Hudson, Morris, and Passaic. Table 25 indicates these practices by counties.

In practically all cases in which associations charge more on distant than on local loans, the local charges are lower than in those associations which do not base their charges on distance.

TABLE 25*
Appraisal Fee Practice, Mortgage Loans on Completed Properties, Building and Loan Associations in New Jersey, 1928

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. REPORTING APPRAISAL FEES	PER CENT OF ASSNS. REPORTING	ASSNS. CHARGING HIGHER FEE ON DISTANT LOANS THAN ON LOCAL LOANS		ASSNS. CHARGING HIGHER FEE FOR LARGER LOANS	
				NO. ASSNS.	PER CENT OF ASSNS. REPORTING FEES	NO. ASSNS.	PER CENT OF ASSNS. REPORTING FEES
Atlantic	10	10	100%	4	40%	3	30%
Bergen	21	18	86	7	39	1	6
Burlington	4	3	75	—	—	—	—
Camden	20	20	100	12	60	—	—
Cape May	3	3	100	1	33	—	—
Cumberland	4	2	50	—	—	—	—
Essex	51	51	100	34	67	11	22
Gloucester	6	2	33	2	100	—	—
Hudson	20	20	100	2	10	8	40
Hunterdon	1	1	100	—	—	—	—
Mercer	8	7	88	3	43	—	—
Middlesex	13	11	85	6	55	—	—
Monmouth	6	5	83	3	60	—	—
Morris	6	5	83	2	40	1	20
Ocean	2	2	100	1	50	—	—
Passaic	12	10	83	2	20	4	40
Salem	2	1	50	1	100	—	—
Somerset	1	1	100	1	100	—	—
Sussex	—	—	—	—	—	—	—
Union	12	10	83	3	30	—	—
Warren	3	1	33	1	100	—	—
State	205	182	88.8%	85	46.2%	28	15.4%

*Data from questionnaires.

BUILDING AND LOAN IN NEW JERSEY

Associations of the former type charge a fee about twice as high, on the average, for distant loans as for local loans. In the accompanying tabulation appraisal fees on distant loans are compared with fees on local loans in those associations which vary their fees on this basis. Distant loans are defined as those made on properties which are located at least ten miles from the city or town in which the association is located, or if the community is small, ten miles distant from the association headquarters. The figures are all arithmetical averages.

In Table 27 comparison of appraisal fees is made for those

TABLE 26*
Appraisal Fees Imposed on Local and on Distant Loans (of \$5,000) by Those Associations Which Vary Their Fees on This Basis, 1928

COUNTY	ALL REPORTING ASSOCIATIONS	ASSOCIATIONS WHICH CHARGE ACCORDING TO DISTANCE		
		LOCAL	DISTANT	DISTANT IN TERMS OF LOCAL (TIMES AS LARGE)
Atlantic	\$5.00	\$4.20	\$10.80	2.6
Bergen	6.84	3.64	8.00	2.2
Burlington	3.00	—	—	—
Camden	3.35	3.05	5.36	1.8
Cape May	8.67	6.00	12.00	2.0
Cumberland	2.50	—	—	—
Essex	7.49	6.90	11.00	1.6
Gloucester	3.00	1.50	6.50	4.3
Hudson	7.30	6.00	11.00	1.8
Hunterdon	—	—	—	—
Mercer	5.00	4.00	12.67	3.2
Middlesex	6.80	5.33	9.83	1.8
Monmouth	5.00	3.00	6.50	2.2
Morris	7.50	6.00	9.00	1.5
Ocean	3.00	—	—	—
Passaic	5.22	4.00	5.00	1.3
Salem	—	—	7.00	—
Somerset	6.00	6.00	9.00	1.5
Sussex	—	—	—	—
Union	5.44	5.00	9.00	1.8
Warren	1.50	1.50	5.00	3.3
State	\$6.14†	\$5.08	\$9.33	1.84

* Figures are all arithmetic averages. Column 1, however, is not an average of columns 2 and 3, but is an average of individual calculations for each association. The State total figures also are not averages of averages, but represent direct calculation.

† Represents 170 reporting associations.

LOAN PRACTICES: LOAN PROCEDURE

associations in which the fee varies with the size of the loan. Here the fee averages slightly over twice as high on large loans (loans of over \$12,500) as on small loans. There appears, however, to be no tendency for associations which scale their fees according to the size of a loan to charge a fee on the smaller

TABLE 27*

Appraisal Fees Imposed on Small and on Large Loans by Those Associations Which Vary Their Fees on This Basis, 1928

COUNTY	NO. ASSNS. REPORTING	AVERAGE FEE ON LOANS OF UNDER \$5000	AVERAGE FEE ON LOANS OF \$5000 AND OVER	LARGE IN TERMS OF SMALL (TIMES AS HIGH)
Atlantic	3	\$7.00	\$11.67	1.7
Bergen	1	5.00	12.50	2.5
Essex	11†	8.44	13.89	1.6
Hudson	8	6.48	13.75	2.1
Morris	1	10.00	35.00	3.5
Passaic	4‡	3.67	10.67	2.9
State	28	\$6.96	\$14.34	2.1

* Figures are all arithmetic averages.

† Nine associations giving data.

‡ Three associations report that they "leave it to the committee to decide."

loans lower than the fee charged by those associations which do not so scale their fees. Where the practice prevails, therefore, it affords no differential advantage to the small borrower.

Geographical Spread

The questionnaire asked that the most distant point at which the association has a mortgage loan outstanding be named and that a statement of the amount on loan there also be given. Replies to the first query were received from 179 associations and to the latter, from ninety-three. In Table 28, which lists these data by counties, it will be observed that the tendency is to restrict loans to local properties. Only four of the 179 reporting associations have loans outstanding on properties over fifty miles distant. The data on the size of such loans, however, are too meagre to lead to a trustworthy conclusion as to what extent associations confine distant loans to small amounts.

BUILDING AND LOAN IN NEW JERSEY

TABLE 28

Distance at Which Associations Grant Mortgage Loans

COUNTY	NO. ASSNS. REPORTING	MOST DISTANT LOAN REPORTED							
		UNDER 5 MILES	5-10 MILES	10-20 MILES	20-30 MILES	30-40 MILES	40-50 MILES	50-60 MILES	60-70 MILES
Atlantic	9	1	2	3	3	—	—	—	—
Bergen	18	4	5	5	3	1	—	—	—
Burlington	4	2	1	—	1	—	—	—	—
Camden	17	3	3	3	3	2	2	—	1*
Cape May	3	1	—	1	1	—	—	—	—
Cumberland	4	3	1	—	—	—	—	—	—
Essex	41	5	8	10	7	6	3	1	1†
Gloucester	5	1	2	1	—	—	—	1	—
Hudson	20	7	6	2	4	1	—	—	—
Hunterdon	1	—	1	—	—	—	—	—	—
Mercer	6	2	2	2	—	—	—	—	—
Middlesex	12	8	1	1	—	2	—	—	—
Monmouth	6	1	1	4	—	—	—	—	—
Morris	5	2	1	1	1	—	—	—	—
Ocean	2	—	1	1	—	—	—	—	—
Passaic	12	4	4	2	2	—	—	—	—
Salem	2	—	—	1	—	—	1	—	—
Somerset	1	—	—	—	1	—	—	—	—
Sussex	—	—	—	—	—	—	—	—	—
Union	8	3	2	2	—	1	—	—	—
Warren	3	1	1	1	—	—	—	—	—
State	179	48	42	40	26	13	6	2	2

* Loan of \$4,000.

† Loan of \$25,000.

This appears to substantiate the statement, often made, that one of the factors for safety in a local building and loan association is the intimate knowledge which those in control possess of real estate values. The fiasco of the national associations in the 'nineties was due, in large part, to just this lack of intimacy with loan risks, and it cost innocent investors many thousands of dollars. Real estate values are not easy to arrive at, and long familiarity in a given locality is often worth more than highly complicated formulae in the hands of "experts" viewing a property for the first time.

Size of Loans

An estimate of the size of the typical mortgage loan of a building and loan association is difficult to reach. The question

LOAN PRACTICES: LOAN PROCEDURE

asking for information on this subject elicited replies from 142 associations, in the form of a statement of the total amount and total number of new loans granted, by years, back for about nine years. Unfortunately, many of the associations were unable to resurrect data for the earlier years.² The amount loaned was then divided by the number of loans granted to obtain an average. Loans, it seems, have been increasing in size practically steadily since 1919—from an average in that year of around \$3,000 (for the State as a whole) to approximately \$7,500 in 1928.³ Three forces, in combination, probably account for this. First, the real estate market has been, until quite recently, very active. Property values and building costs have been advancing and general optimism has pervaded the financial atmosphere. Second, associations in certain portions of the State have been lending more and more on business properties—principally on apartment houses and to contractors and builders of blocks of dwellings. This would tend, of course, to increase the general average considerably. Third, and in part causal of the second, the long-time trend in home-styles is, in the middle as well as in the upper levels, away from private dwellings and toward an apartment existence. Specialization, in the form of canned housing, has been invading the field of home-making for some time, particularly in the larger metropolitan areas.

It is impossible to say what proportion of the increase in the average size of loans is due to the first, and what proportion to the second and third causes. It is significant, however, that the largest loans appear in Hudson and Essex Counties (which include Jersey City and Newark) and the smallest in rural Monmouth and Hunterdon Counties.

² Number of associations reporting data on size of loans:

1928	135 associations	1923	93 associations
1927	142 "	1922	80 "
1926	136 "	1921	68 "
1925	122 "	1920	55 "
1924	111 "	1919	48 "

³ See Table O in the Appendix.

BUILDING AND LOAN IN NEW JERSEY

Property Appraisal

The appraisal committee, usually composed of members of the Board of Directors,⁴ is charged with the responsibility of visiting properties and appraising them for lending purposes. If a regular building and loan association amortized loan is being sought, the association, as has already been noted, is required by State law to limit its loan to eighty per cent of the cash value of the property. The appraisal committee's function is to estimate this "cash value."

The value of real property, however, is extremely intangible and frequently very difficult to ascertain. Real estate usually does not pass hands as often or as easily, and hence carries no obvious market-price tag, as does a pound of sugar or a pair of shoes. The appraised value assigned for taxing purposes cannot be utilized for not only is this almost always below the true market value, but the degree of undervaluation, itself, is far from uniform in all communities. Only when actual sale occurs does the market value of the piece of property emerge. Appraisal by a lending institution, therefore, is bound to be an estimate, or an approximation, of what, in view of all the attending circumstances, would appear to be a fair price; a guess as to what price the property would bring at an unforced sale.

Many pages have been written on scientific real estate appraising.⁵ There are those who hold that this type of work is fast evolving, in this country as in England, from a business into a profession. It is an open question, however, whether the opinion of an expert, previously unacquainted with a piece of property,

⁴ *supra*, p. 63.

⁵ See Babcock, F. M., *The Appraisal of Real Estate*, New York, Macmillan (1925); Zangerle, J. A., *Principles of Real Estate Appraising*, McMichael Publishing Organization, Cleveland, Ohio (1924); Hurd, R. M., *Principles of City Land Values*, Record and Guide Publishing Company, New York (1905); West Side Branch, Y.M.C.A. (Combined authorship of E. H. Gilbert, G. R. Davis, I. Ruland, and others), *Practical Real Estate Methods*, Doubleday Page, New York (1919); Bodfish, H. M., *Money Lending Practices of Building and Loan Associations in Ohio*, Ohio State Press; Mertzke, A. J., "Syllabus of Real Estate Appraising," in the *Building and Loan Guide*, Newark, N.J. (May 1928); Clark, H. F., and Chase, F. A., *Elements of the Modern Building and Loan Associations*, Chap. XI.

LOAN PRACTICES: LOAN PROCEDURE

is worth more or less than the opinion of a man who has lived in close proximity to the property for a number of years and who has had ample opportunity to "know the town." The expert, of course, is free from that temptation to overestimate values which is bred of local pride. On the other hand, the local man, in his appraisal, is judging the worth of an investment for his own association which ought to be ample inducement to an offsetting conservatism.

The technique of scientific appraising is complex. For a complete exposition of some 300 pages, in addition to many tables and formulae, the reader is referred to the work by Babcock.⁶ A briefer account appears in Clark and Chase.⁷ As the purpose here is to inquire into New Jersey practices and not simply to restate the general discussions in the works already extant on the subject, it will suffice to point out only several of the more important factors that should not be lost sight of.

First, an appraiser should be impartial. He should have no personal interest in the property he is appraising, unless this interest is definitely noted in the appraisal report.

Second, land and improvements should be appraised as a unit by a single appraiser (or committee). Improvements on land often become part of the land and it is practically impossible to disentangle the two.

Third, it is necessary that the appraiser be thoroughly conversant with the many factors which affect real estate values, such as transportation facilities, class of residents in the neighborhood, improvements installed and liability to assessment therefor, street paving, schools (whether too far or too near), et cetera.

Fourth, he should be sufficiently familiar with building materials and construction methods to be able to judge construction values. This includes such items as state of repair, heating systems, current tastes in home styles, capitalization of actual or probable rental income, et cetera.

⁶ *op. cit.*

⁷ *loc. cit.*

BUILDING AND LOAN IN NEW JERSEY

The appraisal committee receives notice, usually from the association Secretary on order of the Board of Directors, to appraise the property of an applicant. The members visit the property (either individually or as a committee) and render their report and recommendations to the Board of Directors with whom final decision rests. In practice, however, the decision of the Directors is largely dependent upon that of the appraisal committee. The need for sound appraisal methods can hardly be overemphasized; it is the business base upon which the entire association structure rests.

In about five per cent of the associations reporting outsiders are called in to aid members of the Board of Directors in appraisal work. Some few of these are professional appraisers; the others are members of the association who happen also to be building men and whose aid is sought because of their all-round experience in construction matters. For the most part, building and loan appraisal work is conducted by Board members themselves; in some cases, when an application for a large loan is up for consideration, the entire Board assumes the rôle of appraisal committee.

With appraisal duties vested in the hands of the associations themselves, one may well ask: Just how much meaning attaches to the requirement of the law that loans be restricted to eighty per cent of the "cash value" of the property? If value were something tangible and easily ascertainable, the restriction would be significant. But it is an intangible; all that it can possibly signify is that Directors should limit the amount of all loans to eighty per cent of *what they think is the market value of the property*. Several associations even admit that in practice their method is first to judge the size of the loan they deem safe, and then to adjust the appraised value on this as a basis so as to come within the legal limit. Unscientific? Perhaps; but probably equally as sound and no less safe when practised by men of sound experience, than many more complicated methods.

LOAN PRACTICES: LOAN PROCEDURE

The questionnaire included the query: "To what average (not necessarily the same as the legal maximum) percentage of appraised value does your association lend . . . (a) on city property? (b) on suburban property? (c) on rural property?" Complete replies were received from about 170 associations. In interpreting the percentages presented in Table 29 it should be borne in mind that they represent, not the average percentage of appraised value on which associations lend, but the *maximum* to which they will lend as a matter of policy. The percentages themselves are not particularly significant. A percentage lower than the eighty per cent legal maximum indicates an *intention* on the part of an association to adhere to a conservatism more pronounced than that required by law, and it is this intent that matters.

The modal maximum percentage for all associations reporting is from sixty-five to seventy per cent on all but rural loans, where the maximum drops to from fifty-five to sixty per cent. Rural property values tend to be more rigid than urban and suburban values. Rural property usually passes hands less frequently and for this reason its value is less determinable than city and town lots. Its income is often in non-monetary form and cannot easily be capitalized objectively. It will be observed from Table 29, which presents cumulative percentage figures, that the tendency is for greater conservatism in lending on suburban than on city properties, and for still greater conservatism when it comes to making loans on properties situated in the country. Eighty-seven per cent of all the associations reporting lend to a maximum of from sixty-five to seventy per cent of the appraised value on city properties, two-thirds of them lend up to sixty-five or seventy per cent on suburban properties, but less than one-third lend up to that percentage on rural properties.

One would expect the percentages of appraised values loaned on—and the appraised values themselves—to be higher when an association finds itself with a large amount of idle cash on its hands than when the demand for loans is brisk. In certain sections of the State today, where loan applications are not

BUILDING AND LOAN IN NEW JERSEY

TABLE 29

*Maximum Percentage of Appraised Value on Which Associations Will Lend,
City, Suburban, and Rural Properties Compared, 1928*

PERCENTAGE OF APPRAISED VALUE	CITY PROPERTY		SUBURBAN PROPERTY		RURAL PROPERTY	
	NO. ASSNS. LENDING UP TO THIS PER-CENTAGE AS MAXIMUM	CUMULATIVE PER CENT	NO. ASSNS. LENDING UP TO THIS PER-CENTAGE AS MAXIMUM	CUMULATIVE PER CENT	NO. ASSNS. LENDING UP TO THIS PER-CENTAGE AS MAXIMUM	CUMULATIVE PER CENT
75-80%	41	24.8%	25	14.7%	9	8.3%
70-75	48	53.9	37	36.5	9	16.7
65-70	54	86.7	52	67.1	14	29.6
60-65	11	93.3	26	82.4	16	44.4
55-60	10	99.4	26	97.6	35	76.9
50-55	1	100.0	4	100.0	3	79.6
under 50	—	100.0	—	100.0	22	100.0
No. assns. reporting	165		170		108	

coming in as easily or as fast as they did a few years ago, this tendency might well obtain. Safety is the prime consideration, and if the foreclosure record of the past is any guide at all, the conclusion seems warranted that building and loan associations have been operating on margins of safety well above the danger line. The increase in the number of foreclosures in certain counties of the State⁸ in 1928 is perhaps an indication that, in those quarters, a less generous appraisal policy should be followed.

Table 30 presents data for the maximum percentages loaned by associations in nine selected cities of the State. Comparability among the cities enumerated, however, is lessened by lack of information as to the relative heights of appraised values. The percentages in the table represent arithmetical averages of the maximum percentages to which reporting associations will lend in each city. Jersey City associations have an average maximum of 74.7 per cent. The corresponding figure for Camden is 71.3 per cent. Yet, this, by itself, does not mean that the average association in Jersey City is more generous than the average association in Camden, unless the appraisals in the latter are

⁸ *infra*, p. 260.

LOAN PRACTICES: LOAN PROCEDURE

no higher than in the former. Further, it fails to serve as a general indicator of loan practice in this respect, since the percentages are maxima and not necessarily the average. These figures are presented here, despite these qualifications, because so far as the writer is aware they are the most adequate figures available.

TABLE 30*
*Maximum Percentage of Appraised Value upon Which Associations Will Lend,
Selected Cities of New Jersey, 1928*

CITY	LOANS ON CITY PROPERTY		LOANS ON SUBURBAN PROPERTY		LOANS ON RURAL PROPERTY	
Newark	(42)†	74.8%	(41)	71.9%	(25)	63.4%
Jersey City	(15)	74.7	(10)	72.0	(2)	62.5
Elizabeth	(6)	74.7	(6)	70.8	(5)	68.0
Paterson	(9)	72.0	(8)	70.0	(4)	60.0
Camden	(13)	71.3	(12)	63.8	(8)	53.8
East Orange	(6)	71.0	(6)	70.0	(2)	65.0
Atlantic City	(8)	70.6	(7)	64.3	(2)	67.5‡
Trenton	(5)	69.0	(5)	63.0	(4)	56.3
New Brunswick	(4)	67.5	(3)	65.0	(3)	61.7

* Percentages are arithmetic averages of percentages as reported by the associations on the questionnaire.

† Figures in parentheses indicate number of associations reporting data.

‡ Rural figure is high in this case because associations reporting rural loans happen to be associations reporting high figure also for city loans. In no single association is the rural figure higher than the city or suburban figure.

Credit Inquiry

Appraisal is for the purpose of ascertaining the probable market value of a piece of property which is to serve as security for a loan. But, no loan is made to property. Loans are always made to individuals, and an individual can damage property, as well as default in payment of interest. Associations lend in order to receive interest income, and every foreclosure represents potential loss. Other things equal, therefore, the man with a good credit standing ought to be able to obtain a larger loan than the man with a poor record.

Yet, only sixty-eight of the 215 associations (thirty-two per cent) reporting, state that they make any credit in-

BUILDING AND LOAN IN NEW JERSEY

quiry whatsoever. And, of these, only fifty-two make it as a matter of regular practice.⁹ When real estate values are sky-rocketing it seems pointless to investigate the personal credit status of the borrower on a real estate loan. All is then colored with optimism. The equity in the property is high and the good times forecast no probability of foreclosure. But, when the real estate market becomes sluggish, when real estate values begin to drop, the question of personal credit is all too likely to become of paramount importance.¹⁰

However, as the majority of loans are still made to individual home owners rather than to apartment house builders, these figures must be modified by the fact that in many such cases the Directors are personally acquainted with the applicant and can vouch for his financial integrity. It is only in the case of the large loan—and particularly the large loan in the large association, where personal knowledge concerning the borrower is lacking, that a formal credit inquiry is necessary. Were all those cases in which the Directors have a general idea of the applicant's financial competency to be tallied as "credit inquiry" the proportion of associations making such inquiry would be far greater than one-third.

The next step, after the Board decides that a piece of property appears to be a sound business risk, is for the association to secure an examination of the title to the property. Title tracing is a complicated procedure and requires skill and the weighed opinion of one trained in the art of detecting legal pitfalls. Here the association attorney plays his part. Legal fees for his service vary¹¹ and are borne by the applicant. In most smaller associations the attorney's search is usually relied upon. In a few cases where loss has occurred due to faulty search the attorney has been known to make good the loss out of his own

⁹ See Table P in the Appendix for data by counties.

¹⁰ *infra*, p. 259.

¹¹ Attorneys were reticent in their answers to the question on legal fees. In those associations which did answer there appears to be little uniformity in the fees charged. *infra*, Chap. X.

LOAN PRACTICES: LOAN PROCEDURE

pocket. This, however, is a moral rather than a legal obligation. As all men—even lawyers—are liable to err, much can be said for the *theory* that title to property pledged for a loan should be insured against defect.¹² The advantages of effective title insurance are obvious when it is remembered that an attorney is liable to his client for errors in an examination of title only if negligence is proved.¹³ No negligence is present if hidden claims later appear, or if any one of the many technicalities arise.

Title Insurance

In the opinion of a number of prominent building and loan attorneys, however, with whom the writer has discussed this subject, there are a number of title insurance policies now in force in New Jersey that do not furnish anything approaching adequate protection. Poor insurance is worse than no insurance for its only effect is to add unnecessarily to the cost of the loan. The fact that those who are in intimate contact with the title insurance situation are firm in the conviction that many title insurance policies do not fully insure indicates that caution is needed to see that when full insurance is paid for, full insurance is received.¹⁴

Title insurance is carried in at least three ways in New Jersey today. The first of these is the plan in which the title insurance company guarantees the title, draws the mortgage papers, and disburses the funds without supervision by the counsel of the building and loan association. Second is the plan in which

¹² For a concise discussion of title insurance, and particularly title insurance activity of trust companies, see Smith, J. G., *Development of Trust Companies in the United States*, pp. 154-63.

¹³ *Jacobson v. Peterson*, 92 N.J. Law 631.

¹⁴ The title insurance situation in New Jersey today is similar, according to one of the authorities alluded to in the text, to that of fire insurance some years ago. The many conditional clauses—usually printed in small type—contained in the policies, frequently granted almost complete immunity to the insuring companies when fire actually occurred. The State finally stepped in by passing a law providing the terms of the standard fire insurance policy which is now in use throughout New Jersey.

BUILDING AND LOAN IN NEW JERSEY

the entire fee—in this case usually quite low—is paid to, and retained by, the title company. The attorney of the association then closes the loan and charges the borrower therefor. In the third method the association attorney draws the papers and receives his fee from the borrower. The title company then issues its policy and pays a commission to the attorney.

In only forty-eight (twenty-three per cent) of the 213 associations furnishing data on the subject is title insurance required. The practice appears to be confined to the Counties of Atlantic, Camden, Bergen, Cape May, Essex, Hudson, and

TABLE 31
Data on Use and Cost of Title Insurance by Building and Loan Associations in New Jersey, 1928

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. REPORTING USE OF TITLE INSURANCE	COST (MODAL)
Atlantic	11	11	\$50 per \$2,000; \$3.50 per thousand thereafter
Bergen	22	8	\$45 per \$3,000; \$2.50 per thousand thereafter
Burlington	4	—	
Camden	20	14	\$45 per \$2,000; \$3.50 per thousand thereafter
Cape May	3	1	\$55 per \$2,000.
Cumberland	4	—	
Essex	55	11	*
Gloucester	5	—	
Hudson	22	2	\$75 per \$1,000; \$5.00 per thousand thereafter
Hunterdon	1	—	
Mercer	8	—	
Middlesex	14	—	
Monmouth	6	—	
Morris	6	—	
Ocean	2	—	
Passaic	12	—	
Salem	2	—	
Somerset	1	—	
Sussex	—	—	
Union	12	1	
Warren	3	—	
State	213	48 (22.5%)	

*Not reported.

LOAN PRACTICES: LOAN PROCEDURE

Union. The cost of title insurance varies, but is usually in the vicinity of \$50 for the first \$2,000 with an additional charge of from \$.50 to \$5.00 per \$1,000 thereafter. (See Table 31.)

*Other Insurance*¹⁸

The matter of insurance on properties mortgaged with them is important if building and loan associations are to derive the full advantages of risk diffusion. Insurance is obtainable against fire, tornado, explosion, error, safe-cracking, hold-up, embezzlement, plate-glass breakage, and against almost all other conceivable potential loss.

The intricacies of insurance law and insurance forms are so many that every detail should be checked by one who knows. Nothing should be taken for granted. We can discuss here only a few of the more important considerations.

Fire insurance on buildings is necessary if the association's equity in a property is not to melt away in the flames of fire. A standard form¹⁹ for fire insurance in cases where the mortgagee is a building and loan association has been evolved and issued by the Schedule Rating Office of New Jersey.

The presence of a co-insurance clause can often give an association much trouble if it is not closely watched. Although this clause is not required throughout the State, it is often present

¹⁸ For helpful suggestions on the subject of insurance coverage, the author is indebted to Mr. E. W. Phares, Treasurer of the New Jersey League of Building and Loan Associations. See, too, the report of the address by Leon A. Watson, Expert of the Schedule Rating Office of New Jersey, at the 1928 Annual Convention of the New Jersey League at Atlantic City, appearing in the *Building and Loan Guide*, July 1928.

¹⁹ This is known as form number 103-A and contains clauses making specific provisions for (1) permission to use steam heat, gas, or electricity for lighting or heating, (2) permission to allow house to remain unoccupied for a specified period of time, (3) privilege of using a limited amount of gasoline for domestic purposes, (4) privilege of making minor alterations, known as the "Mechanics' Privilege," (5) radio permit, (6) coverage on losses by lightning, (7) permission to have other insurance without notice until required, and (8) the standard "mortgagee clause" (which holds the association, which is the mortgagee, liable for payment of the insurance premium should the mortgagor default, and which makes the insurance payable to the association as its interest may appear). Other risks are taken care of by the addition of "riders" to this standard form.

BUILDING AND LOAN IN NEW JERSEY

in insurance policies covering high-risk mercantile and industrial properties. It provides that unless a certain percentage of the value of the building is fully covered by insurance the owner himself becomes a co-insurer for the proportion of the value not covered. In illustration, suppose a fire insurance policy contains an eighty per cent co-insurance clause (which is the most common type). This means that the owner must carry insurance up to at least eighty per cent of the value of the property in order to receive the face amount of the policy. If, in such a case, only \$6,000 insurance were carried on a property valued at \$10,000, the company would be liable, in the event of a fire, for only six-eighths of the loss, no matter how small that loss might be. On a fire damage of \$800, therefore, the insured would receive only \$600. The importance to a building and loan association of a careful and constant check-up to make sure that the insurance is sufficient to cover full loss in case of a fire is self-evident.

The question of this check-up on policies containing the co-insurance clause was included in the questionnaire and those associations to which it applied answered that check-up is left to the association Secretary. Unfortunately, the true import of the question was overlooked, which is the *method* of that check-up. A card file of property values and insurance coverage should be maintained, frequently checked, and supplemented by a tickler file of policy expiration dates. About one-third of the associations answering this question replied that they accept policies which contain the co-insurance clause. (See Table 32.) It seems to occur most frequently, relatively, in Hudson, Union, and Bergen Counties.

In some localities there are municipal ordinances which require, in certain areas, the demolition of a building in the event of partial destruction by fire, the purpose being to prevent the rebuilding of prohibited types of structures. Where such ordinances apply it is advisable that building and loan associations require the *demolition clause* in their insurance policies. This clause provides that the insurance company is to be held liable

LOAN PRACTICES: LOAN PROCEDURE

TABLE 32*

Data on Insurance, Building and Loan Associations in New Jersey, 1928

	NO. ASSNS. REPLYING	NO. ASSNS. ANSWERING "YES"	PER CENT OF ASSNS. ANSWERING "YES"
Does your association accept fire insurance policies containing the co-insurance clause?	208	65	31%
Does your association require the Demolition Clause in policies covering properties located in restricted districts?	173	15	9
Does your association require tornado or wind insurance?	211	65	31
Does your association purchase errors and omission insurance?	209	13	6

* Replies by counties will be found in Table Q, in the Appendix.

for the expense of tearing down that portion of the building not destroyed by the fire.¹⁷ Of the 173 associations replying to a question on the subject, fifteen (nine per cent) stated that they require the demolition clause. It is not needed, of course, where municipal demolition ordinances do not prevail. (See Table 32.)

New Jersey is in a geographical belt, parts of which are frequently visited by severe windstorms. In suburban and rural areas this is a real danger, for the houses are much more at the mercy of the elements than are houses in city areas. In localities where such manifestations of nature's wrath are probable, tornado, or wind insurance should be carried. Such insurance should also include a demolition clause in localities where demolition ordinances are in force, as well as coverage of possible subsequent fire damage occasioned by the wind, if this is not already covered in the regular fire insurance policy. Sixty-five of the 211 reporting associations (thirty-one per cent) state that they carry tornado insurance and it appears to be most frequently carried, relatively, in Camden and Bergen Counties,

¹⁷ But not liable to pay the increased cost of the new construction to replace the old.

BUILDING AND LOAN IN NEW JERSEY

although it appears to be gaining in popularity in other portions of the State.

So much for the insurance of properties on which building and loan associations have mortgage loans. There are risks such as explosion, plate glass breakage, and the like, which should be covered by insurance in those individual cases where such risks are present.

Risks also are incurred in the management and operation of building and loan associations themselves and these should be adequately covered by insurance policies. Among the policies which are designed to cover such risks are fidelity bonds, employee's compensation, hold-up, safe breakage, plate-glass, public liability, and errors and omissions insurance. Most of these are readily understood and do not require discussion. The State law demands that employees be bonded and there has been considerable agitation for a uniform fidelity bond. Because of the lower risk ratio (due to the fact that employees of building and loan associations do not come into contact with large amounts of negotiable funds, which are required by law to be deposited in a bank promptly upon their receipt) building and loan associations should be able to secure lower premium rates on this type of insurance. The State League has for some time been endeavoring to secure the adoption of more favorable rates by the insurance companies writing fidelity insurance.

Errors and omissions insurance is carried in about six per cent of the reporting associations as protection against neglect on the part of an insurance agent to renew a policy upon its expiration, and for losses by fire and lightning where, through error or omission, specific insurance is invalid, insufficient, or unprovided for. As its name implies, it is insurance against errors and omissions. The rate is low,¹⁸ and it appears to be a

¹⁸ Five cents per \$100 per annum. See pamphlet by Watson, Leon A., *Errors and Omissions Insurance for Mortgage Interests*, published by the Schedule Rating Office of New Jersey, Trenton, N.J., 1928.

LOAN PRACTICES: LOAN PROCEDURE

highly desirable form of insurance for institutions which have a large number of mortgage loans outstanding. The standard form carries a twenty-five per cent co-insurance clause, requiring that to secure full protection up to the face of the policy, an association must carry insurance up to at least twenty-five per cent of the total mortgage loans outstanding.

Life insurance is not ordinarily thought of as being a direct concern of a building and loan association. Yet, should a borrower die before his loan expires, the association stands a chance of having to foreclose and possibly having to stand a loss. A life insurance policy, if large enough, would enable the widow to continue payments to the association, or at least, not force her to default. Riegel and Doubman¹⁹ have described some of the plans in use in other States by which life insurance for building and loan borrowers is provided for. The advantages of life insurance to the family of a decedent are obvious. Term policies which terminate when the shares of the borrower mature are the most popular.

In New Jersey, however, building and loan associations have not taken whole-heartedly to the idea of combining life insurance with borrowing membership in the association. Only one association²⁰ of the 208 responding to the questionnaire on this point reported that life insurance is required of its members, and one other association²¹ reported that the life insurance feature is purely voluntary. The compulsory feature does have the flavor of a grab for business on the part of insurance agents who happen to be also officers of a building and loan association. Voluntary life insurance, on the other hand, has distinct advantages and it would probably be possible to work out a special form of policy for building and loan borrowers in this State, in which the premium could be reduced in view of

¹⁹ Riegel, R., and Doubman, J. R., *The Building-and-Loan Association*, pp. 269-73.

²⁰ In Atlantic City.

²¹ In Trenton.

BUILDING AND LOAN IN NEW JERSEY

lessened risk and the need for insuring only for the unpaid balance of the loan.²²

Disbursement of Loan Funds

Until 1925 there was little uniformity in the method of making disbursements to borrowers on mortgage loans. In that year the Department of Banking and Insurance surveyed the current practices and on the basis of its findings, in order to eliminate the side-tracking of such funds, ruled that disbursements on loans are to be made in any one of three specified ways:²³

First, by association check to the borrower on a schedule to be furnished by the attorney of the association. Where there are prior liens, separate checks are drawn by the association to the borrower and are endorsed by him to the holders of such liens.

Second, by association check drawn in favor of the attorney and deposited to his credit in a special trust account. Prior liens

²² This is the essence of the plan being worked out in West Virginia. See the address of Walter B. Hilton, Secretary of the West Virginia League of Building and Loan Associations, in the *Building and Loan Guide* for July 1928. He says, in part:

"Ordinary life insurance generally costs too much, becomes too much of a burden, added to our other payments. . . . It is necessary to carry only the unpaid balance of the loan, and starting with \$1,000, through ten years, it diminishes 1/120 every month until it gets to nothing in the end, and paying this premium in advance still further reduces it, by utilizing the investment value of the deposited premium. . . . We believe that the building and loan borrower is not as apt to die in the ten years it takes to wipe out his loan, on an average (it is even less than that as an average throughout the country; it is 5½ years) than the average person; that his methods of life are more regular, more methodical; that he eats and sleeps more regularly and methodically; that his objective in life is sufficient to give him an interest in existence. He is married, or he probably wouldn't be undertaking it; his wife is looking after him to a considerable degree, making him put on his rubbers when he goes out in the wet, and put his muffler on in the winter-time, and sees that he gets properly cooked food. Because of these things, he works instead of loafing, and he will live longer. Therefore, his rate should be lower. And if the building and loan association, through a hundred years of experience, has learned this, then it should apply this peculiar asset that it has developed, to the benefit of the borrower, and therefore to itself."

²³ As outlined in a circular letter of the Department of Banking and Insurance, dated November 24, 1925.

LOAN PRACTICES: LOAN PROCEDURE

and all loan disbursements are then made by the attorney from this account. He is required to keep a record of all disbursements and his accounts are subject to official examination by the Department of Banking and Insurance.

Third, through a title company, under which plan the association draws its check to the borrower who, in turn, endorses it over to a title company which makes all settlements in connection with the closing of the title.

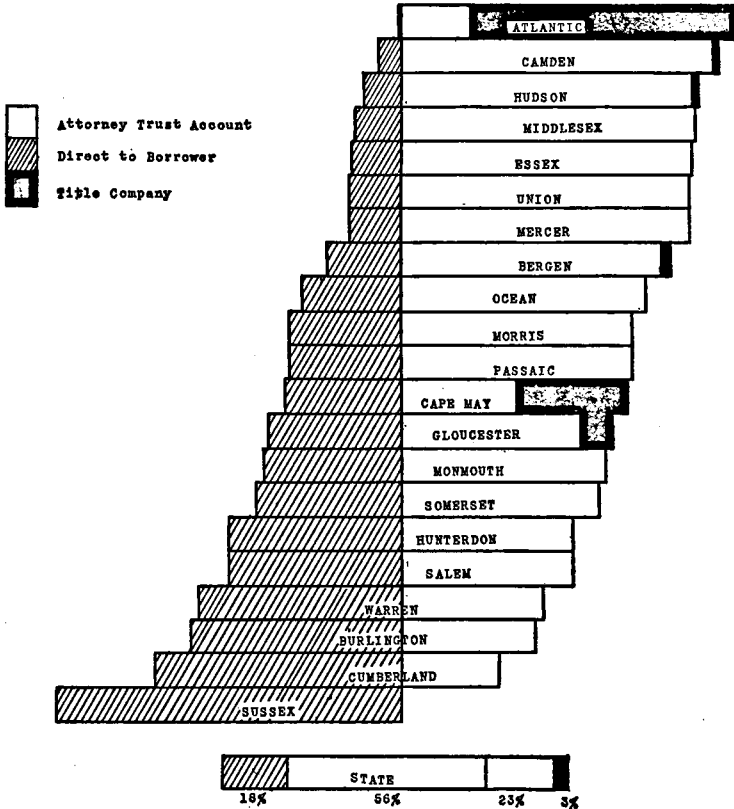
Whether disbursements are made by check in favor of the borrower, through the attorney, or through a title company, there is little room for illicit manipulation. The majority of associations in the State (seventy-nine per cent of the 959

TABLE 33
Methods of Disbursing Funds on Loans, 1928

COUNTY	DIRECT TO BORROWER	THROUGH ATTORNEY			THROUGH TITLE COM- PANIES	ASSNS. REPORT- ING
		WITH SPECIAL TRUST ACCOUNT	WITH NO TRUST ACCOUNT	WITH NO MENTION OF SPECIAL ACCOUNT		
Atlantic	1	2	—	2	19	24
Bergen	12	27	1	13	1	54
Burlington	6	4	—	—	—	10
Camden	6	68	1	39	1	115
Cape May	6	4	—	2	6	18
Cumberland	7	1	—	2	—	10
Essex	50	227	—	75	—	352
Gloucester	7	7	—	3	2	19
Hudson	11	67	—	19	1	98
Hunterdon	3	1	—	2	—	6
Mercer	2	9	—	2	—	13
Middlesex	6	28	—	16	—	50
Monmouth	9	9	—	5	—	23
Morris	6	7	—	6	—	19
Ocean	2	2	—	3	—	7
Passaic	18	32	—	7	—	57
Salem	1	1	—	—	—	2
Somerset	3	2	—	2	—	7
Sussex	3	—	—	—	—	3
Union	10	39	1	15	—	65
Warren	4	3	—	—	—	7
State	173 (18%)	540	3	213	30 (3%)	959
		(79%)				

BUILDING AND LOAN IN NEW JERSEY

CHART XX*: METHODS OF DISBURSING LOAN FUNDS TO BORROWERS, PERCENTAGE DISTRIBUTION OF 959 REPORTING ASSOCIATIONS



* See Table 33.

reporting) have adopted the second plan, whereby funds are disbursed through a special attorney trust account. In the more rural portions of the State checks are usually drawn and actually paid to the borrower. In Atlantic County the title company method (third plan) is the most popular. It is found in use, to a certain degree, also, in Cape May, Camden, Hudson, Bergen, and Gloucester Counties. The title company

LOAN PRACTICES: LOAN PROCEDURE

method has the advantage of eliminating a certain amount of responsibility and routine risk from the shoulders of the attorney and, by placing it in the hands of a large institution specializing in such work, eliminates just so much risk from the association.

CHAPTER VIII

LOAN PRACTICES (CONTINUED)

Types of Loans

THE loans granted by building and loan associations may be classified: (1) as to *security*, (2) as to *stage of building construction*, and (3) as to *terms of repayment*.

I. *Classified as to Security*. This is the broadest classification of the three. Loans may be made on real property, in which case they are always backed (so required by State law since 1903) by a first lien against the property and are known as *first mortgage loans*. Or, they may be made simply on shares of the association pledged by the owner of such shares as collateral for what is known as a *share loan*.

All associations in the State, of course, grant amortized (building and loan plan) loans on real property; that is their chief business. Outstanding mortgage loans in all associations in the State amounted, in 1928, to close to one billion dollars, and represented over ninety-four per cent of their total assets.¹

"Share loans outstanding" are listed in the financial statements of almost ninety per cent of the reporting associations. They are usually granted up to ninety per cent of the withdrawal value of the pledged shares and are allowed, in most cases, to run until the shares mature, although they may be repaid by the borrower earlier if he so chooses. The amount outstanding on this type of loan in all associations in 1928 amounted to over twenty-five million dollars. This represents, however, only 2.5 per cent of association assets and accounts for only 2.6 per cent of all the loans outstanding.

It remains to be seen from the as yet unavailable 1929 an-

¹ See Annual Report of the Commission of Banking and Insurance, 1928, p. viii.

LOAN PRACTICES (CONTINUED)

nual reports just what effect the recent break in the New York Stock Market had on the demand for share loans on the part of building and loan investors. The figures at hand for 1928 indicate no marked effect during the up-swing in speculative activity.

The questionnaire elicited the following information with respect to share loans from 210 associations:

DATA ON SHARE LOANS	
Number associations reporting	210
Number associations making such loans	193 (91.9%)
Percentage of withdrawal value allowed:	
90 per cent in	168 associations
85 " in	1 association
80 " in	7 associations
75 " in	1 association
Duration of loans:	
until maturity in	150 associations
for two years in	3 associations
for one year in	1 association
for six months in	8 associations

Classifications II and III are really sub-classifications for they apply only to mortgage loans.

II. *Classified as to Stage of Construction.* Mortgage loans may be granted on lands on which there is as yet no building construction (in which case the loan may not exceed fifty per cent of the cash value of the land), on completed structures, or on land on which a building is in course of construction (known as *construction loans*).

The borrower who is constructing a building is not in immediate need of the entire amount of his loan. He needs only part of it to meet bills for materials and labor as these fall due. For this reason, construction loans are usually paid to the borrower in instalments as construction progresses. As a rule this involves from three to five payments and each time a payment is made the association's appraisal committee views the property. The result is a slight increase in the service charge to the borrower.

Construction loans involve more risk than do loans on completed properties and necessitate the exercise of a constant

BUILDING AND LOAN IN NEW JERSEY

check on the construction work and careful handling of the legal technicalities involved in the Mechanics' Lien Law.² This statute gives prior lien, in certain cases, to persons performing labor and furnishing materials in building construction. The attorney of a building and loan association which makes construction loans usually endeavors to protect the association by securing "postponements" from the laborers and material men. In a postponement first lien is definitely subordinated to the mortgage held by the association. There has been considerable confusion with regard to the Mechanics' Lien Law due to the varied interpretations of the law by the courts and to the difficulties of definition. A joint commission was appointed by the State legislature a year or so ago to redraft the law. Its proposals failed of enactment by the 1929 legislative session and the commission is now defunct. The New Jersey League of Building and Loan Associations resolved at its twenty-first annual convention³ to continue agitation for revision through its own Legal Committee.

One hundred twenty-two (fifty-six per cent) of the 218 associations responding to the questionnaire state that they grant construction loans. Data concerning them are assembled in Table 34, and from them it appears that among the larger counties construction loan activity is most important, relatively, in Bergen, Passaic, Morris, and Essex Counties, and least important in Hudson County. In part, this is a reflection of real estate and building activity in the various sections of the State and in part simply an indication of the prevalence in certain quarters of a policy to refuse to lend on unfinished properties. The second consideration, of course, restricts the value of the figures as criteria for judging the activity of the loan market in various sections of the State.

There is no uniformity of practice with regard to the method of imposing interest charges on construction loans. One-half of

² Laws of New Jersey, 1898, Chap. 226.

³ June 1929.

LOAN PRACTICES (CONTINUED)

the reporting associations state that they charge interest on the full amount of the loan from the time the first payment is made. This method predominates in Atlantic, Bergen, Essex, and Pas-

TABLE 34
Data on Construction Loan Practices

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. REPORTING THAT THEY GRANT CONSTRUCTION LOANS	PER CENT OF ASSNS. MAKING CONSTRUCTION LOANS	PLAN OF INTEREST LEVY		
				ON FULL AMOUNT FROM TIME LOAN IS GRANTED	ON FULL AMOUNT FROM TIME OF FIRST PAYMENT	ONLY ON AMOUNTS ACTUALLY RECEIVED
Atlantic	11	1	9%		X	
Bergen	23	22	96		X	
Burlington	4	1	25			X
Camden	20	—	—			
Cape May	3	—	—			
Cumberland	4	1	25			X
Essex	56	42	75		X	
Gloucester	6	4	67		X	X
Hudson	23	11	48	X		
Hunterdon	1	—	—			
Mercer	8	3	38			X
Middlesex	14	2	14			X
Monmouth	6	4	67			X
Morris	6	6	100	X		
Ocean	2	—	—			
Passaic	12	11	92		X	
Salem	2	2	100	X		
Somerset	1	1	100	X		
Sussex	—	—	—			
Union	13	8	62	X		
Warren	3	3	100	X		
State	218	122	56%	36%	50%	14%

saic Counties, and stands mid-way, as to liberality, between the two other methods that are employed. The most costly method, to the borrower, is that reported most frequently in Hudson, Morris, and Union Counties, whereby the interest charge is levied on the full amount of the loan from the time the loan is granted. The borrower is not enjoying the use of the entire amount of the loan and is, in effect, paying for that which he has not actually received. The associations, however, argue that

BUILDING AND LOAN IN NEW JERSEY

the funds are earmarked for his later use and are consequently tied up so far as they are concerned.

The most liberal method, whereby interest is charged on the amounts actually paid and only from the time such amounts are paid, is the most usual plan in only fourteen per cent of the reporting associations, and these are located principally in the rural portions of the State where construction loans are relatively least important. (See Table 34.)

III. *Classified as to Terms of Repayment.* The type of mortgage referred to above,⁴ the fully-amortized building and loan association loan, involves a subscription to shares of a maturity value equal to the face amount of the loan. When maturity of the shares is reached, accordingly, the value of the shares equals the amount of the loan and effects its extinguishment. The sooner maturity of the shares is reached, the sooner the indebtedness of the borrower terminates. The monthly payments are high since there is included, in addition to the regular interest and premium charges, an amount for dues to feed the virtual sinking fund (investment in shares of the association).

*Straight loans*⁵ are regular first mortgage, unamortized loans. They usually run for from three to ten years but carry no provisions for repayment in instalments. At the expiration date the borrower still has on his hands the problem of repaying the principal. Monthly payments on this type, however, are lower than the charges on a fully-amortized building and loan plan loan, since only interest payments are required. In some portions of the State, where the loan market is not now as active as it was a short while ago, there has been considerable demand for this type of loan, and building and loan associations in meeting it have come more and more into direct competition with title companies and with banks.

⁴ *supra*, p. 49.

⁵ Straight loans and combination loans (see p. 117) may be made, however, only from moneys on hand not required in the purchase of real estate, in granting fully amortized loans to members, in redeeming shares, or in granting share loans. (Building and Loan Association Act, Article I, Paragraph 26, Section VI.)

LOAN PRACTICES (CONTINUED)

Although building and loan associations are permitted to grant straight loans, on first mortgage security, up to sixty-five per cent of the cash value of improved real estate, there seems to be a tendency to restrict them to less than sixty per cent.⁶ Approximately one-tenth of the 862 reporting associations had such loans on their books in 1928. The amount loaned without pledge of shares (including the portion of combination loans, which are discussed below, loaned on straight mortgage) represents, however, only 3.4 per cent of the total mortgage loans outstanding in the associations making such loans, and less than one per cent of the total mortgage loans outstanding in all reporting associations.⁷

Combination loans are part regular building and loan (amortized) and part straight, loans. They represent an endeavor on the part of building and loan associations to attract the borrower by offering him the advantages of partial amortization, but not to such a degree as to cause the monthly payments to become onerous. Monthly payments on this type of loan are lower than on regular building and loan plan loans, but higher, of course, than on straight loans.

Almost one out of every five associations (of the 212 reporting) states that it grants this type of loan (see Table 35), the largest number of such associations relatively being located in Hudson, Atlantic and Essex Counties. There is no way of telling what proportion of the amount loaned on straight mortgage (see Table 37) represents the straight mortgage portion of combination loans and what proportion straight loans unaccompanied by an amortized portion. The most usual combination loan practice (in seventy-six per cent of the associations reporting) is to make one-half of the loan straight and one-half

⁶ Twelve of the twenty-one associations furnishing information on this point limit them to between fifty and sixty per cent.

⁷ Straight loans to non-members have been important in view of the question of exemption of building and loan associations from liability to the Federal corporation income tax. *infra*, pp. 159 ff.

BUILDING AND LOAN IN NEW JERSEY

TABLE 35
Data on Combination Loan Practices

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. REPORTING THAT THEY MAKE COM- BINATION LOANS	PER CENT OF ASSNS. MAKING COMBINA- TION LOANS	MOST FREQUENT PROPORTIONS	
				PER CENT B. & L.	PER CENT STRAIGHT
Atlantic	9	3	33%	50	50
Bergen	23	6	26	50	50
Burlington	4	—	—		
Camden	20	—	—		
Cape May	3	—	—		
Cumberland	4	—	—		
Essex	53	16	30	50	50
Gloucester	6	1	17	66.7	33.3
Hudson	23	11	48	50	50
Hunterdon	1	—	—		
Mercer	8	1	13		*
Middlesex	13	—	—		
Monmouth	6	1	17		*
Morris	6	—	—		
Ocean	2	—	—		
Passaic	12	1	8		*
Salem	2	—	—		
Somerset	1	—	—		
Sussex	—	—	—		
Union	13	1	8	50	50
Warren	3	—	—		
State	212	41	19.3%	50	50†

* Not reported.

† The proportion 50-50 obtains in 76 per cent of the reporting associations.

regular building and loan plan. In other cases the ratio is often one-third straight to two-thirds regular.

Investment in Securities

When associations have excess funds on hand (i.e., when the demand for money on mortgage is light and when funds are not needed for the redemption of shares) they may, under Article I, Paragraph 26 of the Law, invest in, or lend on, securities⁸ in which savings banks in New Jersey are authorized to invest.

⁸ Associations may lend up to eighty per cent of the market value of such securities.

LOAN PRACTICES (CONTINUED)

A few of the associations still hold Liberty Bonds which they purchased during the War. Other than these there are very few associations which have been forced to resort to this type of investment; the demand for real estate loans has been too steady. Of the 862 associations whose individual annual reports have been analyzed, only twelve hold investments in securities, and in value these holdings amount to only \$103,510, or slightly less than 1/50th of one per cent of their total assets.

Property Loaned On

Vacant land values are more speculative than improved land values, and loans on the former involve a larger element of risk than do loans on the latter. The real equity behind a loan on unimproved property is the expected future income (monetary or consumptive) and this is dependent upon the accuracy of the forecast of the *future* growth and needs of the community. For this reason, the Building and Loan Act, although it allows associations to grant loans up to eighty per cent of the cash value of improved properties, restricts loans on vacant lands to fifty per cent of their cash value.

From the point of view of the individual association the most important consideration in loan policy, of course, is certainty, both as to safety of principal and as to regularity of interest income. There are two broad classes of real property, residential and business (commercial or industrial), with any number of intermediate gradations. Arranged in order, residential to business, a fair classification would probably be: (1) one-family houses, (2) two-family houses, (3) apartments without stores attached, (4) apartments with stores attached, (5) stores with living quarters attached, (6) stores without living quarters attached, (7) specialized industrial or commercial properties (such as factories, garages, and theaters).

Small associations, especially those in small towns and rural communities, are practically restricted to residential and small mercantile properties. Associations in the more populous centers are not so limited. Wisdom dictates that they should diversify

BUILDING AND LOAN IN NEW JERSEY

their loans among the various types, exercising at all times, however, due precaution when it comes to loans on properties which are too highly specialized. Factories, garages, and theaters are good risks only so long as the force of economic change does not sweep away earning power. In specialized properties the degree of dependence upon a single type of business, and hence the loan risk, is greater than in properties which can be converted into some other line at moderate cost. If a drug store can be converted, without excessive outlay, into a shoe store, the risk is that much less than the risk attaching to say a movie house, an alternative use of which is dependent, not upon minor alteration, but upon fundamental reconstruction.

Some associations prefer two-family houses to single-family homes because they believe the rents received from the tenant act as a guarantee that interest and dues will be received from the owner. Some association secretaries have informed the writer that they welcome loans on business properties; others fear them.

The questionnaire included several questions on this subject and the replies serve as indicators of the bases for mortgage loans throughout the State. Table 36 presents data for some 200 reporting associations. They all lend, of course, on residential properties. The more specialized the property the less popular it is with the average building and loan association. Eighty-eight per cent of the associations reporting refuse loans on theatres as a matter of policy, eighty per cent refuse them on factories, and seventy per cent on garages. Some associations answered that although they do not reject certain of the stated classes as a matter of policy, they do not like to make them, and decline them whenever other types of property are available. Among the types of property not named in the questionnaire, some associations specified one or more of the following types as being ineligible for loans: gasoline stations, road-houses, warehouses, unoccupied houses, hotels, road-stands, industrial property, and farms.

TABLE 36*
Loans on Specialized Properties, Data for 1928

TYPE OF PROPERTY	NO. ASSNS. REPORTING	NO. ASSNS. MAKING LOANS ON TYPE	PER CENT OF ASSNS. MAKING SUCH LOANS	PER CENT OF REPORTING ASSOCIATIONS MAKING LOANS ON PROPERTIES SPECIFIED—				
				ESSEX COUNTY	HUDSON COUNTY	NORTHERN NEW JERSEY†	CENTRAL NEW JERSEY‡	SOUTHERN NEW JERSEY§
(1) Stores with living quarters attached	202	161	79.7%	80%	90%	76%	87%	75%
(2) Apartments with stores attached	203	143	70.4	70	80	67	69	72
(3) Stores without living quarters	201	117	58.2	69	65	57	58	43
(4) Garages	203	62	30.5	32	41	28	37	23
(5) Factories	194	41	21.1	25	24	16	32	14
(6) Theatres	199	24	12.1	17	—	8	28	7

* For same data tabulated by counties, see Table R in the Appendix.

† Includes Sussex, Warren, Passaic, Bergen, Morris, Union Counties.

‡ Includes Hunterdon, Somerset, Middlesex, Mercer, Monmouth, Burlington, Ocean Counties.

§ Includes Camden, Gloucester, Atlantic, Salem, Cumberland, Cape May Counties.

BUILDING AND LOAN IN NEW JERSEY

Farm Loans

An interesting and timely question is the possibility of an expansion of building and loan activity among the farmers. Agriculture is depressed and it has been suggested that the credit facilities of building and loan associations might, with mutual advantage, be directed toward the farms.⁹ The long-term and amortization features which characterize this type of loan fit in very well with the credit needs of the farmer.

The associations, however, are not particularly eager to lend on farms, especially in times of agricultural depression, when it is often difficult, if not impossible, to realize on rural land values. There are many farmers in this State today who would jump at a chance to sell their farms, if only they could find buyers. Their land remains overcapitalized as a result of war inflation; in brief, they are land poor. Building and loan associations are not overanxious to have to foreclose on such properties, for that necessitates sale and probable loss. Furthermore, associations as such are hardly qualified to go into the farming business.

The roots of the farmer's troubles lie deeper; his is no longer chiefly a credit problem. No matter how liberal the available credit, no industry can long survive on that alone. There must be a margin between the price of product and the costs of production. It is a problem of the relationships between the price level of agricultural products and the price level of the commodities which comprise the farmer's costs of production. It is a problem of the relative overexpansion of agriculture. Easier credit, at this stage, would be merely a sedative, not a lasting remedy.

Neither the annual printed reports of the Commissioner of Banking and Insurance nor the individual annual reports of associations segregate loans on agricultural properties from loans on other types. The associations were asked in the ques-

⁹ See, for example, Wright, I., *Farm Mortgage Financing*, McGraw-Hill, 1923, pp. 129-31, 297-300.

LOAN PRACTICES (CONTINUED)

tionnaire, therefore, to state the number of farm loans made, and the amount so loaned, in 1928 and in previous years. The information obtained from this source for years prior to 1928 is probably insufficient to warrant any significant observation; but, of the 205 associations making reply, only sixteen (about eight per cent) indicate that they granted any farm loans in 1928, and these totalled only \$85,200. They were made principally by associations in the more rural counties of the State, although a few larger city associations do report that they have several farm loans outstanding.

Loans to Non-members

There is nothing in the State law to prohibit a building and loan association *with excess funds* from making mortgage loans to non-members.¹⁰ In fact, the Building and Loan Association Act specifically grants them this power and requires that such loans must be on first mortgage security on improved real estate, but not in excess of sixty-five per cent of the cash value of the property.

The question is an important one, however, in the interpretation of mutuality by the Federal authorities for the purpose of determining income-tax liability. As certain practices have been held by the lower courts to destroy mutuality and to subject associations to the corporation income tax, it is highly desirable that associations conduct their affairs in such a way as to fulfil both the letter and the spirit of the law. Associations should be fully cognizant of their rights and limitations in this respect.

Income-tax Exemption

The seemingly simple question of tax exemption has caused considerable anxiety to association officials and investors and

¹⁰ Funds may be invested in loans to non-members only if such funds are not needed for (1) purchases of real estate under Section I of Paragraph 26; (2) loans to members; (3) redemption of shares; (4) loans on shares; (5) withdrawals; or (6) payment of matured shares. (Building and Loan Association Act, Article I, Paragraph 26, Section VI.)

BUILDING AND LOAN IN NEW JERSEY

has furnished its share of grist to the mills of law. It is certain that the intent of Congress in all the Revenue Acts, from 1909 to 1928, has been to grant income tax exemption to building and loan associations on account of their mutual character. In the Income Tax Law of 1909¹¹ (Section 38, Subdivision 2) Congress inserted the simple exempting clause:

Provided, however, that nothing in this Section contained shall apply to . . . (c) Domestic building and loan associations, organized and operated exclusively for the mutual benefit of their members, no part of the net income of which inures to the benefit of any private stockholders or individuals.

But, unfortunately, in legislation Man is strictly limited to language for the conveyance of ideas, and language is notoriously inexact. If mutuality is the quality that confers exemption upon a building and loan association, how mutual is mutual? Does a society calling itself a building and loan association cease to be such so far as the Federal Law is concerned, as soon as it makes a single loan to a non-member? Until 1928 the courts themselves sought to define what constitutes a building and loan association under the exemption clause, but in

¹¹ The language of the exempting phrase has varied in the various Income Tax Laws. The clause in the 1913 Law (Section G, Subdivision 2) simply dropped the phrase "organized and operated exclusively for the mutual benefit of their members." This, however, had no effect upon the judicial application of the rule of mutuality.

In the 1916 Law the exempting clause read as follows:

(Section 11-a) "That there shall not be taxed under this title any income received by any—(4) domestic building and loan associations and cooperative banks without capital stock organized and operated for mutual purposes and without profit."

This identical phrase was repeated in the Revenue Acts of 1917 and 1918.

The Revenue Act of 1921 changed the wording:

(Section 231, Subdivision 4) "That the following organizations shall be exempt from taxation under this title—

"(4) Domestic building and loan associations substantially all the business of which is confined to making loans to members; and cooperative banks without capital stock organized and operated for mutual purposes and without profit."

This clause has been retained in all the Revenue Acts down to and including the Law of 1928. The Acts of 1924 and 1926 retain it as Section 231, Subdivision 4, but in the 1928 Law it appears as Subdivision 4 of Section 103.

LOAN PRACTICES (CONTINUED)

November of that year the Cambridge Decision¹² threw the burden of definition upon the shoulders of the individual States. Before discussing that case it will be instructive to point out the determinants of mutuality as evolved by the Federal Courts between 1913 and 1928.

First, an association ceases to be cooperative and incurs the tax when inequality exists among the shareholders as to the voting privilege.

In *Pacific Building and Loan Association v. Hartson*,¹³ arising in the State of Washington in 1913 for recovery of taxes paid under the Act of 1909, the court decided that preferences as to voting among shareholders voids exemption. The record in the case disclosed that in the selection of the Board of Directors, stockholders voted *by shares*, thus giving control of the corporation to the majority of shares rather than to the majority of members. To this was added the further objection that it was possible for the Board of Directors, by retiring shares, to exclude certain present shareholders from participation in the assets of the corporation.

The court held the association liable for the income tax.

Second, mutuality is not synonymous with "equality" of investment return.

In *Parkview Building and Loan Association v. Herold*,¹⁴ a New Jersey case, also arising in 1913 under the Revenue Act of 1909, mutuality was challenged on the ground that the association had issued paid-up shares bearing a fixed rate of return of five per cent in lieu of full participation in earnings. The point at issue was, does an unequal rate of return as between groups of shareholders destroy mutuality? The court decided that it does not and the association was granted exemption.

The court, in its decision, pointed out that the essential earmark of mutuality is lack of priority as to control of the association and as to distribution of assets. The mere fact that there

¹² *infra*, p. 166.

¹³ 201 Fed. 1011 (U.S. Tax Cases 389).

¹⁴ 203 Fed. 876 (1913).

BUILDING AND LOAN IN NEW JERSEY

may be inequality in the returns as between prepaying shareholders and instalment shareholders, does not destroy the fundamental mutuality as required in the Income Tax Law. The decision was upheld by the Circuit Court of Appeals.¹⁵

Third, mutuality is not destroyed by the practice of lending to non-members unless such loans constitute a substantial proportion of the business of the association.

The change in phraseology of the exempting clause embodied in the Act of 1921 made the question of the relationship between mutuality and lending activity to non-members a most treacherous shoal. The law of 1909 provided exemption for associations

. . . organized . . . exclusively for the mutual benefit of the members, no part of the net income of which inures to the benefit of any private stockholder or individual.

The decision of the court in the case of two Ohio associations,¹⁶ in 1914, upheld exemption in spite of specific authorization in the Ohio Law for associations in that State to borrow from, and to lend to, non-members. In interpreting the exempting clause, Judge Hollister said:

A non-member borrowing or lending receives no benefit from the building association as such, but only the same benefit which he would receive by dealing generally with his money in the market. So he in no sense participates in the association, or in the profits. This participation is the exclusive right of each of the members, and every member receives the same benefit accruing to every other member. By this method of acquiring additional income for the association, there is no disturbance of the mutuality of interest, which is the distinguishing feature of building associations; indeed, by indulging in it the essential principle to that end underlying building associations is maintained.

Accordingly, the associations were granted exemption.

But, in the 1921 Law the language of the exempting clause was changed, so as to read

. . . building and loan associations, substantially all the business of

¹⁵ 210 Fed. 577 (1914).

¹⁶ Central Building, Loan and Savings Company v. Bowland, and Bellefontaine Building and Loan Company v. McMaken, 216 Fed. 526 (1914).

LOAN PRACTICES (CONTINUED)

which is confined to making loans to members; and cooperative banks without capital stock, organized and operated for mutual purposes and without profit.

Into a relatively calm situation was thrust a variable yardstick; for, how much, after all, is *substantially* all? It is purely a question of judicial opinion.

Thus, in *Lilley Building and Loan Company v. Miller*,¹⁷ arising in 1922 under the Revenue Act of 1918, the court denied exemption because eighty per cent of the association's receipts and ninety-seven per cent of its loans were transactions with non-members. The court said:

It may not be possible to define precisely how far a building association may go in extraneous activities without losing its essential character; but it seems clear that, when it ceases to be substantially mutual and adopts as its chief business dealing for profit with the general public by the methods of an ordinary savings bank, it is no longer a building association entitled to be exempted from income taxation under the statute in question.¹⁸

On the other hand, in the case of *Acklin v. People's Savings Association*,¹⁹ arising in Ohio under the Revenue Act of 1921, the court upheld exemption on the ground that the Income Tax Law does not require each borrowing member to subscribe for an amount of stock *equal to* the face of his loan, but only that borrowers be members. "Concretely," said the court, "the question is whether a borrower with a stock-holding interest of but one dollar is a 'member,' within the meaning of the word 'members,' as used in the exemption clause of the Revenue Act of 1921. . . . We must hold . . . that the Commissioner of Internal Revenue cannot deny exemption to a true building and loan association simply because it does not require each borrow-

¹⁷ 280 Fed. 143 (1922). Affirmed by the Circuit Court of Appeals in 285 Fed. 1020 (1923).

¹⁸ It was in this case argued that subdivision 4 of the Revenue Act of 1918 should be read as if the clause "organized and operated for mutual purposes, etc." applied only to cooperative banks, and not to building and loan associations as well. This argument, however, carried little weight with the court.

¹⁹ 293 Fed. 392 (1923).

BUILDING AND LOAN IN NEW JERSEY

ing member to subscribe for an amount of stock equal to the face of his loan." And, further on appears this significant statement:

Of course an association cannot carry on a banking business and operate on a mutual basis, which is the controlling criterion of a building and loan association. Until Congress shall furnish a standard or definition, it must be held that a building and loan association, which confines its business to making loans to members, and does not attempt a banking business, and operated on a strictly mutual basis, so that all its members participate equitably, and without particular benefit to any class, is exempt, and that the real test is mutuality, and that no other test can be injected or substituted.

Somewhere between the two extremes lies the deadline of mutuality, not far from the signpost of *substantially all*. Its exact location is not clearly defined in the Revenue Act.

*The Polifly Ruling*²⁰

The Polifly Building and Loan Association of Hasbrouck Heights, an association with some \$200,000 assets, found in its mail on June 4, 1926, a letter from the Collector of the Fifth District containing a ruling of the Commissioner of Internal Revenue which held it liable for income tax payments covering the fiscal periods ended in 1925 and 1926. Preliminary protests were denied and the ruling reaffirmed by the Commissioner on April 20, 1928.

The operations which, in the eyes of the Treasury Department, subjected the Association to the tax were—

First, that the Association made a practice of lending to builders for the erection of houses for resale. Figures indicated that 51.76 per cent of the total loans granted in 1925 were made to "non-occupants" (builders), 46.28 per cent in 1926, and 28.47 per cent in 1927.

This was held to be contrary to the intent and purpose of a building and loan association "to confine its loans to *members*

²⁰ Data from the files of the Legal Committee of the New Jersey League of Building and Loan Associations.

LOAN PRACTICES (CONTINUED)

to be used in building or acquiring homes *for their own use and occupancy.*"

Second, that the Association borrowed money from financial institutions (banks) "on the same days, one day after, two days after, three days after, eight days before, ten days after, twelve days before, and twelve days after, and twenty days after the loans were made to contractors . . . for the purpose of constructing houses for resale, investment, or speculation purposes."

The Department held that this was not borrowing *only* at times when it becomes necessary to carry on the business of the Association in an orderly manner, and results in destruction of mutuality.

The New Jersey League of Building and Loan Associations, sensing the importance of the case, backed the Polifly Association in the filing of a Supplemental Protest (May 17, 1928). This pointed out that the close correlation between bank loans and loans to non-occupants, as emphasized in the Commissioner's ruling, was misleading. Exhibits were included to show that loans from banks varied without correlation with outstanding loans to non-occupants, and that it had been the practice of the Association always to give first consideration to the loan applications of "occupants."

The Commissioner's comparison of loans to non-occupants and loans to occupants, on a percentage basis, was answered by a comparison, not on the basis of the face value of such loans approved, but on the basis of the total loans outstanding. Since loans to non-occupants are of shorter duration than loans to occupants, and since non-occupants' loans soon become occupants' loans, the percentages were much lower.²¹

Furthermore, it was maintained that the important considera-

²¹ The percentages of non-occupant loans to total loans outstanding were:

October 31, 1925	8.4 per cent
April 30, 1926	12.0 "
October 31, 1926	— "
April 30, 1927	9.0 "
October 31, 1927	11.2 "

BUILDING AND LOAN IN NEW JERSEY

tion should be, not the question of *occupancy*, but the character of the property upon which the loan is made; for, the non-occupant borrower's desire is to transfer the property to an occupant as quickly as possible. So far as the association is concerned, the security for the loan is the same throughout.

The Polify appeal was successful. In a ruling of August 9, 1928, the Commissioner of Internal Revenue reversed his prior ruling, and the Polify Association was allowed exemption from the corporation income tax under the Revenue Act of 1926.²² Individuals receiving dividends from New Jersey Building and Loan Associations accordingly continue to enjoy exemption from the personal income tax to the extent of three hundred dollars.

The Polify case was a test case and seemed to settle the issue. As long as building and loan associations do not make a practice of lending too large a proportion of their funds to non-members—as long as they continue to give loan priority to members—they will probably continue to enjoy the federal tax exemption privilege.

Supreme Court Decision in the Cambridge Case

For practical purposes the tax liability question was settled by the Supreme Court's decision in November, 1928, in the case of *United States v. Cambridge Loan and Building Company*.²³ Henceforth the Internal Revenue Bureau is to rely upon the individual States for a definition of building and loan associations within their borders. If an organization is *recognized by a State* to constitute an association it is to enjoy income tax exemption by that very fact, provided its operations *be not so related to mere money-making as to constitute a gross abuse of the name*. More specifically, the court ruled that

(1) A corporation which by the law of its State is a building and loan association, and the business of which is conducted in accordance with that law, is a "building and loan association" within the meaning of

²² And, with it, exemption under the Act of 1928, in which the exempting clause is identical with that in the 1926 Act.

²³ An Ohio Association. 278 U.S. 55 (November 1928).

LOAN PRACTICES (CONTINUED)

sections 231 of the Revenue Acts of 1918 and 1921, granting exemption from income tax, if its operations be not so related to mere money-making as to constitute a gross abuse of the name.

(2) The activities of the respondent in the way of receiving deposits on interest and making loans to persons not among its members (borrowers being required since the Act of 1921, *supra*, to purchase from one to five shares of its stock) did not disqualify it for the tax exemption. *Id.*

(3) The Act of 1921, *supra*, in confining the exemption to building and loan associations "substantially all of the business of which is confined to making loans to members" did not limit loans to the amount of shares subscribed for.

(4) An Act directing that certain taxes be refunded as "illegally collected" is an interpretation of the prior Act under which they were exacted and by implication approves decisions of the federal courts holding the exaction unwarranted.

Practically, therefore, the question of federal tax exemption is a dead issue so far as New Jersey associations, as now conducted, are concerned. Technically, however, the dividing line between *some* and *substantially all* is not even yet clearly defined.

In this connection it is important to know just what the situation is in the State with regard to straight mortgage loans to non-members. Table 37 presents data which have been assembled from the individual annual reports of 861 associations and from questionnaire returns of 215 associations. The former data represent the total amount outstanding on mortgage loan without the pledge of shares and include part of the loans made on a combination basis.²⁴ The questionnaire data include only those associations making pure straight loans and do not include a few associations which make only regular building and loan amortized loans and combination loans.

The \$3.2 millions outstanding on straight loan in the ninety-one reporting associations represents only 3.4 per cent of the total mortgage loans outstanding in those associations (ninety-three million dollars) and less than one per cent of the total amount loaned on mortgage (\$542 millions) in all the associa-

²⁴ *supra*, p. 153.

TABLE 37
Data on Straight Loan Practices

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. REPORTING STRAIGHT LOANS	ALL MORTGAGE LOANS OUTSTANDING IN ASSNS. MAKING STRAIGHT LOANS (ooo omitted)	STRAIGHT LOANS OUTSTANDING* (ooo omitted)	PER CENT	DATA FROM QUESTIONNAIRES		
						NO. ASSNS. REPORTING	NO. ASSNS. MAKING STRAIGHT LOANS†	NO. ASSNS. MAKING STRAIGHT LOANS TO NON-MEMBERS
Atlantic	28	3	\$ 4,483	\$ 100	2.2%	11	3	2
Bergen	52	6	11,071	231	2.1	23	2	1
Burlington	10	2	1,054	16	1.5	4	1	1
Camden	110	4	1,902	58	3.0	20	1	—
Cape May	18	1	445	22	4.9	3	—	—
Cumberland	9	2	412	42	10.1	4	—	—
Essex	313	27	26,312	696	2.6	54	6	3
Gloucester	17	1	152	17	11.2	6	1	—
Hudson	80	25	27,310	1,495	5.5	23	7	1
Hunterdon	5	—	—	—	—	1	—	—
Mercer	8	1	514	10	1.9	7	2	—
Middlesex	38	—	—	—	—	14	—	—
Monmouth	22	5	5,699	130	2.3	6	—	—
Morris	17	3	2,020	20	1.0	6	1	—
Ocean	5	—	—	—	—	2	—	—
Passaic	49	5	7,201	259	3.6	12	—	—
Salem	1	1	1,060	21	2.0	2	—	—
Somerset	5	1	1,079	4	0.4	1	—	—
Sussex	3	—	—	—	—	—	—	—
Union	64	4	2,572	73	2.8	13	—	—
Warren	7	—	—	—	—	3	1	—
State	861	91 (10.6%)	\$93,286	\$3,194	3.4%	215	25 (11.6%)	8 (3.7%)

* Includes straight loan portion of combination loans.

† Does not include combination loans.

LOAN PRACTICES (CONTINUED)

tions reporting. It will be seen that straight mortgage loans are most important, relatively, in Hudson, Cumberland, and Gloucester Counties. The last column in the table discloses that less than four per cent of the associations have granted loans to non-members.

In view of these facts it can hardly be said that building and loan associations in New Jersey have as yet departed from their mutual basis. Over ninety-six per cent of the mortgage loans outstanding in 1928 were held by association members.

CHAPTER IX

INCOME FROM LOANS

THAT building and loan associations can pay the investor a dividend of from six to seven per cent and even higher, in some instances, and yet charge borrowers only six per cent on loans is, at first sight, a paradox. The return to the investor, we have seen, is high, and yet not a single association in the State reports an interest rate on loans in excess of six per cent.¹ How can associations manage to pay high dividends on a low income basis? The answer is, quite expectedly, that they cannot and consequently do not. No institution—no individual—can pay out profits, in the long run, in excess of earnings.

It is the purpose of this and following sections to examine the circumstances which create this apparent anomaly.

Rates Earned on Mortgage Loans

First, and most important, is the observation that the *stated* interest rate of six per cent is not the actual rate received. From the point of view of the borrower the effect of the many additional fees—premium charges, appraisal fees, admission (membership) fees, attorney fees—is to raise the loan rate which he must pay. And, to the extent that these fees find their way into the association treasury they represent, from the point of view of the association income account, loan income just as truly as does the receipt of loan “interest” itself.

Attorney fees and appraisal fees, as a rule, are not retained by the association. They go direct to the attorney and to the

¹ The rate is six per cent throughout the State (from data in the 1927 Annual Report of the Commissioner of Banking and Insurance) with few exceptions in which five per cent or less is still charged on some loans of long standing or where a high premium charge is imposed.

INCOME FROM LOANS

appraisers as compensation for the services rendered by them. Premium charges and membership fees, on the other hand, do enter the treasury along with interest receipts, and should be considered as loan income for purposes of comparison with the dividend rate analysis of Chapter vi. Data on membership fees are not as complete as data on premium charges and, in order to make the analysis as broad as possible, these have not been included in the figures which follow.²

In examining the loan rate *from the point of view of the associations*, interest, premium (and other loan fees which enter the association treasury) must be kept entirely separate from the dues paid on shares. True, payments on shares are creating a sinking fund and affect the real rate from the point of view of cost to the borrower. The analysis, in a previous chapter, of dividend returns included returns on all shares, those held by borrowers and by non-borrowers alike. In order to discover how the high rates there analyzed are made possible, it is first necessary to ascertain what income the associations derive from mortgage and share loans to borrowing members. The cost of a loan from the point of view of the borrower will be considered in a later chapter.

Following is an analysis of the real loan rate from the point of view of the associations. It includes the nominal interest charge plus the premium.

Premium Charges

Originally a premium was a bonus, or price, bid by competing borrowers, for priority in the use of the funds of an association. As time passed, and the associations acquired greater permanency, the practice of bidding for loans gave way to the practice of imposing a fixed premium, and deciding priority by order of application. Premiums are still regarded in the law, however, as prices paid for priority or privilege of loan and not as an addition to the interest charge; for, they are specifically exempted from the usury law:

² *infra*, p. 182.

BUILDING AND LOAN IN NEW JERSEY

Any such association may take from its members a premium for priority or privilege of loan or acquisition of real estate, and no premiums so taken for such purposes shall be deemed usurious, and it shall be lawful for the rate of said premium to be agreed upon, instead of being determined by auction to the highest bidder, and the payment of interest in advance for not exceeding one month shall not be deemed usurious.³

Premiums on building and loan mortgage loans are practically universal in this State today, being exacted by over ninety per cent of all associations. In some counties the gross premium plan has given way to the instalment premium plan, in which the premium is added to the monthly interest charge. Table 38 presents data on premium practice by counties for 1927⁴ and 1928.⁵ The counties arranged in order of liberality in this respect are:

COUNTY	PER CENT OF ASSOCIATIONS WHICH IMPOSE NO PREMIUM CHARGE
Cumberland	60 per cent
Sussex	50 "
Hunterdon	43 "
Burlington	37 "
Hudson	35 "
Gloucester	17 "
Camden	14 "
Morris	12 "
Monmouth	11 "
Warren	11 "
Mercer	5 "
Bergen	5 "
Cape May	4 "
Passaic	3 "
Atlantic	2 "
Union	2 "
Essex	1 "
Middlesex	—
Ocean	—
Salem	—
Somerset	—

³ Building and Loan Act, Article I, Paragraph 16.

⁴ Data for this year are complete and cover the 1534 associations listed in the annual published report of the Commissioner of Banking and Insurance.

⁵ Based on an analysis of 886 individual association reports.

TABLE 38
Premium Practices of Building and Loan Associations in New Jersey on Mortgage Loans, 1927 and 1928†*

COUNTY	1927						1928				
	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING GROSS PREMIUM	NO. ASSNS. CHARGING INST'LM'T PREMIUM	NO. ASSNS. CHARGING PREMIUM (GROSS OR INST'LM'T)	NO. ASSNS. CHARGING NO PREMIUM	PER CENT OF ASSNS. CHARGING NO PREMIUM	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING GROSS PREMIUM	NO. ASSNS. CHARGING INST'LM'T PREMIUM	NO. ASSNS. CHARGING PREMIUM	NO. ASSNS. CHARGING NO PREMIUM
Atlantic	46	1	44	45	1	2.2%	28	4	24	28	—
Bergen	86	22	60	82	4	4.7	54	14	38	52	2
Burlington	27	4	13	17	10	37.0	10	3	7	10	—
Camden	169	4	142	146	23	13.6	110	9	88	97	13
Cape May	26	8	17	25	1	3.8	18	5	13	18	—
Cumberland	15	—	6	6	9	60.0	9	—	4	4	5
Essex	620	586	26	612	8	1.3	327	285	40	325	2
Gloucester	24	4	16	20	4	16.7	17	—	17	17	—
Hudson	167	43	66	109	58	34.7	80	22	43	65	15
Hunterdon	7	3	1	4	3	42.9	5	3	—	3	2
Mercer	20	12	7	19	1	5.0	8	2	5	7	1
Middlesex	69	46	23	69	—	—	38	25	13	38	—
Monmouth	35	28	3	31	4	11.4	21	18	2	20	1
Morris	25	17	5	22	3	12.0	17	12	4	16	1
Ocean	13	11	2	13	—	—	5	4	1	5	—
Passaic	67	47	18	65	2	3.0	59	40	19	59	—
Salem	4	3	1	4	—	—	1	1	—	1	—
Somerset	8	2	6	8	—	—	5	2	3	5	—
Sussex	2	1	—	1	1	50.0	3	3	—	3	—
Union	95	82	11	93	2	2.1	64	45	19	64	—
Warren	9	7	1	8	1	11.1	7	2	5	7	—
State	1534	931	468	1399 (91.2%)	135	8.8%	886	499	345	844	42 (4.7%)

* Based on the Commissioner's Report for 1927.

† Based on associations reporting data for 1928, tabulated from individual reports.

BUILDING AND LOAN IN NEW JERSEY

It will be observed that among the more populous counties the most liberal, so far as number of no-premium associations is concerned, are Hudson and Camden, and the least liberal Passaic, Atlantic, and Essex.

The substitution of a monthly for a gross premium charge has meant, in most cases, a still higher earning rate for the association. Appendix Table S, which lists the frequency of various premium plans on mortgage loans indicates a higher earning rate in almost all cases where the instalment plan predominates.⁶ A simple calculation will show that, *from the point of*

⁶ Some few associations charge *either* a gross or an instalment premium and in some cases the effect on the real rate is quite pronounced. For example, one association in Passaic County which charges six per cent interest on mortgage loans imposes either a gross premium charge of \$5.00 or a monthly instalment premium of \$0.16 per \$100 borrowed.

From the point of view of the borrower—assuming shares to run 139 months to maturity—the *cost* under the gross premium plan is seven per cent, but under the instalment premium plan it is nine per cent, for:

Under the \$5.00 Gross Premium Plan

- (1) The borrower actually receives the use of only \$95.00.
- (2) For this he must pay the association \$1.00 per month (\$0.50 dues plus \$0.50 interest) for 139 months.
- (3) The present worth of one dollar per month for 139 months is approximately \$95.00 when the rate is seven per cent (seven-twelfths of one per cent per month, i.e., seven per cent, nominal, compounded monthly). Since the borrower is receiving the use of only \$95.00, and not \$100.00, his payments of one dollar per month for 139 months represents a loan cost of *seven per cent*. (See present-worth tables.)

Under the \$0.16 Monthly Instalment Premium Plan

- (1) The borrower actually receives the use of \$100.00.
- (2) For this he must pay the association \$1.16 per month (\$0.50 dues plus \$0.50 interest plus \$0.16 premium) for 139 months.
- (3) The present worth of \$1.16 per month for 139 months is \$100.00 when the rate is approximately nine per cent. (See present-worth tables.) Here the borrower is actually receiving the use of \$100.00 and the loan costs him *nine per cent*.

Note, however, that this represents *cost to the borrower* and is not necessarily identical with the rate of investment return to the association. *Looked at from the point of view of the association income rate* the time factor may well be ignored in both the case of the gross premium plan and the instalment premium plan. As soon as the loan is repaid—whether it be when the shares mature or before—by one borrower it is re-lent to another. The time interval, so long as the funds are kept invested on the same basis, is of little importance. The funds are kept invested continuously and the earning rate of the association is a simple ratio of monthly receipts from loan charges to the *net* amount on loan. A gross

INCOME FROM LOANS

view of the association income rate, a monthly premium of one cent is the equivalent of a gross charge of two dollars on a loan of \$100.

MONTHLY PREMIUM CHARGE OF ONE CENT, INTEREST AT SIX PER CENT

Interest charge per month	\$ 0.50
Premium charge per month	0.01
Total monthly charges	0.51
Net loan	100.00
Rate per month	0.0051 per cent
(× 12) Rate per annum (nominal)	6.12 "

GROSS PREMIUM CHARGE OF TWO DOLLARS, INTEREST AT SIX PER CENT

Monthly charges (interest)	\$ 0.50
Net loan	98.00
Rate per month	0.0051 per cent
(× 12) Rate per annum (nominal)	6.12 "

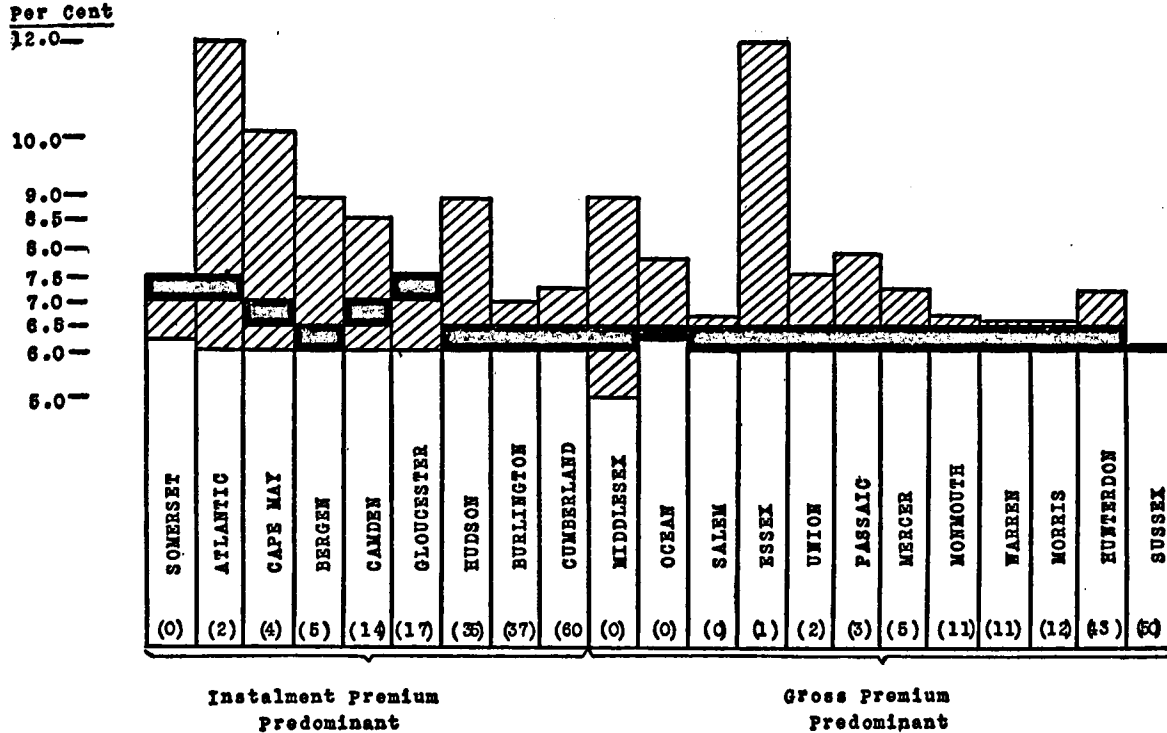
This method of analysis has been applied to all the associations listed in the 1927 Annual Report of the State Commissioner and the results appear in Chart XXI. In this chart the height of the rectangles represents the range of the rates re-

premium of \$5.00 per \$100.00, looked at in this way, means that the association is receiving \$0.50 each month (interest) for the use of \$95.00. An instalment premium of \$0.16 per month looked at in the same way, means that the association is receiving \$0.66 per month (interest plus premium) for the use of \$100.00.

Although the logic of the situation demands that that which is given by the borrower (exclusive of incidental charges paid to individuals, such as attorney and appraisal fees) equal that which is received by the association, *in dollars*, this does not imply that the *cost rate* to the borrower must equal the *income rate* to the association. The time factor affects only the former. Reverting to the illustration presented above, the gross premium of \$5.00 per \$100.00 yields the association an annual investment return of *6.3 per cent*, whereas the monthly instalment premium of \$0.16 yields an annual investment return of *7.9 per cent*. For:

GROSS PREMIUM PLAN		INSTALMENT PREMIUM PLAN	
Net loan	\$95.00	Net loan	\$100.00
Monthly charges (interest)	.50	Monthly charges (interest plus premium)	.66
Monthly rate	.005263 per cent	Monthly rate	.0066 per cent
(× 12) Annual rate (nominal)	6.3 "	(× 12) Annual rate (nominal)	7.9 "

CHART XXI*: RATES EARNED BY ASSOCIATIONS ON MORTGAGE LOANS, BY COUNTIES



*This chart is based on Table S in the Appendix. Shaded rectangles represent the range of rates earned by associations (interest plus premium) on mortgage loans outstanding. Portions in black represent the modal (most frequently occurring) rates, by intervals of one-half of one per cent. Counties are arranged by type of premium plan predominant, and in each of these groups by order as to percentage of associations which charge no premium on mortgage loans. Percentage of associations in each county charging no premium in parentheses.

INCOME FROM LOANS

ceived by associations in the respective counties and the heavy lines the modal, or most frequently found, rates. The counties are grouped by type of premium charged and arranged in each of these two groups by order as to the prevalence of premium charges. The general drop in the upper range in both the gross premium and the instalment premium associations is marked in the counties in which exemption from all premium charges is common. In such counties the general tendency seems to be definitely away from high premium exactions, for the modal rate also drops. (See Appendix, Table S.) Among the gross premium counties, however, there seems to be no well defined correlation between the modal loan charge and the number of no-premium associations.

So far as mortgage loans are concerned, then, building and loan associations in this State receive an income which is well above the stated interest rate on loans, the most frequently occurring rate being in the vicinity of six and one-half per cent, and in some few cases reaching the high points of ten and even twelve per cent. The extreme instances are found in Essex and Atlantic Counties and the highest *modal* real rates obtain in Somerset (7.5 per cent) and Atlantic (7.2 per cent) Counties; the lowest in Cumberland and Sussex (6.0 per cent) Counties.

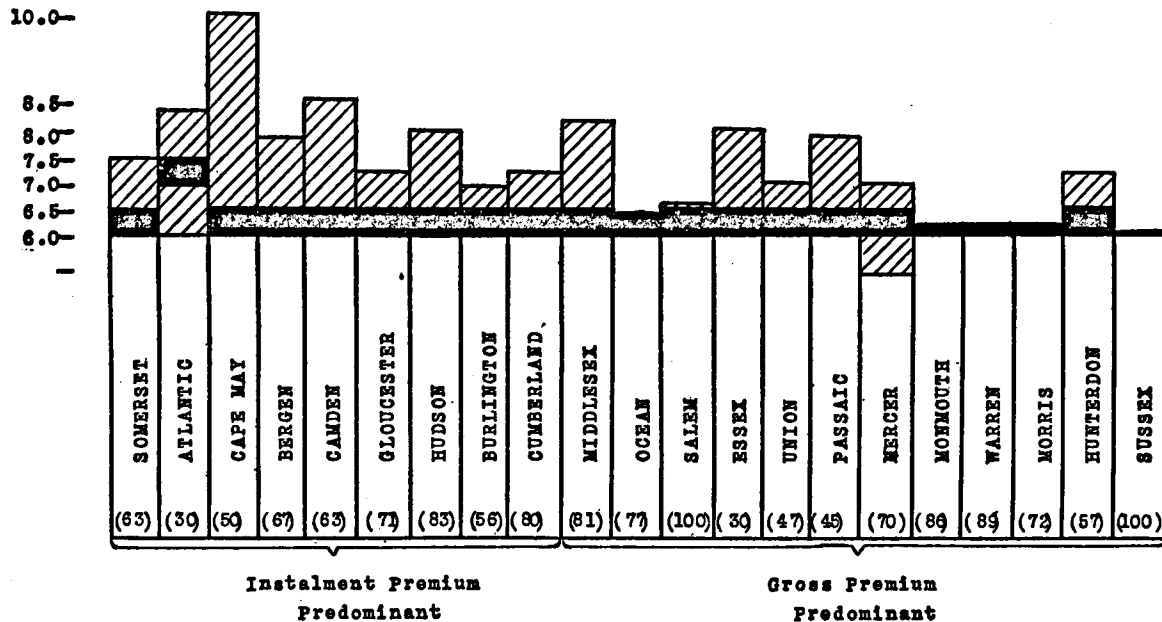
Rates Earned on Share Loans

Similar analysis with respect to share loans is presented in Table T in the Appendix and in Chart XXII. Over one-half of the associations in the State charge no premium on share loans, so that the yield from this source in the majority of associations is not above the stated interest rate.⁷ Comparison of Charts XXI and XXII indicates, further, that the range in rate yields on share loans in those associations which do charge a premium

⁷ It should be noted that whereas interest is payable by the borrower each month along with dues, profits are usually apportioned less frequently by the association. A six per cent profit apportionment on shares pledged as collateral for share loans, therefore, would be more than matched by an interest charge of six per cent on share loans.

CHART XXII*: RATES EARNED BY ASSOCIATIONS ON SHARE LOANS, BY COUNTIES

Per Cent



*This Chart is based on Table T in the Appendix. Shaded rectangles represent the *range* of rates earned by associations (interest plus premium) on share loans outstanding. Portions in black represent the *modal* (most frequently occurring) rates, by intervals of one-half of one per cent. Counties are arranged by type of premium plan predominating, and in each of these groups by order as to percentage of associations which charge no premium on share loans. Percentage of associations in each county charging no premium in parentheses.

INCOME FROM LOANS

is not as wide as is the range in the rate yields on mortgage loans. The highest share loan premiums are found in Cape May, Camden, and Atlantic Counties. The highest yields on share loans, as on mortgage loans, are found among the instalment premium, rather than among the gross premium, associations.

Table 39 is a reference table and indicates the effect of gross and instalment premiums of varying magnitudes on the real loan rate *from the point of view of the association income account.*^a It applies to associations which charge interest at the

TABLE 39*

Table for Ascertaining the Effect of Premium Charges on the Earning Rate of Loans, Nominal Interest Rate Six Per Cent, from the Point of View of the Association

GROSS PREMIUM PER \$100 LOANED		MONTHLY INSTALMENT PREMIUM PER \$100 LOANED	
AMOUNT OF PREMIUM	INCOME RATE (MO. COMPOUND)	AMOUNT OF PREMIUM	INCOME RATE (MO. COMPOUND)
\$ 0.50	6.03%	\$0.01	6.12%
1.00	6.06	.02	6.24
1.50	6.09	.03	6.36
2.00	6.12	.05	6.60
2.50	6.15	.06	6.72
3.00	6.18	.07	6.84
3.50	6.22	.08	6.96
4.00	6.25	.09	7.08
4.50	6.28	.10	7.20
5.00	6.32	.11	7.32
5.50	6.35	.12	7.44
6.00	6.38	.13	7.56
6.50	6.42	.14	7.68
7.00	6.45	.15	7.80
7.50	6.49	.16	7.92
8.00	6.52	.17	8.04
8.50	6.56	.18	8.16
9.00	6.59	.19	8.28
9.50	6.63	.20	8.40
10.00	6.67	.25	9.00
		.30	9.60
		.35	10.20
		.40	10.80
		.45	11.40
		.50	12.00

*This represents rate yield to the association and is not identical with cost to the borrower. See p. 174, note 6.

^a *supra*, p. 175.

BUILDING AND LOAN IN NEW JERSEY

annual rate of six per cent, payable monthly. The rate yields also are on this basis.

Annual association receipts from premium charges amounted, in 862 reporting associations in 1928, to almost four million dollars, or thirteen per cent of the amount yielded by all interest charges on loans (thirty million dollars). This ratio between premium income and interest income has remained fairly constant for the past twenty-eight years, as is shown below.⁹

Fines

The imposition of fines on arrearages and the charging of membership fees whenever new shares are issued also furnish income to associations and together with interest, premium, and low withdrawal allowances on early withdrawal of shares, account in large part for the high dividend rate apportioned on building and loan shares.

Fines were imposed on arrearage in all the early building and loan associations—and are necessary in serial associations today, it is claimed—to equalize the position of delinquent and non-delinquent members in each series. The reasoning is similar to that presented above with respect to low withdrawal allowances on premature withdrawals. Shareholders, when they join an association, in effect contract to save regularly for a specified period and are obligated to share all burdens, as well as all benefits, alike, in proportion to their share holdings.

From the point of view of the delinquent member, naturally, fines can often be very troublesome. Undoubtedly, within certain limits, the thought of a fine—however small it may be—stimulates regularity in the payment of dues and is psychologically desirable. Economically, however, it is difficult to see how the imposition of a fine—an additional financial burden—improves the unfortunate's ability to pay. The theory that arrearage is the manifestation of mere shiftlessness on the part of the delinquent is not always sound. Many arrearages, particu-

⁹ See Chap. x.

INCOME FROM LOANS

larly in the case of borrowers, are due rather to genuine inability to pay. In such cases it is difficult to see the justice of imposing a direct monetary charge on the unfortunate for the benefit of the fortunate. Greater justice, it seems, would be effected by transferring the shares to a later series. The penalty would still be there but would be in the form of delayed maturity.

Fines are still common in this State. Ninety-six per cent of the 862 associations examined list receipts from this source for 1928, and of the 213 associations answering the fines question on the questionnaire, 208 report their use.

TABLE 40
Data on Fines and Membership (including Transfer) Fees, 1928

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING FINES	NO. ASSNS. CHARGING MEM- BERSHIP FEES
Atlantic	28	24	6
Bergen	54	48	45
Burlington	10	9	9
Camden	110	108	110
Cape May	18	18	18
Cumberland	9	9	—
Essex	313	307	269
Gloucester	17	17	10
Hudson	80	77	69
Hunterdon	5	5	5
Mercer	8	7	8
Middlesex	38	34	36
Monmouth	21	21	18
Morris	17	17	14
Ocean	5	5	4
Passaic	49	46	48
Salem	1	1	1
Somerset	5	5	3
Sussex	3	3	3
Union	64	58	61
Warren	7	7	3
State	862	826 (95.8%)	740 (85.8%)

The five associations reporting "no fines" on the questionnaire are all optional payment associations. Those optional

BUILDING AND LOAN IN NEW JERSEY

payment associations which do levy fines levy them against borrowing members only.

The State law¹⁰ restricts the use of fines in several ways. Associations may not: (1) charge fines after a notice of withdrawal has been filed, (2) charge fines upon fines, (3) charge higher than a two per cent monthly cumulative fine after a default in any periodical payment for three successive months, (4) charge more than six months' full fines against a member's account in any one fiscal year (except that after six months, interest at one-half of one per cent per month may be charged, after the six months' period, on total arrearages, exclusive of fines).

A number of associations have humanized their systems of fines and now grant to the Board of Directors or the Secretary the power to waive fines in cases where such action seems warranted. The systems outlined in the questionnaire returns are varied. The most usual method appears to be to impose a fine of from three to five per cent for the first three months of delinquency, and to scale this down, in accordance with the law, to two per cent for the second three months.

Naturally, as fines are realized only upon delinquency—or, more precisely, upon full or partial elimination of delinquency—the revenue yield from this source is low in comparison with receipts from other sources. It amounted, in 862 reporting associations in 1928, to \$346,000, which represents only one-tenth of one per cent of total receipts.

Membership Fees

Although membership (and transfer) fees are imposed by eighty-six per cent of the reporting associations, they are the least important revenue-yielder of all, accounting for far less than one-tenth of one per cent (\$110,000) of the total receipts of 862 reporting associations in 1928. These fees are low, usually ranging from five to not more than twenty-five cents per

¹⁰ Article III, Paragraph 67.

INCOME FROM LOANS

share, and seldom exceeding six or seven dollars on a mortgage loan of \$5,000. Often, in cases where a fee higher than ten cents is exacted a maximum limit is set to keep the charges low on the larger loans.¹¹

A few associations¹² charge borrowing members a fee on withdrawal prior to maturity and where the practice prevails the effect is to diminish the member's real dividend return. The charge, however, is not excessive and usually can be ignored.¹³ In effect, of course, the practice of allowing less than full profits on all early withdrawals is the same as the imposition of a stated withdrawal fee.

¹¹ As a membership fee is a small amount deducted at the start, it has little effect on the income rate. Thus, assume the case of an association which has a high membership fee—amounting to the legal maximum of twenty-five cents per share—and an interest rate on loans of six per cent, payable monthly. On each \$100 loaned, this would mean a deduction of 12½ cents (one-half share). The rate computation would be:

(1) Net loan	\$ 99.875
(2) Monthly charge	0.50
Divide (2) by (1) to obtain monthly rate	0.005006 per cent
× 12 to obtain annual rate	6.008 "

Without the membership fee, the computation would be:

(1) Net loan	\$100.00
(2) Monthly charge	0.50
(3) Monthly rate	0.005 per cent
(4) Annual rate	6.0 "

The "high" membership fee, in this case, has effected a difference in the real rate of less than 1/100th of one per cent.

¹² Of the 929 associations for which this information is available, only twelve impose withdrawal fees.

Four associations (in Gloucester, Middlesex, Somerset, and Union Counties) charge a withdrawal fee of 50 cents per book.

One association (in Hudson County) charges a three per cent withdrawal fee.

Two associations (in Essex and Passaic Counties) charge a withdrawal fee of 20 cents per share.

One association (in Essex County) charges a fee of 15 cents per share.

Four associations (three in Passaic and one in Hunterdon County) state only that they charge a withdrawal fee.

¹³ Although in some associations repayment of a mortgage loan involves the payment of interest for a stated minimum period or the balance of the instalment premiums.

BUILDING AND LOAN IN NEW JERSEY

Criticism by Bankers

The fact that building and loan associations have been paying handsome dividends, and consequently have been attracting savers from the banks, has caused considerable consternation among, and adverse criticism from, certain groups of bankers. Although it is probable that hostility is not the general feeling of the majority of New Jersey bankers, criticism is sufficiently persistent in certain quarters to warrant an examination of the question. In all such cases of economic conflict the best answer is, not return recrimination, but rather an impartial examination of the facts.

The most frequently heard criticisms of building and loan associations by bankers may be summarized, briefly, as follows:¹⁴

(1) That the high dividend yield on building and loan shares has caused withdrawal of savings deposits.

(2) That the majority of the members of building and loan associations are no longer home-seekers, but are investors and the desire to attract this type of member has led to the "abuse" of the paid-up share.

(3) That associations have departed from their original function of aiding the small home-owner, and are now lending on commercial real estate.

(4) That they are not compelled to maintain adequate reserves.

(5) That they are not subject to sufficiently rigid examination by the State.

The reader is already in a position, on the basis of the facts presented earlier in this study, to judge the merit of the first three charges. It is true that building and loan dues and build-

¹⁴ Typical of this attitude is the article by Mr. U. H. McCarter, president of the Fidelity Union Trust Company entitled "My Forty Years of Banking," appearing in the *Journal of Industry and Finance* for May 1929. Also, see the address of State Senator E. L. Richards at the 1929 Annual Convention of the New Jersey League of Building and Loan Associations delivered at Atlantic City (*New York Herald Tribune*, June 1, 1929).

INCOME FROM LOANS

ing and loan membership have been increasing much more rapidly than savings bank deposits and savings bank depositors, and the inference that much of this has been at the expense of other institutions for savings appears reasonable. This much was made clear in the second chapter. The mere fact, however, that building and loan associations pay higher dividends than do the savings banks, by itself, hardly justifies further legislative restrictions on the former or adverse criticism of their activity.

The second observation, that non-borrowing building and loan members are more numerous than borrowing members has already been presented, and the ratio examined for a number of years.¹⁸ Experience seems to teach that three savers are needed to supply funds for one borrower. At least, that has been the ratio since 1900. This, however, is hardly a legitimate complaint, and if it were, it is surely one of long standing, for the slight increase in the percentage of non-borrowers to borrowers in recent years is hardly alarming. Every lending institution of this type must derive funds from some source in order to be able to lend. Building and loan associations do not create credit as do the commercial banking houses. If the demand for loans is so great that it becomes necessary to attract additional non-borrowing savers—and early in their experience associations encountered this necessity—why should this not be resorted to? Mutuality consists in confining the bulk of loans to members. It does not follow, logically, that every member must be a borrower.

The "abuse" of the paid-up share was discussed in Chapter V.¹⁹ So far as stability is concerned it was seen that this type of building and loan share compares not unfavorably with savings deposits. Further observation will be made in the next chapter.

We have already presented what evidence there is to form an estimate of the extent to which building and loan associations

¹⁸ *supra*, p. 65.

¹⁹ *supra*, p. 75.

BUILDING AND LOAN IN NEW JERSEY

are lending on commercial properties.¹⁷ Although there is a tendency for associations to refuse loans on highly specialized properties—such as theaters, factories, and garages—there is undeniably a counter-tendency for the larger associations in the more metropolitan portions of the State to lend on apartment houses and mercantile properties. Of the fact that building and loan associations are in certain localities evolving, there seems to be sufficient evidence. But whether this has been evoked necessarily by a changing economic environment, and further, whether the State should endeavor to forestall this evolution, are other questions which can best be discussed broadly from the point of view of the economic development of the State.

The fourth criticism, relating to reserve requirements, will next occupy the reader's attention, and upon the findings will depend, in part, the merit of the fifth criticism. The existing system of examination of building and loan associations by the State Department of Banking and Insurance has been described. Whether a more rigid system is needed can better be judged after the building and loan financial picture has been examined in greater detail.

¹⁷ *supra*, p. 157.

CHAPTER X

A FINANCIAL PICTURE

TRENDS and comparative practices can best be observed by analysis of composite balance sheets and income statements. Figures for the principal items contained in the statements of all reporting associations in the State, from 1900 to 1928, appear in the Appendix.¹ These are not directly comparable from year to year, particularly prior to 1925, since they include data for only those associations which filed reports with the State authorities. Although the published figures do not become all-inclusive until 1925, they are sufficiently complete for the earlier years, when interpreted on a percentage basis, to be representative of the building and loan movement throughout the State.

Naturally, as building and loan associations have been expanding rapidly and steadily, increases are exhibited in all the absolute figures. To secure comparability and to facilitate observation, therefore, the figures have been converted to the percentage distribution form. The important indicators of trend are *relative* increases and *relative* decreases. Thus, an increasing ratio of cash-on-hand to total assets might indicate a slackening in the demand for loans; a decrease in any given percentage might indicate either an absolute decrease in that item or simply its failure to keep pace with the expansion in other items comprising total assets, liabilities, receipts, or disbursements.² The absolute figures under purview have been taken from the annual published reports of the Commissioner of Banking and Insur-

¹ Tables U and V.

² It is necessary to remember that every increase in a given item in a percentage distribution series requires a similar increase in all other items if the relative position of all the items is to be maintained. Otherwise an increase in a given item will be accompanied by a corresponding decrease in some other, or all, component items. The total is always 100 per cent.

BUILDING AND LOAN IN NEW JERSEY

ance, with the exception of those for 1928 which have been totalled from 862 individual association reports.

Compared with Savings Banks

Criticism which calls for higher building and loan reserves³ often tends to be misleading and is frequently inaccurate. Strictly speaking, building and loan associations, state banks, trust companies, and savings banks are not required by State law to maintain any *cash reserve* against time deposits (or shareholders' accounts).⁴ And, the compulsory reserve feature incorporated into the Building and Loan Association Act in 1929 (permissive up to that time) is clearly a proprietary, or bookkeeping reserve set up, not for the purpose of rendering associations liquid, but "to make good any unforeseen losses or to meet extraordinary expenses." Not until 1929 were all associations required to maintain even bookkeeping reserves.⁵ The amendment passed in that year requires associations to set up reserve accounts (incorrectly designated *reserve funds* in the law) consisting of two per cent of the net profits each year until in each association it reaches fifteen per cent of the total assets.

It is important, at this juncture, to distinguish between *liquid asset reserves* and bookkeeping, or *proprietary reserves*. A balance sheet is a dual statement, consisting of two parts, the assets side and the equities (unfortunately usually designated "liabili-

³ *supra*, p. 184.

⁴ Unless the bank in question is a member of the Federal Reserve System in which case it must maintain a three per cent reserve (in the form of a deposit with the Federal Reserve Bank) against time deposits. This includes all national banks.

⁵ Prior to 1929 the Building and Loan Association Act provided for a compulsory reserve of two per cent of net profits each year only in "any association that permits the shares of non-borrowers to be matured in a shorter period than the shares of borrowers, or in any association that permits withdrawal of shares with full profits, and in every association that has matured any shares, whenever the ratio of total profits and surplus to all other liabilities of such association, including instalment dues paid in, paid up or other shares and borrowed money, is less than fifteen per centum." This reserve was at no time to exceed five per centum of the total assets of such association.

A FINANCIAL PICTURE

ties") side. Equities represent claims to asset values and consist of actual liabilities to others plus capital and surplus (the amount by which asset values exceed the total liabilities to others). A *reserve fund* (liquid asset reserve) requires that a portion of total assets be set aside (in the form of cash or claims readily convertible into cash) for a specific purpose. A proprietary reserve, on the other hand, applies solely to the equities side of the balance sheet and requires only that a certain portion of surplus be earmarked as reserve. It means, effectually, that an equivalent amount of asset values cannot be distributed as dividends but must remain with the association. Financial liquidity is not assured by a proprietary reserve unless a liquid asset reserve fund is also set aside in cash or its ready equivalent. Liquid asset reserves effect liquidity; proprietary reserves effect the maintenance of a steady dividend policy by setting up a reservoir in fat years which can be used to pay dividends in lean years.

The reserve requirement embodied in Paragraph 69 of the Building and Loan Association Act sets up a proprietary reserve, not a liquid asset reserve. It does not affect the liquidity of assets and does not insure that the amount of the reserve can be readily realized in cash. This is clear in view of the last sentence of the clause, which provides that the "reserve fund and undivided profits shall be loaned and invested in the same manner as are other moneys of such association."^{8a}

A financial picture of building and loan associations probably can best be presented in conjunction with a similar picture of the savings banks. Both are mutual institutions and neither is eligible for membership in the Federal Reserve System.⁸ Com-

^{8a} See, however, note 16 on page 197.

⁸ National banks must be—and State banks and trust companies may be, and often are—members of the Federal Reserve System. This changes the entire financial picture of such institutions for the Federal Reserve System, by centralizing and liquefying the reserves of the member institutions, increases their effectiveness much as a centralized water supply in a town increases the effectiveness of a given quantity of water in preventing the spread of fire. The reader who is interested in the structure and operation of the Federal Reserve System should read

BUILDING AND LOAN IN NEW JERSEY

parative balance sheets and comparative receipts and disbursements statements are presented in Tables 41 and 42. The presentation of such a comparison does not involve the assertion that legally and economically building and loan associations are banks, but is merely a device to set out in clear perspective the features peculiar to building and loan associations.

Consider, first, investments. It will be seen that loans on real estate mortgage, which constitute ninety-four per cent of all building and loan association assets, account for only fifty-two per cent of the assets of the savings banks. Building and loan associations hold less than one-tenth of one per cent of their total assets in other securities; savings banks hold forty-four per cent in government bonds and notes, railroad bonds, and other securities. Building and loan mortgage loans, we have already seen, yield associations well over the six per cent stated rate of interest due to the imposition of premium charges. To the extent, therefore, that the rate of yield on real estate mortgage loans exceeds the rate of yield on securities, building and loan associations are in a comparatively advantageous position.

Kemmerer, E. W., *The A B C of the Federal Reserve System* and Burgess, W. R., *The Reserve Banks and the Money Market*.

Close to seventy per cent of the banks and banking resources of New Jersey are represented in the Federal Reserve System.

MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM, BANKS OF NEW JERSEY, 1928
(Source: *State Bank Report*, 1928)

	NO. OF INSTITUTIONS			ASSETS		
	IN STATE	MEMBERS	PER CENT	IN STATE	MEMBERS	PER CENT
National Banks	299	299	100%	\$1,062,969	\$1,062,969	100%
Trust Companies	199	58	29	1,390,358	683,092	49
State Banks	38	7	18	108,188	28,152	26
Total	536	364	68%	\$2,561,515	\$1,774,213	69%

A fair comparison of the financial picture of building and loan associations and a financial picture of all types of savings deposits in the State is practically impossible to obtain. The bank statements do not segregate savings banking business figures but include them along with regular commercial banking operations.

A FINANCIAL PICTURE

TABLE 41
Comparative Balance Sheets, Building and Loan Associations and Savings Banks
in New Jersey, 1928
(000 omitted in all value figures)

B. & L. ASSOCIATIONS*			SAVINGS BANKS†	
PERCENTAGE DISTRIBUTION				PERCENTAGE DISTRIBUTION
ASSETS				
94.1%	\$ 971,082	Mortgage Loans Outstanding	\$168,670	52.2%
2.5	25,460	Collateral (Share) Loans	2,713	0.8
	‡	{ Government Securities	46,502	14.4
		{ Railroad Bonds	68,401	21.2
		{ Other Securities	17,965	5.6
0.8	8,692	Real Estate, including Banking House	6,198	1.9
1.4	14,667	Cash	8,072	2.5
1.2	12,529	Miscellaneous	4,417	1.4
100.0%	\$1,032,429	Total Assets	\$322,939	100.0%
LIABILITIES				
65.7%	\$677,946	Due Instalment, Single-Pay- ment, and Juvenile Share- holders	—	—
10.4	107,367	Paid-up Shares	—	—
—	—	Deposits‡	\$287,576	89.0
6.1	63,274	Borrowed Money	—	—
16.0	164,773	Profits or Surplus®	34,151	10.6
1.8	19,070	Miscellaneous	1,213	0.4
100.0%	\$1,032,429	Total Liabilities	\$322,939	100.0%

* Figures from Department of Banking and Insurance in advance of publication.

† Figures from 1928 Annual Report.

‡ Not listed. Less than one-tenth of one per cent.

§ Includes dividends credited to depositors.

® Does not include dividends apportioned.

The following summarizes the income return from investments held by these two institutions in 1928:

(1928 Figures)

(000 omitted throughout)

REPORTING (862) BUILDING AND LOAN ASSOCIATIONS	SAVINGS BANKS
<i>Income from:</i>	<i>Income from:</i>
Interest	All Interest
\$30,447	\$16,039
Premium	
3,954	
Fines	
346	
Membership fees	
110	
Total	
\$34,857	

BUILDING AND LOAN IN NEW JERSEY

<i>Invested in:</i>		<i>Invested in:</i>	
Mortgage loans	\$542,306	Mortgage loans	\$168,670
Share loans	12,940	Collateral loans	2,713
		Government securities	46,502
		Railroad bonds	68,401
		Other Securities	17,965
<hr/>		<hr/>	
Total	\$555,246		\$304,251
<i>Ratio, Income to Investment:</i>			
Building and loan associations	6.28%	Savings Banks	5.27%

The Savings Bank law of New Jersey limits the amount that savings banks may lend on mortgage security to eighty per cent

TABLE 42
Comparative Statements of Receipts and Disbursements, Building and Loan Associations and Savings Banks in New Jersey, 1928
(000 omitted in all value figures)

B. & L. ASSOCIATIONS*			SAVINGS BANKS†	
PERCENTAGE DISTRIBUTION				PERCENTAGE DISTRIBUTION
		RECEIPTS‡		
43.9%	\$106,724	Dues on Instalment Shares	—	—
9.8	23,923	Subscriptions on Paid-up Shares	—	—
—	—	New Deposits	\$123,665	68.9%
23.6	57,323	Mortgage Loans Repaid	15,379	8.6
2.5	6,163	Share (Collateral) Loans Repaid	5,356	3.0
14.1	34,401	Interest (and Premium)	16,039	8.9
—	—	Securities Sold	12,563	7.0
6.1	14,756	Miscellaneous	6,370	3.6
100.0%	\$243,290	Total (Net) Receipts	\$179,372	100.0%
		DISBURSEMENTS		
51.6%	\$125,358	Loaned on Mortgage	\$28,715	16.0%
3.4	8,324	Loaned on Shares (Collateral)	5,093	2.8
—	—	Stocks and Bonds Purchased	14,296	8.0
23.8	57,835	Withdrawals (Including Dividends)	121,840	68.0
10.5	25,494	Shares Matured	—	—
0.4	915	Repaid Borrowed Money	—	—
0.8	2,019	Salaries	1,420	0.8
9.4	22,926	Miscellaneous	7,860	4.4
100.0%	\$242,871	Total (Net) Disbursements	\$179,224	100.0%

*Data from 862 reporting associations.

†Complete for all Savings Banks in the State.

‡Figures are "net" in that borrowings have been adjusted so as to indicate only the net change in borrowing and to exclude mere renewals of old loans (See n. 23, p. 205).

A FINANCIAL PICTURE

of total deposits outstanding. It further restricts every such loan to sixty per cent of the appraised value of the real estate if improved, and to thirty per cent, if unimproved.⁷ Not over twenty per cent of total deposits may be invested in public utility bonds, and not over ten per cent in railroad equipment obligations. Actually, mortgage loan investments by savings banks amounted, in 1928, to less than fifty-nine per cent of all deposits, whereas such investments by building and loan associations amounted to almost 102 per cent of the total amount due shareholders.⁸ Whether this failure on the part of the savings banks to lend up to the legal limit on real estate security is intentional, the policy being to maintain a greater degree of liquidity of investment even than that required by the law, or whether it evidences inability to compete successfully with other lending institutions, is a question. It is pertinent to observe, however, that although building and loan associations are permitted to lend *excess* funds, on straight mortgage, up to sixty-five per cent of the appraised value of improved real estate, savings banks may not exceed sixty, and national banks fifty, per cent. Although the inexactness of real estate appraisal probably weakens the economic importance of this legal technicality, the existence of the difference in the law is interesting.⁹

The assets of building and loan associations are mostly non-

⁷ Chapter 129, Laws of 1924, Paragraph 33.

⁸ Building and loan association "due shareholders" account includes profit and surplus.

⁹ Building and loan associations encounter competition in the real estate mortgage loan field not so much from the savings banks as from the title and mortgage companies. The following are the percentages of appraised value of property to which the various types of institution may lend, according to the law:

Trust companies (no limit)		
Building and loan associations (amortized loans)	80	per cent
Title companies	66 $\frac{2}{3}$	"
Building and loan associations (straight loans to utilize idle funds)	65	"
Savings banks	60	"
National banks	50	"

BUILDING AND LOAN IN NEW JERSEY

liquid, only slightly over one per cent of the total in 1928 comprising cash in hand or cash in banks. Savings bank cash accounts, as well, are low, accounting for only two and one-half per cent of all assets. In addition, however, the latter own securities—government and other—aggregating some 133 million dollars, and this brings their ratio of liquid assets to total assets to forty-four per cent. The theory of a liquid asset reserve (cash or readily salable securities) is that sufficient cash shall be available at all times to meet the normal withdrawal demands of depositors, and any unforeseen demands that might arise.

The importance of security holdings in the make-up of the high savings bank asset-reserve against deposits is emphasized in the following comparisons:

RATIO	BUILDING AND LOAN ASSOCIATIONS	SAVINGS BANKS
Cash to amount due shareholders	1.7 per cent	—
Cash to amount due depositors	—	3.0 per cent
Liquid assets (cash plus securities) to amount due shareholders	1.7 “	—
Liquid assets (cash plus securities) to amount due depositors	—	52.2 “

This comparison, however, taken by itself, is misleading. Although building and loan associations are important as savings institutions, savings in them differ markedly in type from deposits in banks. The bulk of the savings placed with building and loan associations are still of the serial instalment type and tend to be quite stable. This is significant when it is recalled that: (1) annual withdrawals of savings bank deposits, since 1916, have averaged over forty-one per cent of total liabilities to depositors, (2) withdrawals of paid-up building and loan shares have averaged around thirty per cent, and (3) withdrawals of instalment building and loan shares have averaged slightly less than ten per cent.¹⁰ All withdrawals, including profits (but excluding payments on matured shares which are forced with-

¹⁰ *supra*, pp. 78 ff

A FINANCIAL PICTURE

drawals and are therefore definitely predictable) amounted, in the 862 building and loan associations examined for 1928, to fifty-eight million dollars, or ten per cent of total liabilities to shareholders. Savings bank withdrawals, on the other hand, aggregated almost 122 million dollars, or over forty-two per cent of total deposit liabilities.

The really significant asset reserve ratio is that which relates to normally expected withdrawals on the basis of past experience. Cash held by savings banks represents slightly less than seven per cent of normal annual withdrawals; by building and loan associations slightly more than seventeen per cent. When all liquid assets are included, the ratio becomes more favorable in the case of the savings banks.

RATIOS ¹¹	BUILDING AND LOAN ASSOCIATIONS	SAVINGS BANKS
Cash to normal annual withdrawals	17.2 per cent	6.8 per cent
Liquid assets to normal annual withdrawals	17.2 "	119.0 "

So far as liquid asset reserves are concerned the position of building and loan associations is weaker than the position of savings banks, but so far as actual cash reserves are concerned the position of building and loan associations is the stronger. The figures do not take into account, however, the probability of loss in the capital value of securities upon forced sale. To the extent that such losses occur securities are inferior to a cash reserve.

But, even more than this is involved in the question of *effective* reserves. Liquid asset reserve represents immediate cash power at a given moment. Supplemental to this, and highly important, is the income stream. The two together—liquid assets and receipts—constitute *effective reserve power*.

Strictly speaking, so far as depositors' and shareholders' claims are concerned, neither savings banks nor building and

¹¹ Method here followed has been to ascertain expected withdrawals on the basis of the normal ratios for the past thirteen years (as derived on page 79 of the text) for each type of share and for bank deposits. Securities are included with cash in the figure for liquid assets.

BUILDING AND LOAN IN NEW JERSEY

loan associations have demand deposits to meet. The former are permitted by law to require prior notice of withdrawal from withdrawing depositors,¹² and in practice they usually provide in their by-laws for a period of from one to three months. The Building and Loan Association Act¹³ specifically provides that no association may be required, without the consent of its own board of directors, to pay withdrawal demands beyond one-half of its monthly receipts for a period of six months. But, a withdrawal notice of six months' standing becomes a legal debt of the association. The longer the period of withdrawal notice required, the more important, relatively, are cash receipts as an element of effective reserve power.

The following comparisons view the ratio of receipts to withdrawals from several angles:

RATIO	BUILDING AND LOAN ASSOCIATIONS	SAVINGS BANKS
(1) Total receipts to total withdrawals ¹⁴	657 per cent	154 per cent
(2) Total receipts plus cash on hand to total with- drawals	670 "	155 "
(3) Total receipts plus liquid assets ¹⁵ to total with- drawals	670 "	263 "
(4) Total receipts (less borrowed money) to withdrawals	421 "	154 "
(5) Total receipts (less borrowed money) plus cash on hand to withdrawals	434 "	155 "
(6) Total receipts (less borrowed money) plus liquid assets to withdrawals	434 "	263 "

It will be noted that in all cases where receipts are compared with withdrawals the effective reserve ratio of the building and loan associations is higher than the effective reserve ratio of the savings banks. When receipts from borrowed money are included (comparisons one, two, and three above) the effective reserve of the associations averages around six and one-half

¹² Chapter 48, Laws of 1927, Section 25. No time limit, however, is specified in the law.

¹³ See Paragraphs 49 and 52.

¹⁴ Withdrawals do not include matured shares.

¹⁵ Cash plus securities held.

A FINANCIAL PICTURE

times annual withdrawals. When borrowing is excluded (comparisons four, five, and six) the effective reserve averages about four times annual withdrawals.

However, there is no way of foretelling to just what degree dues receipts will fall off in times of stress. To the extent that receipts in such times do fall off the effective reserve position against withdrawals is weakened. Here enters the psychology of building and loan shareholders. The borrowing members will not be likely—unless economic conditions become exceedingly bad—to default. Non-borrowing members (who constitute three-fourths of the total membership) of a serial association will be likely to continue payments so as to avoid sustaining losses in the way of fines or diminished dividends. It is conceivable that those non-borrowing investors in optional payment associations who have not yet acquired the habit of regular saving will not be subject to the same economic and psychological pressure to pay dues as will members of most serial associations and may well be tempted by alluring stock market gyrations to forget—temporarily at least—about sending their checks to the building and loan association. To the extent, of course, that members have acquired the habit of regular saving this probability is weakened.

So far as fundamental strength and safety are concerned there is little room for question. Both building and loan associations and savings banks are conservatively managed, their investments are limited to low-risk mortgages and gilt-edge securities, and both maintain adequate effective reserves. As the law now stands, and as the two institutions are now operated, it is far from proved that the assets of either should be further liquefied by legislative enactment.

*Present Discussion of the Question of Liquidity*¹⁶

Discussion has been lively in building and loan circles since the most recent stock market crash (1929) on the question of

¹⁶ Since this book was written the Legislature has enacted the following

BUILDING AND LOAN IN NEW JERSEY

association liquidity. There are those who ardently argue for provisions in the law which would compel associations to maintain their assets in sufficiently liquid form (through either the imposition of a minimum cash reserve requirement or the require-

(Chapter 46, Laws of 1930) amendment to Paragraph 26 of the Building and Loan Association Act:

Provided, further, that a sum equivalent to not less than ten per centum of the average annual cash payments made in the three preceding fiscal years by such association to shareholders on shares withdrawn and on shares matured and on loans authorized under paragraph IV hereof shall be invested by such association in the following manner:

(a) In stocks or bonds or interest-bearing notes or obligations of the United States, or those for which the faith of the United States is distinctly pledged to provide for the payment of the principal and interest thereof;

(b) In the interest-bearing bonds of this State, or in any bonds authorized by the laws of this State to be issued by any commission appointed by the Supreme Court of this State by virtue of any law of this State;

(c) In the bonds of any State in the Union that has not, within ten years previous to making such investment by any such association, defaulted in the payment of any part of either principal or interest in any debt authorized by any law of such State to be contracted;

(d) In the bonds of any country, township, municipality or school district of this State issued pursuant to the authority of any law of this State; provided, such county, township, municipality or school district shall not, within the five years next preceding, have defaulted in the payment of any part of either principal or interest of any legal debt or obligation thereof; and provided, further, the total indebtedness of any borough or village does not exceed ten per centum of its assessed valuation, and such school district bonds are by law charged upon all the property of the inhabitants of such district; or in any interest-bearing obligation issued by the county in which such building and loan association is situated or by any city, town, township, borough or village in such county;

(e) In any demand or time deposits in, or certificates of deposit of, any bank or trust company in this State, which deposits or certificates shall be in the name of such association and shall be designated "liquid investment fund"; moneys acquired by such association from the sale or hypothecation of securities specified in subdivisions (a), (b), (c) and (d) hereof, or from the sale, surrender, hypothecation or withdrawal of such deposits or certificates of deposit, shall be used only for the purpose of making payments to shareholders on shares withdrawn or on shares matured or on loans authorized under paragraph IV hereof; and no such association shall agree to invest any moneys in the manner permitted by paragraphs I, II, and V hereof when its investments in such securities and/or deposits and/or certificates shall be less than the percentage herein required; and every such association shall be subject to such rules and regulations respecting the methods of investing funds in such securities, deposits and certificates and the custody and control of such securities, deposits and certificates as the Commissioner of Banking and Insurance shall prescribe.

A FINANCIAL PICTURE

ment that associations invest a minimum of their assets in readily marketable securities) to guarantee the maintenance of a policy of paying withdrawals on demand. On the other hand, there are those who maintain that the strength of the building and loan association lies in the very absence of asset liquidity. They emphasize the strength which arises out of the direct relationship between the permanency of the shareholder's membership in the association and the investment of the bulk of association assets in long-time mortgages. From this angle, low withdrawal allowances, regularity of dues receipts, fines, and non-liquidity of assets are mutually supplemental.

The advocates of liquidity have suggested that building and loan associations should be permitted to borrow from each other or that some form of a reserve bank for building and loan associations be established which would centralize and mobilize building and loan association reserves of the State much as the Federal Reserve Banks do for their member banks. It is frequently emphasized in this connection that the capacity to borrow from banks¹⁷ is meaningless unless the capacity of the banks *to lend* remains unimpaired, and that in time of stress it is the inability of the banks to lend to the associations rather than the legal inability of the associations to borrow additional funds that is alarming. At the present time an impartial committee of economists, recently appointed by the New Jersey League of Building and Loan Associations, is studying the entire question of liquidity. Their report will undoubtedly furnish much fuel for debate at League conventions.

¹⁷The General Building and Loan Association Act (Paragraph 20) provides that a building and loan association may borrow up to thirty per cent of the amount actually paid into the association as dues on instalment shares. Of this borrowing capacity every association must at all times reserve unused an amount equal to five per cent of its liability to members for payments made to it by them. This is to be used only to pay shares withdrawn or matured. If, and while, borrowing capacity is impaired an association may not grant any mortgage loan.

In 1928 (see Table U in the Appendix) borrowed money amounted to 8.7 per cent of the amount due shareholders for dues on instalment shares in 862 reporting associations throughout the State.

BUILDING AND LOAN IN NEW JERSEY

Cost of Doing Business

Figures are lacking which would furnish the basis for a detailed comparison of the cost ratios of building and loan associations and banks,¹⁸ although what information is available seems to indicate that the former, in addition to enjoying the advantages enumerated above, are able to operate on a slightly lower unit cost than the latter.

The amount paid in rent by building and loan associations is not ascertainable inasmuch as the report form now used by the Department does not call for this information. It is probably lower, relatively, in the associations than in the banks since so many associations do not own their own headquarters¹⁹ but are located either in stores or in space rented in bank buildings.²⁰ Often several associations jointly maintain a small store

¹⁸ The State Law (Paragraph 53) limits all expenses (excepting taxes on mortgages and on real estate owned, assessments, repairs and insurance on real estate owned, dividends paid, expenses of foreclosure, and interest on borrowed money) of associations with assets of over \$100,000 (raised from \$50,000 to this figure by the 1929 Legislature) to the total receipts from admission or membership fees, and to one per cent of the total amount outstanding in mortgage loans and other investments.

The Department of Banking and Insurance ceased publishing disbursement data for associations after 1924, and even when such information was available (for both institutions) it was not presented in sufficient detail to warrant a trustworthy analysis. In both cases only the principal disbursements were listed separately, and there is no way of knowing what proportion of "all other disbursements" (a rather large item) represents true expense.

¹⁹ Of the 215 associations answering a query on the point twenty-two (ten per cent) state that they own their association headquarters. In fifty-three per cent of the associations (108 out of 204 replying) the office is open daily for the receipt of members' dues; in thirty-three per cent it is open only once a month. The chances are, however, that less than half the association offices are open daily, for the proportion of full-time secretaries answering the questionnaire has been greater, in all probability, than the proportion of part-time secretaries replying.

Possibly the same statistical weakness is present in answers to the question relating to full-time secretaries. Of the 204 association secretaries replying, fifty-seven (twenty-eight per cent) state that they are on a full-time basis. (See Table Z in Appendix.)

²⁰ Which indicates that hostility on the part of bankers is not universal. Interesting, too, are the figures appearing below (p. 248) which show the number of building and loan men who are bankers.

The higher rent ratio in the case of building and loan associations would be offset, in the banks, by the higher ratio of taxes, repairs, etc., on bank buildings.

A FINANCIAL PICTURE

for meeting purposes. Many of the larger associations, however, own handsome and expensive buildings which are fully outfitted with the most modern banking fixtures and conveniences.

Of the two million dollars paid in salaries by the 862 reporting building and loan associations in 1928, sixty-eight per cent went to pay officers' salaries (presidents, secretaries, and treasurers), eighteen per cent in directors' fees, three per cent to auditors, and eleven per cent to "other employees" (including vice-presidents, assistant secretaries, assistant treasurers, and clerical workers).

The total salary expenditure accounts for only one-half of one per cent of total disbursements²¹ and for thirty per cent of non-

TABLE 43

Salaries Viewed as an Expense, Building and Loan Associations and Savings Banks Compared, New Jersey, 1928

	SAVINGS BANKS	B. & L. ASSNS.
Number in State	28	1,564
Number reporting	28	862
<i>In those reporting:</i>		
Total disbursements	\$187,134,576	\$379,437,233
Salaries and fees	1,419,775	2,019,025
Percentage of total disbursements represented by salaries and fees	0.8%	0.5%
Total assets	\$322,939,459	\$575,656,452
Assets per dollar paid as salaries	227	285
Percentage of non-investment disbursements* represented by salaries and fees	15%	30%

* Total disbursements, less disbursements on loans, payments to depositors (or members), and payments for stocks and bonds purchased as investments (amounts to \$9,379,512 in banks and to \$6,699,177 in associations).

²¹ The salary expense ratio is lowest in the case of the very large and the very small associations, as the following summary shows:

SIZE GROUP	RATIO, SALARIES TO TOTAL DISBURSEMENTS
Assets up to \$250,000	0.5 per cent
" \$250,000-\$500,000	0.6 "
" \$500,000-\$750,000	0.6 "
" \$750,000-\$1,250,000	0.6 "
" \$1,250,000-\$5,000,000	0.5 "
" over \$5,000,000	0.4 "

BUILDING AND LOAN IN NEW JERSEY

investment disbursements. Each dollar so spent represents \$285 in association assets.

Similar computation for all the savings banks in the State indicates a salary expenditure of eight-tenths of one per cent of total disbursements and for fifteen per cent of non-investment disbursements. Each dollar so spent represents \$227 in bank assets. The difference in cost ratios is not highly significant, since it is so very low in both the associations and the banks.

An Historical Picture

Historical balance sheets and income statements reveal several significant trends. As the figures which follow are on a

TABLE 44A*
*Percentage Distribution of Assets of Building and Loan Associations in New Jersey,
1900 to 1928*

YEAR	MORT- GAGE LOANS	SHARE LOANS	REAL ESTATE	CASH	ARREAR- AGE	BONDS	MISC.	TOTAL
1900	83.5	3.7	5.9	3.8	1.9	—	1.2	100.0
1905	87.9	3.8	3.8	2.2	1.3	0.4	0.7	100.0
1910	92.2	3.1	1.2	2.2	0.8	0.3	0.3	100.0
1915	91.3	3.2	2.3	1.8	1.0	0.1	0.4	100.0
1920	91.7	2.5	1.1	1.4	0.7	†	2.7	100.0
1924	95.0	2.5	0.4	1.1	0.6		0.3	100.0
1928	94.2	2.2	0.7	1.3	0.7		0.9	100.0

*See Table U in the Appendix.

†Not listed separately after 1915.

TABLE 44B*
*Percentage Distribution of Liabilities of Building and Loan Associations in New Jersey,
1900 to 1928*

YEAR	DUE SHAREHOLDERS				BOR- ROWED MONEY	PROFITS OR SURPLUS	TOTAL
	INSTAL- MENT SHARES	SINGLE PAYMENT SHARES	JUVE- NILE SHARES	PAID-UP SHARES			
1900	73.0	—	—	1.2	2.0	18.9	100.0
1905	73.9	—	—	1.5	4.0	17.6	100.0
1910	72.7	—	—	2.6	4.6	17.8	100.0
1915	72.9	—	—	2.4	4.8	18.0	100.0
1920	68.6	—	—	3.9	8.6	16.8	100.0
1924	64.9	—	—	9.0	9.1	14.5	100.0
1928	65.6	0.3	0.1	10.4	5.7	15.5	100.0

*See Table U in Appendix.

TABLE 45A
Percentage Distribution of Net Receipts of Building and Loan Associations in New Jersey, 1900 to 1928*
 [000 omitted in all value figures]

YEAR	INSTALMENT DUES		PAID-UP DUES		MORTGAGE LOANS REPAID		SHARE LOANS REPAID		NET BORROWING		INTEREST		PREMIUM		FINES	
		(%)		(%)		(%)		(%)		(%)		(%)		(%)		(%)
1900	\$ 9,394	43.0	\$ 234	1.1	\$7,153	32.7	\$ 909	4.2	\$ 128	0.6	\$2,389	10.9	\$ 361	1.7	\$75	0.3
1905	10,771	42.5	321	1.3	8,392	33.1	1,166	4.6	305	1.2	2,962	11.7	291	1.1	72	0.3
1910	15,944	44.1	663	1.8	11,606	32.1	1,380	3.8	884	2.4	4,496	12.4	502	1.4	87	0.2
1915	26,673	47.0	1,015	1.8	16,955	29.9	2,234	3.9	—	—	7,547	13.3	728	1.3	153	0.3
1920	42,962	39.4	5,615	5.1	29,228	26.8	2,914	2.7	10,008	9.2	12,213	11.2	1,390	1.3	160	0.1
1924	98,879	45.0	26,264	11.9	44,980	20.5	5,557	2.5	11,512	5.2	25,950	11.8	3,977	1.8	310	0.1
1928	106,724	43.9	23,923	9.8	57,323	23.6	6,163	2.5	—	—	30,447	12.5	3,954	1.6	346	0.1

TABLE 45A—(Continued)

YEAR	MEMBERSHIP FEES		TOTAL	
		(%)		(%)
1900	\$83	0.4	\$21,849	100.0
1905	24	0.1	25,323	100.0
1910	30	0.1	36,192	100.0
1915	42	0.1	56,751	100.0
1920	89	0.1	109,053	100.0
1924	179	0.1	219,871	100.0
1928	110	†	243,290	100.0

* Figures are "net" in that borrowings do not include renewals of old loans. (See n. 23, p. 205.)

† Less than one-tenth of one per cent.

TABLE 45B

Percentage Distribution of Net* Disbursements of Building and Loan Associations in New Jersey, 1900 to 1928
[000 omitted in all value figures]

YEAR	LOANED ON MORTGAGE		LOANED ON SHARES		WITHDRAWALS, INSTALMENT SHARES		WITHDRAWALS, PAID-UP SHARES		SHARES MATURED		REPAID BORROWED FUNDS (NET)		SALARIES		TOTAL	
		(%)		(%)		(%)		(%)		(%)		(%)		(%)		(%)
1900	\$ 8,229	37.6	\$1,099	5.0	\$4,666	21.3	\$ 82	0.4	\$4,683	21.4	—	—	\$ 346	1.6	\$21,881	100.0
1905	11,585	45.7	1,150	4.5	5,047	19.9	132	0.5	4,984	19.7	—	—	215	0.8	25,339	100.0
1910	18,872	52.6	1,470	4.1	5,965	16.6	486	1.4	6,881	19.2	—	—	284	0.8	35,896	100.0
1915	25,630	45.6	2,796	5.0	9,641	17.1	671	1.2	11,046	19.6	\$939	1.7	458	0.8	56,241	100.0
1920	67,042	61.3	3,451	3.2	12,689	11.6	1,691	1.5	16,013	14.6	—	—	712	0.7	109,347	100.0
1924	130,323	59.4	7,486	3.4	25,668	11.7	13,022	5.9	31,326	14.3	—	—	1,575	0.7	219,495	100.0
1928	125,358	51.6	8,324	3.4	35,232	14.5	14,612	6.0	32,357	13.3	915	0.4	2,019	0.8	242,771	100.0

* Figures are "net" in that borrowings do not include renewals of old loans. (See n. 23, p. 205.)

A FINANCIAL PICTURE

percentage distribution basis, they are directly comparable with the figures presented earlier in the chapter.

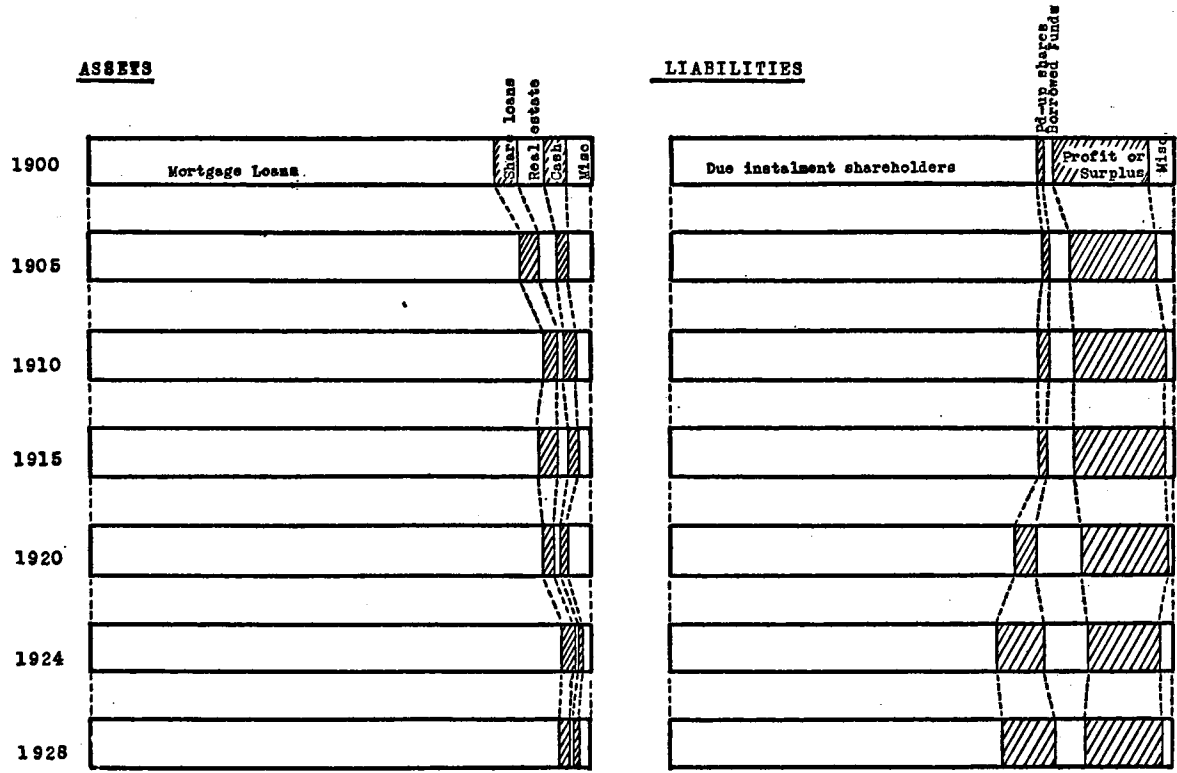
The receipts side of Chart XXIV shows that although relatively receipts from instalment dues appear to have been maintaining a constant ratio (of about forty-four per cent) to total receipts, their failure to account for a larger percentage in 1928—to offset the drop in bank borrowings—really indicates a relative falling off.²² Interest and premium have exhibited fairly constant ratios. Subscriptions on paid-up shares, however, have increased from 1.1 per cent in 1900 to 9.8 per cent in 1928 (11.9 per cent in 1924) and this has been offset by relative declines in repayments of mortgage and share loans (from thirty-three per cent to twenty-four per cent and from four per cent to three per cent, respectively) in fines, and in membership and transfer fees (now less than 0.1 per cent). The borrowed money receipts (and disbursements) figure represents *net* borrowing.²³

Percentage distribution figures for balance sheet items appear in Table 44 and in Chart XXIII. The liabilities analysis indicates that, relatively, the greatest increase, particularly since 1920, has been in paid-up shares (from one per cent of all liabilities to ten per cent) and the next largest relative increase in borrowed funds (from two per cent in 1900 to ten per cent in 1925, but down to six per cent in 1928). The latter was most important, relatively, from 1920 to 1926. The drop in the ratio since 1926, evidencing that building and loan associations have been borrowing less heavily from the banks, reflects the present depression in the market for real estate loans (which figure dropped, in the statement of assets, from ninety-five per

²² See balance sheet ratios, *infra*, p. 206.

²³ The borrowed money figure appearing in the annual association reports, and tabulated in the source tables in the Appendix, include *gross* borrowings. Loans must be renewed each year, according to the Building and Loan Act (Paragraph 20) and all renewals appear, together with fresh borrowings, among the receipts in the figures filed with the Department of Banking and Insurance. In practice, renewals of bank loans are many. The real importance of borrowing, therefore, is best indicated in the balance sheet. The figures presented in this chapter are adjusted so as to eliminate the mere bookkeeping transactions and represent *net changes* only.

CHART XXIII*: GRAPHIC HISTORICAL BALANCE SHEETS, BUILDING AND LOAN ASSOCIATIONS IN NEW JERSEY, 1900 TO 1928
 (Percentage Distribution of Assets and Liabilities)



A FINANCIAL PICTURE

cent in 1926 to ninety-four per cent in 1928). Naturally, as mortgage loans are granted for a comparatively long term this item (in the assets side of the balance sheet) is less sensitive than the borrowed money ratio on the liabilities side.

It is significant that among the disbursement ratios the long-time decline in instalment share withdrawals (from twenty-one per cent in 1900 to fifteen per cent in 1928) has been accompanied by a rise in withdrawals of paid-up shares. The increasing use of paid-up shares which this evidences, and the disposition of building and loan associations to resort more and more to the practice of borrowing from banks, have contributed to the demand for liquid asset reserves.

And it is undeniable that if the almost inconceivable situation should evolve in which paid-up shares were to become more important than instalment shares; that is, if building and loan associations should succeed in breaking away completely from the instalment idea for investing members, more rigid reserve requirements would be in order. It would be manifestly unfair, however, to require those associations in which serial instalment shares continue to predominate (and withdrawal ratios continue to be low) to maintain an unnecessary liquidity of assets simply because certain other associations choose to develop economically along banking lines. Higher reserves, if required at all, should then be required only of those associations which really need them, associations in which the withdrawal ratio approaches the withdrawal ratio of savings banks.

However, so far as New Jersey associations as a whole today are concerned, the ten per cent of all liabilities represented by paid-up shares surely is not alarming. Instalment shares account for sixty-five per cent of the total.

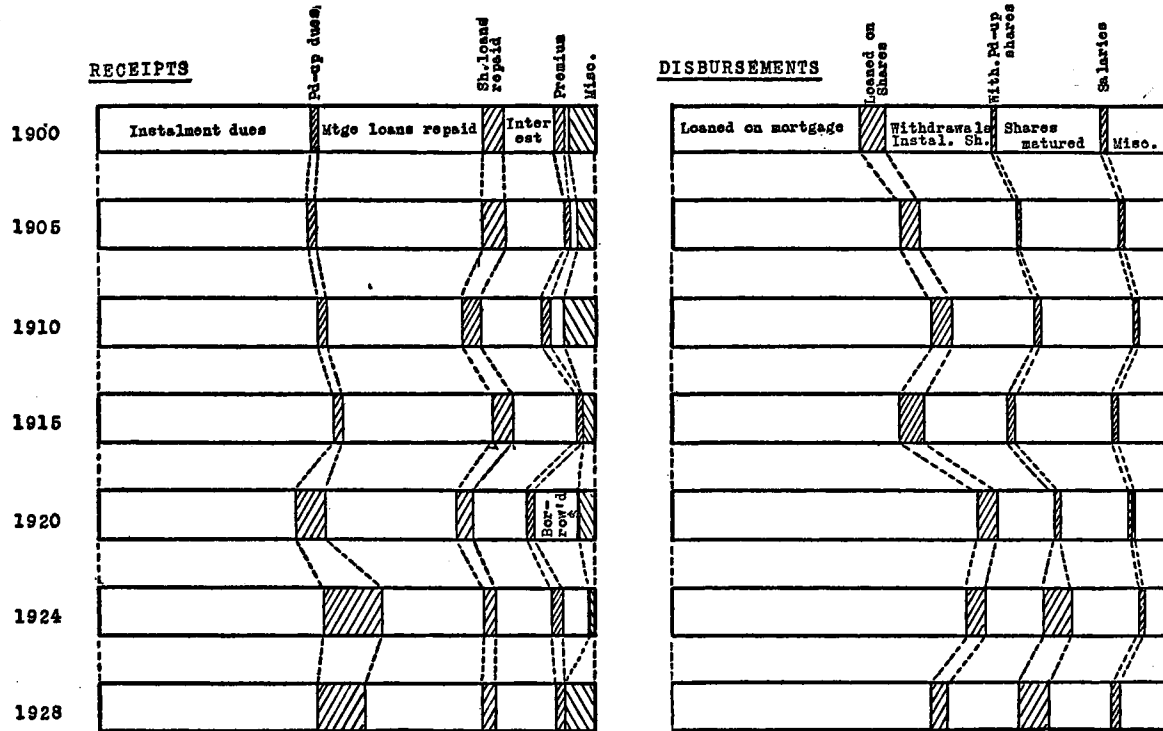
Summary

In summary, the present depressed state of the real estate loan market is reflected in the following changing ratios (*short-time trends*):

1. (Liabilities.) Although the long-time trend of the bor-

CHART XXIV*: GRAPHIC HISTORICAL STATEMENTS OF RECEIPTS AND DISBURSEMENTS, BUILDING AND LOAN ASSOCIATIONS IN NEW JERSEY, 1900 TO 1928

(Percentage Distribution Diagram)



A FINANCIAL PICTURE

rowed money ratio has been definitely upward since 1900, it has been dropping steadily since 1924.

2. (Receipts and disbursements.) The "borrowed funds repaid" account—disbursement—has been increasing since 1924, and in 1928 exhibited an actual balance over new borrowing.

3. (Assets.) Real estate taken over and held by associations has been increasing relatively since 1926 (from 0.4 per cent in 1926 to 0.7 per cent in 1928).

4. (Assets.) The mortgage loan and share loan accounts both dropped between 1924 and 1928 (mortgage loans from 95.0 to 94.2 per cent; share loans 2.5 to 2.2 per cent).

These, however, are temporary phenomena and indicate a current situation which will pass when the real estate market recovers. More basic are the *long-time* trends which are summarized in the following observations:

1. Instalment shares have been dropping in *relative* importance among the liabilities since 1915 (although they still account for sixty-five per cent of total liabilities and for eighty-six per cent of all shares) due principally to the development of paid-up shares and to the upward trend in bank borrowings.

2. Paid-up shares have been increasing in relative importance (although they dropped slightly in 1926 and 1927) until in 1928 they accounted for 10.4 per cent of all liabilities and for 13.7 per cent of all shares outstanding.

3. The trend of bank borrowing has been upward, although due to the present state of the loan market, it is undergoing a temporary decline.

4. (Receipts.) The "mortgage loans repaid" account has been decreasing in relative importance. This, however, indicates simply a failure of mortgage loan activity to keep apace of the growth in non-loan receipts, notably receipts from paid-up shares (since the mortgage loan account in the statement of assets exhibits a long-time upward trend).

CHAPTER XI

LOAN COST TO BORROWERS

NOMINALLY, building and loan associations charge borrowers interest at six per cent. Actually, the effect of the imposition of incidental fees and charges is to increase the real rate which the borrower is called upon to pay. In Chapter IX an analysis was made of the rates earned by associations on loans. In the present chapter attention will be centered on the real rate *from the point of view of the borrower*.

This differs from the earlier analysis in two important respects. First, consideration must be given to the loan fees which the borrower pays to individuals—appraisal and attorney fees—for services rendered. Since these do not enter the association treasury they were irrelevant to the previous discussion. Titles to real estate must be searched and property appraised, and the prices paid for these services constitute cost to the borrower as truly as does the association loan charge itself.¹ Second, there is the offsetting influence of the earnings on the shares which accompany and are pledged for the loan. Rietz, Crathorne, and Rietz have stated this problem succinctly in their *Mathematics of Finance*.²

If the borrower should consider the interest on his loan and the dues for the purchase of stock to be entirely separate transactions, the rate of interest the borrower pays is simply that specified in the loan. But these two features are not separate in practice because the borrower is an investor in stock. In order to extinguish his debt, the borrower has the

¹ More precisely, such charges—appraisal fees and legal fees—are elements of cost to the borrower in his capacity as a *buyer of property* rather than as a *borrower of funds*. Yet, they are costs, and since they are not the same in all lending institutions they should be included.

² Rietz, H. L., Crathorne, A. R., Rietz, J. C., *Mathematics of Finance*, Holt and Company, New York, 1921, p. 148.

LOAN COST TO BORROWERS

advantage of creating a sinking fund at the rate of interest earned on the stock of the association.

Hence, the question arises as to the rate a borrower can afford to pay in a building and loan association in place of a smaller rate when the money to pay off the principal has to be invested in ordinary savings accounts or in some form of sinking fund instead of earning the rates on stock of the association.

The real loan rate is not always clearly understood principally because of difficulties which attach to the conception of time. "A" borrows \$1,000 from "B" and contracts to pay six per cent per annum for its use, for a stated number of years, at the end of which period he agrees to return the principal. He borrows because his individual rate of preference for the present over the future use of \$1,000 is higher than six per cent, and "B" lends, because his individual rate of time preference is lower than six per cent.

In return for the \$1,000 now handed over by "B" to "A," "A" will give "B" \$60 per annum for eleven years, as well as \$1,000 at the end of eleven years. Although the actual number of dollars that "A" will transfer to "B" in the course of time, is 1,660, the *present value* of the payments is lower due to the discounting of all future maturing sums in proportion to the length of time. Discounted at six per cent (annual compound) the present worth of a series of payments of sixty dollars per year for eleven years is \$473.21. The present worth of \$1,000 at the end of eleven years, at the same rate of discount, is \$526.79.⁸ The two together just equal \$1,000. That is, at the six per cent discount rate, \$1,000 *now* is identical with \$1,000 eleven years from now *plus* \$60 in each of the intervening years. The latter payments are necessary in order to bring the discounted present value of \$1,000 eleven years hence up to \$1,000. (This would be true at all rates. At five per cent, \$1,000 in the present is identical with \$1,000 eleven years away plus \$50 per year for eleven years.) Distance in time tends to dwarf, and proximity

⁸ See any set of standard discount tables. Robinsonian Tables III and IV are very satisfactory for the purpose.

BUILDING AND LOAN IN NEW JERSEY

to magnify, values, but not to the same degree for all individuals.

The loan in question has occurred because the individual time-preference rate of the borrower is above, and that of the lender is below the market loan rate of six per cent.⁴ That which is the object of the preference is \$1,000 now as opposed to \$1,000 eleven years from now. The borrower's bid-calculation (based on a time-preference rate, say, of seven per cent) on the six per cent \$1,000 loan would be:

Present worth of \$60 per year for eleven years (dis- counted at seven per cent per annum)	\$449.92
Present worth of \$1,000 eleven years hence (dis- counted at seven per cent per annum)	475.09
(Add)	925.01
Difference between \$1,000 and \$925.01	74.99

To him the present market worth (\$1,000) of the payments involved in the six per cent loan is \$74.99 in excess of his individual valuation (since his individual time-preference rate is higher than the market rate of interest).

The lender's loan-offer (based on a time-preference rate lower than six per cent, say five per cent) on the other hand, would be:

Present worth of \$60 per year for eleven years (dis- counted at five per cent per annum)	\$498.38
Present worth of \$1,000 eleven years hence (dis- counted at five per cent per annum)	584.68
(Add)	1,083.06
Difference between \$1,000 and \$1,083.06	83.06

His individual valuation of the future receipts is \$83.06 higher than the \$1,000 market worth of the six per cent loan (since his individual rate of time-preference is lower than the market rate of interest).

In less involved language this means simply that the lender

⁴ Throughout, the expression *time-preference rate* refers to the degree to which an individual prefers an object at one point in time to the same or a similar object at another point of time. The phrase *interest rate* refers to the actual market rate which is the market price of loans. In the language of the philosophers the former term is subjective, the latter objective.

LOAN COST TO BORROWERS

places a lower estimate on the *present use* of \$1,000 than does the borrower, and if "A" and "B" were the only bidders in the loan market, the market rate of interest would be set anywhere between five per cent and seven per cent. But there are many competitors in the market for loan funds, and the market rate is set more precisely by the countervailing demands of many borrowers and many lenders.

All of this is elementary interest theory,⁵ and is entered into here to prepare the way for an appreciation of the difficulties involved in considering real loan cost. For, after all, what is the *cost* of a loan? If cost means sacrifice there can be no real cost unless one's individual rate of time-preference is lower than the rate at which one is *forced* to borrow. All that we really arrive at in any consideration of the "rate cost" of a building and loan association loan, or any other type of loan, is the rate of time-discount which the loan contract involves. Unless we can ascertain individual rates of time-preference psychic cost must remain unknown. To the practical man real cost in this sense seems quite immaterial. What he wants to know is, what market rate of interest is involved and how many dollars must he pay?

The rate of interest, when applied to the repayments on a loan, discounts them down to a present value which exactly offsets the amount borrowed. They are exact equivalents. If the present value of the future payments discounted at an assumed rate exceeds the net amount borrowed, this assumed rate is lower than the market rate. And if the present worth of the discounted series is less than the net amount borrowed it signifies that the assumed rate is higher than the market rate.

Thus a six per cent straight loan of \$1,000 for eleven years involves the repayment of sixty dollars per year for eleven years and the repayment of \$1,000 (the principal) at the end of eleven years. The present worth of these, taken together, and

⁵ For a complete discussion of interest theory the reader is referred to the writings of Professor Frank A. Fetter. See especially his *Economic Principles* (Part IV) published by the Century Company, and his "Interest Theories, Old and New," in the *American Economic Review* for March 1914.

BUILDING AND LOAN IN NEW JERSEY

discounted at six per cent, is \$1,000. The real rate therefore is also six per cent.

Present worth (discount rate six per cent) of \$60 per year for eleven years	\$ 473.21
Present worth (discount rate six per cent) of \$1,000 eleven years hence	526.79

Present worth of amounts which the borrower repays	(−) \$1,000
Amount received as loan	(+) 1,000

Algebraic sum	0

An amortized loan, on the other hand, eliminates repayment of principal in bulk through the imposition of a monthly contribution to a sinking fund in addition to the loan charge. A \$1,000 loan involving the payment of ten dollars per month (five dollars interest at six per cent plus five dollars dues on shares) is, nominally, also a six per cent loan. Actually, however, the real rate is dependent upon the offsetting dividend yield of the shares and this can be ascertained only if the length of loan life be known. If the dividend rate allowed on the shares (sinking fund) is identical with the loan rate, and if no further charges are levied in the way of premium and other fees, the real rate is also six per cent. If, on the other hand, the rate allowed on the shares is greater than the rate borne by the loan the real loan rate to the borrower is less than the stated rate. If, as is more frequently the case, the earning rate of the shares is lower than the stated loan rate (including all supplementary loan charges) the real rate is higher than the rate specified in the loan.

The following illustrative cases will make this more evident. It is to be remembered that the rate on savings shares is a function of time. The maturity value of a share is set in advance and the sooner that amount is reached—on the basis of a stated periodical payment—the higher is the earning rate. If maturity is reached—on a \$200 share bearing monthly dues of one dollar—after 134 months the rate of dividend earned is seven per

LOAN COST TO BORROWERS

cent; if it matures after 139 months, the rate is six per cent. The longer the time span the lower the rate of dividend.

Case I: (Loan charges 6%, Dividend rate 6%)

Monthly payments per \$100 borrowed:	
interest	\$ 0.50
dues	0.50
Maturity interval (at six per cent dividend, effective rate)	139 + months
Real loan rate (by table or Chart XXV ^a)	
$\frac{100}{100} = \$1.00$	
$\frac{\$1.00}{1} = \1.00 (per \$100 borrowed)	6.0 per cent (interest compounded monthly)

Case II: (Loan charges 6%, Dividend rate 7%)

Monthly payments (per \$100) borrowed: \$1.00 (as above)	
Maturity interval (at seven per cent dividend rate)	134 months
Real loan rate (by table or chart, as above)	5.5 per cent (interest compounded monthly)

Case III: (Loan charges 6%, Dividend rate 5%)

Monthly payments (per \$100) borrowed: \$1.00 (as above)	
Maturity interval (at five per cent dividend rate)	146 + months
Real loan rate (by table or chart, as above)	6.5-7.0 per cent (interest compounded monthly)

An amortized loan under the building and loan plan is cheaper than a straight loan *if the dividend rate allowed on the sinking fund (shares) is higher than the rate borne by the loan, but more costly if the latter exceeds the former.*

Illustration of Faulty Computation

Instances are not lacking of misleading building and loan advertising—advertising which, due to a misunderstanding of the mathematics of interest computation on the part of borrowers or the association itself, or both, thoroughly mis-states what building and loan associations are doing.

In illustration, consider the case of an association in northern New Jersey which advertises in its currently distributed folder as follows:

^a See *infra*, p. 220.

BUILDING AND LOAN IN NEW JERSEY

A member who borrows \$4,000, for example, will require twenty shares and will have to pay \$46.40 per month for dues, interest, and premium:

- | | |
|---|--|
| (1) \$46.40 per month for 128 months | \$5,939.20 |
| (2) In 128 months his mortgage will be paid off | 4,000.00 |
| (3) Amount paid for interest in 128 months | 1,939.20 |
| (4) Interest per year on \$4,000 | $\left[\frac{\$1,939.20}{128} \times 12 \right] \quad 181.80$ |
| (5) Rate of interest | $\left[\frac{\$181.20}{\$4,000} \right] \quad 4.5\%$ |

Thus, by being a member and sharing in the profits each year his money, instead of costing him six per cent, has cost only four and one-half per cent.

Such computation ignores completely the influence of time. This particular association happens to charge an appraisal fee of six dollars, and the attorney fee amounts to sixty dollars. A loan of \$4,000, therefore, nets the borrower the use of only \$3,934, which means that for the use of every \$100 he is paying \$1.17946 per month, for 128 months. Looking up this figure in the "table of monthly payments that will repay \$100 with interest" (monthly compounded)⁷ or on Chart XXV, it will be found that the real rate is between eight and eight and one-half per cent per annum.⁸

⁷ *infra*, p. 221.

⁸ If the reader prefers a more accurate answer, he can obtain it by applying the formula (as presented in Rietz, Crathorne and Rietz, *Mathematics of Finance*, p. 146) which is:

$$M \frac{(1+i)^{n+1/12} - (1+i)^{1/12}}{(1+i)^{1/12} - 1} = F - fM$$

where—

F = face of the shares (\$4,000)

M = monthly payment (\$46.40)

n = time required for stock to mature (128 months or 10 $\frac{2}{3}$ years)

i = annual rate of interest (effective)

f = fractional part of a month required to mature shares.

(If $f = 0$, the stock matures at the end of a month without taking any part of the monthly payment at maturity date.)

(If $f = 1$, the shares mature just after taking a full monthly payment at maturity date.)

Numerically, this would be—

$$\$46.40 \frac{(1+i)^{10 \frac{2}{3} + 1/12} - (1+i)^{1/12}}{(1+i)^{1/12} - 1} = \$4,000.$$

All that the curious reader need do, now, is to solve for i .

LOAN COST TO BORROWERS

Disregarding appraisal and attorney fees⁹ in the case cited, the borrower is paying \$1.16 per month for 128 months for the use of each \$100 borrowed, which (according to the tables and Chart XXV) is an actual interest rate of between 7.5 and 8.0 per cent per annum, compounded monthly. In interest and premium the association is receiving \$26.40 per month on \$4,000, or a return of 0.66 per cent per month (7.92 per cent per annum).¹⁰ Yet, the association advertises that the cost to the borrower is only 4.5 per cent.

It is in figuring the cost of a loan such as this in terms of present dollars that a clear comprehension of interest theory is needed. *Sums of money in different points of time cannot be added.* It is necessary to choose some one point in time (preferably the present) and discount all future values down to this point at an arbitrarily chosen discount rate—which rate is taken to represent the subjective time-preference rate of the hypothetical borrower. Naturally, as this rate varies among individuals, so also will the dollar-cost of a loan vary. If the actual interest rate borne by a loan is higher than the subjective time-preference rate of the borrower the “dollar cost” of the loan becomes negative and the borrower actually gains from the loan.¹¹

In terms of “present dollars”—assuming the time-preference rate of the borrower in question to be six per cent¹²—the cost, in the illustrative case, becomes \$444.92.

⁹ Which are not association charges but charges of individuals for services rendered.

¹⁰ *supra*, Chap. IX.

¹¹ Thus, the present worth (see any standard discount tables) of \$1.00 per month for 128 months, discounted at six per cent per annum, is \$94.37. Discounted at seven per cent it is \$90.00. If, therefore, the rate actually borne by the loan is seven per cent, whereas the subjective time-preference rate of the borrower is only six per cent, the borrower will gain to the extent of \$4.37 (\$94.37 — \$90.00). Conversely, if the market rate is six per cent, and the borrower's individual rate seven per cent, the “cost” to him becomes \$4.37 (\$94.37 — \$90.00).

¹² If the individual time-preference rate is assumed to be seven per cent the “cost” is reduced to \$242.21 (\$4,176.21 — \$3,934.00). If an eight per cent rate is assumed, the “cost” is lowered to \$52.68 (\$3,986.68 — \$3,934.00). At nine per cent the dollar “cost” becomes negative and the borrower actually gains to the extent

BUILDING AND LOAN IN NEW JERSEY

Gross loan	\$4,000.00
Less gross charges	66.00
Net loan	2,934.00
Monthly charges	46.40
Duration of loan	128 months
Present worth of \$46.40 per month for 128 months (discounted at six per cent)	\$4,378.92
<i>In terms of "present dollars"—</i>	
The borrower pays	\$4,378.92
He receives	3,934.00
"Cost"	444.92

Statistical Analysis

The real rate borne by a regular, amortized building and loan association mortgage loan cannot be ascertained until the life of the pledged shares is known, for this rate is a function of time. Other things equal—such as the size of the monthly payments and extra loan charges—the longer the time span, the higher the real loan rate, since lengthened maturity indicates a lowered dividend rate. Hence, an analysis of real loan rates to borrowers can be made only for those associations which are old enough to exhibit in their reports some indication of the number of months they will require to mature their shares.

A further limit is set by the incompleteness of the data at hand. Only those associations can be analyzed which have furnished full information with respect to all loan charges. Eighty-nine of the associations responding to the questionnaire have given sufficient facts (including maturity intervals) to warrant analysis. The method has been to deduct from the gross loan (\$5,000 loan taken as typical¹⁸ and used throughout the analysis) all gross loan charges. The resultant "net loan" figure is then divided by 100 to ascertain the number of \$100-units contained (since available tables are on a \$100-loan basis). Total monthly charges are divided by this figure to determine the monthly charge required to repay each \$100 loaned. The

of \$124.66 (\$3,934.00 — \$3,809.34). This is because the "rate cost" of the loan is between eight and nine per cent.

¹⁸ *supra*, p. 128.

LOAN COST TO BORROWERS

quotient is the key figure and is located in the proper maturity column of a table showing equal monthly payments required at various rates to repay a loan of \$100 in a given number of months.¹⁴ The location of this figure (or its approximation) in the table indicates the real loan rate to the borrower.

Chart XXV has been included for the convenience of borrowers, actual and prospective, and for the use of association officials. It will facilitate determination of the real rate borne by fully-amortized loans, provided the gross charges, total monthly payments, and the maturity interval are known.

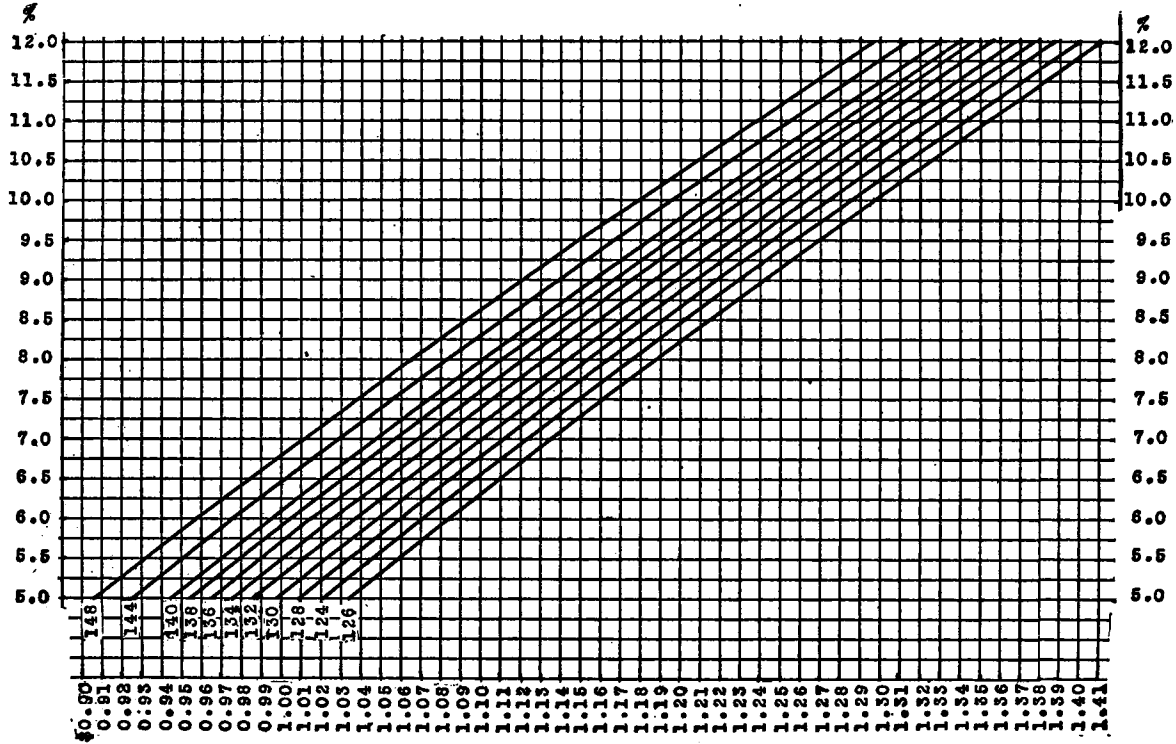
This method has been applied to the eighty-nine associations reporting complete, or almost complete, data on loan charges. The detailed results appear in Table Y in the Appendix. In approximately forty per cent of these associations the real loan rate to the borrower falls between 6.5 and 7.0 per cent. In only about seven per cent of the associations is the rate lower than six per cent. In almost one-third of the associations borrowers pay over seven per cent for the use of the association's money. Summarized, the results are as follows:

RATE	NUMBER ASSOCIATIONS CHARGING	PERCENTAGE DISTRIBUTION
5.5- 6.0 per cent	6	7 per cent
6.0- 6.5 "	17	19 "
6.5- 7.0 "	38	43 "
7.0- 7.5 "	16	18 "
7.5- 8.0 "	7	8 "
8.0- 8.5 "	3	3 "
8.5- 9.0 "	1	1 "
9.0-10.0 "	—	— "
10.0-11.0 "	1	1 "
Total reporting	89	100 "

This analysis, it is realized, is based on a relatively small number of associations. Nevertheless, in view of the findings with respect to premium charges presented in Chapter IX, there is reason to believe that it presents a fairly adequate picture of the general situation in the State.

¹⁴ For this purpose very workable tables are the Dade and Gagliardo (No. 1) and the Robinsonian (No. 12) Tables. See Bibliography.

CHART XXV: GRAPH FOR ASCERTAINING THE REAL RATE BORNE BY A FULLY-AMORTIZED BUILDING AND LOAN MORTGAGE LOAN
 (Monthly Charge to Repay \$100 by Selected Maturity Periods)



LOAN COST TO BORROWERS

NOTES TO CHART XXV

Purpose of Chart: To determine the approximate real rate borne by a fully-amortized building and loan association mortgage loan, when interest, dues, premium, etc., are payable monthly and considered as a lump sum.

Instructions for Use:

(1) Ascertain "net loan" by subtracting all gross charges from amount of gross loan. (Appraisal fees or attorney fees can be included, or omitted, depending upon the information desired.)

(2) Divide "net loan" by 100 to determine the number of \$100-units contained therein. (Call this "A.")

(3) Divide total monthly charges (dues, interest, instalment premium) by "A." Quotient represents total payment per month for use of \$100.

(4) Locate this figure along the lower horizontal axis, and trace vertically until the line intersects the proper maturity curve.

(5) From this intersection trace horizontally to the margin where the real loan rate to the borrower will be found.

Illustration:

THE FACTS

(a) Association matures its shares at \$200 in 132 months. Dues one dollar per month.

(b) Gross loan of \$5,000.

(c) Appraisal fee amounts to \$10.00

(d) Attorney fee amounts to \$38.00

(Total gross charges = \$48.00)

(e) Dues (\$1.00 per share on 25 shares) amount to \$25.00 per month.

(f) Interest on \$5,000 loan (six per cent per annum, payable monthly) amounts to \$25.00 per month.

(g) Instalment premium amounts to \$5.00 per month.

Total monthly charges = \$55.00

SOLUTION

(1) Net loan \$4,952.00 (\$5,000 minus \$48)

(2) $\frac{4952}{100} = \$49.52$ ("A")

(3) $\frac{55}{49.52} = \$1.1107$

BUILDING AND LOAN IN NEW JERSEY

(4) Find \$1.11 along the lower horizontal axis, follow vertically until this line cuts the 132-month maturity curve.

(5) From this intersection, follow horizontally to the margin where the effective rate will be found to be between 7.0 and 7.5 per cent per annum (monthly compound).

Combination Loans

The cost—in terms of rate per cent—of a combination loan can be ascertained by averaging together the rate borne by the amortized portion and the rate borne by the unamortized portion, weighting each according to the proportion it bears to the total loan.¹⁵ In illustration, take the case of an association which grants combination loans split one-half regular building and loan plan and one-half straight. It charges a monthly instalment premium of five cents per hundred and matures its shares in 136 months. The straight loan portion also runs for 136 months. Considering each part of this loan separately the respective loan cost computations would be:

STRAIGHT LOAN PORTION		PORTION LOANED UNDER BUILDING AND LOAN PLAN	
Amount of loan	\$2,500.00	Amount of loan	\$2,500.00
Monthly charges (interest and premium)	13.75	Monthly charges (dues, interest, and premium)	26.25
Monthly rate		Monthly charges per \$100 of loan	1.05
$\left[\frac{13.75}{2,500} \right]$.0055 per cent	$\left[\frac{26.25}{2,500} \right]$	
Annual rate	6.6 "	Annual rate	6.7 per cent (App.) (By Chart XXV)

The real rate on the amortized portion is approximately six and three-quarters per cent and on the straight loan portion it is about six and one-half per cent. Since each portion represents one-half of the total loan, it is necessary only to average the two

¹⁵ Unless the straight loan portion involves the payment of a gross premium in which case it becomes difficult to determine the real rate borne by that portion of the loan, since the amount to be repaid is greater than the net amount actually borrowed by the amount of the gross charges. For this reason, other gross charges, such as appraisal fees, are omitted from this discussion.

LOAN COST TO BORROWERS

percentages together to arrive at the approximate true cost of the combination loan. This comes to about 6.6 per cent.

If the loan is split in the proportion of seventy-five per cent building and loan plan and twenty-five per cent straight (\$3,750 and \$1,250 respectively) the two rates are averaged and weighted according to the proportion borne by each type of loan. In this case the rate comes to about the same figure.¹⁶

We may conclude that a combination loan is cheaper than a regular building and loan plan only if premium charges are waived (or markedly reduced in comparison to the charges on amortized loans) and if the shares in the association do not mature so quickly as to lower the real rate on the amortized portion of the loan to a figure below the real rate borne by the straight loan.¹⁷

It is conceivable that in associations which impose a real loan rate of less than six per cent (such as associations 3, 4, 13, 52, 49, 73, in Table Y in the Appendix) combination loans might be more costly than regular building and loan plan loans. As a matter of fact the popularity of combination loans probably is due, not so much to a lowering in the rate cost, as to the fact that on them smaller monthly payments are required. Few borrowers even know the real rate borne by their loans.

¹⁶ Since the building and loan plan portion comprises three-fourths of the total loan the rate which it bears (6.7 per cent) must be weighted three times as heavily in the average as the rate on the straight loan portion (6.6 per cent). To find the real rate on the total loan, therefore—

multiply the rate borne by the building and loan loan by three	(6.7 per cent × 3)	20.1
and the straight loan by one	(6.6 " × 1)	6.6
	Add	4
		26.7
$\frac{26.7}{4} = 6.7 \text{ per cent (rate on combination loan)}$		

¹⁷ Assume in illustration, that in the case just presented the association matured shares in 128 months. On a monthly payment on the amortized loan of \$1,0378 the real rate (by Chart XXV) would be only about 5.8 per cent. Weighting this by three and averaging it with 6.6 per cent (the rate on the straight loan portion) the real rate on the combination loan is brought up to 6.0 per cent. Yet in the same association borrowers could borrow on the regular building and loan plan at a net cost of 5.8 per cent.

BUILDING AND LOAN IN NEW JERSEY

Unfortunately, data indicating association practice with respect to straight and combination loans are too meager to furnish adequate basis for a truly trustworthy conclusion as to practices throughout the State. Of the twenty-nine associations supplying complete data, five are no-premium associations with respect to all types of loans. Of the others, eleven charge a premium on building and loan plan loans but waive the charge on straight loans, and thirteen levy a premium of the same amount on both straight and regular plan loans. In only one of these is the premium on amortized loans lower than the premium on straight loans.

*Cost of Share Loans*¹⁸

A share loan is, in reality, early repayment by the association of a portion of the shareholder's investment. For this privilege interest, and often premium are charged. The borrower continues to receive apportioned dividends, however, on the full amount of his shares. The chief consideration, therefore, is whether the rate charged the borrower by the association on the share loan is higher or lower than the dividend rate allowed on the shares pledged. If the two rates are identical neither the association nor the borrower gains or loses.

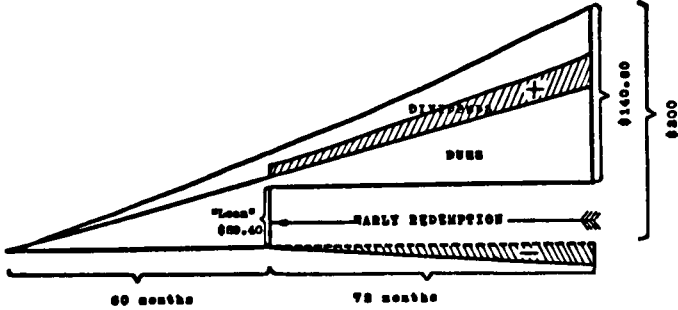
If the share loan rate (interest and premium) is higher than the dividend rate, the privilege is costing the shareholder the difference between the two in the form of a deduction from dividends. If, however, the share loan rate is lower than the dividend rate (both on the same conversion basis, i.e., monthly, semi-annual, or annual compound) the shareholder is adding to the real dividend rate on the shares on which he has borrowed and is profiting to that extent at the expense of the association.

To determine the prevailing condition in any given association it is necessary only to relate the total monthly charges (interest plus premium) to the amount borrowed to determine the

¹⁸ *supra*, p. 148.

LOAN COST TO BORROWERS

CHART XXVI*: GRAPHIC PORTRAYAL OF A SHARE LOAN



*The "loan of \$59.40 is in effect an early liquidation of that much of the shareholder's investment, reducing his net investment to \$140.60 (\$200.00 minus \$59.40). The shaded negative (-) area represents the charges (interest and premium) levied by the association on the share loan. The shaded positive (+) area represents the dividends apportioned thereafter on the funds actually "borrowed" (in this case seven per cent per annum on \$59.40, compounded monthly for 72 months) for dividends are apportioned on *all shares*.

If the positive value is greater than the negative value, the share-loan borrower is gaining at the expense of the association.

If the negative value is greater than the positive value, the share-loan borrower is sacrificing the difference between the rates, on the amount borrowed, for the privilege of early partial redemption.

If the positive and negative values are equal, neither the borrower nor the association gains or loses, and the transaction represents a virtual cancellation of a portion of the investment.

real loan rate, and to compare this with the dividend yield of the shares.

In illustration,¹⁹ assume the case of an association with dues of one dollar per month, which matures its shares at \$200 in 132 months (a seven per cent dividend). At the end of sixty months the book value of a share is \$72.01 and the withdrawal value is \$66.00. Share loans usually may be granted up to ninety per cent of withdrawal value. Interest on share loans is at the rate of six per cent per annum (payable monthly) and a monthly instalment premium of five cents per \$100 is also charged. For ease of figuring assume a loan of \$594.00 on ten shares (ninety per cent of a withdrawal value of \$660.00). The share-loan rate computation would be:

monthly interest charge (at 6 per cent per annum)	\$ 2.97
monthly premium (5 cents per \$100 on \$594)	0.297
total monthly charges	3.267
monthly rate $\left[\frac{3.267}{594} \right]$	0.0055 per cent
annual rate (0.0055 × 12)	6.6 per cent (nominal)

¹⁹ See Chart XXVI.

BUILDING AND LOAN IN NEW JERSEY

The so-called "borrower on shares," by exercising the privilege of realizing early on a *portion* of his investment, would gain four-tenths of one per cent per annum in dividends on the amount so borrowed.

If no premium charge were imposed, the borrower in this case would be paying only \$2.97 per month, or six per cent, on the \$594 borrowed. He would then be paying six per cent for the privilege of receiving a seven per cent dividend on his total share value (since the interval to maturity is 132 months) and would be gaining one per cent on the amount borrowed, at the expense of the association.

The reader must not entertain the hope of enlightenment in this volume as to where such golden opportunities for profit are to be found, for in no case where sufficient information for analysis is available does it appear that associations fail to exact an offsetting premium charge. So long as building and loan associations in New Jersey continue to pay dividends of over six per cent on shares, share loans should be subject to a rate sufficiently high to make it unprofitable for shareholders to borrow on their shares. Neither should borrowing on shares be an excessively costly process. Share loans are a substitute for withdrawal and should be so arranged as to accommodate at reasonable cost the member who finds himself temporarily in need of funds.

Reducing-Interest Plan

A few associations have adopted some form of what is known as the *reducing-interest plan* of crediting dues and interest payments on mortgage loans. Under this plan, as under the regular building and loan plan, total monthly payments of a stated amount are required. Although the *rate* remains constant, the *amount* paid as interest decreases because dues (amortization charges) instead of being used to build up a sinking fund with which to cancel the loan at maturity, are applied periodically to reduce the principal of the loan. Progressively through time,

LOAN COST TO BORROWERS

therefore, the proportion of the total monthly payment credited to the interest account decreases, and the proportion credited to the principal account increases.

To illustrate, a borrower of \$1,000, at six per cent, under the simplest of such plans,²⁰ pays ten dollars per month (five dollars dues and five dollars interest) just as he would pay under the regular building and loan arrangement. But, the five dollars which he pays in excess of interest is applied immediately to reduce the principal of the loan to \$995.00. The following month he again pays ten dollars, but of this only \$4.975 (six per cent per annum on \$995.00) is interest. The balance (\$5.025) is applied to a further reduction of the principal (to \$989.975)—and so on until the principal account is reduced to zero. Where reducing-interest plans are employed shares are really unnecessary, although in practice they are usually retained.

Table 46 compares the cost of a loan of \$1,000 at six per cent: (I) under the regular building and loan plan (with dividends credited on dues at six per cent)—(II) under a reducing-interest plan wherein similar payments as in Plan I are made but in which the amount paid in excess of interest is applied *immediately* to a reduction of the principal, and (III) under a reducing-interest plan wherein payments on dues are allowed to accumulate at six per cent, for a specified period, and are applied, at the end of each such period (every third year in the illustrative case) to the principal.²¹ For ease of calculation, annual, rather than monthly, settlement periods are shown, and payments are assumed to be made at the end of each year.²²

Where—as in the examples presented in Table 46—the dividend rate allowed on dues is identical with the interest charged

²⁰ Plan II in Table 46.

²¹ The theory involved in Plan III is similar to that involved in a fourth method wherein dues are applied to reduce the principal whenever a certain sum (such as \$100) has been accumulated.

²² Which, of course, does not alter the fundamental theory involved. Observations respecting annual settlement will apply to monthly settlement periods as well.

TABLE 46

Comparison of Sinking Fund (Regular B. & L.) Plan and Reducing-Interest Plan, Loan Rate and Dividend Rate Both at Six Per Cent (Annual Compound). Loan of \$1,000

	(I) SINKING FUND PLAN (ANNUAL PAYMENT \$120. \$60 DUES AND \$60 INTEREST)				(II) REDUCING-INTEREST PLAN (ANNUAL PAYMENT \$120. SIX PER CENT INTEREST, BALANCE APPLIED IMMEDIATELY TO AMORTIZE PRINCIPAL OF LOAN)			(III) REDUCING-INTEREST PLAN (ANNUAL PAYMENT \$120. SIX PER CENT INTEREST, BALANCE PLACED IN FUND WHICH IS APPLIED TO REDUCTION OF PRINCIPAL EVERY THIRD YEAR)				
	PRINCIPAL REMAINING	INTEREST PAYMENT	PAYMENT ON DUES	ACCUMULATION OF DUES AT 6%	PRINCIPAL REMAINING	INTEREST PAYMENT	APPLIED TO PRINCIPAL	PRINCIPAL REMAINING	INTEREST PAYMENT	PAYMENT ON DUES	ACCUMULATION OF DUES AT 6%	APPLIED TO REDUCTION OF PRINCIPAL
1st year	\$1,000	\$60.00	\$60.00	\$60.00	\$1,000.00	\$60.00	\$60.00	\$1,000.00	\$60.00	\$60.00	\$60.00	—
2nd "	1,000	60.00	60.00	123.60	940.00	56.40	63.60	1,000.00	60.00	60.00	123.60	—
3rd "	1,000	60.00	60.00	191.02	876.40	52.58	67.42	1,000.00	60.00	60.00	191.02	\$191.02
4th "	1,000	60.00	60.00	262.48	808.98	48.54	71.46	808.98	48.54	71.46	262.48	—
5th "	1,000	60.00	60.00	338.23	737.52	44.25	75.75	808.98	48.54	71.46	338.23	—
6th "	1,000	60.00	60.00	418.52	661.77	39.71	80.29	808.98	48.54	71.46	418.52	227.50
7th "	1,000	60.00	60.00	503.63	581.48	34.89	85.11	581.48	34.89	85.11	503.63	227.50
8th "	1,000	60.00	60.00	593.85	496.37	29.78	90.22	581.48	34.89	85.11	593.85	—
9th "	1,000	60.00	60.00	689.48	406.15	24.37	95.63	581.48	34.89	85.11	689.48	270.96
10th "	1,000	60.00	60.00	790.85	310.52	18.63	101.37	310.52	18.63	101.37	790.85	—
11th "	1,000	60.00	60.00	898.30	209.15	12.55	107.45	310.52	18.63	101.37	898.30	—
12th "	1,000	60.00	60.00	1,012.20*	101.70	6.10	113.90†	310.52	18.63	101.37	1,012.20‡	322.72‡

* After twelve years: \$1,012.20 (accumulation) + \$1,000 (principal to be repaid) = \$2,012.20 (favorable balance).

† After twelve years: \$113.90 (amount to be applied to reduction of principal) - \$101.70 (remaining principal) = \$12.20 (favorable balance).

‡ After twelve years: \$322.72 (amount to be applied to reduction of principal) - \$310.52 (remaining principal) = \$12.20 (favorable balance).

NOTE: After paying \$120 per year for twelve years, the borrower is no better off in one case than in the other.

LOAN COST TO BORROWERS

on the loan, there is no advantage as to cost, to the borrower, inherent in the reducing-interest plan. In all three hypothetical cases the borrower has had to make twelve annual payments of \$120 each (with the exception of the last payment which amounts, in each case, to \$107.80)²³ in order to wipe out the loan.

There is one technical advantage, however, to borrowing under the reducing-interest plan. This is the protection afforded by reduced liability in the event that the association should fail and be forced to liquidate. If, in the hypothetical cases, the association should fail at the end of the eighth year of loan-life, the status of the borrower under Plan I would be that of an investor of \$593.85 (the book value of his shares). Under Plan II he is not an investor but merely a borrower of \$496.37. Under Plan III he is an investor, but only to the extent of \$175.33. The investor with a large investment in a mutual association, as well as in a stock corporation, would stand to lose more dollars than the man with a small, or merely nominal, investment. The factor of safety in the building and loan movement, thus far, has been so pronounced, however, that for practical purposes it really matters little—provided the dividend rate be no higher or no lower than the real interest rate on the loan (including all loan charges)—whether the borrower utilizes the reducing-interest plan or the regular building and loan plan.

Differences in real cost do emerge, however, when the dividend rate differs from the interest rate. In Table 47, Plans I and III are again presented, this time under the assumptions (A) that the dividend rate exceeds the interest rate, and (B) that the dividend rate is lower than the interest rate. These are compared as to the time interval to maturity, *low real cost being indicated by a shortened, and high cost by a lengthened, maturity period.*²⁴

²³ \$120.00 — \$12.20 (credit balance at end of twelfth year) = \$107.80. (See footnotes to Table 46.)

²⁴ It is obvious, since no dividend on shares is involved, that the maturity interval (and the effective cost, namely six per cent) in Plan II remains the same throughout the discussion.

TABLE 47

Regular Building and Loan Plan and Reducing-Interest Plan Compared as to Cost When Dividend Rate Differs from the Rate of Interest

(A) INTEREST AT SIX PER CENT; DIVIDENDS AT EIGHT PER CENT									
PLAN I (REGULAR B. & L.)					PLAN III (REDUCING-INTEREST)				
END OF:	PRINCIPAL REMAINING	INTEREST PAYMENT	PAYMENT OF DUES	ACCUMULA- TION OF DUES AT 8%	PRINCIPAL REMAINING	INTEREST PAYMENT	PAYMENT OF DUES	ACCUMULA- TION OF DUES AT 8%	APPLIED TO REDUCTION OF PRINCIPAL
1st year	\$1,000.00	\$60.00	\$60.00	\$ 60.00	\$1,000.00	\$60.00	\$60.00	\$60.00	—
2nd "	1,000.00	60.00	60.00	124.80	1,000.00	60.00	60.00	124.80	—
3rd "	1,000.00	60.00	60.00	194.78	1,000.00	60.00	60.00	194.78	\$194.78
4th "	1,000.00	60.00	60.00	270.36	805.22	48.31	71.69	71.69	—
5th "	1,000.00	60.00	60.00	351.99	805.22	48.31	71.69	149.12	—
6th "	1,000.00	60.00	60.00	440.15	805.22	48.31	71.69	232.74	232.74
7th "	1,000.00	60.00	60.00	535.36	572.48	34.35	85.65	85.65	—
8th "	1,000.00	60.00	60.00	638.19	572.48	34.35	85.65	178.15	—
9th "	1,000.00	60.00	60.00	749.25	572.48	34.35	85.65	278.05	278.05
10th "	1,000.00	60.00	60.00	869.19	294.43	17.67	102.33	102.33	—
11th "	1,000.00	60.00	60.00	998.73	294.43	17.67	102.33	212.85	—
12th "	1,000.00	60.00	60.00	1,138.63	294.43	17.67	102.33	332.21	332.21
Credit balance at end of 12th year: \$138.63					Credit balance at end of 12th year: \$37.78				

TABLE 47—(Continued)

Regular Building and Loan Plan and Reducing-Interest Plan Compared as to Cost When Dividend Rate Differs from the Rate of Interest

(b) INTEREST AT SIX PER CENT; DIVIDENDS AT FOUR PER CENT

END OF:	PLAN I (REGULAR B. & L.)				PLAN III (REDUCING-INTEREST)				
	PRINCIPAL REMAINING	INTEREST PAYMENT	PAYMENT OF DUES	ACCUMULA- TION OF DUES AT 4%	PRINCIPAL REMAINING	INTEREST PAYMENT	PAYMENT OF DUES	ACCUMULA- TION OF DUES AT 4%	APPLIED TO REDUCTION OF PRINCIPAL
1st year	\$1,000.00	\$60.00	\$60.00	\$ 60.00	\$1,000.00	\$60.00	\$60.00	\$60.00	—
2nd "	1,000.00	60.00	60.00	122.40	1,000.00	60.00	60.00	122.40	—
3rd "	1,000.00	60.00	60.00	187.30	1,000.00	60.00	60.00	187.30	\$187.30
4th "	1,000.00	60.00	60.00	254.79	812.70	48.76	71.24	71.24	—
5th "	1,000.00	60.00	60.00	324.98	812.70	48.76	71.24	145.33	—
6th "	1,000.00	60.00	60.00	397.98	812.70	48.76	71.24	222.38	222.38
7th "	1,000.00	60.00	60.00	473.90	590.32	35.42	84.58	84.58	—
8th "	1,000.00	60.00	60.00	552.86	590.32	35.42	84.58	172.54	—
9th "	1,000.00	60.00	60.00	634.97	590.32	35.42	84.58	264.02	264.02
10th "	1,000.00	60.00	60.00	720.37	326.30	19.58	100.42	100.42	—
11th "	1,000.00	60.00	60.00	809.18	326.30	19.58	100.42	204.86	—
12th "	1,000.00	60.00	60.00	901.55	326.30	19.58	100.42	313.47	313.47
13th "	1,000.00	60.00	60.00	997.61	12.83	.77	119.23	119.23	119.23
14th "	1,000.00	60.00	60.00	1,097.51	—	—	—	—	—
Credit balance at end of 14th year: \$97.51					Credit balance at end of 13th year: \$106.40				

BUILDING AND LOAN IN NEW JERSEY

The exposition up to this point and observation of the details presented in Tables 46 and 47, yield the following generalizations:

(1) When the dividend rate coincides with the interest rate, there is no difference in cost between the regular building and loan plan and the reducing-interest plan, as discussed above.

(2) When the dividend rate is higher than the interest rate, the regular building and loan plan is more economical than the reducing-interest plan to the borrower.

(3) When the dividend rate is lower than the interest rate, the building and loan plan is more costly to the borrower than the reducing-interest plan.

This is so because the compounding of dividends at a high rate shortens, and compounding at a low rate lengthens, the period through which the given payments must be made. The size of the periodical payment (\$120 per year) is the same in all the cases presented. Variations in real cost, therefore, are solely dependent upon *time*. The payment of \$10 each month for 134 months, to repay a loan of \$1,000 is less expensive than a payment of \$10 each month for a period of 138 months (the real rates being 5.5 per cent and 6.0 per cent respectively).

Only thirty-one of the 891 associations which have furnished information on the subject in their annual reports filed with the Department of Banking and Insurance, report that they employ a reducing-interest plan. As further information than this is not called for by the State, the question was included in the questionnaire. Of the 200 associations replying, ten indicate that they have in use some form of this plan. In four of these, however, the borrower has the option of choosing between this and the regular building and loan method. Two associations reduce the principal of the loan every three months, one every three years, and one whenever accumulated dues and profits thereon amount to \$100. Two associations report nothing further than that they employ a reducing-interest plan.

In order to ascertain, in any given case, whether a reducing-

LOAN COST TO BORROWERS

interest plan is more or less costly than the regular building and loan plan, it is necessary only to compare the dividend rate with the interest rate. The dividend rate is obtained, as was explained in Chapter VI, by reading off the book value of a share in the oldest series, or if the share has matured, by locating the rate in a maturity interval table.²⁵ Care must be exercised, in analyzing the interest rate borne by the loan, to include in it all loan charges, but to exclude from it all payments of dues.²⁶

Early Repayment

Most associations²⁷ permit borrowers to repay loans prior to the regular maturity date of the pledged shares. In about one-fifth of these cases, the borrower, if he elects to liquidate early, is required to pay the balance of the instalment premium. Very seldom, it appears, is a gross premium returnable. In only two per cent of the reporting associations (four out of 177 associations) is a rebate paid by the association to the borrower if the loan is repaid early.

Perhaps the easiest way to ascertain the effect of early repayment on the real rate borne by a loan is to consider such a case much as one would consider a combination loan. The amount of the loan liquidated by the shares (withdrawal value) represents the amortized portion of the loan; the balance is, in effect, a straight loan.

To illustrate, assume the case of a \$5,000 gross loan, with interest and dividends both at the rate of six per cent (maturity interval 139 months), with shares of a maturity value of \$200 and dues of one dollar per month. An instalment premium of ten cents per hundred is imposed, and the withdrawal value of one share at the sixtieth month is \$67.42.

If the loan were allowed to run to maturity, the real rate,

²⁵ Robinsonian Tables Nos. 7a and 26.

²⁶ To ascertain the loan rate, follow the method presented in Chap. IX. See p. 175.

²⁷ 203 of the 207 associations furnishing data on the subject.

BUILDING AND LOAN IN NEW JERSEY

computed by the method presented above, would be 7.9 per cent.²⁸

Suppose now that the borrower decides to repay the loan after sixty months' dues have been paid and to apply the withdrawal value of his shares to this purpose. The withdrawal value of twenty-five shares is \$1,685.50. ($\67.42×25.) Of the gross loan of \$5,000:

- (a) \$1,685.50 represents a regular building and loan loan matured after 60 months.
- (b) \$3,314.50 represents a straight loan (since upon liquidation the borrower must furnish this much additional cash in order to wipe out the \$5,000 loan. $\$5,000 - \$1,685.50 = \$3,314.50$).

Of the total monthly charges, amounting to \$55.00:

- (c) dues amount to \$25.00.
- (d) loan charges (interest and instalment premium) amount to \$30.00.

Of the monthly loan charge of \$30.00, \$10.20 represents the amount paid for the use of the \$1,685.50 amortized portion, and \$19.80 the amount paid for the use of the remainder (the ratio of the two principals at "maturity"; namely, 1685.5 : 3314.5 or 17 : 33).

The two cost computations may now be presented simultaneously:

(1)	(2)
PORTION OF LOAN LIQUIDATED BY SHARES AFTER 60 MONTHS	REMAINDER (CONSIDERED AS A STRAIGHT LOAN)
Gross loan \$1,685.50	Gross loan \$3,314.50
Monthly charges = 35.20	Monthly charges = 19.80
(dues \$25.00, loan charges \$10.20)	19.80
35.20	3,314.50
= \$2.0884 (per \$100	= .00597 per cent per month
16.855 per mo. for 60 mos.)	
= (app.) 9.3 per cent	(× 12) = 7.2 per cent

²⁸ (a) Net loan: \$5,000.

(b) Monthly charge = \$55.

55

(c) $\frac{\text{---}}{50.00} = \1.10 (per month per \$100 for 138 months)

(d) By Chart XXV:

Real rate (app.) 7.9 per cent.

LOAN COST TO BORROWERS

The average of these two rates (weighted by the ratio of each portion to the total loan, 17: 33²⁸) is:

amortized portion	9.3 per cent	× 17 =	158.1
remainder	7.2 "	× 33 =	237.6
		50	395.7
		50	= 7.9 per cent

In this case early repayment has had no effect upon the real loan rate.

Second Case. Suppose now the withdrawal value of a share after sixty months is \$70.12 (full allowance of six per cent dividends). The effect of early repayment would be a lowering of the real rate, for:

- (a) \$1,753 represents the amortized portion of the loan (withdrawal value of the shares: \$70.12 × 25.)
- (b) (\$5,000 — \$1,753) \$3,247 represents a straight loan. (This amount must be furnished in cash by the borrower after 60 months in order to liquidate his indebtedness to the association.)

Of the total monthly charges, amounting to \$25.00:

- (c) dues amount to \$25.00
- (d) loan charges amount to \$30.00

Of the monthly loan charge of \$30.00, \$10.52 represents the amount paid for the use of the \$1,753 amortized portion, and \$19.48 the sum paid for the use of the remainder (the ratio of the two principals; namely, 17.5 : 32.5).

Computing as before:

(1)		(2)	
PORTION LIQUIDATED BY SHARES		REMAINDER	
Amount of loan	\$1,753.00	Amount of loan	\$3,247.00
Monthly charges (dues \$25.00, loan charges \$10.52)	35.52	Monthly charges	19.48
	35.52		19.48
	= \$2.0262 (per \$100		= 0.00599 per month
	17.53 per month for 60		3,247.00
	months)		(× 12) = 7.2 per cent
	= (app.) 8.0 per cent		

²⁸ cf. *supra*, p. 222.

BUILDING AND LOAN IN NEW JERSEY

$$\begin{array}{r} \text{Weighted average: } 8.0 \text{ per cent} \times 17.5 = 140 \\ \quad \quad \quad 7.2 \quad \quad \quad \times 32.5 = 234 \\ \hline \quad \quad \quad \quad \quad \quad \quad \quad 374 \\ \hline \frac{374}{50} = 7.5 \text{ per cent} \end{array}$$

In this case the effect of early repayment has been to reduce the real loan cost from 7.9 per cent to 7.5 per cent.

In the first case, whatever advantages were to be derived from cutting short the life of the loan were nullified by the low withdrawal value of the shares. In the second case, where full profits were allowed at the end of sixty months, early repayment effected a diminution in the real rate. The generalization may be drawn that early repayment reduces the cost of a building and loan mortgage loan only if the withdrawal allowance on the pledged shares is liberal.

It is obvious, also, that in cases where associations require the balance of the instalment premium to be paid on loans liquidated early, the tendency is to nullify the advantages of this practice. Contrarily, provisions whereby a rebate of gross premium is allowed on early liquidation would tend to enhance the advantages.

Data at hand are too incomplete to warrant a detailed statistical analysis of the situation which actually prevails throughout the State as to the effect of early repayment on real loan rates. Only three associations (of 120 answering the question on the questionnaire) report that over ninety per cent of their loans run to maturity. In forty-eight per cent of the associations less than one-half of the mortgage loans survive their originally contemplated life. A tabulation of the replies of the association secretaries will be found on the page opposite.

A borrower may wish to repay his mortgage loan before his shares mature for any number of reasons other than to reduce the real cost of the loan. He may wish to pay off a small mortgage in order to get a larger one. An unexpected income, such as a legacy, or the sale of the property to a new owner who does

LOAN COST TO BORROWERS

EARLY REPAYMENT EXPERIENCE

PER CENT OF TOTAL LOANS RUNNING TO MATURITY	NUMBER OF ASSOCIATIONS REPORTING	PER CENT OF ASSOCIATIONS REPORTING
Under 10 per cent	14	
10- 20 per cent	10	
20- 30 "	4	47.5 per cent
30- 40 "	7	
40- 50 "	22	
50- 60 "	4	
60- 70 "	8	52.5 "
70- 80 "	26	
80- 90 "	22	
90-100 "	3	
	120	100.0 "

not desire to transfer the mortgage also may bring about early liquidation.

Loans with "B Shares"

In order to relieve the borrower of heavy monthly charges, some associations issue what are popularly known as "B shares." In fundamental theory these do not differ from regular shares. Their characteristic is slower amortization. Instead of paying \$2.00 per month (\$1.00 interest and \$1.00 dues) on each \$200 borrowed, the borrower pays only \$1.50 (\$1.00 interest and \$0.50 dues). The result, of course, is to extend the maturity period.

So far as the dividend rate is concerned there is no difference between one dollar per month for 138.14 months and fifty cents per month for 219.18 months. Both represent a rate of six per cent per annum, compounded monthly. The longer time period involved in the latter case exactly offsets the larger payment in the former. The present worths of the two series of payments are identical. And, if the dividend rate and the loan fees are the same (i.e., provided additional fees for the long-time mortgage are not required) the cost of borrowing under both plans is the same.⁸⁰ In all discussion of interest problems it is essential to

⁸⁰ Compare the following hypothetical cases under the two plans. Computations

BUILDING AND LOAN IN NEW JERSEY

remember that loan cost and present worths are functions not only of the amount of the monthly payment, but also of the number of such payments.

"B Share" Plan and Combination Loan Plan Compared

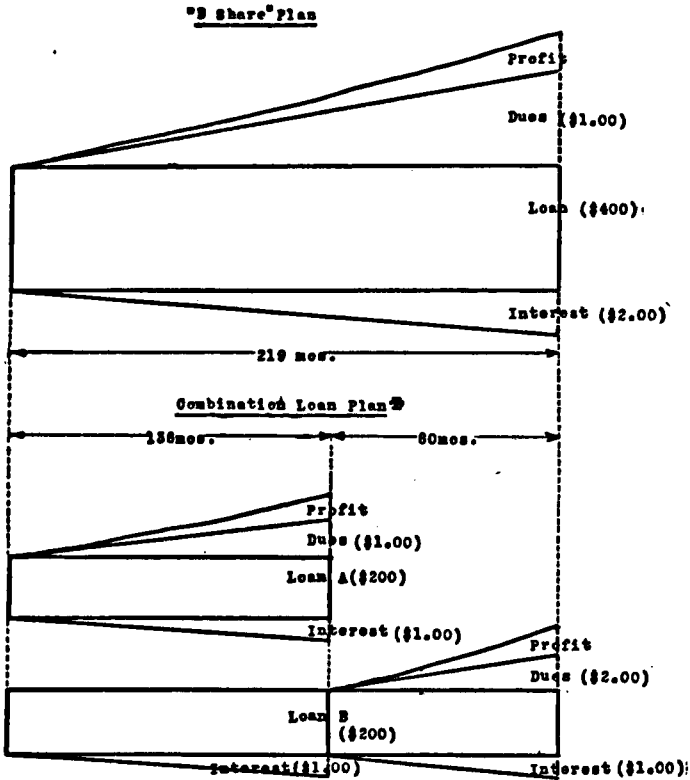
So far as monthly payments are concerned, there is little or no difference between the "B share" plan and a combination loan. What extra-legal difference there is lies in the degree of amortization and in slight differences in real cost effected through changes in the dividend rate. Chart XXVII compares the cost of a loan of \$400 (two shares) under each of these plans. In the case of the loan secured by "B shares," maturity

are for a \$200 loan (one share) involving in the case of the regular building and loan plan a total monthly payment of \$2.00 per month, and in the case of the loan on the "B Share," \$1.50.

CASE I: INTEREST AT 6 PER CENT; DIVIDENDS AT 6 PER CENT			
<i>Regular Plan</i>		<i>"B Share" Plan</i>	
Maturity interval (app.)	138 months	Maturity interval (app.)	219 months
Monthly charge per \$100 borrowed	\$1.00	Monthly charge per \$100 borrowed	\$0.75
By Chart XXV or Table:		By Table:	
\$1.00 per month for 138 months to repay a loan of \$100 involves a rate (monthly compound) of:		\$0.75 per month for 219 months to repay a loan of \$100 involves a rate (monthly compound) of:	
	<i>6.0 per cent per annum</i>		<i>6.0 per cent per annum</i>
CASE II: INTEREST AT 6 PER CENT; DIVIDENDS AT 8 PER CENT			
Maturity interval	126 months	Maturity interval	194 months
Monthly charge per \$100	\$1.00	Monthly charge per \$100	\$0.75
By Chart XXV or Table this involves a rate (monthly compound) of:		By Table this involves a rate (monthly compound) of:	
	<i>(app.) 4.6 per cent</i>		<i>(app.) 4.6 per cent</i>
CASE III: INTEREST AT 6 PER CENT; DIVIDENDS AT 5 PER CENT			
Maturity interval	145 months	Maturity interval	236 months
Monthly charge per \$100	\$1.00	Monthly charge per \$100	\$0.75
By Chart XXV or Table this involves a rate (monthly compound) of:		By Table this involves a rate (monthly compound) of:	
	<i>6.5 per cent</i>		<i>6.5 per cent</i>

LOAN COST TO BORROWERS

CHART XXVII: GRAPHIC COMPARISON OF A "B-SHARE" LOAN AND A REGULAR COMBINATION LOAN, INTEREST RATE AND DIVIDEND RATE BOTH AT SIX PER CENT



* Loan A is a regular amortized loan (one share) maturing in 138 months. Loan B is a straight loan up to 138 months when it is refinanced on an amortized basis, with double dues, and maturing in approximately 80 months.

is reached (when dividends are at the rate of six per cent) and the loan is liquidated after 219 months. In the case of the combination loan (at the same dividend rate) the building and loan portion (\$200) is liquidated after 138 months, but an additional payment of \$200 in cash must be made at that time in

LOAN COST TO BORROWERS

to be granted up to the full eighty per cent of the value of the property.²² At first this appears to be an anomalous situation, and in fact it is if the loan is liquidated prior to maturity. The only difference (other than cost) between the two plans is that in the case of the combination loan, repayment of the straight loan can be required at maturity of the building and loan portion of the loan, or before, whereas under the "B share" plan the borrower enjoys the guarantee of a non-callable loan. In the former method amortization is partial; in the latter, complete amortization is provided for from the start.

A Further Consideration

The scope of the present study has not permitted an investigation of the costs of borrowing from competing financial institutions. The aim has been only to examine and clarify the position of the building and loan association borrower; to ascertain just what rate he is paying for the use of the money which he borrows to put into a home. The modal real rate on loans to building and loan association borrowers, it has been found, is between six and one-half and seven per cent per annum, compounded monthly, the excess over the stated legal interest rate of six per cent being accounted for chiefly by premium charges.

Although the story, as told by the figures in this chapter, is faithful as far as it goes, it fails to carry the analysis to the root of the matter. It may be true that, *per dollar borrowed*, the cost of the average building and loan association amortized loan is higher than the cost of a straight loan from a rival institution. The more essential comparison, however, is that which compares the cost of financing a given piece of property with a given amount of cash, by the several methods, rather than that which compares simply the net cost per dollar borrowed.

A man, let us assume, has \$2,000 in cash with which to finance a \$10,000 property. A building and loan association is permitted by law to grant him a loan up to \$8,000 (eighty per

²² *supra*, p. 116.

BUILDING AND LOAN IN NEW JERSEY

cent of the cash value of the property) ; a bank can grant him a loan of not more than \$6,000 (sixty per cent of the cash value of the property). In order to obtain the additional \$2,000, under the second case, he is forced to contract elsewhere for a second, and possibly a third, mortgage loan. Loans backed by secondary liens, however, are notoriously expensive, and the simple truth is that *the higher charge on a building and loan association mortgage loan is less than what the borrower would have to pay in excess charges on a second mortgage loan*. Unfortunately, information is not yet available which would make possible an analysis of the real cost of second mortgage loans in this State. Premium charges are often undercover charges and are always sufficiently high to offset the risks which attach to the granting of secondary mortgage loans. Personal inquiry made by the writer from a number of individuals who have been forced to resort to second mortgage loans seems to indicate that a premium of from ten to twenty per cent every two years is not uncommon.

The building and loan association has stepped in to meet the needs of the borrower with relatively little cash of his own, principally the middle-class home-buyer. Were it not for the building and loan association he would be forced to resort to a second mortgage loan and would have to pay dearly for the use of the funds he needs, or else be content with a cheaper home.

CHAPTER XII

BUILDING AND LOAN PERSONNEL: SALARIES, OCCUPATIONS, MOTIVES

THE psychological appeal which induces men and women, active in other spheres, to devote many long hours of spare time to building and loan work is probably too complex to be analyzed with any degree of precision. In ordinary business, immediate monetary reward usually can be pointed to as the principal motive. But this, by itself, does not seem to explain the situation in building and loan. Although to some the financial reward for services rendered to one or several associations is probably the dominating motive,¹ there are, for each such individual, scores of others to whom building and loan work is a hobby, and still others whose outlook is broader, even semi-philanthropic.

We saw above² that the proportion of total disbursements represented by salary expenditure is slightly lower in building and loan associations than in savings banks. Every dollar spent for salaries by the former represents \$285 in assets, by the latter, \$227. Although this difference, viewed as association *expense*, is probably of no great significance (in both institutions salaries represent less than one per cent of total disbursements) when it is remembered that these figures portray the expenditure of 862 building and loan associations, but of only twenty-eight banks, the very proximity of the percentages viewed as expense indicates a wide disparity between salaries when viewed as *incomes*,

¹ Some accountants and insurance men have become building and loan specialists and, by acting as secretary or profit-apportioning expert for a number of associations, have created for themselves financially attractive positions with salaries ranging from \$5,000 to \$20,000 per year. But, these are exceptional, not typical, cases.

² *supra*, p. 201.

BUILDING AND LOAN IN NEW JERSEY

since every association has its own set of officers. Banks are conducted purely as business propositions, and the banker's activity at the bank is his means of livelihood, not merely his avocation. Building and loan associations, in some cases, too, are

TABLE 48

*Compensation of Building and Loan Directors and Officers in New Jersey, 1928**

DIRECTORS			PRESIDENTS		
PER MO.	ASSNS. PAYING	PER CENT DISTRIBUTION	PER YEAR	ASSNS. PAYING	PER CENT DISTRIBUTION
0	420	45.3	0	409	45.6
up to \$2	144	15.5	\$ 1-\$ 100	164	18.3
\$ 2- 4	97	10.5	100- 250	150	16.7
4- 6	124	13.4	250- 500	118	13.2
6- 8	48	5.2	500- 750	26	2.9
8- 10	52	5.6	750- 1000	16	1.8
10- 15	24	2.6	1000- 1500	7	0.8
15- 20	11	1.2	1500- 2000	3	0.3
20- 25	7	0.8	2000- 2500	3	0.3
over 25	1	0.1	2500- 3000	—	—
			3000- 4000	—	—
			4000- 5000	—	—
			over \$5000	1	0.1
Total	928	100.0	Total	897	100.0

SECRETARIES (NEW JERSEY)			SECRETARIES (ESSEX COUNTY)		TREASURERS (NEW JERSEY)	
PER YEAR	ASSNS. PAYING	PER CENT DISTRIBUTION	ASSNS. PAYING	PER CENT DISTRIBUTION	ASSNS. PAYING	PER CENT DISTRIBUTION
0	35	3.9	4	1.2	104	11.9
\$ 1-\$ 100	33	3.7	8	2.4	167	19.1
100- 250	97	10.9	14	4.2	192	21.9
250- 500	187	21.1	46	13.8	248	28.3
500- 750	141	15.9	63	18.9	90	10.3
750- 1000	146	16.5	69	20.7	35	4.0
1000- 1500	116	13.1	64	19.2	24	2.7
1500- 2000	56	6.3	29	8.7	7	0.8
2000- 2500	29	3.3	19	5.7	6	0.7
2500- 3000	20	2.3	9	2.7	—	—
3000- 4000	17	1.9	6	1.8	1	0.1
4000- 5000	5	0.6	1	0.3	1	0.1
over 5000	5	0.6	2	0.6	1	0.1
Totals	887	100.0	334	100.0	876	100.0

*Salary figures in detail, by counties, will be found in Tables AA and BB in the Appendix.

SALARIES, OCCUPATIONS, MOTIVES

so conducted. But by far the greater number of them are carried on as side-lines by men and women mainly occupied elsewhere.

Salaries and Fees

The man who would become rich by collecting fees for attendance at directors' meetings of building and loan associations would have to be a Methuselah and be in constant attendance at meetings the full length of every working day. Directors serve without pay in forty-five per cent of the associations reporting, and receive only between one dollar and ten dollars per month in fifty per cent. In only five per cent of the associations do they receive in excess of ten dollars per month for attendance at board meetings.

Presidents, also, most frequently serve without pay, as the accompanying table and chart indicate. Treasurers fare slightly better, twenty-eight per cent of the 876 reported receiving between \$250 and \$500 per year.

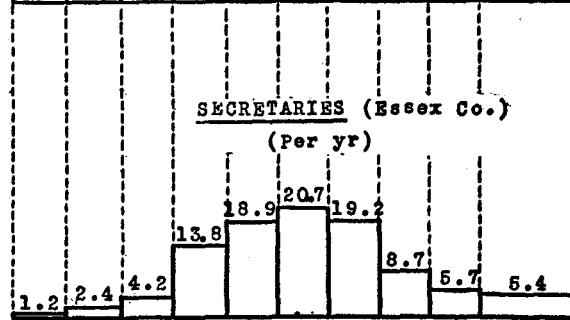
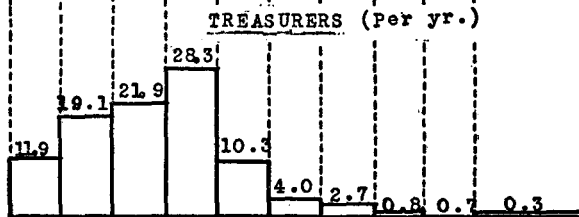
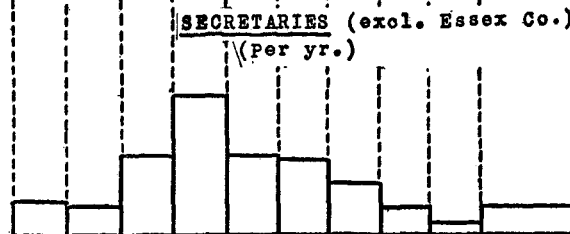
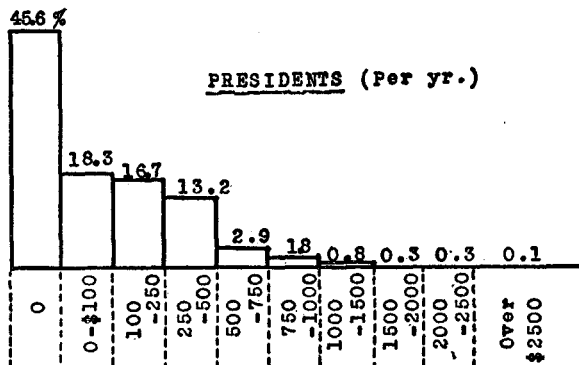
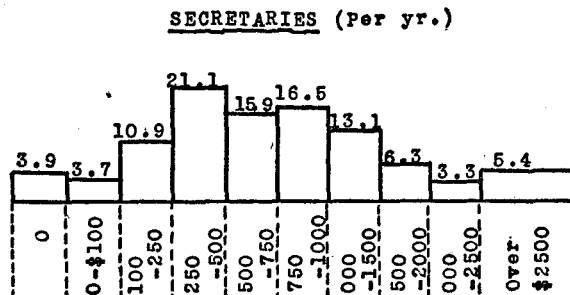
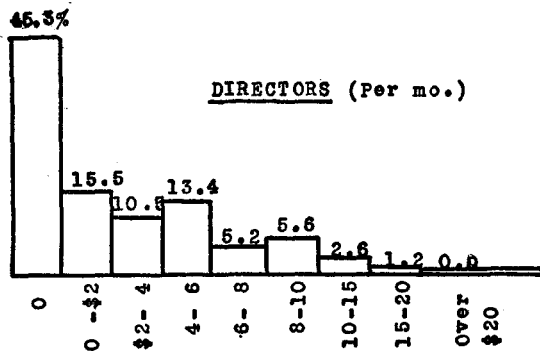
We should expect, of course, to find that the secretaries receive more lucrative rewards for their services. The average (modal) salary here, too, however, is between \$250 and \$500 per year, with twenty-one per cent of the associations paying this amount. However, if the next two class groups be combined it is seen that slightly over thirty per cent of building and loan secretaries in the State receive between \$500 and \$1,000 per year.

It is worth noting that the modal salary paid the secretary is higher in Essex County than in the rest of the State, amounting in 1928 to between \$750 and \$1,000, with one-fifth of the secretaries in receipt of this amount. The following summarization will facilitate quick comparison between Essex County and the State as a whole.

SECRETARIES (PER CENT) RECEIVING—

	UNDER \$250 PER YEAR	\$250-\$500 PER YEAR	\$500-\$1,000 PER YEAR	\$1,000-\$2,000 PER YEAR	OVER \$2,000 PER YEAR
State	18.5	21.1	32.4	19.4	8.7
Essex County	7.8	13.8	39.6	27.9	11.1

CHART XXVIII*: SALARIES PAID TO DIRECTORS AND OFFICERS OF BUILDING AND LOAN ASSOCIATIONS IN NEW JERSEY, 1928
(Frequency Distribution)



* See Table 48.

SALARIES, OCCUPATIONS, MOTIVES

Although these percentages represent the amount received per secretary, and not the total amounts paid as salaries, the fact that the average association in Essex County is larger than in the rest of the State³ undoubtedly has much to do with the higher salary scale. Because the amount of work is greater and because those in positions of responsibility are dealing with larger amounts of money, salaries more in keeping with the attendant responsibilities are called for. Also, the character of the persons involved—the fact that in the larger metropolitan business centers building and loan men are *business* men—in itself tends to establish these associations on a business, rather than on a philanthropic, basis.⁴

³ The modal assets of building and loan associations in Essex County in 1928 was between \$250,000 and \$500,000. In the rest of the State it was under \$250,000, as the following percentage distribution table indicates.

SIZE OF ASSOCIATION (ASSETS)	STATE (EXCLUDING ESSEX COUNTY)		ESSEX COUNTY	
	NUMBER	PERCENTAGE DISTRIBUTION	NUMBER	PERCENTAGE DISTRIBUTION
Up to \$250,000	272	42.6%	66	18.2%
\$250,000-\$500,000	151	23.6	106	29.2
\$500,000-\$750,000	74	11.6	80	22.0
\$750,000-\$1,250,000	86	13.5	55	15.2
\$1,250,000-\$5,000,000	51	8.0	52	14.3
Over \$5,000,000	5	0.8	4	1.1
All sizes	639	100.0	363	100.0

⁴ Only one instance has come to the writer's attention in this State of a practice described by Messrs. Riegel and Doubman, in their book entitled *The Building and Loan Association* (p. 34): "A very common abuse in some localities is the buying up by directors and officers of the shares of persons who desire to withdraw. Upon withdrawal the stockholder receives what he has paid in but only part of the profits his shares have thus far earned. This is a very profitable investment for the director. . . . Of course it may be said that the stockholder receives more than he would have received from the association, but the fact is that he has received far less than the *market value* of the shares. . . . The director is enabled to buy these shares . . . merely because he and very few others know the situation."

Such action, although probably not illegal, is hardly in accord with the spirit of mutual aid which helps hold the building and loan movement together.

BUILDING AND LOAN IN NEW JERSEY

Occupations

What type of person is drawn into building and loan work, if monetary remuneration is not the principal attraction? Table 49 and Chart XXIX⁵ present percentage distribution figures based on data collected by the writer from individual association reports covering some 14,000 individuals in over 900 associations, and shows the number of building and loan workers in various occupational groups.

TABLE 49
Occupational Groupings of Directors and Officers of Building and Loan Associations in New Jersey, 1928 (Percentage Distribution)

OCCUPATION	DIRECTORS		PRESIDENTS		SECRETARIES		TREASURERS	
	NO.	PER CENT DIST.	NO.	PER CENT DIST.	NO.	PER CENT DIST.	NO.	PER CENT DIST.
Merchants	2554	22.8	176	19.2	34	3.7	162	17.7
Builders	1548	13.8	108	11.8	18	1.9	63	6.9
Realtors	993	8.9	103	11.3	121	13.1	100	10.9
Insurance brokers	273	2.4	64	7.0	111	12.0	53	5.8
Clerks	798	7.1	24	2.6	129	13.9	130	14.2
Professional (Physicians, dentists, teachers, etc.)	650	5.8	56	6.1	38	4.1	17	1.9
Bankers	427	3.8	50	5.5	96	10.4	110	12.0
Lawyers	426	3.8	18	2.0	19	2.1	12	1.3
Government employees	370	3.3	38	4.2	38	4.1	25	2.7
Manufacturing	596	5.3	71	7.8	*	—	52	5.7
Mechanics	448	4.0	19	2.1	3	0.3	13	1.4
Misc.	2120	19.0	100	11.0	65	7.0	82	9.0
Retired	*	—	77	8.4	9	1.0	53	5.8
Accountants	*	—	11	1.2	153	16.5	34	3.7
Full-time B&L	*	—	*	—	91	9.8	8	0.9
Total	11203	100.0	915	100.0	925	100.0	914	100.0

*Not tabulated; included in "miscellaneous."

It will be observed that a fairly large percentage of directors and officers are builders, realtors, or insurance men. As a group they represent over twenty-five per cent of the directors, thirty

⁵ Tables by counties will be found in Appendix Tables CC and DD.

SALARIES, OCCUPATIONS, MOTIVES

per cent of the presidents, twenty-seven per cent of the secretaries, and twenty-four per cent of the treasurers. The opportunity for making business contacts afforded by building and loan work, it seems fair to conclude, attracts men in this line of work. They are interested, in a business way, in housing and associated demands just as building and loan associations, as associations, are interested in financing home ownership.

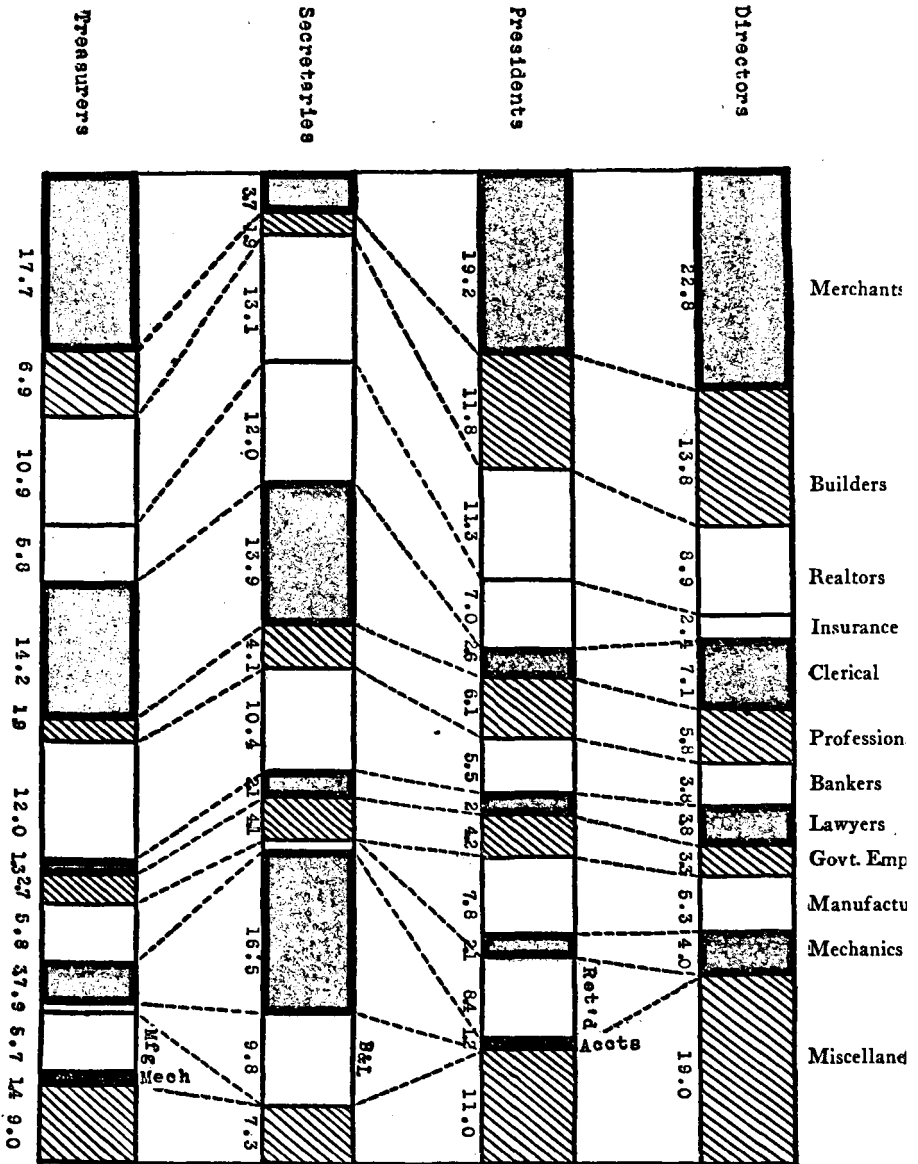
Such contacts are neither illegal nor unethical, although that they could come on occasion to be a source of corruption cannot be gainsaid. This has been recognized and legislated against in the Building and Loan Act,⁹ so that it is now a misdemeanor for an official, employee, or agent of an association to accept or to seek to obtain a bribe (in the way of a building contract or otherwise) in return for influencing the association to act favorably on any application for a loan.

The rather high percentage of merchants found in building and loan work is also notable. The effort of tradespeople to upbuild their town through the building and loan association, so as to create markets for themselves, is one of the finest examples of enlightened self-interest that can be found in present-day community life. The large number of clerical workers and accountants among the secretaries is not unexpected, nor is the high percentage of retired business men among the presidents. The professional (excluding the lawyers who constitute a group by themselves and whose presence is easily explained by the legal technicalities of real estate and loan work) group is probably larger than would be expected.

Various motives seem to combine to furnish building and loan associations the leadership necessary to their existence. Civic pride, community development, enlightened self-interest in the way of bread-and-butter contacts, and direct monetary reward for services rendered, all play their parts as motives in this most sizable, cooperative, non-financially directed, financial institution.

⁹ General Building and Loan Association Act, Paragraph 70.

CHART XXIX: OCCUPATIONAL GROUPINGS OF DIRECTORS AND OFFICERS OF BUILDING AND L
ASSOCIATIONS IN NEW JERSEY, 1928
(Percentage Distribution)



SALARIES, OCCUPATIONS, MOTIVES

New Business and Expansion

Underlying all motives, perhaps, is the fascination of playing with funds—the joy of the game of finance—which stirs the imagination of many. There is a certain satisfaction to be derived from simply following the growth of one's brain-child regardless of what it may be. A building and loan association, starting out on a very small scale, frequently has in it the germ of a financial institution of huge proportions.

We have already observed that so far as earnings are concerned there is little advantage in belonging to a large, in preference to a small, association. Yet associations usually desire expansion; it enhances the prestige of the officers and directors to be at the head of a large and growing institution. It fits in well with the American dogma of quantitative superlatives and, more broadly considered, has the indirect effect of stimulating thrift through broadcasting building and loan facts and figures.⁷

Of the 215 associations answering an inquiry relative to expenditures on newspaper advertising, 114 responded that they do not so advertise. Twelve replied that they do advertise in local newspapers but neglected to state the amount so spent. The ninety associations reporting such data expended a total of \$24,630 for this purpose in 1928, which is an average expenditure of about \$275 per association. Quite naturally, the larger associations spend more than the smaller, and if the nine largest associations be excluded (whose expenditures for this purpose amount to \$13,970—an average expenditure of \$1,552 for each of the larger associations) the average expenditure amounts to approximately \$130 per year. The spread, however, is very wide—ranging all the way from under fifty dollars per annum in thirty associations to over \$1,000 per annum in six.

Only twelve associations report that they cooperate with other building and loan associations in newspaper advertising

⁷ Of the 200 secretaries answering a direct question on the subject of the desirability of expansion, only ten answered in the negative.

BUILDING AND LOAN IN NEW JERSEY

campaigns, and communication with the secretaries of these associations indicates that this type of advertising has not been highly successful. Such cooperation is often effected through regional or county leagues and apparently its results are not sufficiently immediate to appear to justify large expenditures for the purpose.

As in most other States, solicitation by members of the board of directors and by shareholders is relied upon principally, for bringing new investing members into the association. Friendship and contacts between directors and outsiders are often the chief qualifications which determine the eligibility of a member for a place on the directorate of an association. New Jersey building and loan associations are not allowed⁸ to employ paid solicitors, to set up branch offices, or to act through paid agents. "Drives" and contests among the directors are, in a number of associations, utilized in their stead.

The attraction of new borrowers is becoming increasingly important as building and loan associations come to find themselves in keener competition with the title and mortgage companies. Here, too, personal contact and advertising are most frequently relied upon, although in several associations the attorney appears to be the principal loan salesman. The following tabulation indicates the practices of the associations reporting. In all associations, of course, the first-named method is utilized along with the others.

METHOD	FOR OBTAINING NEW SHAREHOLDERS	FOR OBTAINING NEW LOANS
Solely through personal activity of directors and shareholders	87	82
Advertising	78	40
Contests among directors	14	1
Attorney the chief source	—	8
No method in particular	18	55
	<hr style="width: 50px; margin: 0 auto;"/>	<hr style="width: 50px; margin: 0 auto;"/>
Number associations reporting	197	186

Practically all associations issue advertising matter. Some of this advertising is quite elaborate, but many associations present

⁸ Article I, Paragraph 17.

SALARIES, OCCUPATIONS, MOTIVES

simply the legal minimum of a statement of share values, a financial statement, and a statement showing receipts and disbursements. The names of the officers and directors, the meeting night, and the dividend rate apportioned are frequently included. Often a blank form is attached as an invitation to new subscriptions, together with a general membership appeal. Several of the more interesting advertising folders are reproduced here in illustration, together with a sample of a cooperative newspaper advertisement.

The larger associations utilize their association headquarters for advertising purposes. Regular banking fixtures in marble and bronze—and a pretentious safe—suggest strength, stability, and safety. Electric signs, bill-boards, blotters, holiday letters and calendars, street-car advertising, and window display posters, all are used to sound the membership appeal.

BUILDING & LOAN MORTGAGE MONEY

May be obtained at a cost which is completely absorbed by the earnings of your shares. The Asbury Park Associations have reduced their premium to 3%. There are no renewal charges and you participate in all premiums obtained by the Association during the life of your mortgage.

SPONSORED BY

Build- The Building
ing & Loan Ass'n & Loan Ass'n

Building Building
& Loan Ass'n & Loan Ass'n

Building & Loan Ass'n

All of the City of Asbury Park, N. J.

There's Only One Road to the End of the Rainbow

It is slightly up grade. That is why most people take the detour and fail to arrive. You turn to the right on the Monthly Saving Highway and keep straight ahead. The traveling is rough, times, and you may have to throw off some of your excess baggage in order to make the grade, but thousands of people are going that way every day, and they all send back a report that the road is quite passable, and that no one should hesitate to undertake the route.

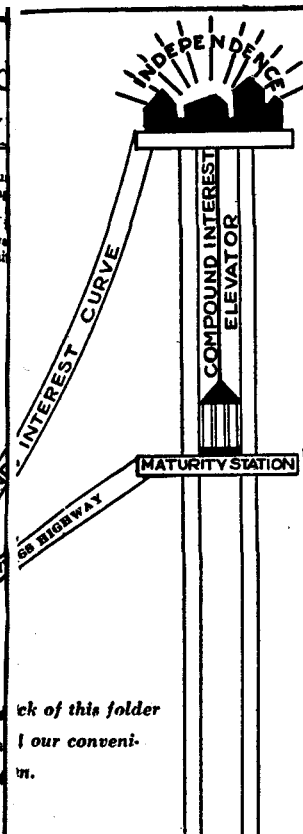
In a surprisingly short time you will arrive at Maturity Station, which is a delightful place situated at a much higher altitude, financially speaking, than the place where you now reside.

But you don't stop there. You take the Compound Interest elevator and you are automatically lifted to the City of Independence, which is located at the foot of the Rainbow. No other city can compare with the City of Independence as a place to live. The citizens of this city enjoy every comfort and convenience that this age affords.

You will be met at the elevator by the Secretary of this Building and Loan Association, who actually will hand you the bag of gold which you always have heard is at the end of the Rainbow.

It is a trip worth making, but you have to start today — no one ever has been known to make this journey successfully by starting tomorrow.

On the back of this folder you will find our convenient savings plan.



The News

A HOME PAPER FOR THE BUILDING AND LOAN ASSOCIATION OF NEWARK, N. J. Vol. 6 AUGUST, 1928 No. 7

WHEELS of Progress

All through life, from Babyhood to Maturity, the Wheels of Fortune favor those who build up a surplus by Thrift.

An early start means much

A PAYMENT OF \$5 MONTHLY

On the SECOND Monday

1	2	3	4	5	6
7	★	9	10	11	12
14	15	16	17	18	19
21	22	23	24	25	26
28	29	30	31		

For About 135 Months WILL RETURN \$1000

ON WHICH SIDE OF 35 YEARS ARE YOU?

Everything to gain, nothing to lose.

This is the optimistic period — when son thinks he knows more than his father. This space represents the son's opinion.

Age of Wild Out

This space represents man's consciousness. Either success or failure is settled. No days are allowed.

NOW OR NEVER

Danger Line

The boy is now changing his mind and concludes he doesn't know as much as he thought, for he now considers his father was a man of fair judgment.

The son realizes that life is a reality, and he is not so smart as he once had thought. His father was a man of master mind.

97% of men here meet with reverses and lose their entire accumulations.

Only one in 1,000 can after this age recover his financial footing.

Provide for the future by joining Building and Loan Association Today Start an Account for the Children, too

Marriage should be a mutual proposition—bear and forebear, share and share alike.

Our institution also is mutual. Every person who invests a dollar with us becomes one of us, with equal rights and equal privileges, and equal profits.

Under very low expense, we conduct our affairs for the benefit of all.

It is to everybody's interest to help us grow since growth means greater service and lower proportionate expense.

Our record shows the soundness of our plan.

We have matured the last six Series in 10 years and 7 months.

39th SERIES STILL OPEN!

It isn't safe to measure a man's friendship by his "glad hand."

The woods are full of alluring "stock propositions," things that sound so lovely that you sometimes think they must be true. Almost any of them will "make you a million" next week.

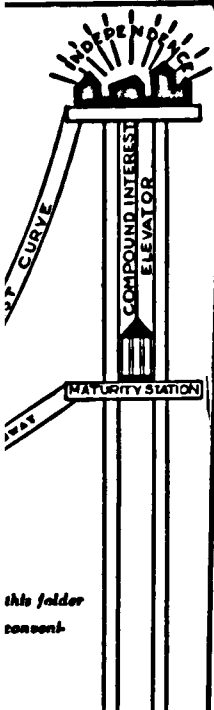
But next week something happens and you wait and keep on waiting for your easy money.

Better be satisfied with the reasonable returns that actually come true.

Better invest your savings in our safe institution. The building and loan plan is time tested and is today considered the safest proposition in the world.

39th Series Opens April 5, 1928

Subscribe Now!



this folder
contains

The News

PUBLISHED WEEKLY BY THE BUILDING AND LOAN ASSOCIATION OF NEWARK, N. J.
 Vol. 6 AUGUST, 1928 No. 7

WHEELS of PROGRESS

All through life, from Babyhood to Maturity, the Wheels of Fortune favor those who build up a surplus by Thrift.

An early start means much

YOU?

Who is the sign of this thing, or that, and that again, for to him all to him and nothing to gain. He looks for to forty—will high rates of interest.

All that, or you out of that are now dependant upon their daily savings or on their children for support.

By 1930
1 after this age
over the financial picture.

tion Today
Account for the Children, too

Savings should be a mutual proposition—dear and father, share and share alike.

Our institution also is mutual.

Every person who invests a dollar with us becomes one of us, with equal rights and equal privileges, and equal profits.

Under very low expense, we conduct our affairs for the benefit of all.

It is to everybody's interest to help us grow since growth means greater service and lower proportionate expense.

Our record shows the soundness of our plan.

We have matured the last six Series in 19 years and 7 months.

SIX SERIES STILL OPEN!

It isn't safe to measure a man's friendliness by his "glad hand."

The words are full of alluring "stock propositions," things that sound so lovely that you sometimes think they must be true. Almost any of them will "make you a million" next week.

But next week something happens and you wait and keep on waiting for your easy money.

Better be satisfied with the reasonable returns that actually come true.

Better invest your savings in our safe institution. The building and loan plan is time tested and is today considered the safest proposition in the world.

25th Series Opens April 5, 1928
Subscribe Now!

CHAPTER XIII

CONCLUSION

STATE leagues of building and loan associations have been established in nearly every State of the United States; and, in many minor political subdivisions—counties and cities—subordinate or divisional leagues are in operation. They are the mouthpieces of the associations in matters which pertain to themselves as a group. The securing of fair and adequate protective legislation, the training of men and women in the technique of building and loan association operation, and other educational projects—including the enlightenment of the general public—are the objects which justify the existence of these organizations.

Perhaps the greatest single service performed by a league is the opportunity which it furnishes for the meeting together in convention of representatives from the associations in a given locality. The interests and the problems of such associations are similar and the opportunity to discuss them affords the leaders in the movement the advantages of common action and a fuller comprehension of their own place in the economic, political, and social structure. They are the trade associations of the building and loan industry.

The New Jersey League of Building and Loan Associations

The New Jersey League is organized along democratic lines, the State being divided into twelve districts, each of which elects one member of the board of governors. This board, which includes as ex-officio members the past presidents of the organization, is the executive body of the League. Continuity of policy is provided for by a system of rotation whereby one-half of the districts elect governors every alternate year, and by retaining

CONCLUSION

the same secretary year after year. The secretary, in addition to his regular secretarial duties, edits the official organ of the League, the *Building and Loan Guide*. Clerical details are handled through the League's headquarters at 15 Market Street, Newark.

Every year, either in late May or early June, the member associations (which now number around 900 and include the larger associations in the State) send delegates to the annual convention of the League which is usually held in one of the State's several well known coast resort cities. Here decisions as to policy are determined and opportunity for contacts among the member associations afforded. The League appropriately calls itself a clearing house of building and loan information. Supplemental to annual conventions are the semi-annual meetings which are usually held in December in the city or town of which the president is a resident.

The League maintains a number of standing committees, among which are the Legal and the Educational Committees. In addition there is the annually-appointed Legislative Committee which prepares, studies, and reports on proposed legislation for the protection of building and loan investors and for the welfare of the movement in general. The Legal Committee confines its attention to questions of legal interpretation and advice and has had much to do with demonstrating to the United States Bureau of Internal Revenue—through the League as a body—that New Jersey building and loan associations are mutual and cooperative in fact as well as in name and consequently entitled to continued exemption from the Federal corporation income tax.¹

The Educational Committee has published two informational pamphlets for use in the public schools. These outline the theory and operation of building and loan associations in simple language and present a number of problems and questions which confront the average shareholder when he joins an asso-

¹ *supra*, p. 159.

BUILDING AND LOAN IN NEW JERSEY

ciation for the first time. A proper comprehension of the elementary mechanics of building and loan associations—at least a working knowledge of the terms used and the basic principles involved—should constitute part of the educational equipment of every man and woman who resides in a State in which over one-third of all institutional savings are accounted for by building and loan shareholders' accounts.

The first Institute of Building and Loan in New Jersey was launched under the joint auspices of the New Jersey League (through its Educational Committee) and the Extension Division of Rutgers University in the fall of 1928. Meeting weekly in Newark, Hackensack, Jersey City, Atlantic City, and Camden, the sessions lasted well into the winter months. All types of students availed themselves of the opportunity to attend—association secretaries, clerks, and several State examiners. The educational program was expanded in January 1930 when the Extension Division of Rutgers University offered to persons interested in building and loan associations two courses, one in the Principles of Building and Loan and the other in the Principles of Accounting. It is now planned to put the courses on a three-year basis and to offer in 1931 for the first time specialized courses in Appraisals, Building and Loan Accounting, and Business Economics. In order to contribute still further to the collection and dissemination of facts the League has adopted a program of research and early in 1928 established a research department.

Much can yet be done by the League to serve associations in the State. A credit information bureau which would issue prompt information to individual associations regarding poor loan risks remains to be established. Such a bureau for the State as a whole has been suggested in State League circles. The pooling of important information of this character should be one of its chief reasons for existence as the trade association of the movement.

CONCLUSION

The United States Building and Loan League

The various State leagues enjoy membership in the United States Building and Loan League which evolved out of the "Building Association Congress of the World" held in Chicago in April 1892. It was to combat the general disrepute into which the activities of the "national" associations² were bringing the building and loan movement in general that this nationwide organization was formed. It furnishes the local associations a wide arena for discussion and provides for them an official national mouthpiece. The first convention of this League was held in Chicago in 1893.

Variations in structural details and in association operation throughout the country early demonstrated the need for a fuller knowledge of the facts. To help supply this need the American Savings, Building and Loan Institute, an educational, non-profit making organization, was formed. It sponsors the publication of specialized building and loan text-books³ and, through its own representatives, conducts classes for building and loan association executives and employees similar to those conducted for the banking interests of the country by the American Institute of Banking.

The Present Situation in New Jersey

Associations in this State today are facing a situation which they have not faced quite so squarely heretofore. The real estate market in certain sections of the State is sluggish, and in certain others where the demand for loans is still active, associations have encountered difficulty in renewing their bank loans. The commercial banks and trust companies, finding themselves in a tight credit market, have been forced to curtail their lending operations. It is a repercussion upon building and loan associations of the frenzied state of the stock market within the last year and a half. The situation is not alarming, for it is undoubt-

² *supra*, p. 6.

³ One of which is the work by Clark and Chase.

BUILDING AND LOAN IN NEW JERSEY

edly only temporary. But it is a situation which should be properly understood lest it lead to still further misunderstanding between the banks and the building and loan associations.

That a stormy period has been encountered is evidenced by the large number of foreclosures and properties under foreclosure reported in individual association reports filed even in 1928

TABLE 50
Foreclosures by Building and Loan Associations in New Jersey in 1928

COUNTY	NO. ASSNS. REPORTING	ASSNS. REPORTING FORECLOSURES IN 1928		ASSNS. REPORTING PROPERTIES UNDER FORECLOSURE		NO. OF FORECLOSURES REPORTED IN 1928	NO. OF PROPERTIES UNDER FORECLOSURE REPORTED IN 1928*	NET AMOUNT DUE ASSNS. ON PROPERTIES UNDER FORECLOSURE	VALUE OF PROPERTIES UNDER FORECLOSURE
		NO.	PER CENT OF ASSNS. REPORTING	NO.*	PER CENT OF ASSNS. REPORTING				
Atlantic	28	13	46.4	14	50.0	49	56	\$ 265,368	\$ 446,300
Bergen	54	5	9.3	10	18.5	6	34	161,093	276,900
Burlington	10	2	20.0	4	40.0	3	6	13,573	21,600
Camden	110	27	24.5	40	36.4	52	75	189,444	320,190
Cape May	18	2	11.1	3	16.7	3	4	7,384	15,800
Cumberland	9	—	—	—	—	—	—	—	—
Essex	342	77	22.5	119	34.8	134	330	2,837,009	4,365,550
Gloucester	20	5	25.0	10	50.0	8	24	23,540	44,400
Hudson	98	18	18.4	31	31.6	34	84	589,249	897,000
Hunterdon	5	—	—	2	40.0	—	7	126	800
Mercer	10	—	—	—	—	—	—	—	—
Middlesex	47	9	19.1	10	21.3	14	31	114,267	214,650
Monmouth	24	5	20.8	11	45.8	6	31	82,089	147,500
Morris	20	1	5.0	3	15.0	1	6	34,730	69,000
Ocean	6	—	—	2	33.3	—	3	11,190	22,100
Passaic	58	13	22.4	9	15.5	43	30	189,156	322,025
Salem	1	—	—	—	—	—	—	—	—
Somerset	7	1	14.3	2	28.6	1	5	4,404	6,000
Sussex	3	1	33.3	—	—	1	—	—	—
Union	65	14	21.5	15	23.1	16	28	120,574	188,950
Warren	7	—	—	—	—	—	—	—	—
State	942	193	20.5	285	30.3	371	754	\$5,678,304†	\$7,358,765‡

*This column includes associations noted in (†) and (‡) below.

†Total includes amount due from the following associations (not included in county tabulations because of incompleteness of data on "value of properties under foreclosure")—

CONCLUSION

COUNTY	NO. ASSNS.	NO. OF PROPERTIES	NET AMOUNT DUE
Bergen	1	1	\$ 3,147
Camden	5	12	28,072
Essex	24	78	875,166
Gloucester	2	11	36,630
Hudson	4	10	56,376
Hunterdon	1	6	18,607
Monmouth	1	1	3,869
Somerset	1	4	12,900
Union	1	1	3,488
Totals	40	124	\$1,035,108

‡ Does not include value of properties in following counties because of incompleteness of data for both "net amount due" and "value of properties."

COUNTY	NO. ASSNS.	NO. OF PROPERTIES
Burlington	1	2
Essex	4	9
Hudson	1	1
Totals	6	12

with the Department of Banking and Insurance. One-third of the 942 associations examined by the writer reported foreclosures pending to the extent of almost six million dollars. (See Table 50.)

It would be hazardous to predict the future in detail. But, so far as the first-named difficulty—the shortage in the demand for loans—is concerned, there are already signs of revival. The writer has obtained the impression, from discussing the situation with a number of competent building and loan officials, particularly in the Newark area, that the worst of the depression has passed.

On the side of financial operations there has been, within the last few months, much concern for the welfare of the associations. The stock market crash in the fall of 1929 ushered in, in certain quarters, large demands for share withdrawal. Several associations were temporarily embarrassed and in a number of instances they were unable to borrow from the banks in order to meet the temporary crisis. Something akin to a mild financial hysteria was the outcome, until finally the Department of Bank-

BUILDING AND LOAN IN NEW JERSEY

ing and Insurance undertook to ascertain the real situation. A special questionnaire was sent out early in November and the returns, summarized below, are far from alarming.

FINANCIAL CONDITION OF 1400 NEW JERSEY BUILDING AND LOAN ASSOCIATIONS REPLYING TO THE COMMISSIONER'S QUESTIONNAIRE OF NOVEMBER 6, 1929

Total instalment dues paid in	\$726,117,372
Paid-up shares outstanding	115,518,672
Borrowed money	68,251,959
(From banks and trust companies \$62,739,247)	
(From other sources 5,512,712)	
(Total borrowing capacity	\$214,810,000)
Unpaid matured shares	1,703,250
Unpaid withdrawals (instalment share)	2,642,084
Oldest unpaid withdrawal—October 1929	
Unpaid withdrawals (paid-up shares)	1,196,931
Amount due borrowers on mortgage loans	13,563,352
Average monthly cash receipts from dues, interest, and premiums	20,657,272
Cash in banks and on hand	11,887,005

The Commissioner, in presenting these figures, said:⁴

“ . . . The amount of borrowed money from banks and trust companies, and borrowed from others . . . can be paid in a trifle over three months from dues, cash receipts, monthly cash receipts, and cash in hand. That is, of course, disregarding the amount due borrowers on loans granted.

Those of you who have read the papers have seen from time to time statements that I have made to the effect that in my opinion there is no building and loan association in the State of New Jersey that was in any serious trouble. Some of them were embarrassed because of excessive withdrawals. But I am happy to say . . . that there is no association, so far as the Department has knowledge at this moment, which is in any serious trouble. . . . ”

The tightening of bank loans in this most recent crisis has stimulated discussion concerning requirements which would further liquefy the assets of building and loan associations. This question was taken up in Chapter x. Building and loan associa-

⁴ From the address of the Hon. Frank H. Smith, Commissioner of Banking and Insurance of New Jersey, at the Semi-Annual Convention of the New Jersey League of Building and Loan Associations, East Orange, December 7, 1929. As reported in the *Building and Loan Guide* for February 1930.

CONCLUSION

tions must be in a position to obtain funds—through borrowing—in order to equalize their operations. If the capacity of the banks to lend is insufficient guarantee the associations will be forced to provide the necessary facilities for themselves, either through the establishment of some sort of reserve bank, through permitting associations to lend to each other, or through some other plan.

Summary

We have examined the structure of New Jersey building and loan associations and have found that they remain, even today, strictly mutual, cooperative institutions. There are no depositors; all members—borrowers and non-borrowers—share alike in the profits in proportion to their investment and all have equal voice in association control. It is on this account that associations enjoy exemption from the corporation income tax. We have inquired into their structural types and have found existing, side by side, associations operating under the serial and under the optional payment plans, the latter tending to be the larger associations. The old terminating associations have faded from the picture completely.

Building and loan associations in this State have been growing steadily and rapidly until today savings in building and loan associations account for forty per cent of all institutional savings in the State. They are, therefore, the most important single institution for savings deposit in the State. The investment worth of building and loan shares has been analyzed and has been found to be high. Safety of principal is practically unquestioned, earnings average between six and seven per cent per annum (monthly compound) and shares can be converted into cash either through withdrawal or more profitably through the practice of borrowing on shares from the issuing association.

Numerous technical questions have been examined such as the increasing popularity of paid-up shares, association control and management, and systems of profit apportionment. Busi-

BUILDING AND LOAN IN NEW JERSEY

ness practices and loan procedure have been examined in as much detail as the facts available warrant. Regardless of cost per dollar borrowed—whether it be more expensive or less expensive to borrow from building and loan associations than from other lending institutions—the building and loan plan, we have seen, is more advantageous than straight loans for many borrowers. Because building and loan association loans are fully amortized, and because their risk is so low, associations are permitted by State law to lend in this manner (on first mortgage security) up to eighty per cent of the cash value of the property pledged. This opportunity of obtaining a larger loan frequently eliminates the necessity of the borrower's having to secure a second-mortgage loan elsewhere at prohibitive rates in order to obtain sufficient funds to carry a given piece of property. In the long run this means lowered loan cost to such borrowers.

Building and loan associations are enabled to apportion high dividends on their shares principally because the loans which they grant yield a high return, because the bulk of their assets represent real estate loans, and because they operate on a low per unit cost. The non-liquidity of association assets was emphasized in an earlier chapter and it was found that in large part this absence of liquidity is compensated for by the high degree of regularity in association receipts.

As for detailed practices, the situation can best be described as "spotty." In certain localities associations tend to follow certain definite practices. Thus in Union County the so-called non-serial plan flourishes; in Atlantic County loan funds are usually disbursed through title companies. It is not the intention of the writer to urge that all practices be standardized throughout the State, for even in a State as small in area as New Jersey, there are important differences in the economic structure which make absolute uniformity undesirable. Many of the differences, however, could be eliminated advantageously if each building and loan association official would cultivate the capacity to appreciate the fact that he possesses no certain

CONCLUSION

monopoly of intelligence. An unfortunate tendency prevails in certain building and loan quarters—as in many other spheres of human activity—to look with disfavor upon any plan or practice which emanates away from home. Self-satisfaction evidences small-mindedness and acts as a brake to mutual understanding.

We have found that building and loan associations in some sections of the State are turning, more and more, to loans on business properties, and have intimated that this evolution into the field of commerce and industry probably helps account for certain difficulties in the situation in which building and loan associations now find themselves. The fundamental economic factors, however, all indicate that the continued expansion of New Jersey—industrially, commercially, and residentially—is assured.

Conclusion

The rapid suburban development of New Jersey has probably had much to do with the spread of the association movement, for it is in the suburbs that the typical building and loan borrower, the man who seeks a home with at least some fresh air around it, prefers to settle. The persistent, and often aggravating, growth of New York City has forced thousands of families into the suburbs. Many, seeking refuge from the carbon monoxide and traffic congestion of the metropolis, have taken up their abode in northern New Jersey. Indeed, the New York metropolitan area today may be said to include almost one-half of the State of New Jersey.

And too, this State is a leader in industry and commerce. Local traffic and freight congestion are driving a number of industrial establishments out of the biggest cities of adjoining States into adjacent towns and smaller cities in New Jersey. The State's excellent transportation facilities—the fact that its highways and railways link New York and Philadelphia—invite industries to locate there. In consequence, workers congregate in industrial communities and it is not long before they give rise

BUILDING AND LOAN IN NEW JERSEY

to demands for financial assistance in the building and owning of their own homes.

Coupled with these powerful economic forces has been progressive legislation and efficient association management. New Jersey early realized the need for strict supervision of cooperative financial institutions, and in 1903 passed an act for the supervision of building and loan associations. Seldom have investors in associations lost any of their savings. There have been a few serious association losses, such as the recent ones in Hackensack and Newark, it is true, when association officials succeeded in making a getaway with association funds. But, compulsory fidelity insurance, an alert supervisory department at Trenton, and rigorous conviction by the criminal courts have forestalled loss to the investor. Furthermore, the associations themselves, through their State League, consistently have sponsored legislation designed to protect the association members and to preserve the wholesome reputation of the building and loan association movement in general.

Building and loan associations encourage thrift and home ownership, and according as the extension of either, or both, of these is held to be conducive to greater social welfare, the movement, in its broad outlines, is desirable. It is not our purpose to enter into a discussion of the sound economy of home-owning versus the virtues of house renting, or to appraise the contention of certain labor leaders that home ownership injures the worker economically because, by restricting his capacity to move with ease from one locality to another, it curtails his effective bargaining power. Nor is it our purpose to engage in sentimental raptures over cooperation in general.

The fact remains, however, that building and loan associations in the past have made it possible for thousands of workers to own their own homes, and to thousands of others have showed the way to profitable investment for small savings. They have stimulated thrift and facilitated the passing of the evening of life in comfort and contentment. In that bright, but far-off future, when social consciousness will have passed from the

CONCLUSION

dream stage to the stage of fact—when selfishness will be no more and individual savings will be unnecessary because society will have learned to direct production and consumption with at least a moderate degree of intelligence—building and loan associations, together with most other institutions based on private property, will probably be superfluous. In the meantime we mortals must save our pennies—or be lucky. And, as financial good luck is a particularly shy goddess, utilization of building and loan facilities appears to be a conservative, and a not unwise, course to follow.

SELECTED REFERENCES

SELECTED REFERENCES

TEXTS

- Babcock, F. M., *The Appraisal of Real Estate*. The Macmillan Company, New York, 1925.
- Bellman, Harold, *The Building Society Movement*. Methuen and Company, London, 1927.
- Bellman, Harold, *The Silent Revolution; the Influence of Building Societies on the Modern Housing Problem*. Methuen and Company, London, 1928.
- Bergengren, Roy F., *Cooperative Banking*. The Macmillan Company, New York, 1923.
- Bodfish, H. M., *Money Lending Practices of Building and Loan Associations in Ohio*. Bureau of Business Research Monograph Number 8. Ohio State University Press, Columbus, 1927.
- Brabrook, Sir Edward, *Building Societies*. P. S. King and Son, London, 1906.
- Clark, H. F., and Chase, F. A., *Elements of the Modern Building and Loan Associations*. The Macmillan Company, New York, 1927.
- Davis, H. F. A., *Building Societies; Their Theory, Practice, and Management*. C. F. Maxwell, Melbourne, 1887.
- Devine, H. C., *Peoples Cooperative Banks*. Cassell and Company, London, 1908.
- Dexter, Seymour, *A Treatise on Cooperative Savings and Loan Associations*. Appleton Company, New York, 1889.
- Endlich, G. A., *The Law of Building Associations*. F. D. Linn and Co., Jersey City, 1886.

BUILDING AND LOAN IN NEW JERSEY

- Gray, J. H., *China, A History of the Laws, Manners, and Customs of the People*. The Macmillan Company, London, 1878.
- Hurd, Richard M., *Principles of City Land Values*. Record and Guide Publishing Company, New York, 1905.
- Myers, R. Holtby, *Building and Loan Explained*. American Building Association News Company, Cincinnati, 1924.
- Reep, Samuel N., *Second Mortgages and Land Contracts in Real Estate Financing*. Prentice-Hall, Inc., New York, 1928.
- Riegel, R., and Doubman, J. R., *The Building-and-Loan Association*. Wiley and Sons, New York, 1927.
- Rosenthal, Henry S., *Cyclopaedia of Building, Loan, and Savings Associations*. American Building Association News Company, Cincinnati, 1920.
- Smith, J. B. R., *Supplement to Second Edition of New Jersey Corporation Law Together with a Complete Treatise on the Law of New Jersey Building and Loan Associations*. Soney and Sage, Newark, 1927.
- Smith, James G., *The Development of Trust Companies in the United States*. Holt and Company, New York, 1927.
- Sundheim, J. H., *Law of Building and Loan Associations*. Smith-Edwards Co., Philadelphia, 1922 (2nd edition).
- West Side Branch Y.M.C.A. (Ward, F. E., Day, J. P., Gilbert, E. H., and others), *Practical Real Estate Methods*. Doubleday Page, New York, 1919.
- White, N. G., *How to Organize and Operate Mutual Building and Loan Associations*. Petersburg, Virginia, 1919.
- Willoughby, W. F., *Building and Loan Associations*. Number XI of a series of monographs on American Social Econom-

SELECTED REFERENCES

- ics. Department of Social Economy for the U.S. Commission to the Paris Exposition of 1900. (Available at the New York Public Library.)
- Wolff, H. W., *A Cooperative Credit Bank Handbook*. P. S. King and Company, London, 1909.
- Wolff, H. W., *Cooperative Banking*. P. S. King and Company, London, 1907.
- Wolff, H. W., *Peoples Banks*. P. S. King and Company, London, 1919.
- Wright, Carroll D., *Annual Report No. 9 of the U.S. Labor Commissioner*. Government Printing Office, Washington, D.C., 1894.
- Wrigley, Edmund, *The Working Man's Way to Wealth*. J. K. Simon, Philadelphia, 1874.
- Wright, Ivan, *Farm Mortgage Financing*. McGraw-Hill, New York, 1923.
- Zangerle, J. A., *Principles of Real Estate Appraising*. McMichael Company, Cleveland, Ohio, 1924.

PERIODICALS

- American Building Association News*. Official publication of the United States Building and Loan League, Cincinnati, Ohio. See especially Volume XLIII (1923) for an account of the National Associations of the 'nineties.
- Building and Loan Guide*. Official publication of the New Jersey League of Building and Loan Associations, Newark, New Jersey. Published bi-monthly, May 1922 to date.
- Building Societies Yearbook*. Official handbook of the National Association of Building Societies. Reed and Company, London.
- Dowdell, M. P., "The Fabulous Building and Loan," *Journal of Industry and Finance*, Newark, July, 1929.

BUILDING AND LOAN IN NEW JERSEY

Hedrick, W. O., "Building and Loan Associations; the Solution of the Rural Credit Problem," *Scientific Monthly*, Vol. 2 (1916), pp. 453-9.

Streeter, W. W., "Apportionment of Earnings," *Building and Loan Guide*, November, 1927.

Annual Proceedings of the United States Building and Loan League (known until 1928 as the U.S. League of Local Building and Loan Associations), Cincinnati, Ohio.

MATHEMATICAL

Dade, E. B., and Gagliardo, D., *Instalment Lending and Saving Tables*. Institute Publishing Company, Kansas City, Mo., 1927.

Kent, F. C., *Mathematical Principles of Finance*. McGraw-Hill, New York, 1927.

Moore, J. H., *Handbook of Financial Mathematics*. Prentice-Hall, Inc., New York, 1929. (See especially Chapter xxvi.)

Putnam, T. M., *Mathematical Theory of Finance*. Wiley and Sons, New York, 1923.

Rietz, H. L., Crathorne, A. R., and Rietz, J. C., *Mathematics of Finance*. Holt and Company, New York, 1921.

Robinson, J. W., *Building and Loan Interest Tables*. Robinsonian Interest Book Company, Chicago, 1920 (8th edition).

Skinner, E. B., *Mathematical Theory of Investment*. Ginn and Company, New York, 1924.

GOVERNMENTAL

New Jersey, *Annual Reports of the Commissioner of Banking and Insurance Relative to Building and Loan Associations*. Trenton, 1899 to date.

SELECTED REFERENCES

- New Jersey, *Annual Reports of the Commissioner of Banking and Insurance Relative to Savings Banks, Trust Companies, and State Banks of Discount and Deposit*. Trenton, 1899 to date.
- United States, *Annual Reports of the Comptroller of the Currency*. Government Printing Office, Washington, D.C.
- Acts of the Fifty-Second General Assembly of the State of New Jersey*. 1828.
- Acts of the Seventy-First Legislature of the State of New Jersey*. 1847.
- Acts of the Seventy-Third Legislature of the State of New Jersey*. 1849.
- New Jersey. *General Building and Loan Association Act*, Revision of 1925. Chapter 65, Laws of 1925.
- Laws of New Jersey Relating to Banks and Banking Trust Companies and Safe Deposit Corporations*. Laws of 1899, Chapters 173, 174, 175. Laws of 1907, Chapter 40.
- Laws of New Jersey Relating to Savings Banks*. Laws of 1906, Chapter 195. Laws of 1926, Chapter 129. Laws of 1928, Chapter 75.

APPENDIX

APPENDIX

TABLE A
Statistical Sources

COUNTY	NO. ASSNS. IN STATE 1929	MASTER CARDS ON HAND		FINANCIAL DATA FOR*		MEMBERSHIP DATA FOR*		QUESTION- NAIRE DATA FOR	
		NO.	PER	NO.	PER	NO.	PER	NO.	PER
		ASSNS.	CENT	ASSNS.	CENT	ASSNS.	CENT	ASSNS.	CENT
Atlantic	52	30	57.7	28	53.8	28	53.8	11	21.2
Bergen	88	61	69.3	54	61.4	60	68.2	23	26.1
Burlington	28	12	46.4	10	35.7	12	42.9	4	14.3
Camden	174	118	67.8	110	63.2	117	67.2	20	11.5
Cape May	25	19	76.0	18	72.0	19	76.0	3	12.0
Cumberland	15	10	66.7	9	60.0	9	60.0	4	26.7
Essex	601	364	60.6	313	52.1	350	58.2	56	9.3
Gloucester	24	20	83.3	17	70.8	20	83.3	6	25.0
Hudson	172	105	61.0	80	46.5	103	59.9	23	13.4
Hunterdon	8	6	75.0	5	62.5	6	75.0	1	12.5
Mercer	25	15	60.0	8	32.0	13	52.0	8	32.0
Middlesex	70	50	71.4	38	54.3	49	70.0	14	20.0
Monmouth	40	26	65.0	21	52.5	25	62.5	6	15.0
Morris	28	21	75.0	17	60.7	20	71.4	6	21.4
Ocean	14	7	50.0	5	35.7	6	42.9	2	14.3
Passaic	74	59	79.7	49	66.2	54	73.0	12	16.2
Salem	5	2	40.0	1	20.0	2	40.0	2	40.0
Somerset	9	7	77.8	5	55.6	6	66.7	1	11.1
Sussex	3	3	100.0	3	100.0	3	100.0	—	—
Union	100	66	66.0	64	64.0	66	66.0	13	13.0
Warren	9	7	77.8	7	77.8	7	77.8	3	33.3
State	1564	1008	64.5	862	55.1	975	62.3	218	13.9

* Tabulated from individual association reports filed with the Commissioner of Banking and Insurance.

TABLE B

Growth of Savings Banks and Building and Loan Associations in the United States and in New Jersey, 1900-1928
[Assets and membership figures in thousands]

YEAR	UNITED STATES						NEW JERSEY					
	SAVINGS BANKS*			BUILDING AND LOAN ASSNS.†			SAVINGS BANKS‡			BUILDING AND LOAN ASSNS.§		
	NO. BANKS	ASSETS	MEMBER-SHIP (Depositors)	NO. ASSNS.	ASSETS	MEMBER-SHIP	NO. BANKS	ASSETS	MEMBER-SHIP (Depositors)	NO. ASSNS.	ASSETS	MEMBER-SHIP
1900	1002	\$2,624,874	6,107	5,356	\$ 571,367	1,495	27	\$67,089	202	326	\$50,235	125
1905	1237	3,368,280	7,696	5,264	629,344	1,642	25	94,654	262	382	59,369	129
1910	1759	4,481,874	9,143	5,869	931,867	2,170	26	114,024	303	511	86,602	179
1915	2159	5,558,056	11,286	6,806	1,484,206	3,335	25	140,134	327	742	143,904	281
1920	1707	7,125,430	11,428	8,633	2,519,915	4,963	27	213,991	398	939	238,908	426
1925	1583	10,006,164	14,657	12,403	5,509,176	9,887	28	276,005	458	1410	645,540	1008
1926	1524	10,618,734	15,162	12,626	6,334,104	10,666	28	291,929	580	1473	760,068	1084
1927	1461	10,826,723	14,814	12,804	7,178,562	11,336	28	311,043	500	1536	886,168	1167
1928	1407	11,395,356	15,005	12,666	8,016,034	11,996	28	322,939	514	1563	1,032,429	1196

* Data from Annual Reports, United States Comptroller of the Currency.

† Data from Report of the Secretary (H. F. Cellarius) to the United States Building and Loan League. See *Annual Proceedings*, Cincinnati, Ohio.

‡ Data from Annual Reports of the Commissioner of Banking and Insurance Relative to Savings Banks, Trust Companies, etc., Trenton, New Jersey.

§ Data from Annual Reports of the Commissioner of Banking and Insurance Relative to Building and Loan Associations, Trenton, New Jersey. (1928 figures in advance of publication.) Figures exclude *National* Associations.

TABLE C*
Bank Deposits and Building and Loan "Due Shareholders" Accounts Compared, Selected Cities in New Jersey, December 31, 1928
 [Value figures expressed in thousands]

CITY	BANK DEPOSITS †			B. & L. ASSNS. ‡		TOTAL BANK DEPOSITS AND AMOUNT DUE SHAREHOLDERS IN B. & L. ASSNS.	PER CENT OF TOTAL REPRESENTED BY		
	TIME	"ALL OTHER"	TOTAL	TOTAL ASSETS	75% OF ASSETS ("DUE SHAREHOLDERS")		TIME DEPOSITS OF BANKS	"ALL OTHER BANK DEPOSITS"	DUE SHAREHOLDERS IN B. & L. ASSNS.
Newark	\$205,415	\$229,841	\$435,256	\$504,149	\$378,112	\$813,368	25.3%	28.3%	46.5%
Jersey City	176,054	127,999	304,053	56,700	42,525	346,578	50.8	36.9	12.3
Paterson	90,475	45,729	136,204	23,149	17,362	153,566	58.9	29.8	11.3
Elizabeth	57,194	25,969	83,163	34,035	25,526	108,689	52.6	23.9	23.5
Trenton	46,813	53,198	100,011	10,537	7,903	107,914	43.4	49.3	7.3
Camden	37,273	38,827	76,100	36,148	27,111	103,211	36.1	37.6	26.3
Atlantic City	26,916	31,293	58,209	35,352	26,514	84,723	31.8	36.9	31.3

*The absolute figures in this table have been obtained from official Federal and State sources by John Warren, former President of the New Jersey League of Building and Loan Associations.

†Include certified checks, treasurers' checks outstanding, due to banks, and trust funds awaiting investment.

‡"Due shareholders" account derived by including 75 per cent of total building and loan association assets. (See Chap. x, especially pp. 202-6.)

BUILDING AND LOAN IN NEW JERSEY

TABLE D*

Assets in Leading Building and Loan States of the United States, 1900, 1910, 1920, and 1928
(Assets and population figures in thousands)

YEAR	B. & L. ASSETS	POPULA- TION†	B. & L. ASSETS PER CAPITA OF POPULATION	YEAR	B. & L. ASSETS	POPULA- TION†	B. & L. ASSETS PER CAPITA OF POPULATION
PENNSYLVANIA				ILLINOIS			
1900	\$ 110,494	6,302	\$ 17.53	1900	\$ 47,896	4,822	\$ 9.93
1910	178,000	7,688	23.15	1910	63,200	5,657	11.17
1920	475,000	8,774	30.99	1920	137,000	6,529	20.98
1928	1,340,056	9,854	135.99	1928	419,928	7,396	56.78
OHIO				NEW YORK			
1900	\$ 105,502	4,158	\$ 25.38	1900	\$ 36,500	7,269	\$ 5.02
1910	170,751	4,788	35.66	1910	45,527	9,141	4.98
1920	462,790	5,810	79.65	1920	115,780	10,451	11.08
1928	1,237,521	6,826	181.30	1928	401,461	11,550	34.76
NEW JERSEY				INDIANA			
1900	\$ 51,125	1,884	\$ 27.14	1900	\$ 29,638	2,516	\$ 11.78
1910	86,602	2,550	34.13	1910	38,416	2,706	14.20
1920	238,908	3,188	75.70	1920	109,721	2,942	37.29
1928	1,032,429	3,821	270.20	1928	298,282	3,176	93.92
MASSACHUSETTS				* Data from <i>Annual Proceedings</i> , United States Building and Loan League.			
1900	\$ 27,722	2,805	\$ 9.88	† Population figures used for 1928 are July 1 estimates of the United States Bureau of the Census.			
1910	61,499	3,377	18.20				
1920	174,043	3,877	44.89				
1928	516,138	4,290	120.31				

APPENDIX

TABLE E*
Frequency of New Series in Serial Associations

COUNTY	NO. ASSNS. REPORTING	ANNUALLY	SEMI- ANNUALLY	THREE TIMES A YEAR	QUAR- TERLY	MONTHLY
Atlantic	24	—	10	—	13	1
Bergen	51	1	10	2	27	11
Burlington	7	3	4	—	—	—
Camden	104	48	56	—	—	—
Cape May	17	8	9	—	—	—
Cumberland	7	3	3	—	1	—
Essex	300	1	37	22	228	12
Gloucester	18	7	11	—	—	—
Hudson	91	3	44	7	36	1
Hunterdon	3	1	2	—	—	—
Mercer	8	1	1	—	6	—
Middlesex	44	5	31	1	7	—
Monmouth	21	5	10	2	4	—
Morris	18	—	12	1	5	—
Ocean	6	4	2	—	—	—
Passaic	54	2	10	4	33	5
Salem	—	—	—	—	—	—
Somerset	6	2	3	—	1	—
Sussex	2	—	2	—	—	—
Union	36	—	4	—	26	6
Warren	6	3	3	—	—	—
State	823 (100.0%)	97 (11.8%)	264 (32.1%)	39 (4.7%)	387 (47.0%)	36 (4.4%)

*Data from individual association reports, 1928.

TABLE F
Officers, Directors, and Appraisal Committees

COUNTY	METHOD OF CHOOSING OFFICERS*			DATA ON BOARDS OF DIRECTORS						ASSNS. UTILIZING SERVICES OF NON-DIRECTORS AS APPRAISERS*	
	BY BOARD OF DIRECTORS	BY SHARE-HOLDERS	SPLIT, SOME BY BOARD, SOME BY SHARE-HOLDERS	FREQUENCY OF MEETING†			TYPES OF APPRAISAL COMMITTEE*			YES	NO
				MONTHLY	SEMI-MONTHLY	MORE OFTEN	STANDING	ROTATING	AP-POINTED		
Atlantic	6	2	1	24	—	—	4	3	3	1	9
Bergen	10	7	4	45	3	—	10	6	4	—	20
Burlington	2	2	—	8	—	—	—	4	—	—	4
Camden	10	9	—	97	—	—	5	11	2	1	17
Cape May	3	—	—	16	—	—	—	3	—	—	3
Cumberland	2	1	—	6	—	—	1	1	1	—	3
Essex	16	16	16	297	2	—	4	32	13	—	49
Gloucester	1	3	1	15	—	—	—	3	2	1	3
Hudson	7	14	1	57	19	1	5	13	4	3	18
Hunterdon	1	—	—	3	—	—	—	—	1	1	—
Mercer	4	2	—	7	—	—	1	3	2	1	5
Middlesex	10	2	1	37	2	—	5	7	2	1	12
Monmouth	2	2	1	14	3	—	—	3	2	1	4
Morris	6	—	—	15	2	—	2	4	—	—	6
Ocean	1	1	—	6	—	—	2	—	—	—	2
Passaic	7	5	—	45	2	—	2	5	5	—	11
Salem	1	—	—	—	—	—	—	—	1	—	1
Somerset	1	—	—	6	—	—	1	—	—	—	1
Sussex	—	—	—	1	—	—	—	—	—	—	—
Union	3	5	5	48	7	—	8	5	—	—	13
Warren	—	2	—	6	—	—	1	1	—	—	2
State	93 (47.4%)	73 (37.2%)	30 (15.3%)	753 (94.8%)	40 (5.2%)	1	51 (25.9%)	104 (52.8%)	42 (21.3%)	10 (5.2%)	183 (94.8%)

* Data from questionnaires.

† Data from individual association reports, 1968

TABLE G*
Data on Shareholders and Shareholdings

COUNTY	MEMBERSHIP AS TO SEX								MEMBERSHIP AS TO RESIDENCE			
	NO. ASSNS. REPORTING	TOTAL MEMBERSHIP	MEN	WOMEN	CHILDREN	PERCENTAGE DISTRIBUTION			NO. ASSNS. REPORTING	TOTAL MEMBERSHIP	NON-RESIDENTS OF N.J.	PER CENT NON-RESIDENTS
						MEN	WOMEN	CHILDREN				
Atlantic	1	81	53	22	6	65.4	27.2	7.4	3	2,657	53	2.0%
Bergen	6	3,337	2,134	1,067	136	63.9	32.0	4.1	14	14,009	1,668	11.9
Burlington	—	—	—	—	—	—	—	—	2	1,907	38	2.0
Camden	7	2,456	1,795	634	27	73.1	25.8	1.1	14	5,718	92	1.6
Cape May	—	—	—	—	—	—	—	—	2	503	98	19.5
Cumberland	1	362	290	54	18	80.1	14.9	5.0	3	4,374	25	0.6
Essex	10	5,513	3,486	1,957	70	63.2	35.5	1.3	27	19,546	2,521	12.9
Gloucester	3	1,044	754	249	41	72.2	23.9	3.9	4	1,929	49	2.5
Hudson	6	8,224	4,851	2,955	418	59.0	35.9	5.1	11	13,030	995	7.6
Hunterdon	1	96	90	4	2	93.8	4.2	2.1	1	96	—	—
Mercer	4	5,197	3,877	1,210	110	74.6	23.3	2.1	6	6,120	139	2.3
Middlesex	6	3,933	2,875	974	84	73.1	24.8	2.1	9	7,631	294	3.9
Monmouth	1	2,763	1,317	1,143	303	47.7	41.4	11.0	4	7,103	576	8.1
Morris	1	1,540	1,463	46	30	95.0	3.0	2.0	2	2,444	20	0.8
Ocean	1	248	162	76	10	65.3	30.6	4.0	1	283	56	19.8
Passaic	3	3,434	2,461	943	30	71.7	27.5	0.9	9	6,951	157	2.3
Salem	2	1,677	1,189	424	64	70.9	25.3	3.8	2	1,639	13	0.8
Somerset	—	—	—	—	—	—	—	—	1	1,636	32	2.0
Sussex	—	—	—	—	—	—	—	—	—	—	—	—
Union	5	3,384	2,610	722	52	77.1	21.3	1.5	5	10,291	316	3.1
Warren	2	2,327	2,137	190	—	91.8	8.2	0	3	1,415	57	4.0
State	60	45,616	31,544	12,670	1,401	69.2	27.8	3.1	123	109,282	7,199	6.6%

*Data from questionnaires.

TABLE G*—(Continued)
Data on Shareholders and Shareholdings

COUNTY	SHARES HELD IN TRUST				SHARES HELD BY CORPORATIONS			
	NO. ASSNS. REPORTING DATA	NO. ASSNS. REPORTING SHARES HELD IN TRUST	TOTAL SHARES OUTSTANDING	SHARES HELD IN TRUST	NO. ASSNS. REPORTING DATA	NO. ASSNS. REPORTING SHARES HELD BY COR- PORATIONS	TOTAL SHARES OUTSTANDING	SHARES HELD BY CORPORA- TIONS
Atlantic	2	1	2,000	220	1	—	2,000	—
Bergen	9	9	57,819	807	11	8	58,672	636
Burlington	3	2	20,076	245	3	2	6,683	132
Camden	11	7	26,513	116	16	5	16,370	550
Cape May	2	1	2,288	10	2	2	4,692	118
Cumberland	1	—	—	—	2	2	8,462	400
Essex	20	17	177,043	2,741	22	17	182,289	3,364
Gloucester	3	3	14,572	168	5	5	27,002	270
Hudson	10	10	134,335	1,527	11	9	110,697	748
Hunterdon	1	—	—	—	1	—	—	—
Mercer	5	4	46,845	322	5	4	46,845	286
Middlesex	10	9	79,185	994	10	9	79,185	1,039
Monmouth	3	2	74,884	1,653	4	2	74,884	248
Morris	2	1	13,904	12	2	—	—	—
Ocean	2	1	3,235	26	2	1	3,095	190
Passaic	6	4	45,194	968	8	4	34,861	455
Salem	2	2	23,811	65	2	1	13,421	625
Somerset	1	1	14,387	3	1	1	14,387	21
Sussex	—	—	—	—	—	—	—	—
Union	6	6	146,558	1,316	7	5	130,587	2,090
Warren	3	2	7,614	17	3	2	7,614	110
State	102	82	890,263	11,210 (1.3%)	118	79 (66.9%)	821,746	11,282 (1.4%)

*Data from questionnaires.

APPENDIX

TABLE H*

Shareholdings, by Type of Share, 1928

COUNTY	TOTAL MEMBERSHIP	INSTALMENT SHARES			PER CENT TOTAL MEMBERSHIP HOLDING INSTALMENT SHARES
		NO. OUT-STANDING	NO. MEMBERS HOLDING	AV. HOLDING PER MEMBER	
Atlantic	45,495	625,801	37,940	16.5	83.4
Bergen	80,823	1,178,873	74,135	15.9	91.7
Burlington	16,034	201,724	15,778	12.8	98.4
Camden	77,980	689,214	77,334	8.9	99.2
Cape May	10,575	103,260	10,320	10.0	97.6
Cumberland	13,045	123,700	11,862	10.4	90.9
Essex	519,336	6,927,753	482,924	14.3	93.0
Gloucester	13,037	141,036	12,777	11.0	98.0
Hudson	135,179	1,388,106	131,111	10.6	97.0
Hunterdon	1,990	22,145	1,988	11.1	99.9
Mercer	17,871	197,018	17,301	11.4	96.8
Middlesex	47,126	563,763	46,240	12.2	98.1
Monmouth	39,896	467,125	38,553	12.1	96.6
Morris	19,043	193,538	18,454	10.5	96.9
Ocean	7,231	70,212	7,207	9.7	99.7
Passaic	56,926	634,664	51,289	12.4	90.1
Salem	2,039	27,169	2,039	13.3	100.0
Somerset	5,165	50,131	5,154	9.7	99.8
Sussex	1,620	15,319	1,481	10.3	91.4
Union	81,324	933,650	78,376	11.9	96.4
Warren	3,775	36,302	3,724	9.7	98.6
State	1,195,510	14,590,503	1,125,987	13.0	94.2

*Data from Department of Banking and Insurance in advance of publication.

BUILDING AND LOAN IN NEW JERSEY

TABLE H*—(Continued)
Shareholdings, by Type of Share, 1928

COUNTY	PAID-UP SHARES				
	NO. OUT- STANDING	NO. MEMBERS HOLDING	AV. HOLDING PER MEMBER	PER CENT TOTAL MEM- BERSHIP HOLDING PAID-UP SHARES	LARGEST SINGLE HOLDING REPORTED
Atlantic	63,039	6,019	10.5	13.2	\$40,000
Bergen	37,849	3,917	9.7	4.8	25,000
Burlington	2,154	230	9.4	1.4	3,000
Camden	3,834	628	6.1	0.8	15,000
Cape May	1,989	255	7.8	2.4	4,000
Cumberland	6,165	953	6.5	7.3	5,000
Essex	335,498	36,128	9.3	7.0	37,800
Gloucester	1,236	260	4.8	2.0	6,200
Hudson	28,241	3,642	7.8	2.7	114,000
Hunterdon	—	—	—	—	—
Mercer	3,488	560	6.2	3.1	8,000
Middlesex	9,726	886	11.0	1.9	19,000
Monmouth	9,880	1,281	7.7	3.2	25,000
Morris	3,480	587	5.9	3.1	18,000
Ocean	163	24	6.8	0.3	6,000
Passaic	40,391	5,154	7.8	9.1	25,000
Salem	—	—	—	—	—
Somerset	62	11	5.6	0.2	3,000
Sussex	898	116	7.7	7.2	—
Union	21,114	2,273	9.3	2.8	25,000
Warren	210	32	6.6	0.8	4,000
State	569,417	62,956	9.0	5.3	—

*Data from Department of Banking and Insurance in advance of publication.

APPENDIX

TABLE H^a—(Continued)
Shareholdings, by Type of Share, 1928

COUNTY†	JUVENILE SHARES			
	NO. OUT- STANDING	NO. MEMBERS HOLDING	AV. HOLDING PER MEMBER	PER CENT TOTAL MEMBERSHIP HOLDING JUVENILE SHARES
Atlantic	7,217	842	8.6	1.9
Bergen	9,335	2,615	3.6	3.2
Essex	51	38	1.3	‡
Hudson	278	200	1.4	0.1
Passaic	80	80	1.0	0.1
Union	1,397	289	4.8	0.4
State	18,358	4,064	4.5	0.3

TABLE H^a—(Continued)
Shareholdings, by Type of Share, 1928

COUNTY†	SINGLE-PAYMENT SHARES			
	NO. OUT- STANDING	NO. MEMBERS HOLDING	AV. HOLDING PER MEMBER	PER CENT TOTAL MEMBERSHIP HOLDING SINGLE PAYMENT SHARES
Atlantic	7,338	694	10.6	1.5
Bergen	1,296	156	8.3	0.2
Burlington	600	26	23.1	0.2
Camden	209	18	11.6	0.2
Cumberland	830	230	3.6	1.7
Essex	2,597	246	10.6	0.1
Hudson	1,854	226	8.2	0.2
Hunterdon	30	2	15.0	0.1
Mercer	72	10	7.2	0.1
Monmouth	315	62	5.1	0.2
Morris	10	2	5.0	‡
Passaic	4,262	403	10.6	0.7
Sussex	218	23	9.5	1.4
Union	2,284	386	5.9	0.5
Warren	117	19	6.2	0.5
State	22,032	2,503	8.8	0.2

* Data from Department of Banking and Insurance in advance of publication.

† Counties not listed do not report this type of share.

‡ Less than one-tenth of one per cent.

BUILDING AND LOAN IN NEW JERSEY

TABLE I

*Associations Issuing Paid-up, Single-Payment, and Juvenile Shares, by Counties, 1928**

COUNTY	NO. OF ASSNS. REPORTING	NO. OF ASSNS. REPORTING			PER CENT OF REPORTING ASSNS. ISSUING		
		PAID-UP SHARES	SINGLE PAYMENT SHARES	JUVE-NILE SHARES	PAID-UP SHARES	SINGLE PAYMENT SHARES	JUVENILE SHARES
Atlantic	28	25	4	1	89.3	14.3	3.6
Bergen	60	42	4	3	70.0	6.7	5.0
Burlington	12	4	1	—	33.3	8.3	—
Camden	117	26	2	—	22.2	1.7	—
Cape May	19	1	—	—	5.3	—	—
Cumberland	9	2	1	—	22.2	11.1	—
Essex	350	327	9	1	93.4	2.6	0.3
Gloucester	20	6	—	—	30.0	—	—
Hudson	103	49	2	1	47.6	1.9	1.0
Hunterdon	6	—	1	—	—	16.7	—
Mercer	13	7	1	—	53.8	7.7	—
Middlesex	49	15	—	1	30.6	—	2.0
Monmouth	25	9	3	—	36.0	12.0	—
Morris	20	14	1	—	70.0	5.0	—
Ocean	6	1	—	—	16.7	—	—
Passaic	54	39	1	1	72.2	1.9	1.9
Salem	2	—	—	—	—	—	—
Somerset	6	1	—	—	16.7	—	—
Sussex	3	1	2	1	33.3	66.7	33.3
Union	66	46	2	2	69.7	3.0	3.0
Warren	7	3	1	—	42.9	14.3	—
State	975	618	35	11	63.4	3.6	1.1

*Data from individual association reports, 1928.

TABLE J*
Ratio of Withdrawals to Respective Receipts, Savings Banks, Building and Loan Paid-up Shares, and Building and Loan Instalment Shares
New Jersey, 1900-1928
 [Values expressed in thousands of dollars]

YEAR	SAVINGS BANK DEPOSITS			PAID-UP BUILDING AND LOAN SHARES					INSTALMENT BUILDING AND LOAN SHARES		
	NEW DEPOSITS	WITHDRAWALS (INCLUDING DIVIDENDS)	RATIO WITHDRAWALS TO NEW DEPOSITS	NEW RECEIPTS	WITHDRAWALS		WITHDRAWAL RATIO		NEW RECEIPTS	WITHDRAWALS, INCLUDING PROFITS	RATIO, ANNUAL WITHDRAWALS TO ANNUAL RECEIPTS
					SUBSCRIPTIONS	SUBSCRIPTIONS PLUS PROFITS	SUBSCRIPTIONS WITHDRAWN TO RECEIPTS	SUBSCRIPTIONS PLUS PROFITS WITHDRAWN TO RECEIPTS			
1900	\$28,024	\$24,492	87.4%	\$234	\$ 82	\$114	35.0%	48.7%	\$9,394	\$5,510	58.7%
1901	30,307	26,511	87.5	237	84	121	35.4	51.1	9,663	5,502	56.9
1902	35,164	29,461	83.8	234	156	199	66.7	85.0	9,708	5,909	60.9
1903	33,591	31,418	93.5	238	204	239	85.7	100.4	10,144	6,070	59.8
1904	32,983	31,830	96.5	166	469	546	282.5	328.9	10,387	5,960	57.4
1905	38,657	34,834	90.1	321	132	162	41.1	50.5	10,771	5,850	54.3
1906	42,309	38,672	91.4	695	288	341	41.4	49.1	11,690	5,827	49.8
1907	41,967	44,608	106.3	887	486	552	54.8	62.2	12,695	5,766	45.4
1908	36,305	38,796	106.9	988	586	676	59.3	68.4	13,964	5,986	42.9
1909	40,616	37,899	93.3	674	696	799	103.3	118.5	14,525	6,474	44.6
1910	42,200	40,480	95.9	663	486	584	73.3	88.1	15,944	6,869	43.1
1911	42,679	40,547	95.0	1,070	821	937	76.7	87.6	17,950	6,846	38.1
1912	43,225	41,499	96.0	824	789	908	95.8	110.2	20,106	7,644	38.0
1913	44,012	42,640	96.9	913	701	826	76.8	90.5	22,394	8,669	38.7
1914	42,434	44,845	105.7	1,063	608	747	57.2	70.3	24,920	9,410	37.8
1915	41,732	41,387	99.2	1,015	671	820	66.1	80.8	26,673	11,113	41.7
1916	53,627	44,405	82.8	1,457	1,017	1,177	69.8	80.8	28,314	12,833	45.3
1917	54,126	57,332	105.9	1,166	1,079	1,259	92.5	108.0	31,235	12,866	41.2
1918	61,815	55,580	89.9	1,032	682	797	66.1	77.2	25,124	10,861	43.2
1919	90,303	76,358	84.6	1,902	959	1,244	50.4	65.4	34,953	13,140	37.6

[Footnotes at end of table on page following.]

TABLE J*—(Continued)

Ratio of Withdrawals to Respective Receipts, Savings Banks, Building and Loan Paid-up Shares, and Building and Loan Instalment Shares
New Jersey, 1900-1928

[Values expressed in thousands of dollars]

YEAR	SAVINGS BANK DEPOSITS			PAID-UP BUILDING AND LOAN SHARES					INSTALMENT BUILDING AND LOAN SHARES			
	NEW DEPOSITS	WITH-DRAWALS (INCLUDING DIVIDENDS)	RATIO WITH-DRAWALS TO NEW DEPOSITS	NEW RECEIPTS	WITHDRAWALS		WITHDRAWAL RATIO			NEW RECEIPTS	WITH-DRAWALS, INCLUDING PROFITS	RATIO, ANNUAL WITHDRAWALS TO ANNUAL RECEIPTS
					SUBSCRIPTIONS	SUBSCRIPTIONS PLUS PROFITS	SUBSCRIPTIONS WITHDRAWN TO RECEIPTS	SUBSCRIPTIONS PLUS PROFITS WITHDRAWN TO RECEIPTS				
1920	\$106,708	\$94,030	88.1%	\$5,615	\$1,691	\$1,980	30.1%	35.3%	\$42,962	\$14,708	34.2%	
1921	84,983	91,154	107.3	11,893	4,892	5,444	41.1	45.8	57,840	16,960	29.3	
1922	88,300	87,466	99.1	11,955	6,880	7,760	57.5	64.9	68,518	20,334	29.7	
1923	103,807	101,311	97.6	18,139	9,428	10,651	52.0	58.7	81,601	24,052	29.5	
1924	102,500	100,507	98.1	26,264	13,022	14,789	49.6	56.3	98,879	28,873	29.2	
1925	112,539	108,623	96.5	†	†	†	—	—	†	†	—	
1926	116,680	114,121	97.8	†	†	†	—	—	†	†	—	
1927	119,403	116,163	97.3	†	†	†	—	—	†	†	—	
1928	123,665	†	†	23,923§	14,612§	17,528§	61.1	73.3	106,724§	40,307§	37.8	
	(average 1900-1927) 95.4%				(average 1900-1928) 70.1%				82.9%	(average 1900-1928) 43.3%		

*Building and loan association figures from 1900 to 1924, and savings bank figures for the entire period are from the published Annual Reports of the Commissioner of Banking and Insurance of New Jersey.

†The Bank Report for 1928 does not include withdrawals from savings banks.

‡Receipts and disbursements figures not published by the Department of Banking and Insurance after 1924.

§Building and loan association figures for 1928 are from the individual annual reports of 862 associations filed with the Department of Banking and Insurance.

APPENDIX

TABLE K*
Apportionment of Earnings

COUNTY	METHOD OF APPORTIONMENT			FREQUENCY OF APPORTIONMENT				
	ASSNS. REPORTING DATA	SIMPLE INTEREST PLAN	COMPOUND INTEREST PLAN	NO. ASSNS. REPORTING	NO. ASSNS. APPORTIONING PROFITS			
					ANNUALY	SEMI-ANNUALLY	QUARTERLY	MONTHLY
Atlantic	28	21	7	28	25	3	—	—
Bergen	54	27	27	56	41	13	1	1
Burlington	10	10	—	8	8	—	—	—
Camden	111	97	14	109	108	1	—	—
Cape May	18	15	3	17	17	—	—	—
Cumberland	8	6	2	7	7	—	—	—
Essex	336	216	120	341	332	8	1	—
Gloucester	20	16	4	19	18	1	—	—
Hudson	95	75	20	96	66	21	8	1
Hunterdon	4	3	1	2	2	—	—	—
Mercer	10	9	1	10	10	—	—	—
Middlesex	45	33	12	47	40	7	—	—
Monmouth	24	21	3	24	24	—	—	—
Morris	20	10	10	20	18	1	1	—
Ocean	6	3	3	6	5	—	—	1
Passaic	57	35	22	55	49	4	—	2
Salem	1	1	—	1	1	—	—	—
Somerset	6	4	2	6	6	—	—	—
Sussex	3	3	—	3	3	—	—	—
Union	64	26	38	65	62	2	1	—
Warren	7	4	3	7	6	1	—	—
State	927	635 (68.5%)	292 (31.5%)	927	848 (91.5%)	62 (6.7%)	12 (1.3%)	5 (0.5%)

* Data from individual association reports.

BUILDING AND LOAN IN NEW JERSEY

TABLE L*

Rate of Dividend Yield (Monthly Compound) on Instalment Shares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution

[Number of associations apportioning, or paying, specified rates on a monthly compound basis]

AGE OF SHARE IN YEARS	"BOOK" EARNINGS										
	0	UNDER 2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
<i>State of New Jersey, All Serial Associations—</i>											
1				6	7	41	140	220	138	46	21
3				1	1	28	127	260	150	34	5
5						19	152	259	79	6	2
7						11	188	159	30	1	
9						15	201	83	7	1	
11						18	195	21			
<i>By Size Groupings (Serial Associations)—</i>											
(1) <i>Associations with assets under \$250,000</i>											
1				5	6	17	43	80	67	28	21
3				1	2	15	37	73	63	16	5
5					1	11	31	65	26	5	
7						4	25	24	7		
9						5	17	11			
11						6	16	5			
(2) <i>Associations with assets between \$250,000 and \$500,000</i>											
1						12	35	83	47	11	7
3						6	37	93	51	7	3
5						7	50	95	34		2
7						5	68	53	7	1	
9						8	68	26	1	1	
11						9	60	5			
(3) <i>Associations with assets between \$500,000 and \$750,000</i>											
1						9	34	47	25	1	3
3						5	26	62	25	3	
5						4	37	67	12		
7						2	55	45	4		
9						4	62	18	1		
11						3	63	6			
(4) <i>Associations with assets between \$750,000 and \$1,250,000</i>											
1					1	9	21	30	19	6	4
3						3	24	43	13	7	1
5						1	32	44	11	1	1
7						2	40	38	6		
9						2	53	19	1		
11						4	53	6			

*Data from association reports.

APPENDIX

TABLE L—(Continued)

Rate of Dividend Yield (Monthly Compound) on Instalment Shares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution
 [Number of associations apportioning, or paying, specified rates on a monthly compound basis]

AGE OF SHARE IN YEARS	"BOOK" EARNINGS										
	0	UNDER 2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
<i>(5) Associations with assets between \$1,250,000 and \$5,000,000</i>											
1						4	19	16	11	1	1
3						3	17	21	11		
5						1	21	26	4		
7							25	22	2		
9							28	14	2		
11							30	2			
<i>(6) Associations with assets over \$5,000,000</i>											
1							1	2			
3							1	2			
5							1	2			
7								3			
9							1	2			
11							2	1			
<i>Short-Term Shares—</i>											
1				1	1	4	5	14	5	3	3
3				1			2	13	1	1	1
5							4	6	1		
7								1			
9											
11											
<i>By Counties—</i>											
<i>(1) Atlantic</i>											
1					1		1	3	10	5	
3							1	3	10	5	
5							3	2	9		
7							3	5	4		
9							3	4	1		
11							3	2			
<i>(2) Bergen</i>											
1				1	1	2	10	16	8		3
3						2	7	19	8	2	1
5						1	9	15	7	1	
7							8	11	6		
9							10	5	3		
11							10	1			

BUILDING AND LOAN IN NEW JERSEY

TABLE L—(Continued)

Rate of Dividend Yield (Monthly Compound) on Instatment Sbares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution
 [Number of associations apportioning, or paying, specified rates on a monthly compound basis]

AGE OF SHARE IN YEARS	"BOOK" EARNINGS										
	0	UNDER 2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
(3) Camden											
1					1		9	49	27	2	4
3							12	49	26	2	1
5							14	49	13		1
7							26	35	1	1	
9							30	18		1	
11							32	4			
(4) Essex											
1					1	16	52	69	39	9	1
3						5	44	97	51	4	
5						2	55	112	17	1	
7							78	64	5		
9							83	28	1		
11						2	79	2			
(5) Hudson											
1				3	2	11	17	22	5	4	
3				1	1	12	17	24	6	1	
5						6	25	13	4		
7						2	19	3	2		
9						5	18	2			
11						6	15	2			
(6) Middlesex											
1						3	10	16	6	4	1
3							11	20	4	3	1
5						2	10	14	2		
7						1	13	8	3		
9						3	16				
11						2	16				
(7) Monmouth											
1							1	7	6	3	2
3							1	9	3	2	1
5							3	9	3		
7							6	4	1		
9							6	2	1		
11							5				

APPENDIX

TABLE L—(Continued)

Rate of Dividend Yield (Monthly Compound) on Instalment Shares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution
 (Number of associations apportioning, or paying, specified rates on a monthly compound basis)

AGE OF SHARE IN YEARS	"BOOK" EARNINGS										
	0	UNDER 2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
<i>(8) Passaic</i>											
1							8	5	15	6	6
3							4	12	15	8	
5							3	18	10	2	1
7						1	2	9	5		
9						1	2	10			
11						1	5	1			
<i>(9) Union</i>											
1						1	4	7	8	4	1
3							4	5	11	5	
5						1	3	5	5	1	
7							7	3	2		
9							7	2			
11							6	1			
<i>(10) North (Morris, Sussex, and Warren)</i>											
1						2	8	6	2	3	1
3						2	8	6	3	1	
5						1	7	6	1	1	
7						1	7	4			
9						1	9	1			
11							8	1			
<i>(11) Central (Hunterdon, Mercer, and Somerset)</i>											
1				1		4	4	4	3	1	
3						3	3	3	3		
5						2	3	3	2		
7						2	4	3			
9						2	1	3			
11						1	1	2			
<i>(12) South (Burlington, Cape May, Cumberland, Gloucester, Ocean, and Salem)</i>											
1				1	1	2	16	16	9	1	2
3						4	15	13	10	1	1
5						4	17	13	6		
7						4	15	10	1		
9						3	16	8	—		
11						5	15	5	—		

BUILDING AND LOAN IN NEW JERSEY

TABLE L—(Continued)

Rate of Dividend Yield (Monthly Compound) on Instalment Shares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution
 [Number of associations apportioning, or paying, specified rates on a monthly compound basis]

AGE OF SHARE IN YEARS	"WITHDRAWAL" EARNINGS										
	0	UNDER 2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
<i>State of New Jersey, All Serial Associations—</i>											
1	20	271	93	175	46	15	5				
3		13	158	214	144	60	2	1			
5		1	26	144	131	147	52	5	1		
7		1	11	54	60	106	94	50	5		
9		1	9	36	19	57	146	29			
11			8	18	18	29	143	16			
<i>By Size Groupings (Serial Associations)—</i>											
(1) <i>Associations with assets under \$250,000</i>											
1	18	94	34	71	22	7	1				
3		5	69	66	36	24	1				
5			12	49	31	27	11				
7			3	13	15	16	7	1	1		
9			1	6		12	11	1			
11			1	5	2	6	8	2			
(2) <i>Associations with assets between \$250,000 and \$500,000</i>											
1	3	88	28	42	12	6	1				
3		2	45	67	47	22		1			
5		1	8	38	50	58	22	3			
7			6	18	11	40	31	14	2		
9			6	14	5	19	48	7			
11			4	7	8	6	35	4			
(3) <i>Associations with assets between \$500,000 and \$750,000</i>											
1	3	55	22	26	3	2					
3			29	49	25	5					
5			4	28	33	35	8				
7				10	19	23	24	20	1		
9				8	7	16	41	7			
11				4	4	8	45	5			
(4) <i>Associations with assets between \$750,000 and \$1,250,000</i>											
1	1	39	17	20	8		2				
3			23	35	26	5	1				
5			2	18	28	30	7	2	1		
7		1	1	9	10	20	29	13	1		
9			1	7	6	11	38	10			
11			1	4	4	8	37	6			

APPENDIX

TABLE L—(Continued)

Rate of Dividend Yield (Monthly Compound) on Instalment Shares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution

[Number of associations apportioning, or paying, specified rates on a monthly compound basis]

AGE OF SHARE IN YEARS	"WITHDRAWAL" EARNINGS										
	0	UNDER 2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
<i>(5) Associations with assets between \$1,250,000 and \$5,000,000</i>											
1		27	6	14	3	1	1				
3		1	13	20	13	5					
5				13	12	22	3	1			
7		1		1	5	16	17	9			
9		1			2	5	31	6			
11					1	4	27	2			
<i>(6) Associations with assets over \$5,000,000</i>											
1		2			1						
3			1		2						
5				1	1		1				
7						2		1			
9							1	2			
11							2	1			
<i>Short-Term Shares—</i>											
1		25	4	3	2	1					
3		1	5	6	5		1				
5				1	1	7		1			
7								1			
9											
11											
<i>By Counties—</i>											
<i>(1) Atlantic</i>											
1	2	8	5	3	1						
3		1	6	8	1	2					
5				2	8	2		1			
7					4	4	2		1	1	
9					1	4	2	1			
11						2	2	2			
<i>(2) Bergen</i>											
1	6	9	6	13	7	1					
3		2	4	11	13	7					
5			2	4	15	6	4				
7					1	17	6				
9						1	1	1	1		
11						1	9	1			

BUILDING AND LOAN IN NEW JERSEY

TABLE L—(Continued)

Rate of Dividend Yield (Monthly Compound) on Instalment Shares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution

[Number of associations apportioning, or paying, specified rates on a monthly compound basis]

AGE OF SHARE IN YEARS	"WITHDRAWAL" EARNINGS										
	0	UNDER 2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
(3) <i>Camden</i>											
1		17	10	48	7	10					
3			25	46	8	10					
5			11	44	12	9					
7			8	33	8	13	1	1			
9			6	22	7	9	4				
11			5	7	12	1	11	2			
(4) <i>Essex</i>											
1		132	36	33	3		1				
3			56	79	54	12		1			
5			1	26	46	80	31	3			
7					14	21	65	44	3		
9					1	8	82	17			
11					1	3	76	3			
(5) <i>Hudson</i>											
1	6	20	8	23	4						
3		3	11	22	18	4					
5		1	2	12	20	9	1				
7		1		2	6	10	5	1			
9		1		1	2	8	11	1			
11				1	1	7	10	2			
(6) <i>Middlesex</i>											
1		14	5	14	2						
3		1	6	12	16						
5			2	6	7	12					
7				4	4	11	4				
9				3	1	6	8				
11				2			13				
(7) <i>Monmouth</i>											
1		14	3	1							
3		2	8	2	3						
5			1	6	3	3	1				
7					5	2	2	1			
9					1	4	3	1			
11					1	1	5				

APPENDIX

TABLE L—(Continued)

Rate of Dividend Yield (Monthly Compound) on Instalment Shares in Serial Building and Loan Associations in New Jersey, 1928. Frequency Distribution
 [Number of associations apportioning, or paying, specified rates on a monthly compound basis]

AGE OF SHARE IN YEARS	"WITHDRAWAL" EARNINGS										
	0	UNDER 2%	2-3%	3-4%	4-5%	5-6%	6-7%	7-8%	8-9%	9-10%	10%+
<i>(8) Passaic</i>											
1	1	2	4	13	14	2	4				
3		1	1	5	14	16	2				
5				2	5	13	12	1			
7				2		7	5	3			
9				1		3	4	5			
11				1		3	2				
<i>(9) Union</i>											
1	1	14	2	5	3						
3		1	6	9	6	3					
5				6	2	6	1				
7				2	1	4	4				
9				1	1	2	5				
11				1		2	4				
<i>(10) Norrb (Morris, Sussex, and Warren)</i>											
1		9		9	3	1					
3			9	2	5	3					
5				8	2	3	2				
7				1	2	7					
9				1		2	6				
11				1		2	4				
<i>(11) Central (Hunterdon, Mercer, and Somerset)</i>											
1	2	4	5	4	1	1					
3			2	5	1	3					
5			3	2	4	1					
7				2	2	5					
9					2	2	2	2			
11						1	2	2			
<i>(12) South (Burlington, Cape May, Cumberland, Gloucester, Ocean, and Salem)</i>											
1	2	28	9	9	1						
3		2	24	13	5						
5			4	26	7	3					
7			3	8	13	5					
9			3	7	3	8	6				
11			3	5	3	6	5	3			

BUILDING AND LOAN IN NEW JERSEY

TABLE M*

Withdrawal Allowances in Optional Payment Associations

PER CENT OF AP- PORTIONED EARNINGS ALLOWED ON WITH- DRAWAL	UP TO 6 MOS. OF SHARE LIFE	BE- TWEEN 6 MOS. AND 1 YEAR	AFTER					
			1 YEAR	3 YEARS	5 YEARS	7 YEARS	9 YEARS	11 YEARS
0	40	37	—	—	—	—	—	—
1-10%	—	—	4	—	—	—	—	—
10-20	—	—	7	1	—	—	—	—
20-30	—	—	3	5	—	—	—	—
30-40	—	—	3	2	2	—	—	—
40-50	—	—	14	5	4	—	—	—
50-60	—	—	—	8	2	2	—	—
60-70	1	1	—	10	4	2	—	—
70-80	—	—	—	—	7	7	3	1
80-90	—	—	—	—	10	1	5	—
90-99	—	—	—	—	1	—	2	—
100	10	13	20	20	21	39	41	51

*Data from questionnaires. Based on fifty-one reporting optional payment associations.

TABLE N*

Withdrawal Allowances in Non-Serial Associations

PER CENT OF APPORIONED EARNINGS ALLOWED ON WITHDRAWAL	BEFORE ONE YEAR OF SHARE LIFE	AFTER					
		1 YEAR	3 YEARS	5 YEARS	7 YEARS	9 YEARS	11 YEARS
0	23	—	—	—	—	—	—
1-10%	—	13	—	—	—	—	—
10-20	—	1	12	—	—	—	—
20-30	—	7	1	—	—	—	—
30-40	—	1	1	12	—	—	—
40-50	—	—	7	1	—	—	—
50-60	—	—	1	8	12	—	—
60-70	—	—	—	—	8	—	—
70-80	—	1	1	2	2	15	1
80-90	—	—	—	—	—	5	4
90-99	—	—	—	—	—	—	2
100	1	1	1	1	2	4	17

*Data from questionnaires. Based on twenty-four reporting non-serial associations.

APPENDIX

TABLE O*

*Trend of Average Size of Loans Outstanding in Building and Loan Associations,
by Counties, 1919-1928*

COUNTY	1920	1922	1924	1926	1928	ASSNS. REPORTING	
						1920	1928
Atlantic	\$3,593	\$3,488	\$4,437	\$6,514	\$7,186	5	9
Bergen	3,177	2,725	3,786	3,740	4,242	6	15
Burlington	—	2,336	1,686	1,841	2,564	—	2
Camden	1,142	4,079	4,729	4,605	7,296	4	17
Cape May	—	—	—	—	—	—	—
Cumberland	1,523	1,900	2,206	2,023	2,166	1	2
Essex	6,489	7,313	8,929	9,381	11,603	12	36
Gloucester	1,583	1,939	3,680	5,729	6,370	2	3
Hudson	3,754	5,615	8,159	9,540	12,747	10	14
Hunterdon	—	—	1,833	2,329	2,000	—	1
Mercer	3,870	3,926	4,394	6,804	5,484	1	4
Middlesex	1,970	2,145	2,905	3,544	3,859	5	10
Monmouth	4,649	3,998	4,115	4,688	1,865	3	4
Morris	—	3,221	3,678	3,621	4,243	—	5
Ocean	2,965	2,022	1,286	2,535	3,287	1	2
Passaic	2,098	3,583	4,286	4,578	3,634	2	9
Salem	2,008	1,582	2,100	1,743	2,210	2	2
Somerset	2,361	2,667	2,668	2,476	2,979	1	1
Sussex	—	—	—	—	—	—	—
Union	4,156	3,849	4,436	4,717	8,502	2	5
Warren	—	—	3,051	3,233	3,765	—	1
State	\$3,991	\$4,453	\$5,493	\$6,085	\$7,523	57	142

* Data from questionnaires. Total amount on loan outstanding divided by number of loans outstanding to obtain average size of loan.

BUILDING AND LOAN IN NEW JERSEY

TABLE P*

Credit Inquiry Concerning Applicants for Loans

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. REPORTING THAT THEY MAKE CREDIT INQUIRY	NO. ASSNS. REPORTING THAT THEY MAKE ONLY A "PERSONAL" OR "OCCASIONAL" INQUIRY
Atlantic	13	6	2
Bergen	24	6	5
Burlington	4	—	1
Camden	20	4	2
Cape May	3	—	—
Cumberland	4	—	1
Essex	56	7	12
Gloucester	6	1	1
Hudson	22	—	5
Hunterdon	1	—	—
Mercer	6	1	—
Middlesex	12	1	2
Monmouth	6	1	1
Morris	6	—	4
Ocean	2	—	—
Passaic	11	—	—
Salem	2	—	—
Somerset	1	—	1
Sussex	—	—	—
Union	13	2	1
Warren	3	—	1
State	215	29 (13.5%)	39 (18.1%)

*Data from questionnaires.

APPENDIX

TABLE Q*
Data on Insurance

COUNTY	CO-INSURANCE CLAUSE		TORNADO INSURANCE		DEMOLITION CLAUSE		ERRORS AND OMISSIONS INSURANCE	
	NO. ASSNS. REPORTING	NO. ASSNS. ACCEPTING FIRE INSURANCE CONTAINING SUCH CLAUSE	NO. ASSNS. REPORTING	NO. ASSNS. REQUIRING SUCH INSURANCE	NO. ASSNS. REPORTING	NO. ASSNS. REQUIRING CLAUSE IN RESTRICTED DISTRICTS	NO. ASSNS. REPORTING	NO. ASSNS. UTILIZING SUCH INSURANCE
Atlantic	11	2	11	—	11	—	11	—
Bergen	22	11	23	10	18	2	23	2
Burlington	3	1	4	2	3	—	4	—
Camden	19	3	20	17	13	3	20	—
Cape May	3	1	3	1	2	—	3	—
Cumberland	5	2	4	1	3	—	4	—
Essex	56	9	56	12	48	4	55	5
Gloucester	6	2	6	2	5	—	6	—
Hudson	21	17	21	6	18	4	20	1
Hunterdon	1	—	1	—	—	—	1	—
Mercer	8	1	8	1	7	1	8	1
Middlesex	13	1	13	2	11	—	13	1
Monmouth	6	2	6	1	6	—	6	—
Morris	4	1	5	1	4	—	5	—
Ocean	2	—	2	—	2	—	2	—
Passaic	11	5	11	4	7	—	10	1
Salem	2	—	2	—	2	—	2	—
Somerset	1	—	1	—	1	—	1	—
Sussex	—	—	—	—	—	—	—	—
Union	11	6	11	3	9	1	12	2
Warren	3	1	3	2	3	—	3	—
State	208	65 (31.3%)	211	65 (30.8%)	173	15 (8.7%)	209	13 (6.2%)

*Data from questionnaires.

TABLE R*

Association Loan Practice with Respect to Specialized Properties

COUNTY	LOANS ON STORES WITH LIVING QUARTERS ATTACHED		LOANS ON APARTMENTS WITH STORES BELOW		LOANS ON STORES WITHOUT LIVING QUARTERS ATTACHED		LOANS ON GARAGES		LOANS ON FACTORIES		LOANS ON THEATRES	
	NO. ASSNS. REPORTING	NO. ASSNS. MAKING SUCH LOANS	NO. ASSNS. REPORTING	NO. ASSNS. MAKING SUCH LOANS	NO. ASSNS. REPORTING	NO. ASSNS. MAKING SUCH LOANS	NO. ASSNS. REPORTING	NO. ASSNS. MAKING SUCH LOANS	NO. ASSNS. REPORTING	NO. ASSNS. MAKING SUCH LOANS	NO. ASSNS. REPORTING	NO. ASSNS. MAKING SUCH LOANS
Atlantic	11	9	11	8	11	3	10	2	11	2	10	—
Bergen	21	15	21	13	21	11	21	5	21	3	21	1
Burlington	3	2	3	2	3	2	3	1	3	1	3	1
Camden	18	12	17	9	16	5	18	2	18	1	19	1
Cape May	3	3	3	3	3	3	3	—	3	—	3	—
Cumberland	4	2	4	3	4	3	4	1	3	1	3	1
Essex	54	43	54	38	55	38	54	17	52	13	54	9
Gloucester	6	5	6	6	6	3	6	3	5	1	5	—
Hudson	20	18	20	16	20	13	22	9	21	5	22	—
Hunterdon	—	—	—	—	—	—	—	—	—	—	—	—
Mercer	7	6	7	4	7	2	7	1	7	1	7	—
Middlesex	14	12	14	10	14	8	13	5	11	3	12	4
Monmouth	5	5	5	4	5	4	5	2	5	3	5	2
Morris	5	4	5	3	5	4	5	3	5	2	5	2
Ocean	1	1	2	1	1	1	1	1	1	—	1	—
Passaic	12	10	12	10	12	8	13	5	11	3	12	1
Salem	2	2	2	2	2	1	2	2	2	1	2	1
Somerset	1	1	1	1	1	1	1	1	1	1	1	1
Sussex	—	—	—	—	—	—	—	—	—	—	—	—
Union	12	8	13	7	12	5	12	2	11	—	11	—
Warren	3	3	3	3	3	2	3	—	3	—	3	—
State	202	161 (79.7%)	203	143 (70.4%)	201	117 (58.2%)	203	62 (30.5%)	194	41 (21.1%)	199	24 (12.1%)

*Data from questionnaires.

APPENDIX

TABLE S

Rates Yielded Associations on Mortgage Loans; Frequency Distribution, by Counties, 1927

[Rates include interest at 6 per cent plus premium]

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING NO PREMIUM	GROSS PREMIUM ASSNS.			INSTALLMENT PREMIUM ASSNS.																																	
			NO.	AMT. PER \$100 OF LOAN	RATE %	NO.	AMT. PER \$100 OF LOAN	RATE %																															
Atlantic	50	3	2	$\left\{ \begin{array}{l} 1 \\ 1^* \end{array} \right.$	$\left\{ \begin{array}{l} \$4.00 \\ 5.00 \end{array} \right.$	$\left\{ \begin{array}{l} 6.2 \\ 6.3 \end{array} \right.$	$\left\{ \begin{array}{l} 24 \\ 3 \\ 3 \\ 12 \\ 1 \\ 1 \\ 1 \\ 1^* \end{array} \right.$	$\left\{ \begin{array}{l} \$0.10 \\ .12 \\ .125 \\ .15 \\ .16 \\ .20 \\ .21 \\ .50 \end{array} \right.$	$\left\{ \begin{array}{l} 7.2 \\ 7.4 \\ 7.5 \\ 7.8 \\ 7.9 \\ 8.4 \\ 8.5 \\ 12.0 \end{array} \right.$																														
										Bergen	83	5	22	$\left\{ \begin{array}{l} 12 \\ 4 \\ 6 \end{array} \right.$	$\left\{ \begin{array}{l} 3.00 \\ 4.00 \\ 5.00 \end{array} \right.$	$\left\{ \begin{array}{l} 6.2 \\ 6.2 \\ 6.3 \end{array} \right.$	$\left\{ \begin{array}{l} 1\ddagger \\ 1 \\ 1 \\ 1 \\ 20 \\ 2 \\ 7 \\ 6 \\ 2 \\ 5 \\ 3\ddagger \\ 1 \\ 2 \\ 1 \\ 2 \\ 1 \end{array} \right.$	$\left\{ \begin{array}{l} .075 \\ .03 \\ .035 \\ .04 \\ .05 \\ .075 \\ .08 \\ .10 \\ .12 \\ .125 \\ .25 \\ .15 \\ .16 \\ .175 \\ .20 \\ .25 \end{array} \right.$	$\left\{ \begin{array}{l} 5.9 \\ 6.4 \\ 6.4 \\ 6.5 \\ 6.6 \\ 6.9 \\ 7.0 \\ 7.2 \\ 7.4 \\ 7.5 \\ 7.5 \\ 7.8 \\ 7.9 \\ 8.1 \\ 8.4 \\ 9.0 \end{array} \right.$																				
																				Burlington	27	10	4	$\left\{ \begin{array}{l} 1\ddagger \\ 2 \\ 1 \end{array} \right.$	$\left\{ \begin{array}{l} 1.00 \\ 1.00 \\ 2.00 \end{array} \right.$	$\left\{ \begin{array}{l} 5.1 \\ 6.1 \\ 6.1 \end{array} \right.$	$\left\{ \begin{array}{l} 1\ddagger \\ 2 \\ 6 \\ 1 \\ 3 \end{array} \right.$	$\left\{ \begin{array}{l} .015 \\ .03 \\ .05 \\ .06 \\ .075 \end{array} \right.$	$\left\{ \begin{array}{l} 4.7 \\ 6.4 \\ 6.6 \\ 6.7 \\ 6.9 \end{array} \right.$										
																														Camden	174	27	4	$\left\{ \begin{array}{l} 1 \\ 3 \end{array} \right.$	$\left\{ \begin{array}{l} 2.00 \\ 5.00 \end{array} \right.$	$\left\{ \begin{array}{l} 6.1 \\ 6.3 \end{array} \right.$	$\left\{ \begin{array}{l} 8 \\ 1 \\ 99 \\ 1 \\ 2 \\ 3 \\ 19 \\ 1 \\ 1 \\ 5 \\ 2 \\ 1 \end{array} \right.$	$\left\{ \begin{array}{l} .025 \\ .045 \\ .05 \\ .053 \\ .06 \\ .07 \\ .075 \\ .08 \\ .096 \\ .10 \\ .20 \\ .22 \end{array} \right.$	$\left\{ \begin{array}{l} 6.3 \\ 6.5 \\ 6.6 \\ 6.6 \\ 6.7 \\ 6.8 \\ 6.9 \\ 7.0 \\ 7.2 \\ 7.2 \\ 8.4 \\ 8.6 \end{array} \right.$

[Footnotes at end of table.]

BUILDING AND LOAN IN NEW JERSEY

TABLE S—(Continued)

Rates Yielded Associations on Mortgage Loans; Frequency Distribution, by Counties, 1927
 [Rates include interest at 6 per cent plus premium]

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING NO. PREMIUM	GROSS PREMIUM ASSNS.			INSTALMENT PREMIUM ASSNS.				
			NO.	AMT. PER \$100 OF LOAN	RATE %	NO.	AMT. PER MO. PER \$100 OF LOAN	RATE %		
Cape May	26	1	8	2	\$1.00	6.1	17	9	\$.05	6.6
				2	2.00	6.1		1	.06	6.7
				2	3.00	6.2		2	.07	6.8
				1	4.00	6.2		1	.08	7.0
				1	5.00	6.3		3	.10	7.2
							1	.36	10.3	
Cumberland	15	9	—	—	—	6	2	.05	6.6	
							4	.10	7.2	
Essex	603§	8	582	2	1.00	6.1	26	1	.01	6.1
				1	1.65	6.1		2	.025	6.3
				24	2.00	6.1		9	.03	6.4
				1	2.20	6.1		1	.035	6.4
				1	2.40	6.2		5	.04	6.5
				7	2.50	6.2		4	.05	6.6
				1	2.66	6.2		1	.06	6.7
				1	2.88	6.2		2	.10	7.2
				345	3.00	6.2		1 ^A	.50	12.0
				2	3.25	6.2				
				1	3.36	6.2				
				11	3.50	6.2				
				1	3.68	6.2				
				1	3.82	6.2				
177	4.00	6.2								
1	4.50	6.3								
1	5.00	6.3								
4	6.00	6.4								
Gloucester	24	4	4	1	2.00	6.1	16	3	.05	6.6
				2	3.00	6.2		4	.075	6.9
				1	5.00	6.3		6	.10	7.2
							3	.125	7.5	
Hudson	167	58	44	1†	3.00	4.6	66	1	.02	6.2
				2	1.00	6.1		2	.03	6.4
				8 ⁰	2.00	6.1		3	.04	6.5
				19	3.00	6.2		3	.05	6.6
				1	3.41	6.2		1†	.18	6.7
				1	3.50	6.2		10	.075	6.9
				11	4.00	6.2		1	.08	7.0
				1	8.35	6.5		8	.10	7.2
								1	.12	7.4
			1†	.20	7.4					

APPENDIX

TABLE S—(Continued)

Rates Yielded Associations on Mortgage Loans; Frequency Distribution, by Counties, 1927
 [Rates include interest at 6 per cent plus premium]

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING NO PREMIUM	GROSS PREMIUM ASSNS.			INSTALLMENT PREMIUM ASSNS.				
			NO.	AMT. PER \$100 OF LOAN	RATE %	NO.	AMT. PER \$100 OF LOAN	RATE %		
Hudson-Cont.						66	10	\$.125	7.5	
							9 ⁺	.25	7.5	
							1	.135	7.6	
							1	.14	7.7	
							9	.15	7.8	
							1	.175	8.1	
						4	.25	9.0		
Hunterdon	7	3	3	1	\$2.00	6.1	1	.10	7.2	
				1	2.30	6.1				
				1	4.00	6.2				
Mercer	20	1	12	2	1.00	6.1	7	1†	.02	5.2
				3	2.00	6.1		3	.025	6.3
				7	3.00	6.2		2	.05	6.6
								1	.10	7.2
Middlesex	69	—	46	1†	1.00	5.0	23	1	.18	6.2
				1	2.00	6.1		8	.05	6.6
				34	3.00	6.2		1	.08	7.0
				4	4.00	6.2		1	.09	7.1
				4	5.00	6.3		1	.10	7.2
				1	8.00	6.5		2	.15	7.8
				1	10.00	6.7		1*	.21	7.8
								3	.16	7.9
								3	.17	8.0
			1	.20	8.4					
						1	.25	9.0		
Monmouth	35	4	28	10	3.00	6.2	3	1	.04	6.5
				6	4.00	6.2		1	.05	6.6
				10	5.00	6.3		1	.06	6.7
				1	6.00	6.4				
				1	6.12	6.4				
Morris	25	3	17	2	2.00	6.1	5	1	.01	6.1
				4	2.50	6.2		1	.013	6.2
				9	3.00	6.2		2	.025	6.3
				1	3.50	6.2		1	.05	6.6
				1	5.00	6.3				
Ocean	13	—	11	2	3.00	6.2	2	1	.025	6.3
				3	4.00	6.2		1	.15	7.8
				1	5.00	6.3				
				2	6.00	6.4				
				3	8.00	6.5				

BUILDING AND LOAN IN NEW JERSEY

TABLE S—(Continued)

Rates Yielded Associations on Mortgage Loans; Frequency Distribution, by Counties, 1927
[Rates include interest at 6 per cent plus premium]

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING NO. PREMIUM	GROSS PREMIUM ASSNS.			INSTALMENT PREMIUM ASSNS.				
			NO.	AMT. PER \$100 OF LOAN	RATE %	NO.	AMT. PER MO. PER \$100 OF LOAN	RATE %		
Passaic	69§	2	50	1	\$1.50	6.1	20	2	\$0.04	6.5
				2	2.00	6.1		1	.05	6.6
				1	2.73	6.2		1	.08	7.0
				3	3.00	6.2		11	.10	7.2
				3	3.50	6.2		1	.11	7.3
				4	4.00	6.2		1	.15	7.8
				1	4.50	6.3		3	.16	7.9
				34	5.00	6.3				
				1	5.50	6.3				
Salem	4§	1	3	1	2.63	6.2	1	.05	6.6	
				1	3.00	6.2				
				1	5.00	6.3				
Somerset	8	—	2	1	2.50	6.2	6	1	.09	7.0
				1	3.00	6.2		2	.10	7.2
							3	.125	7.5	
Sussex	2	1	1	1.00	6.1	—	—	—	—	
Union	95§	3	82	1	1.00	6.1	11	1	.03	6.4
				6	2.00	6.1		1	.042	6.5
				1	2.50	6.2		5	.05	6.6
				6	3.00	6.2		1	.10	7.2
				2	3.50	6.2		1	.12	7.4
				10	4.00	6.2		2	.125	7.5
				13	5.00	6.3				
				41	6.00	6.4				
				1	6.25	6.4				
				1	7.00	6.5				
Warren	9	1	7	1	2.00	6.1	1	.05	6.6	
				1	3.00	6.2				
				1	4.00	6.2				
				1	6.00	6.4				
				3	7.50	6.5				

* Charges either \$5.00 gross or 50c per \$100 instalment premium.
 † Nominal interest at 5%.
 ‡ Nominal interest at 4½%.
 § Totals fail to check because a number of associations report two premium charges, both with nominal interest at six per cent.
 © Or alternative of 10c instalment.
 + Interest stated as 4½% and 6%.
 || Nominal interest at 4%.
 * Nominal interest at 5¼%.
 ▲ Or \$3.00 gross.

APPENDIX

TABLE T

Rates Yielded Associations on Share Loans; Frequency Distribution, by Counties, 1927
 [Rates include nominal interest plus premium]

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING NO. PREMIUM	GROSS PREMIUM ASSNS.			INSTALMENT PREMIUM ASSNS.											
			NO.	AMT. PER \$100 OF LOAN	RATE %	NO.	AMT. PER MO. PER \$100 OF LOAN	RATE %									
Atlantic	50	15	1*	\$1.80	6.1	35	1	\$0.05	6.6								
							16	.10	7.2								
							3	.12	7.4								
							2	.125	7.5								
							11	.15	7.8								
							1	.18	8.2								
Bergen	83	56	7	3	1.00	6.1	20	1	.04	6.5							
				1	2.00	6.1		10	.05	6.6							
				3	3.00	6.2		1	.075	6.9							
			3	1.00	6.1	2		.08	7.0								
						1		.10	7.2								
						3		.125	7.5								
						1		.15	7.8								
						1		.16	7.9								
						Burlington		27	15	3	2	1.00	6.1	9	1	.015	6.2
											1	2.00	6.1		1	.03	6.4
1	.05	6.6	5	.05	6.6												
			1	.06	6.7												
			1	.075	6.9												
Camden	174	109	2	1	2.00	6.1	63	7	.025	6.3							
				1	5.00	6.3		36	.05	6.6							
			1	.053	6.6	1		.06	6.7								
						1		.07	6.8								
						3		.075	6.9								
						9		.096	7.2								
						1		.10	7.2								
						2		.10	7.2								
						2		.20	8.4								
						1		.22	8.6								
Cape May	26	13	4	2	.50	6.0	9	5	.05	6.6							
				1	2.00	6.1		1	.06	6.7							
				1	5.00	6.3		1	.07	6.8							
			1	.08	7.0	1		.08	7.0								
						1		.36	10.3								

* Charges \$1.80 gross, or 15c instalment premium per \$100 loaned.

BUILDING AND LOAN IN NEW JERSEY

TABLE T—(Continued)

Rates Yielded Associations on Share Loans; Frequency Distribution, by Counties, 1927
 [Rates include nominal interest plus premium]

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING NO. PREMIUM	GROSS PREMIUM ASSNS.			INSTALMENT PREMIUM ASSNS.		
			NO.	AMT. PER \$100 OF LOAN	RATE %	NO.	AMT. PER MO. PER \$100 OF LOAN	RATE %
Cumberland	15	12	—	—	—	3 { 1 2	.05 .10	6.6 7.2
Essex	603	180	406 { 1 1 1 1 242 2 120 2 34 2	.50 .57 .60 .70 1.00 1.50 2.00 2.50 3.00 4.00	6.0 6.0 6.0 6.0 6.1 6.1 6.1 6.2 6.2 6.2	17 { 1 3 3 7 1 1 1	.01 .025 .03 .05 .08 .10 .167	6.1 6.3 6.4 6.6 7.0 7.2 8.0
Gloucester	24	17	1	5.00	6.3	6 { 2 1 3	.05 .075 .10	6.6 6.9 7.2
Hudson	167	138	18 { 9 5 2 2	1.00 2.00 3.00 4.00	6.1 6.1 6.2 6.2	11 { 1 2 2 1 1 3	.03 .05 .08 .083 .16 .167	6.4 6.6 7.0 7.0 7.9 8.0
Hunterdon	7	4	2 { 1 1	2.00 4.00	6.1 6.2	1	.10	7.2
Mercer	20	14	4 { 1 3	1.00 3.00	6.1 6.2	2 { 1 1	.02* .08	5.2 7.0
Middlesex	69	56	8 { 1 1 6	1.00 2.00 3.00	6.1 6.1 6.2	5 { 1 1 1 1 1	.05 .08 .15 .16 .18	6.6 7.0 7.8 7.9 8.2
Monmouth	35	30	5 { 3 1 1	2.00 3.00 4.00	6.1 6.2 6.2	—	—	—

*Interest at five per cent.

APPENDIX

TABLE T—(Continued)

Rates Yielded Associations on Share Loans; Frequency Distribution, by Counties, 1927
 [Rates include nominal interest plus premium]

COUNTY	NO. ASSNS. REPORTING	NO. ASSNS. CHARGING NO. PREMIUM	GROSS PREMIUM ASSNS.			INSTALMENT PREMIUM ASSNS.		
			NO.	AMT. PER \$100 OF LOAN	RATE %	NO.	AMT. PER MO. PER \$100 OF LOAN	RATE %
Morris	25	18	1	1.00	6.1	1	.01	6.1
			6	1	2.00	6.1		
			2	2.50	6.2			
			2	3.00	6.2			
Ocean	13	10	1	3.00	6.2	—	—	—
			3	1	5.00	6.3		
			1	6.00	6.4			
Passaic	69	31	1	.50	6.0	11	1	.025
			1	1.00	6.1	2	.04	6.5
			2	1.50	6.1	6	.10	7.2
			6	2.00	6.1	2	.16	7.9
			27	3	2.50	6.2		
			4	3.00	6.2			
			1	3.50	6.2			
			1	4.00	6.2			
			1	4.50	6.3			
			7	5.00	6.3			
Salem	4	3	—	—	—	1	.05	6.6
Somerset	8	5	—	—	—	3	.125	7.5
Sussex	2	2	—	—	—	—	—	—
Union	95	45	7	1.00	6.1	4	1	.03
			1	1.50	6.1	1	.042	6.5
			18	2.00	6.1	1	.05	6.6
			1	2.50	6.2	1	.083	7.0
			46	1	3.00	6.2		
			1	3.50	6.2			
			3	4.00	6.2			
			3	5.00	6.3			
			11	6.00	6.4			
Warren	9	8	1	3.00	6.2	—	—	—

TABLE U*

Historical Balance Sheets, Building and Loan Associations in New Jersey, 1900-1928 (Percentage Distribution Figures)

[All absolute figures in thousands]

YEAR	ASSETS															
	LOANED ON MORTGAGE		LOANED ON SHARES		REAL ESTATE		CASH ON HAND AND IN BANKS		ARREARAGE		INVESTED IN SECURITIES		OTHER ASSETS		TOTAL ASSETS	
		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT
1900	\$42,694	83.5	\$1,905	3.7	\$3,028	5.9	\$1,948	3.8	\$ 953	1.9			\$ 597	1.2	\$ 51,125	100.0
1902	44,000	83.2	2,067	3.9	3,060	5.8	1,693	3.2	993	1.9			1,058	2.0	52,871	100.0
1904	49,417	86.9	2,223	3.9	2,507	4.4	1,341	2.4	784	1.4	\$139	0.2	481	0.8	56,892	100.0
1906	56,132	88.4	2,166	3.4	2,273	3.6	1,621	2.6	664	1.0	312	0.5	320	0.5	63,488	100.0
1908	67,909	92.1	2,513	3.4	1,224	1.7	999	1.4	611	0.8	222	0.3	220	0.3	73,698	100.0
1910	79,843	92.2	2,658	3.1	1,066	1.2	1,884	2.2	674	0.8	221	0.3	257	0.3	86,602	100.0
1912	98,748	92.7	3,262	3.1	1,091	1.0	2,130	2.0	846	0.8	122	0.1	356	0.3	106,555	100.0
1914	122,810	92.6	4,076	3.1	1,977	1.5	2,033	1.5	1,137	0.9	110	0.1	462	0.3	132,606	100.0
1916	139,331	89.8	4,849	3.1	4,758	3.1	4,006	2.6	1,461	0.9			721	0.5	155,127	100.0
1918	124,044	90.2	4,095	3.0	3,623	2.6	2,847	2.1	1,254	0.9			1,673	1.2	137,536	100.0
1920	219,005	91.7	5,869	2.5	2,694	1.1	3,254	1.4	1,584	0.7			6,502	2.7	238,908	100.0
1922	313,755	93.3	8,919	2.7	2,030	0.6	3,947	1.2	2,065	0.6			5,485	1.6	336,199	100.0
1924	468,160	95.0	12,105	2.5	2,166	0.4	5,580	1.1	3,096	0.6			1,457	0.3	492,565	100.0
1926	721,848	95.0	18,089	2.4	2,954	0.4	10,296	1.4	5,046	0.7			1,835	0.2	760,068	100.0
1927	840,841	94.9	20,559	2.3	4,140	0.5	11,608	1.3	6,177	0.7			2,843	0.3	886,168	100.0
1928	542,306	94.2	12,940	2.2	3,793	0.7	7,581	1.3	3,974	0.7			5,062	0.9	575,656	100.0

TABLE U^a—(Continued)
Historical Balance Sheets, Building and Loan Associations in New Jersey, 1900-1928 (Percentage Distribution Figures)
 [All absolute figures in thousands]

YEAR	LIABILITIES															
	SUBSCRIPTIONS ON INSTALMENT SHARES		SUBSCRIPTIONS ON SINGLE PAYMENT SHARES		SUBSCRIPTIONS ON JUVENILE SHARES		SUBSCRIPTIONS ON PAID-UP SHARES		BORROWED MONEY		PROFIT AND SURPLUS		OTHER LIABILITIES		TOTAL LIABILITIES	
		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT
1900	\$37,297	73.0					\$ 616	1.2	\$1,019	2.0	\$9,648	18.9	\$2,545	5.0	\$51,125	100.0
1902	39,034	73.8				733	1.4	1,352	2.6	9,599	18.2	2,153	4.1	52,871	100.0	
1904	42,032	73.9				685	1.2	2,192	3.9	9,839	17.3	2,144	3.8	56,892	100.0	
1906	46,426	73.1				1,342	2.1	2,815	4.4	11,100	17.5	1,807	2.8	63,490	100.0	
1908	53,584	72.7				2,097	2.8	3,638	4.9	12,829	17.4	1,550	2.1	73,698	100.0	
1910	62,982	72.7				2,242	2.6	3,970	4.6	15,454	17.8	1,954	2.3	86,602	100.0	
1912	77,412	72.6				2,510	2.4	5,220	4.9	19,037	17.9	2,376	2.3	106,555	100.0	
1914	95,535	72.0				2,961	2.2	7,769	5.9	23,650	17.8	2,691	2.0	132,606	100.0	
1916	114,026	73.5				3,950	2.5	6,175	4.0	28,175	18.2	2,801	1.8	155,127	100.0	
1918	101,914	74.1				2,740	2.0	5,619	4.1	25,166	18.3	2,097	1.5	137,536	100.0	
1920	163,888	68.6				9,267	3.9	20,456	8.6	40,203	16.8	5,094	2.1	238,908	100.0	
1922	227,502	67.7				21,461	6.4	27,760	8.3	52,637	15.7	6,839	2.0	336,199	100.0	
1924	319,867	64.9				44,146	9.0	44,947	9.1	71,535	14.5	12,070	2.5	492,565	100.0	
1926	495,600	65.2	\$952	0.1	\$574	0.1	74,176	9.8	62,434	8.2	107,505	14.1	18,827	2.5	760,068	100.0
1928	377,427	65.6	1,628	0.3	462	0.1	59,704	10.4	33,018	5.7	89,373	15.5	14,044	2.4	575,656	100.0

^a Figures through 1926 from Annual Reports of the Commissioner of Banking and Insurance. Figures for 1928 from individual association reports.

TABLE V*
Historical Receipts and Disbursements Statements, Building and Loan Associations in New Jersey, 1900-1928
 (Percentage Distribution Figures)
 [All absolute figures in thousands]

YEAR	RECEIPTS																			
	DUES ON INSTALMENT SHARES		SUBSCRIPTIONS ON PAID-UP SHARES		MORTGAGE LOANS REPAID		SHARE LOANS REPAID		MONEY BORROWED		INTEREST ON LOANS		PREMIUM CHARGES		FINES		MEMBERSHIP AND TRANSFER FEES		TOTAL RECEIPTS	
		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT
1900	\$9,394	38.6	\$234	1.0	\$7,175	29.4	\$ 909	3.7	\$2,621	10.8	\$2,389	9.8	\$ 361	1.5	\$75	0.3	\$83	0.3	\$24,342	100.0
1902	9,708	36.5	234	0.9	7,609	28.6	1,070	4.0	3,656	13.7	2,512	9.4	315	1.2	85	0.3	75	0.3	26,601	100.0
1904	10,387	33.5	166	0.5	7,546	24.3	1,100	3.5	7,052	22.8	2,828	9.1	323	1.0	80	0.3	31	0.1	30,996	100.0
1906	11,690	31.0	695	1.8	9,777	26.0	1,182	3.1	9,661	25.7	3,222	8.6	335	0.9	66	0.2	26	0.1	37,660	100.0
1908	13,964	31.7	988	2.2	8,252	18.7	1,267	2.9	14,515	32.9	3,866	8.8	390	0.9	71	0.2	27	0.1	44,057	100.0
1910	15,944	32.3	663	1.3	11,606	23.5	1,380	2.8	14,021	28.4	4,496	9.1	502	1.0	87	0.2	30	0.1	49,329	100.0
1912	20,106	31.9	824	1.3	13,567	21.6	1,598	2.5	19,822	31.5	5,541	8.8	600	1.0	105	0.2	35	0.1	62,935	100.0
1914	24,920	30.7	1,063	1.3	15,610	19.2	1,886	2.3	29,073	35.8	6,948	8.5	736	0.9	138	0.2	42	0.1	81,284	100.0
1916	28,314	34.9	1,457	1.8	20,048	24.7	2,565	3.2	17,809	22.0	8,139	10.0	760	0.9	166	0.2	43	0.1	81,120	100.0
1918	25,124	33.9	1,032	1.4	16,838	22.7	2,043	2.8	19,137	25.9	7,158	9.7	596	0.8	119	0.2	40	0.1	74,027	100.0
1920	42,962	28.9	5,615	3.8	29,228	19.6	2,914	2.0	49,807	33.5	12,213	8.2	1,390	0.9	160	0.1	89	0.1	148,852	100.0
1922	68,518	34.0	11,955	5.9	26,773	13.3	3,960	2.0	66,564	33.0	17,633	8.7	2,227	1.1	220	0.1	116	0.1	201,640	100.0
1924	98,879	31.4	26,264	8.3	44,980	14.3	5,557	1.8	106,617	33.8	25,950	8.2	3,977	1.3	310	0.1	179	0.1	314,976	100.0
1926	†																			
1928	106,724	28.1	23,923	6.3	57,323	15.1	6,163	1.6	136,666	36.0	30,447	8.0	3,954	1.0	346	0.1	110	†	379,956	100.0

TABLE V^a—(Continued)
Historical Receipts and Disbursements Statements, Building and Loan Associations in New Jersey, 1900-1928
(Percentage Distribution Figures)
 [All absolute figures in thousands]

YEAR	DISBURSEMENTS																				
	LOANED ON MORTGAGE		LOANED ON SHARES		DUES PAID ON WITHDRAWAL INSTALMENT SHARES		PROFITS PAID ON WITHDRAWAL INSTALMENT SHARES		DUES PAID ON WITHDRAWAL PAID-UP SHARES		PROFITS PAID ON WITHDRAWAL PAID-UP SHARES		MATURED SHARES		BORROWED MONEY REPAID (GROSS)		SALARIES		TOTAL DISBURSEMENTS		
		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT	
1900	\$8,229	33.8	\$1,099	4.5	\$4,666	19.1	\$ 844	3.5	\$ 82	0.3	\$ 32	0.1	\$4,683	19.2	\$2,493	10.2	\$ 346	1.4	\$24,374	100.0	
1902	9,474	35.4	1,075	4.0	4,995	18.7	914	3.4	156	0.6	43	0.2	4,646	17.4	3,407	12.7	290	1.1	26,770	100.0	
1904	10,528	33.9	1,225	3.9	5,175	16.7	785	2.5	469	2.5	77	0.2	4,734	15.2	6,520	21.0	221	0.7	31,067	100.0	
1906	13,955	37.4	1,139	3.1	5,030	13.5	797	2.1	288	0.8	53	0.1	5,327	14.3	9,159	24.5	224	0.6	37,341	100.0	
1908	14,763	33.2	1,568	3.5	5,194	11.7	792	1.8	586	1.3	90	0.2	6,092	13.7	14,271	32.1	249	0.6	44,443	100.0	
1910	18,872	38.5	1,470	3.0	5,965	12.2	904	1.8	486	1.0	98	0.2	6,881	14.0	13,137	26.8	284	0.6	49,033	100.0	
1912	22,721	36.3	1,814	2.9	6,646	10.6	998	1.6	789	1.3	119	0.2	8,288	13.3	19,358	31.0	340	0.5	62,543	100.0	
1914	28,018	34.5	2,359	2.9	8,191	10.1	1,219	1.5	608	0.7	139	0.2	10,155	12.5	27,779	34.2	417	0.5	81,286	100.0	
1916	28,126	35.3	2,791	3.5	11,003	13.8	1,830	2.3	1,017	1.3	160	0.2	11,661	14.6	18,538	23.3	494	0.6	79,655	100.0	
1918	28,966	38.4	3,393	3.2	9,219	12.2	1,642	2.2	682	0.9	115	0.2	11,703	15.5	17,110	22.7	430	0.6	75,438	100.0	
1920	67,042	45.0	3,451	2.3	12,689	8.5	2,019	1.4	1,691	1.1	289	0.2	16,013	10.7	39,799	26.7	712	0.5	149,146	100.0	
1922	75,498	37.5	5,634	2.8	17,946	8.9	2,388	1.2	6,880	3.4	880	0.4	23,373	11.6	63,325	31.5	1,108	0.6	201,129	100.0	
1924	130,323	41.4	7,486	2.4	25,668	8.2	3,205	1.0	13,022	4.1	1,767	0.6	31,326	10.0	95,105	30.2	1,575	0.5	314,600	100.0	
1926	†																				
1928	125,358	33.0	8,324	2.2	35,232	9.3	5,075	1.3	14,612	3.9	2,916	0.8	25,494	6.7	137,581	36.3	2,019	0.5	379,437	100.0	

* Figures through 1924 from Annual Reports of the Commissioner of Banking and Insurance. Figures for 1928 from individual association reports.

† Receipts and disbursements not published by the Department of Banking and Insurance since 1924.

‡ Less than one-tenth of one per cent.

TABLE W*

Balance Sheets, Building and Loan Associations in New Jersey; Percentage Distribution Figures, by Counties, 1928

[All value figures expressed in thousands]

COUNTY	MORTGAGE LOANS				SHARE LOANS	CASH	REAL ESTATE	ARREARAGES	OTHER ASSETS	TOTAL ASSETS						
	WITH PLEDGE OF SHARES		WITHOUT PLEDGE OF SHARES													
	\$	% dist.	\$	% dist.												
Atlantic	\$41,273	90.8	\$ 401	0.9	\$1,281	2.8	\$1,138	2.5	\$ 508	1.1	\$ 472	1.0	\$ 395	0.9	\$ 45,467	100.0
Bergen	71,091	95.0	247	0.3	1,202	1.6	931	1.2	539	0.7	335	0.4	485	0.6	74,829	100.0
Burlington	13,334	92.6	3	—	654	4.5	196	1.4	48	0.3	126	0.9	45	0.3	14,406	100.0
Camden	50,764	92.3	25	—	2,794	5.1	565	1.0	333	0.6	454	0.8	63	0.1	54,997	100.0
Cape May	7,419	90.8	22	0.3	497	6.1	93	1.1	25	0.3	99	1.2	19	0.2	8,174	100.0
Cumberland	9,168	92.7	42	0.4	437	4.4	47	0.5	55	0.6	89	0.9	56	0.6	9,893	100.0
Essex	465,629	94.0	2,066	0.4	10,380	2.1	6,370	1.3	5,303	1.1	3,722	0.8	1,991	0.4	495,460	100.0
Gloucester	9,383	93.6	29	0.3	347	3.5	129	1.3	34	0.3	76	0.8	25	0.2	10,023	100.0
Hudson	90,892	90.5	2,422	2.4	3,005	3.0	1,657	1.7	665	0.7	1,114	1.1	639	0.6	100,394	100.0
Hunterdon	1,166	93.4	—	—	22	1.8	32	2.7	—	—	7	0.6	22	1.8	1,248	100.0
Mercer	12,415	92.0	17	0.1	552	4.1	179	1.3	131	1.0	122	0.9	71	0.5	13,488	100.0
Middlesex	32,406	95.6	1	—	221	0.7	761	2.2	134	0.4	309	0.9	83	0.2	33,914	100.0
Monmouth	32,612	94.8	166	0.5	558	1.6	502	1.5	178	0.5	295	0.9	89	0.3	34,399	100.0
Morris	12,178	93.8	20	0.2	301	2.3	304	2.3	57	0.4	99	0.8	29	0.2	12,986	100.0
Ocean	4,687	92.6	4	0.1	206	4.1	86	1.7	—	—	61	1.2	14	0.3	5,059	100.0
Passaic	44,903	93.3	275	0.6	1,087	2.3	686	1.4	487	1.0	332	0.7	344	0.7	48,114	100.0
Salem	1,676	95.1	4	0.2	37	2.1	39	2.2	—	—	6	0.3	1	0.1	1,763	100.0
Somerset	3,484	93.4	4	0.1	42	1.1	160	4.3	7	0.2	29	0.8	3	0.1	3,729	100.0
Sussex	767	97.5	—	—	6	0.8	9	1.1	—	—	5	0.6	—	—	787	100.0
Union	57,712	94.8	41	0.1	1,827	3.0	730	1.2	190	0.3	185	0.3	189	0.3	60,875	100.0
Warren	2,329	96.1	6	0.2	5	0.2	53	2.2	—	—	9	0.4	22	0.9	2,424	100.0
State	\$965,287	93.5	\$5,795	0.6	\$25,460	2.5	\$14,667	1.4	\$8,692	0.8	\$7,945	0.8	\$4,584	0.4	\$1,032,429	100.0

Balance Sheets, Building and Loan Associations in New Jersey: Percentage Distribution Figures, by Counties, 1928
 [All value figures expressed in thousands]

LIABILITIES																									
COUNTY	DUE SHAREHOLDERS FOR—																								
	DUES ON INSTALMENT SHARES		SUBSCRIPTIONS ON PAID-UP SHARES		SUBSCRIPTIONS ON SINGLE PAYMENT SHARES		DUES ON JUVE-NILE SHARES		LAPSED SHARES		MATURED SHARES		ADVANCE PAYMENTS		BALANCE DUE ON LOANS		BORROWED MONEY		PROFIT OR SURPLUS		OTHER LIABILITIES		TOTAL LIABILITIES		
		% dist.		% dist.		% dist.		% dist.		% dist.		% dist.		% dist.		% dist.		% dist.		% dist.		% dist.		% dist.	
Atlantic	\$24,235	53.3	\$11,096	24.4	\$ 743	1.6	\$148	0.3	48	0.1	1,020	2.2	\$ 92	0.2	—	—	\$ 922	2.0	\$7,129	15.7	\$ 33	0.1	\$ 45,467	100.0	
Bergen	51,289	68.5	6,192	8.3	134	0.2	339	0.2	38	0.1	61	0.1	281	0.4	\$1,030	1.4	2,298	3.1	13,107	17.5	60	0.1	74,829	100.0	
Burlington	10,252	71.2	431	3.0	30	0.2	—	—	6	—	22	0.2	14	0.1	—	—	914	6.3	2,733	19.0	5	—	14,406	100.0	
Camden	38,059	69.2	758	1.4	21	—	—	—	6	—	139	0.3	58	0.1	—	—	5,160	9.4	10,675	19.4	121	0.2	54,997	100.0	
Cape May	5,734	70.1	398	4.9	—	—	—	—	2	—	2	—	20	0.2	4	—	479	5.9	1,532	18.7	3	—	8,174	100.0	
Cumberland	6,612	66.8	1,050	10.6	86	0.9	—	—	—	—	300	3.0	17	0.7	3	—	146	1.5	1,674	16.9	4	—	9,893	100.0	
Essex	312,597	63.1	65,286	13.2	309	0.1	1	—	838	0.2	80	—	490	0.1	7,138	1.4	37,442	7.6	70,089	14.1	1,191	0.2	495,460	100.0	
Gloucester	7,172	71.6	247	2.5	—	—	—	—	2	—	112	1.1	14	0.1	—	—	469	4.7	1,992	19.9	16	0.2	10,023	100.0	
Hudson	69,228	69.0	5,608	5.6	230	0.2	3	—	204	0.2	67	0.1	274	0.3	565	0.6	6,269	6.2	17,115	17.0	832	0.8	100,394	100.0	
Hunterdon	1,009	80.8	—	—	3	0.2	—	—	1	0.1	1	0.1	2	0.2	5	0.4	14	1.1	214	17.1	—	—	1,248	100.0	
Mercer	9,227	68.4	701	5.2	6	—	—	—	10	0.1	3	—	21	0.2	25	0.2	1,136	8.4	2,347	17.4	12	0.1	13,488	100.0	
Middlesex	24,797	73.1	1,238	3.7	—	—	—	—	23	0.1	208	0.6	24	0.1	21	0.1	1,571	4.6	5,843	17.2	190	0.6	33,914	100.0	
Monmouth	23,741	69.0	2,122	6.2	47	0.1	—	—	11	—	789	2.3	71	0.2	88	0.3	888	2.6	6,612	19.2	31	0.1	34,399	100.0	
Morris	9,548	73.5	776	6.0	1	—	—	—	17	0.1	—	—	20	—	97	0.7	489	3.8	2,036	15.7	2	—	12,986	100.0	
Ocean	3,613	71.4	33	0.7	—	—	—	—	1	—	116	2.3	11	0.2	14	0.3	348	6.9	919	18.2	5	0.1	5,059	100.0	
Passaic	29,360	61.0	8,084	16.8	426	0.9	1	—	73	0.2	—	—	106	0.2	544	1.1	1,613	3.4	7,795	16.2	113	0.2	48,114	100.0	
Salem	1,275	72.3	—	—	—	—	—	—	—	—	108	6.1	2	0.1	—	—	42	2.4	336	19.1	—	—	1,763	100.0	
Somerset	2,813	75.4	12	0.3	—	—	—	—	3	—	—	—	2	—	13	0.3	112	3.0	773	20.7	—	—	3,729	100.0	
Sussex	471	59.8	180	22.9	22	2.8	—	—	—	—	—	—	2	0.3	9	1.1	17	2.2	86	10.9	—	—	787	100.0	
Union	42,177	69.3	3,115	5.1	229	0.4	81	0.1	32	0.1	312	0.5	70	0.1	501	0.8	2,877	4.7	11,338	18.6	141	0.2	60,875	100.0	
Warren	1,867	77.0	41	1.7	12	0.5	—	—	1	—	—	—	3	0.1	3	0.1	69	2.8	428	17.7	—	—	2,424	100.0	
State	\$675,075	65.4	\$107,367	10.4	\$2,299	0.2	\$572	0.1	\$1,317	0.1	\$3,340	0.3	\$1,593	0.2	\$10,060	1.0	\$63,274	6.1	\$164,773	16.0	\$2,760	0.3	\$1,032,429	100.0	

* Figures from the Department of Banking and Insurance, in advance of publication.

TABLE W*

* Balance Sheets, Building and Loan Associations in New Jersey; Percentage Distribution Figures, by Counties, 1928

[All value figures expressed in thousands]

COUNTY	MORTGAGE LOANS				SHARE LOANS	CASH	REAL ESTATE	ARREARAGES	OTHER ASSETS	TOTAL ASSETS						
	WITH PLEDGE OF SHARES		WITHOUT PLEDGE OF SHARES													
	\$	% dist.	\$	% dist.												
Atlantic	\$41,273	90.8	\$ 401	0.9	\$1,281	2.8	\$1,138	2.5	\$ 508	1.1	\$ 472	1.0	\$ 395	0.9	\$ 45,467	100.0
Bergen	71,091	95.0	247	0.3	1,202	1.6	931	1.2	539	0.7	335	0.4	485	0.6	74,829	100.0
Burlington	13,334	92.6	3	—	654	4.5	196	1.4	48	0.3	126	0.9	45	0.3	14,406	100.0
Camden	50,764	92.3	25	—	2,794	5.1	565	1.0	333	0.6	454	0.8	63	0.1	54,997	100.0
Cape May	7,419	90.8	22	0.3	497	6.1	93	1.1	25	0.3	99	1.2	19	0.2	8,174	100.0
Cumberland	9,168	92.7	42	0.4	437	4.4	47	0.5	55	0.6	89	0.9	56	0.6	9,893	100.0
Essex	465,629	94.0	2,066	0.4	10,380	2.1	6,370	1.3	5,303	1.1	3,722	0.8	1,991	0.4	495,460	100.0
Gloucester	9,383	93.6	29	0.3	347	3.5	129	1.3	34	0.3	76	0.8	25	0.2	10,023	100.0
Hudson	90,892	90.5	2,422	2.4	3,005	3.0	1,657	1.7	665	0.7	1,114	1.1	639	0.6	100,394	100.0
Hunterdon	1,166	93.4	—	—	22	1.8	32	2.7	—	—	7	0.6	22	1.8	1,248	100.0
Mercer	12,415	92.0	17	0.1	552	4.1	179	1.3	131	1.0	122	0.9	71	0.5	13,488	100.0
Middlesex	32,406	95.6	1	—	221	0.7	761	2.2	134	0.4	309	0.9	83	0.2	33,914	100.0
Monmouth	32,612	94.8	166	0.5	558	1.6	502	1.5	178	0.5	295	0.9	89	0.3	34,399	100.0
Morris	12,178	93.8	20	0.2	301	2.3	304	2.3	57	0.4	99	0.8	29	0.2	12,986	100.0
Ocean	4,687	92.6	4	0.1	206	4.1	86	1.7	—	—	61	1.2	14	0.3	5,059	100.0
Passaic	44,903	93.3	275	0.6	1,087	2.3	686	1.4	487	1.0	332	0.7	344	0.7	48,114	100.0
Salem	1,676	95.1	4	0.2	37	2.1	39	2.2	—	—	6	0.3	1	0.1	1,763	100.0
Somerset	3,484	93.4	4	0.1	42	1.1	160	4.3	7	0.2	29	0.8	3	0.1	3,729	100.0
Sussex	767	97.5	—	—	6	0.8	9	1.1	—	—	5	0.6	—	—	787	100.0
Union	57,712	94.8	41	0.1	1,827	3.0	730	1.2	190	0.3	185	0.3	189	0.3	60,875	100.0
Warren	2,329	96.1	6	0.2	5	0.2	53	2.2	—	—	9	0.4	22	0.9	2,424	100.0
State	\$965,287	93.5	\$5,795	0.6	\$25,460	2.5	\$14,667	1.4	\$8,692	0.8	\$7,945	0.8	\$4,584	0.4	\$1,032,429	100.0

TABLE W*—(Continued)

Balance Sheets, Building and Loan Associations in New Jersey; Percentage Distribution Figures, by Counties, 1928

[All value figures expressed in thousands]

LIABILITIES													
COUNTY	DUE SHAREHOLDERS FOR—								BALANCE DUE ON LOANS	BORROWED MONEY	PROFIT OR SURPLUS	OTHER LIABILITIES	TOTAL LIABILITIES
	DUES ON INSTALMENT SHARES	SUBSCRIPTIONS ON PAID-UP SHARES	SUBSCRIPTIONS ON SINGLE PAYMENT SHARES	DUES ON JUVENILE SHARES	LAPSED SHARES	MATURED SHARES	ADVANCE PAYMENTS						
	% dist.	% dist.	% dist.	% dist.	% dist.	% dist.	% dist.						
Atlantic	\$24,235	\$11,096	\$ 743	\$148	48	1,020	\$ 92	—	—	\$ 922	\$ 33	\$ 45,467	
Bergen	51,289	6,192	134	339	38	61	281	\$1,030	2,298	13,107	60	74,829	
Burlington	10,252	431	30	—	6	22	14	—	914	2,733	5	14,406	
Camden	38,059	758	21	—	6	139	58	—	5,160	10,675	121	54,997	
Cape May	5,734	398	—	—	2	2	20	4	479	1,532	3	8,174	
Cumberland	6,612	1,050	86	—	—	300	17	3	146	1,674	4	9,893	
Essex	312,597	65,286	309	1	838	80	490	7,138	37,442	79,089	1,191	495,460	
Gloucester	7,172	247	—	—	2	112	14	—	469	1,992	16	10,023	
Hudson	69,228	5,608	230	3	204	67	274	565	6,269	17,115	832	100,394	
Hunterdon	1,009	3	3	—	1	1	2	—	5	14	—	1,428	
Mercer	9,227	701	6	—	10	3	21	25	1,136	2,347	12	13,488	
Middlesex	24,797	1,238	—	—	23	208	24	21	1,571	5,843	190	33,914	
Monmouth	23,741	2,122	47	—	11	789	71	88	888	6,612	31	34,399	
Morris	9,548	776	1	—	17	—	20	97	489	2,036	2	12,986	
Ocean	3,613	33	—	—	1	116	11	14	348	919	5	5,059	
Passaic	29,360	8,084	426	1	73	—	106	544	1,613	7,795	113	48,114	
Salem	1,275	—	—	—	—	108	2	—	42	336	—	1,763	
Somerset	2,813	12	—	—	3	—	2	13	112	773	—	3,729	
Sussex	471	180	22	—	—	—	2	9	86	17	—	787	
Union	42,177	3,115	229	81	32	312	70	501	2,877	11,338	141	60,875	
Warren	1,867	41	12	—	1	—	3	3	69	428	—	2,424	
State	\$675,075	\$107,367	\$2,299	\$572	\$1,317	\$3,340	\$1,593	\$10,060	\$63,274	\$164,773	\$2,760	\$1,032,429	

* Figures from the Department of Banking and Insurance, in advance of publication.

TABLE X*

Receipts and Disbursements, Building and Loan Associations in New Jersey; Percentage Distribution Figures, by Counties, 1928

[All absolute figures in thousands]

COUNTY	DUES ON INSTALMENT SHARES		SUBSCRIPTIONS ON PAID-UP SHARES		MORTGAGE LOANS REPAID AND CANCELLED		SHARE LOANS REPAID AND CANCELLED		BORROWED MONEY		INTEREST		PREMIUM		FINES		TRANSFER AND MEMBERSHIP FEES		TOTAL RECEIPTS	PER CENT
		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		
	Atlantic	\$2,949	28.9	\$1,844	18.1	\$2,197	21.5	\$362	3.5	\$1,210	11.9	\$1,129	11.1	\$217	2.1	\$23	0.2	1		
Bergen	11,820	40.1	1,407	4.8	6,005	20.4	457	1.6	5,385	18.3	2,891	9.8	289	1.0	15	0.1	7	†	29,452	100.0
Burlington	557	39.2	16	1.1	301	21.2	40	2.8	262	18.5	190	13.4	18	1.3	3	0.2	1	0.1	1,420	100.0
Camden	4,990	32.5	255	1.7	2,869	18.7	732	4.8	3,519	22.9	1,787	11.6	179	1.2	45	0.3	15	0.1	15,350	100.0
Cape May	791	39.7	—	—	302	15.2	100	5.0	408	20.5	269	13.5	23	1.2	7	0.3	2	0.1	1,990	100.0
Cumberland	892	40.4	142	6.4	403	18.2	111	5.0	209	9.5	315	14.3	4	1.8	3	1.4	—	—	2,209	100.0
Essex	53,013	24.1	14,664	6.7	28,510	13.0	2,536	1.2	98,018	44.6	14,169	6.4	1,769	0.8	196	0.1	32	†	220,016	100.0
Gloucester	1,220	38.4	17	0.5	733	23.1	94	3.0	583	18.3	422	13.3	65	2.0	8	0.3	1	†	3,179	100.0
Hudson	8,005	27.3	855	2.9	5,749	19.6	652	2.2	9,756	33.3	2,357	8.0	330	1.1	29	0.1	5	†	29,339	100.0
Hunterdon	205	50.2	—	—	76	18.6	1	0.2	56	13.7	61	15.0	2	0.5	1	0.2	1	0.2	408	100.0
Mercer	569	42.3	84	6.2	244	18.2	48	3.6	280	20.8	112	8.3	77	5.7	2	0.1	2	0.1	1,443	100.0
Middlesex	3,046	45.0	225	3.3	1,197	17.7	47	0.7	1,519	22.5	878	13.0	132	2.0	14	0.3	6	0.1	7,112	100.0
Monmouth	2,724	52.0	108	2.1	1,182	22.6	74	1.4	1,327	25.3	855	16.3	89	1.7	9	0.2	4	0.1	7,119	100.0
Morris	2,010	38.8	190	3.7	888	17.2	106	2.0	1,262	24.4	559	10.8	45	0.9	7	0.1	4	0.1	5,177	100.0
Ocean	110	22.7	9	1.9	46	9.5	4	0.8	255	52.7	41	8.5	7	1.4	1	0.2	1	0.2	484	100.0
Passaic	5,411	27.1	2,493	12.5	3,043	15.3	317	1.6	4,976	24.9	1,897	9.5	348	1.7	14	0.1	12	0.1	19,945	100.0
Salem	163	44.8	—	—	71	19.5	8	2.2	55	15.1	61	16.8	4	1.1	1	0.2	(0.5)	0.1	364	100.0
Somerset	354	39.3	—	—	216	24.0	3	0.3	173	19.2	123	13.7	24	2.7	2	0.2	—	—	901	100.0
Sussex	175	31.5	115	20.7	77	13.8	3	0.5	41	7.4	40	7.2	3	0.5	—	—	1	0.2	556	100.0
Union	7,242	31.9	835	3.7	3,636	16.0	490	2.2	7,346	32.3	2,170	9.5	295	1.3	21	0.1	13	0.1	22,729	100.0
Warren	386	43.4	7	0.8	100	11.2	1	0.1	269	30.2	116	13.0	7	0.8	1	0.1	—	—	890	100.0

TABLE X^a—(Continued)
Receipts and Disbursements, Building and Loan Associations in New Jersey; Percentage Distribution Figures, by Counties, 1928
 [All absolute figures in thousands]

COUNTY	DISBURSEMENTS															
	LOANED ON MORTGAGE		LOANED ON SHARES		INSTALMENT DUES WITHDRAWN		PAID-UP SUBSCRIPTIONS WITHDRAWN		BORROWED MONEY REPAID		SALARIES		RENT		TOTAL DISBURSEMENTS	PER CENT
		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		PER CENT		
Atlantic	\$4,228	41.9	\$ 498	4.9	\$1,158	11.5	\$ 926	9.2	\$1,529	15.1	\$ 73	0.7	\$ 9	0.1	\$10,097	100.0
Bergen	2,487	8.5	687	2.3	5,786	19.7	814	2.8	5,410	18.4	159	0.5	18	0.1	29,327	100.0
Burlington	587	41.6	61	4.3	108	7.7	6	0.4	313	22.2	8	0.6	(0.4)	†	1,410	100.0
Camden	5,459	35.5	800	5.2	1,461	9.5	98	0.6	3,689	24.0	94	0.6	6	†	15,396	100.0
Cape May	748	54.4	154	11.2	207	15.0	—	—	432	31.4	14	1.0	(0.5)	†	1,376	100.0
Cumberland	985	44.5	170	7.7	153	6.9	99	4.5	205	9.3	11	0.5	—	—	2,212	100.0
Essex	61,681	28.0	3,145	1.4	17,979	8.2	9,886	4.5	94,652	43.0	1,076	0.5	70	†	220,196	100.0
Gloucester	1,258	39.8	101	3.2	242	7.7	11	0.3	633	20.0	22	0.7	1	†	3,161	100.0
Hudson	10,821	36.9	855	2.9	2,805	9.6	595	2.0	9,196	31.3	160	0.5	11	†	29,360	100.0
Hunterdon	196	48.3	8	2.0	51	12.6	—	—	66	16.3	4	1.0	(0.4)	0.1	406	100.0
Mercer	736	55.3	73	5.5	139	10.5	22	1.7	279	21.0	8	0.6	(0.7)	0.1	1,330	100.0
Middlesex	2,857	44.6	155	2.3	631	9.5	59	0.9	1,573	23.7	46	0.7	4	0.1	6,632	100.0
Monmouth	2,954	56.8	101	1.9	390	7.5	38	0.7	—	—	33	0.6	5	0.1	5,198	100.0
Morris	2,170	42.9	485	9.6	542	10.7	146	2.9	1,256	24.8	29	0.6	2	†	5,057	100.0
Ocean	168	32.9	11	2.2	13	2.5	1	0.2	274	53.6	3	0.6	—	—	511	100.0
Passaic	8,425	42.6	441	2.2	1,317	6.7	1,062	5.4	—	—	95	0.5	8	†	19,798	100.0
Salem	146	40.7	9	2.5	23	6.4	—	—	103	28.7	1	0.3	(0.1)	†	359	100.0
Somerset	464	53.2	2	0.2	64	7.3	—	—	113	13.0	7	0.8	(0.9)	0.1	872	100.0
Sussex	306	54.7	4	0.7	17	3.0	6	1.1	89	15.9	2	0.4	—	—	559	100.0
Union	8,212	36.5	690	3.1	1,919	8.5	581	2.6	7,543	33.5	128	0.6	10	†	22,525	100.0
Warren	384	44.1	1	0.1	72	8.3	1	0.1	259	29.7	6	0.7	(0.2)	†	871	100.0

* Figures tabulated from individual association reports filed with the Commissioner of Banking and Insurance.
 † Less than one-tenth of one per cent.

TABLE Y*

Real Rate to Borrower on Fully Amortized Building and Loan Loan of \$5,000

COUNTY	ASSN. NO.	TYPE	SIZE	GROSS CHARGES				NET LOAN	MONTHLY CHARGES				MONTHLY CHARGES NET LOAN 100	TERM (IN MOS.)	REAL RATE		
				ADMISSION FEE	PREMIUM	AP-PRASIAL FEE	ATTORNEY FEE		TOTAL	DUES	INTEREST	PREMIUM				TOTAL	
Atlantic	1	S	4	—	—	\$6.00	\$38.00	\$44.00	\$4,956.00	\$17.50	\$25.00	\$5.00	\$47.50	\$0.9584	168	7.0-7.5	
	2	S	4	—	—	10.00	38.00	48.00	4,952.00	25.00	25.00	5.00	55.00	1.1107	132	7.0-7.5	
	3	S	3	—	—	5.00	15.00	20.00	4,980.00	25.00	25.00	—	50.00	1.0039	138	5.5-6.0	
	4	S	4	—	—	5.00	15.00	20.00	4,980.00	25.00	25.00	—	50.00	1.0039	138	5.5-6.0	
Bergen	5	OP	2	\$2.50	—	3.00	70.00	75.50	4,924.50	25.00	25.00	5.00	55.00	1.1169	133	7.5-8.0	
	6	S	2	1.25	—	3.00	70.00	74.25	4,925.75	25.00	25.00	3.75	53.75	1.0912	135	7.0-7.5	
	7	S	2A	2.50	—	10.00	—	12.50	4,987.50	25.00	25.00	2.00	52.00	1.0426	136	6.5-7.0	
	8	S	3	5.00	—	9.00	45.00	59.00	4,941.00	25.00	25.00	2.50	52.50	1.0625	135	6.5-7.0	
	9	S	3	6.25	—	—	65.00	71.25	4,928.75	25.00	25.00	2.50	52.50	1.0652	138	7.0-7.5	
	10	S	3	5.00	—	10.00	70.00	85.00	4,915.00	25.00	25.00	2.50	52.50	1.0682	136	7.0-7.5	
	11	S	3	—	—	10.00	65.00	75.00	4,925.00	25.00	25.00	2.50	52.50	1.0660	138	7.0-7.5	
	12	S	5	—	\$100.00	6.00	68.00	174.00	4,826.00	25.00	25.00	—	50.00	1.0361	137	6.5-7.0	
	13	OP	5	—	—	5.00	75.00	80.00	4,920.00	25.00	25.00	—	50.00	1.0163	134	5.5-6.0	
	14	S	1	.50	—	15.00	60.00	75.50	4,924.50	25.00	25.00	4.00	54.00	1.0966	138	7.5-8.0	
	Burlington	15	S	2	2.50	—	—	30.00	32.50	4,967.50	25.00	25.00	3.75	53.75	1.0820	142	7.5-8.0
		16	S	3	6.25	—	3.00	25.00	34.25	4,965.75	25.00	25.00	—	50.00	1.0069	140	6.0-6.5
		17	S	4	5.00	—	3.00	40.00	48.00	4,952.00	25.00	25.00	—	50.00	1.0097	140	6.0-6.5
	Camden	18	S	2	3.75	—	9.00	60.00	72.75	4,927.25	25.00	25.00	2.50	52.50	1.0655	136	6.5-7.0
19		S	2A	6.25	—	3.00	50.00	59.25	4,940.75	25.00	25.00	2.50	52.50	1.0626	136	6.5-7.0	
20		S	3	6.25	—	2.00	60.00	68.25	4,931.75	25.00	25.00	2.50	52.50	1.0645	136	6.5-7.0	
21		S	1	6.25	250.00	3.00	32.50	291.75	4,708.25	25.00	25.00	—	50.00	1.0620	136	6.5-7.0	
22		S	2	6.25	250.00	3.00	32.50	291.75	4,708.25	25.00	25.00	—	50.00	1.0620	136	6.5-7.0	
23		S	3	5.00	—	4.00	50.00	59.00	4,941.00	25.00	25.00	2.50	52.50	1.0625	138	7.0-7.5	
24		S	3	6.25	—	3.00	35.00	44.25	4,955.75	25.00	25.00	2.50	52.50	1.0594	136	6.5-7.0	

[Footnotes at end of table.]

TABLE Y^e—(Continued)
 Real Rate to Borrower on Fully Amortized Building and Loan Loan of \$5,000

COUNTY	ASSN. NO.	TYPE	SIZE	GROSS CHARGES				NET LOAN	MONTHLY CHARGES				MONTHLY CHARGES NET LOAN 100	TERM (IN MOS.)	REAL RATE	
				ADMIS- SION FEE	PRE- MIUM	AP- PRAI- SAL FEE	ATTOR- NEY FEE		TOTAL	DUES	INTER- EST	PRE- MIUM				TOTAL
Cape May	25	S	1	\$6.25	—	\$10.00	\$40.00	\$56.25	\$4,943.75	\$25.00	\$25.00	\$2.50	\$52.50	\$1.0619	136	6.5-7.0
Cumberland	26	S	2	—	—	—	60.00	60.00	4,940.00	22.50	25.00	2.50	52.50	1.0628	144	7.5-8.0
	27	S	2	—	—	2.00	50.00	52.00	4,948.00	25.00	25.00	—	50.00	1.0105	143	6.5-7.0
	28	S	4	—	—	3.00	40.00	43.00	4,957.00	25.00	25.00	—	50.00	1.0087	142	6.0-6.5
Essex	29	S	1	—	\$150.00	6.00	75.00	231.00	4,769.00	25.00	25.00	—	50.00	1.0484	136	6.5-7.0
	30	OP	2A	2.50	150.00	6.00	100.00	258.50	4,741.50	25.00	25.00	—	50.00	1.0545	132	6.0-6.5
	31	S	4	—	150.00	6.00	80.00	236.00	4,764.00	25.00	25.00	—	50.00	1.0495	135	6.5-7.0
	32	S	4	2.50	150.00	9.00	50.00	211.50	4,788.50	25.00	25.00	—	50.00	1.0442	135	6.0-6.5
	33	S	2	—	150.00	9.00	100.00	259.00	4,741.00	25.00	25.00	—	50.00	1.0546	135	6.5-7.0
	34	S	2	—	100.00	6.00	100.00	206.00	4,794.00	25.00	25.00	—	50.00	1.0430	135	6.0-6.5
	35	OP	2	—	200.00	6.00	75.00	281.00	4,719.00	25.00	25.00	—	50.00	1.0595	136	6.5-7.0
	36	S	2	0.25	100.00	3.00	100.00	203.25	4,796.75	25.00	25.00	—	50.00	1.0424	135	6.0-6.5
	37	OP	4	—	175.00	18.00	125.00	318.00	4,682.00	25.00	25.00	—	50.00	1.0679	132	6.5-7.0
	38	OP	4	2.50	100.00	3.00	100.00	205.50	4,794.50	25.00	25.00	—	50.00	1.0429	134	6.0-6.5
	39	S	4	—	175.00	9.00	100.00	284.00	4,716.00	25.00	25.00	—	50.00	1.0602	133	6.5-7.0
	40	S	4	1.00	150.00	10.00	85.00	246.00	4,754.00	25.00	25.00	—	50.00	1.0517	133	6.0-6.5
	41	S	4	1.00	200.00	6.00	100.00	307.00	4,693.00	25.00	25.00	—	50.00	1.0654	132	6.5-7.0
42	OP	4	2.50	150.00	9.00	100.00	261.50	4,738.50	25.00	25.00	—	50.00	1.0552	132	6.0-6.5	
43	S	3	—	200.00	7.00	125.00	332.00	4,668.00	25.00	25.00	—	50.00	1.0711	138	7.0-7.5	
44	OP	5	2.50	100.00	10.00	125.00	237.50	4,762.50	25.00	25.00	—	50.00	1.0499	136	6.5-7.0	
45	S	1	—	200.00	9.00	100.00	309.00	4,691.00	25.00	25.00	—	50.00	1.0659	132	6.5-7.0	

[Footnotes at end of table.]

TABLE Y*—(Continued)

Real Rate to Borrower on Fully Amortized Building and Loan Loan of \$5,000

COUNTY	ASSN. NO.	TYPE	SIZE	GROSS CHARGES					NET LOAN	MONTHLY CHARGES				MONTHLY CHARGES NET LOAN 100	TERM (IN MOS.)	REAL RATE
				ADMIS- SION FEE	PRE- MIUM	AP- PRAIS- AL FEE	ATTOR- NEY FEE	TOTAL		DUES	INTER- EST	PRE- MIUM	TOTAL			
Gloucester	46	S	1	\$.50	—	—	\$50.00	\$50.50	\$4,949.50	\$25.00	\$25.00	\$2.50	\$52.50	\$1.0607	138	7.0-7.5
	47	S	1	6.25	—	\$3.00	50.00	59.25	4,940.75	25.00	25.00	5.00	55.00	1.1132	135	7.5-8.0
	48	S	2	6.25	—	—	60.00	66.25	4,933.75	25.00	25.00	—	50.00	1.0134	142	6.5-7.0
	49	S	3	6.25	—	—	35.00	41.25	4,958.75	25.00	25.00	3.75	53.75	1.0839	136	7.0-7.5
	50	S	3	—	—	3.00	50.00	53.00	4,947.00	25.00	25.00	5.00	55.00	1.1118	135	7.5-8.0
Hudson	51	S	3	.50	—	6.00	80.00	86.50	4,913.50	25.00	25.00	8.00	58.00	1.1804	135	8.5-9.0
	52	S	4	.50	—	8.00	65.00	73.50	4,926.50	25.00	25.00	—	50.00	1.0149	136	5.5-6.0
	53	S	4	.50	—	6.00	75.00	81.50	4,918.50	25.00	25.00	—	50.00	1.0166	136	6.0-6.5
	54	S	2A	.50	—	10.00	75.00	85.50	4,914.50	25.00	25.00	12.50	62.50	1.2717	132	10.0-11.0
	55	S	4	.50	—	5.00	50.00	55.50	4,944.50	25.00	18.75	12.50	56.25	1.1376	136	8.0-8.5
	56	S	4	—	—	5.00	75.00	80.00	4,920.00	25.00	25.00	3.75	53.75	1.0925	136	7.0-7.5
	57	S	4	—	—	5.00	75.00	80.00	4,920.00	25.00	25.00	3.75	53.75	1.0925	136	7.0-7.5
	58	S	2	.50	—	9.00	55.00	64.50	4,935.50	25.00	18.75	9.25	53.00	1.0739	137	7.0-7.5
	59	S	4	.50	—	6.00	70.00	76.50	4,923.50	25.00	25.00	—	50.00	1.0155	132	5.5-6.0
Mercer	60	S	2A	2.50	—	5.00	50.00	57.50	4,942.50	25.00	25.00	2.50	52.50	1.0622	140	7.0-7.5
	61	S	2A	2.50	—	6.00	50.00	58.50	4,941.50	25.00	25.00	2.50	52.50	1.0624	136	6.5-7.0
	62	OP	4	—	\$150.00	6.00	45.00	201.00	4,799.00	17.50	25.00	—	42.50	0.8856	168	6.0-6.5
Middlesex	63	OP	3	—	—	10.00	70.00	80.00	4,920.00	25.00	25.00	7.50	57.50	1.1687	132	8.5
	64	S	2	6.25	150.00	6.00	100.00	262.25	4,737.75	25.00	25.00	—	50.00	1.0554	136	6.5-7.0
	65	S	2A	6.25	150.00	9.00	100.00	265.25	4,734.75	25.00	25.00	—	50.00	1.0560	137	6.5-7.0
	66	S	2A	6.25	150.00	6.00	75.00	237.25	4,762.75	25.00	25.00	—	50.00	1.0498	136	6.5-7.0
	67	S	4	6.25	150.00	—	75.00	231.25	4,768.75	25.00	25.00	—	50.00	1.0485	136	6.5-7.0

TABLE Y*—(Continued)
Real Rate to Borrower on Fully Amortized Building and Loan Loan of \$5,000

COUNTY	ASSN. NO.	TYPE	SIZE	GROSS CHARGES					NET LOAN	MONTHLY CHARGES				MONTHLY CHARGES NET LOAN 100	TERM (IN MOS.)	REAL RATE
				ADMIS- SION FEE	PRE- MIUM	AP- PRAIS- AL FEE	ATTOR- NEY FEE	TOTAL		DUES	INTER- EST	PRE- MIUM	TOTAL			
Monmouth	68	S	4	\$.25	\$150.00	\$2.00	\$40.00	\$192.25	\$4,807.75	\$25.00	\$25.00	—	\$50.00	\$1.0400	134	6.0-6.5
	69	S	1	6.25	150.00	10.00	50.00	216.25	4,783.75	25.00	25.00	—	50.00	1.0452	136	6.5-7.0
	70	S	5	—	150.00	4.00	50.00	204.00	4,796.00	25.00	25.00	—	50.00	1.0425	132	6.0-6.5
	71	S	4	—	250.00	2.00	50.00	302.00	4,698.00	25.00	25.00	—	50.00	1.0643	132	6.5-7.0
Morris	72	S	2A	6.25	150.00	—	75.00	231.25	4,768.75	25.00	25.00	—	50.00	1.0485	136	6.5-7.0
	73	S	3	—	—	6.00	75.00	81.00	4,919.00	25.00	25.00	—	50.00	1.0165	135	5.5-6.0
Ocean	74	S	2	6.25	400.00	3.00	75.00	484.25	4,515.75	25.00	25.00	—	50.00	1.1072	136	7.5-8.0
Passaic	75	S	4	6.25	250.00	5.00	50.00	311.25	4,688.75	25.00	25.00	—	50.00	1.0664	134	6.5-7.0
	76	S	4	6.25	250.00	5.00	60.00	321.25	4,678.75	25.00	25.00	—	50.00	1.0687	134	6.5-7.0
	77	S	3	6.25	250.00	6.00	60.00	322.25	4,677.75	25.00	25.00	—	50.00	1.0689	135	6.5-7.0
	78	S	2A	1.00	250.00	4.00	60.00	315.00	4,685.00	25.00	25.00	—	50.00	1.0672	135	6.5-7.0
Salem	79	S	2	6.25	—	—	40.00	46.25	4,953.75	25.00	25.00	—	50.00	1.0093	140	6.0-6.5
	80	S	3	6.25	150.00	—	40.00	196.25	4,803.75	25.00	25.00	—	50.00	1.0409	138	6.5-7.0
Somerset	81	S	3	.50	—	6.00	50.00	56.50	4,943.50	25.00	25.00	\$4.50	54.50	1.1025	142	8.0-8.5
Union	82	S	4	2.50	—	—	75.00	77.50	4,922.50	25.00	25.00	2.50	52.50	1.0665	132	6.5-7.0
	83	S	3	—	125.00	6.00	100.00	231.00	4,769.00	25.00	25.00	—	50.00	1.0484	137	6.5-7.0
	84	S	3	6.25	100.00	—	85.00	191.25	4,808.75	25.00	25.00	—	50.00	1.0398	135	6.0-6.5
	85	S	2	6.25	150.00	5.00	65.00	226.25	4,773.75	25.00	25.00	—	50.00	1.0474	135	6.5-7.0
	86	S	3	2.65	—	6.00	100.00	108.65	4,891.35	25.00	25.00	—	50.00	1.0222	138	6.0-6.5
	87	S	4	6.25	—	8.00	100.00	114.25	4,885.75	25.00	25.00	2.50	52.50	1.0746	135	7.0-7.5
Warren	88	S	2	—	—	—	60.00	60.00	4,940.00	25.00	25.00	2.50	52.50	1.0628	141	7.0-7.5
	89	S	2	6.25	150.00	1.50	40.00	197.75	4,802.25	25.00	25.00	—	50.00	1.0412	134	6.0-6.5

* Key to symbols: S=serial plan of operation.

OP=optional payment plan of operation.

Size 1 = assets under \$250,000

Size 2A = assets between \$500,000 and \$750,000.

Size 3 = assets between \$750,000 and \$1,250,000.

Size 4 = assets between \$1,250,000 and \$5,000,000.

BUILDING AND LOAN IN NEW JERSEY

TABLE Z
*Association Office Hours**

COUNTY	NO. ASSNS. REPORT- ING	ASSOCIATION OFFICE OPEN—				
		ONCE A MONTH	TWICE A MONTH	WEEKLY	DAILY	DAILY THROUGH BANK CLERK†
Atlantic	10	—	—	—	10	—
Bergen	21	12	—	—	9	—
Burlington	4	1	—	—	2	1
Camden	19	12	—	—	6	1
Cape May	3	—	—	—	3	—
Cumberland	4	1	—	—	3	—
Essex	51	23	2	1	25	—
Gloucester	6	3	—	—	—	3
Hudson	22	4	8	1	9	—
Hunterdon	1	—	—	—	1	—
Mercer	6	3	—	—	2	1
Middlesex	14	1	1	—	9	3
Monmouth	5	—	—	—	5	—
Morris	6	2	—	—	4	—
Ocean	2	—	—	—	2	—
Passaic	12	1	—	1	9	1
Salem	2	—	—	—	2	—
Somerset	1	1	—	—	—	—
Sussex	—	—	—	—	—	—
Union	13	3	4	—	5	1
Warren	2	—	—	—	2	—
State	204	67 (32.8%)	15 (7.4%)	3 (1.5%)	108 (52.9%)	11 (5.4%)
BY SIZE OF ASSNS.						
ASSETS						
up to \$250,000	43	16	2	1	22	2
\$250,000-\$500,000	53	28	5	1	15	4
500,000- 750,000	28	11	3	—	13	1
750,000-1,250,000	37	7	3	—	23	4
1,250,000-5,000,000	37	5	2	1	29	—
over \$5,000,000	6	—	—	—	6	—

* Data from questionnaires. Daily figures probably overstated. (See text, p. 200.)

† In cases where office of the association is located in a bank.

TABLE AA*

Compensation of Building and Loan Directors in New Jersey, 1928

COUNTY	NO COMPENSATION		UNDER \$2.00 PER MONTH (\$24 PER YEAR)		\$2-\$4 PER MONTH (\$25-\$48 YEAR)		\$4-\$6 PER MONTH (\$49-\$72 YEAR)		\$6-\$8 PER MONTH (\$73-\$96 YEAR)		\$8-\$10 PER MONTH (\$97-\$120 YEAR)	
	NO. ASSNS. REPORTING	NO. DIRECTORS	NO. ASSNS. REPORTING	NO. DIRECTORS	NO. ASSNS. REPORTING	NO. DIRECTORS	NO. ASSNS. REPORTING	NO. DIRECTORS	NO. ASSNS. REPORTING	NO. DIRECTORS	NO. ASSNS. REPORTING	NO. DIRECTORS
Atlantic	5	110	12	255	4	77	3	87	2	36	—	—
Bergen	39	462	6	55	—	—	4	44	—	—	1	15
Burlington	8	102	2	14	—	—	—	—	—	—	—	—
Camden	99	1,175	8	86	1	7	1	8	—	—	1	10
Cape May	14	153	4	48	—	—	—	—	—	—	—	—
Cumberland	5	55	3	27	1	7	—	—	—	—	—	—
Essex	37	271	33	407	59	679	91	1,103	39	483	47	614
Gloucester	12	128	3	24	3	28	2	14	—	—	—	—
Hudson	35	504	36	427	10	113	9	95	2	18	2	27
Hunterdon	4	49	1	6	—	—	—	—	—	—	—	—
Mercer	8	105	1	11	1	8	—	—	—	—	—	—
Middlesex	39	482	5	54	2	18	1	16	—	—	—	—
Monmouth	17	208	—	—	4	37	2	18	—	—	—	—
Morris	15	158	—	—	—	—	2	18	2	11	—	—
Ocean	4	33	1	9	—	—	—	—	—	—	—	—
Passaic	37	562	9	120	3	41	3	31	1	11	1	12
Salem	1	6	—	—	—	—	—	—	—	—	—	—
Somerset	4	44	2	17	1	12	—	—	—	—	—	—
Sussex	2	27	—	—	1	9	—	—	—	—	—	—
Union	29	336	18	224	6	70	6	66	2	20	—	—
Warren	6	58	—	—	1	12	—	—	—	—	—	—
State	420	5,028	144	1,784	97	1,118	124	1,500	48	579	52	678

[Footnotes at end of table.]

TABLE AA*—(Continued)
 Compensation of Building and Loan Directors in New Jersey, 1928

COUNTY	\$10-\$15 PER MONTH (\$121-\$180 YEAR)		\$15-\$20 PER MONTH (\$181-\$240 YEAR)		\$20-\$25 PER MONTH (\$240-\$300 YEAR)		OVER \$25 MONTH (OVER \$300 YEAR)		TOTALS REPORTING	
	NO. ASSNS. REPORT- ING	NO. DIREC- TORS	NO. ASSNS. REPORT- ING	NO. DIREC- TORS	NO. ASSNS. REPORT- ING	NO. DIREC- TORS	NO. ASSNS. REPORT- ING	NO. DIREC- TORS	NO. ASSNS.	NO. DIREC- TORS
Atlantic	1	11	—	—	1	19	—	—	28	595
Bergen	—	—	2	22	1	10	—	—	53	608
Burlington	—	—	—	—	—	—	—	—	10	116
Camden	—	—	—	—	—	—	—	—	110	1,286
Cape May	—	—	—	—	—	—	—	—	18	201
Cumberland	—	—	—	—	—	—	—	—	9	89
Essex	17	221	8	96	4	53	1	13	336	3,940
Gloucester	—	—	—	—	—	—	—	—	20	194
Hudson	1	15	—	—	—	—	—	—	95	1,199
Hunterdon	—	—	—	—	—	—	—	—	5	55
Mercer	—	—	—	—	—	—	—	—	10	124
Middlesex	—	—	—	—	—	—	—	—	47	570
Monmouth	—	—	—	—	—	—	—	—	23	263
Morris	—	—	—	—	—	—	—	—	19	187
Ocean	1	5	—	—	—	—	—	—	6	47
Passaic	2	19	—	—	—	—	—	—	56	796
Salem	—	—	—	—	—	—	—	—	1	6
Somerset	—	—	—	—	—	—	—	—	7	73
Sussex	—	—	—	—	—	—	—	—	3	36
Union	2	20	1	6	1	6	—	—	65	748
Warren	—	—	—	—	—	—	—	—	7	70
State	24	291	11	124	7	88	1	13	928	11,203†

*Data from individual association reports filed with the Commissioner of Banking and Insurance.

† Does not exclude duplication where same individuals are directors in more than one association.

TABLE BB*

Annual Compensation of Building and Loan Presidents, Secretaries, and Treasurers in New Jersey, by Counties, 1928

AMOUNT PAID PER YEAR	PRESIDENTS																STATE					
	ATLANTIC	BERGEN	BURLINGTON	CAMDEN	CAPE MAY	CUMBERLAND	ESSEX	GLOUCESTER	HUDSON	HUNTERDON	MERCER	MIDDLESEX	MONMOUTH	MORRIS	OCEAN	PASSAIC		SALEM	SOMERSET	SUSSEX	UNION	WARREN
0	19	41	8	75	15	8	40	10	45	1	5	35	14	13	4	39	1	3	2	28	3	409
\$1-\$ 100	7	5	2	26	3	—	48	9	25	3	2	4	1	—	6	—	—	3	—	16	4	164
101- 250	—	1	—	9	—	—	106	1	13	—	—	—	2	—	—	—	—	1	—	13	—	150
251- 500	1	2	—	—	—	1	94	—	4	—	1	3	3	4	1	1	—	—	—	4	—	118
501- 750	—	1	—	—	—	—	19	—	—	—	—	—	2	—	2	—	—	—	—	2	—	26
751- 1,000	—	—	—	—	—	—	12	—	—	—	—	—	—	—	—	—	—	—	—	—	—	16
1,001- 1,500	1	1	—	—	—	—	4	—	1	—	—	—	—	—	—	—	—	—	—	—	—	7
1,501- 2,000	—	—	—	—	—	—	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3
2,001- 2,500	—	—	—	—	—	—	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	3
2,501- 3,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3,001- 4,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4,001- 5,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
over \$5,000	—	—	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1
																						897

[Footnotes at end of table.]

TABLE BB^a—(Continued)
 Annual Compensation of Building and Loan Presidents, Secretaries, and Treasurers in New Jersey, by Counties, 1928

AMOUNT PAID PER YEAR	TREASURERS																STATE					
	ATLANTIC	BERGEN	BURLINGTON	CAMDEN	CAPE MAY	CUMBERLAND	ESSEX	GLOUCESTER	HUDSON	HUNTERDON	MERCER	MIDDLESEX	MONMOUTH	MORRIS	OCEAN	PASSAIC		SALEM	SOMERSET	SUSSEX	UNION	WARREN
0	8	15	2	7	1	3	13	—	13	—	2	9	6	3	2	11	—	—	—	5	2	104
\$1-\$ 100	8	7	2	36	9	2	24	3	15	2	1	10	5	3	1	21	—	1	—	15	—	167
101- 250	3	14	2	35	5	—	54	7	22	—	1	12	1	6	—	12	—	—	1	14	1	192
251- 500	4	7	2	22	1	—	140	5	20	1	2	9	6	2	1	1	1	3	—	17	—	248
501- 750	2	4	—	4	1	—	54	1	8	—	—	4	3	—	—	3	—	—	—	5	—	90
751- 1,000	—	1	—	—	—	—	22	—	—	—	—	—	1	—	—	—	—	—	—	—	—	35
1,001- 1,500	—	3	—	—	—	—	13	—	4	—	—	1	1	—	—	1	—	—	—	4	—	24
1,501- 2,000	—	—	—	—	—	—	5	—	—	—	—	—	—	—	—	—	—	—	—	1	—	7
2,001- 2,500	—	1	—	—	—	—	2	—	3	—	—	—	—	—	—	—	—	—	—	—	—	6
2,501- 3,000	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
3,001- 4,000	—	—	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1
4,001- 5,000	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1
over \$5,000	—	—	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1
																						876

*Data from individual association reports filed with the Commissioner of Banking and Insurance.

BUILDING AND LOAN IN NEW JERSEY

TABLE CC*

Occupational Classification of Building and Loan Directors, by Counties, 1928

COUNTY	CLERICAL	BUILDING	BANKING	GOVERNMENTAL	INSURANCE	LAWYERS	MECHANICS	MERCHANTS	PROFESSIONAL	REALTORS	MANUFACTURING	FARMERS	MISCELLANEOUS	TOTAL
Atlantic	61	60	40	18	22	43	31	115	53	74	3	6	69	595
Bergen	61	63	28	17	25	15	70	82	40	46	30	5	126	608
Burlington	16	9	—	2	4	7	9	22	6	5	1	7	28	116
Camden	111	172	36	35	42	64	54	238	68	120	82	8	256	1,286
Cape May	14	47	5	18	3	6	4	35	9	21	3	11	25	201
Cumberland	5	5	6	2	3	6	2	16	3	1	6	—	34	89
Essex	261	588	90	112	31	118	144	1,115	198	397	222	2	662	3,940
Gloucester	8	27	9	12	4	7	8	45	17	12	6	9	30	194
Hudson	73	158	71	61	39	62	34	259	76	110	25	1	230	1,199
Hunterdon	2	2	4	4	1	2	1	17	4	—	2	2	14	55
Mercer	7	11	11	5	7	1	5	28	7	8	9	1	24	124
Middlesex	33	59	37	16	17	27	18	121	41	39	33	9	120	570
Monmouth	3	31	24	5	3	9	2	75	22	24	11	8	46	263
Morris	10	23	21	7	8	5	8	41	8	7	2	4	43	187
Ocean	2	8	3	—	—	1	1	14	3	4	—	1	10	47
Passaic	53	142	13	19	25	27	12	158	46	44	120	—	137	796
Salem	—	2	3	—	—	—	—	1	—	—	—	—	—	6
Somerset	5	12	3	7	5	5	1	17	1	2	1	—	14	73
Sussex	2	1	3	2	2	4	4	5	3	2	1	—	7	36
Union	64	123	16	28	29	16	34	141	38	74	26	—	159	748
Warren	7	5	4	—	3	1	6	9	7	3	13	—	12	70
State	798	1,548	427	370	273	426	448	2,554	650	993	596	74	2,046	11,203

*Data from individual association reports filed with the Commissioner of Banking and Insurance.

APPENDIX

TABLE DD*

Occupational Classification of Building and Loan Association Presidents, Secretaries, and Treasurers, by Counties, 1928

PRESIDENTS																
COUNTY	RETIRED	CLERICAL	BUILDING	BANKING	GOVERNMENTAL	INSURANCE	LAWYERS	MECHANICS	MERCHANTS	PROFESSIONAL	REALTORS	ACCOUNTANTS	MANUFACTURING	MISCELLANEOUS	FARMERS	TOTAL
Atlantic	3	1	1	3	1	—	—	—	6	5	5	—	—	3	—	28
Bergen	4	4	6	7	2	3	1	2	4	3	6	3	5	4	—	54
Burlington	1	1	2	—	—	—	1	—	3	1	—	—	—	1	—	10
Camden	8	4	12	5	9	3	—	7	20	8	10	1	7	16	—	110
Cape May	2	1	4	1	2	—	1	—	1	1	2	—	1	1	1	18
Cumberland	2	—	1	1	—	—	1	—	1	—	—	—	1	2	—	9
Essex	21	5	34	13	7	4	5	4	79	13	45	5	25	31	—	328
Gloucester	4	1	3	1	—	—	1	—	2	3	—	—	3	—	—	20
Hudson	9	1	18	3	1	4	3	—	17	5	18	1	5	10	—	95
Hunterdon	—	—	1	—	—	—	1	—	2	—	1	—	—	—	—	5
Mercer	1	1	2	1	—	1	—	—	1	1	1	—	1	1	—	10
Middlesex	5	—	3	5	6	1	—	—	8	3	2	—	5	6	1	45
Monmouth	4	—	1	3	2	1	1	—	3	1	1	—	2	3	2	24
Morris	—	—	2	1	1	1	2	1	4	—	1	—	—	5	1	19
Ocean	—	—	1	2	—	—	—	—	1	1	—	—	1	—	—	6
Passaic	5	3	7	1	1	2	1	—	11	3	4	—	11	4	—	53
Salem	1	—	—	—	—	—	—	—	—	—	—	—	—	—	—	1
Somerset	2	—	1	—	1	1	—	—	—	—	—	—	—	2	—	7
Sussex	—	—	—	—	—	—	1	—	1	—	1	—	—	—	—	3
Union	5	2	9	2	5	6	—	3	11	8	7	—	3	—	—	64
Warren	—	—	—	1	—	—	—	1	2	—	—	—	1	1	—	6
State	77	24	108	50	38	64	18	19	176	56	103	11	71	93	7	915
Percentage Distribution	8.4	2.6	11.8	5.5	4.2	7.0	2.0	2.1	19.2	6.1	11.3	1.2	7.8	10.2	0.8	100.0

[Footnotes at end of table.]

BUILDING AND LOAN IN NEW JERSEY

TABLE DD*—(Continued)

Occupational Classification of Building and Loan Association Presidents, Secretaries, and Treasurers, by Counties, 1928

SECRETARIES															
COUNTY	RETIRED	CLERICAL	BUILDING	BANKING	GOVERNMENTAL	INSURANCE	LAWYERS	MECHANICS	MERCHANTS	PROFESSIONAL	REALTORS	MISCELLANEOUS	ACCOUNTANTS	FULL-TIME B & L	TOTAL
Atlantic	1	4	2	5	1	2	1	—	1	1	1	—	6	3	28
Bergen	—	7	2	2	4	3	1	1	2	3	11	4	7	6	53
Burlington	1	4	—	1	2	—	—	1	—	—	—	—	1	—	10
Camden	—	22	4	9	1	9	2	1	5	4	37	10	4	1	109
Cape May	—	3	—	—	3	1	2	—	1	2	3	1	2	—	18
Cumberland	—	4	—	1	—	2	—	—	—	—	—	—	—	2	9
Essex	3	29	1	24	15	52	3	—	10	16	20	17	83	61	334
Gloucester	—	2	—	6	1	1	—	—	1	1	1	4	2	1	20
Hudson	2	17	1	10	3	8	1	—	1	3	19	9	18	4	96
Hunterdon	—	1	—	1	—	—	1	—	—	—	—	1	1	—	5
Mercer	—	2	—	2	—	2	1	—	1	—	1	—	—	—	9
Middlesex	—	6	1	4	2	6	1	—	2	4	7	6	5	2	46
Monmouth	—	2	—	9	—	3	1	—	1	—	4	1	3	—	24
Morris	1	2	1	4	2	3	1	—	1	1	2	2	1	—	20
Ocean	—	1	—	1	—	—	—	—	1	1	1	1	1	—	6
Passaic	—	8	2	2	1	11	4	—	2	—	10	3	8	5	56
Salem	—	—	—	—	—	—	—	—	—	—	—	—	1	—	1
Somerset	1	1	—	—	2	2	—	—	1	—	—	—	—	—	7
Sussex	—	1	—	1	—	—	—	—	1	—	—	—	—	—	3
Union	—	12	4	13	1	4	—	—	3	2	4	5	10	6	64
Warren	—	1	—	1	—	2	—	—	1	—	—	1	1	—	7
State	9	129	18	96	38	111	19	3	34	38	121	65	153	91	925
Percentage Distribution	1.0	13.9	1.9	10.4	4.1	12.0	2.1	0.3	3.7	4.1	13.1	7.0	16.5	9.8	100.0

APPENDIX

TABLE DD*—(Continued)

Occupational Classification of Building and Loan Association Presidents, Secretaries, and Treasurers, by Counties, 1928

TREASURERS																
COUNTY	RETIRED	CLERICAL	BUILDING	BANKING	GOVERNMENTAL	INSURANCE	LAWYERS	MECHANICS	MERCHANTS	PROFESSIONAL	REALTORS	MISCELLANEOUS	ACCOUNTANTS	FULL-TIME B & L	MANUFACTURING	TOTAL
Atlantic	3	—	3	8	1	2	—	—	5	1	1	2	—	—	—	26
Bergen	2	8	7	2	3	6	—	3	4	—	6	2	4	1	4	52
Burlington	1	3	1	—	—	—	—	—	3	—	1	1	—	—	—	10
Camden	3	22	3	22	1	5	2	3	17	—	14	12	—	—	4	108
Cape May	—	3	1	1	1	—	1	—	3	—	5	2	—	—	—	17
Cumberland	1	2	1	3	—	—	—	—	—	—	—	1	—	—	1	9
Essex	26	41	23	19	6	23	4	4	72	8	41	25	14	2	19	327
Gloucester	1	4	2	3	1	—	—	—	2	—	—	5	1	—	1	20
Hudson	4	10	8	14	3	8	1	—	13	3	12	15	2	2	3	98
Hunterdon	1	1	—	2	—	—	—	—	1	—	—	—	—	—	—	5
Mercer	—	5	1	—	—	—	—	—	1	—	1	—	—	1	1	10
Middlesex	1	11	1	4	1	1	1	—	7	1	5	4	3	2	5	47
Monmouth	2	1	1	11	—	—	—	—	5	—	1	1	—	—	1	23
Morris	—	1	1	3	1	2	—	1	4	—	1	3	1	—	2	20
Ocean	—	1	—	2	—	—	—	—	1	—	2	—	—	—	—	6
Passaic	2	8	4	5	2	5	—	1	10	2	6	2	4	—	4	55
Salem	—	—	—	—	1	—	—	—	—	—	—	—	—	—	—	1
Somerset	—	2	—	2	—	—	—	—	2	—	—	—	—	—	1	7
Sussex	—	1	—	2	—	—	—	—	—	—	—	—	—	—	—	3
Union	5	4	6	7	4	1	1	1	11	2	4	7	5	—	6	64
Warren	1	2	—	—	—	—	2	—	1	—	—	—	—	—	—	6
State	53	130	63	110	25	53	12	13	162	17	100	82	34	8	52	914
Percentage Distribution	5.8	14.2	6.9	12.0	2.7	5.8	1.3	1.4	17.7	1.9	10.9	9.0	3.7	0.9	5.7	100.0

* Data from individual association reports filed with the Commissioner of Banking and Insurance.

INDEX

INDEX

- Advertising, samples of, 254-5
Amortization feature in building and loan, 48
Apportionment of profits, compound interest scale, 92; Dexter plan, 92; plans of, 90-3; simple interest plan, 90; typical statement for shareholders, 96
Application, for shares, 124; for loan, 121
Appraisal, by committee, 63, 130; by experts, 128; fees, 121, 124; fundamentals of, 131
Assets, of associations, 16; liquidity of, 193-200; present discussion of liquidity, 197
Association organization and structure, 51-64
Attorney, duties of, 63; fees, 136; responsibility of, 137
Average, arithmetic and modal distinguished, 19
"B" Share loans, 237-41
Bankers, criticism of associations by, 184-6
Banking and Insurance, Department of, 52; organization of, 118
Bellman, H., cited, 1, 3, 4
Board of Directors, *see* Directors
Bodfish, H. M., cited, xxviii
Book value of shares, meaning of, 90
Borrowing membership, 65
British Building Societies, 1
Builders' Loan Society of Newark (formed in 1849), 9
Building and loan association defined, 51
Building and Loan Association Act, General, of New Jersey, quoted or cited, 51, 52, 61, 76, 85, 111, 114, 115-18, 152, 159, 172, 182, 196, 197, 199, 200, 240, 249, 252
Cambridge decision (tax case), 166-9
Capital, meaning of in a building and loan association, 40, 68
Certificates, share, 72
City property, loans on, 133-5
Clark and Chase, book by, xxvii, 3, 5, 6, 41, 53, 130
Co-insurance clause, 139
Combination loans, data on practices, 152, 154; cost of, 222
Commissioner of Banking and Insurance, approves certificate of incorporation, 52; organization of Department, 118
Committees, of boards of directors, 63; appraisal, 63-4; of N.J. League of Building and Loan Associations, 257
Comparison of associations and other institutions for savings, 27
Composition of savings in New Jersey, changes in, 30
Compound interest, accumulation, 41; compared with simple interest accumulation, 45; formula for, 44; plans of apportioning profits, 92
Construction loans, 149; data on practices, 151; methods of charging interest, 151
Continuous investment, provided for automatically in associations, 42
Conventions, of N.J. League, 257; of U.S. League, 259
Convertibility of shares into cash, 111-13
Cooperative, associations in N.J. are, 37, 53; importance of cooperative nature in federal taxation, 161
Corporations, shares held by, 67
Cost, of doing business, 200; of borrowing from associations, 210-42; *see also* Loan Cost to Borrowers
Counties of New Jersey, building and loan activity in, 12, 33-6
Credit inquiry, 135
Credit unions, 37
Demolition clause in fire insurance policies, 140

INDEX

- Department of Banking and Insurance, 52
- Deposits in savings banks, 29-32; *see also* Savings
- Dexter plan of profit apportionment, 92
- Directors, Boards of, compensation of, 62; how elected, 61; meetings of, 62
- Disbursement of loan funds, 144-7
- Distribution of building and loan association activity, by counties, 12, 33-6
- Dues, regularity of, 56; statistics on, 70
- Early associations, in the world, 1; in England, 2; in the United States, 5; in New Jersey, 9
- Early repayment of loans, 233-7
- Earnings, 89-110; analysis by size of associations, 104; apportionment of profits, 99; geographical analysis, 102; rate yield in optional payment associations, 106-8; rate yield in serial associations on instalment shares, 99-106; rate yield on paid-up shares, 110; rate yield on savings bank deposits, 110; rate yield on short-term shares, 105; rate yield on single-payment shares, 110
- Educational, Committee of N.J. League, 257; activities, 258
- Effective *vs.* nominal rate of interest (or dividends), 39
- Endlich, G. A., cited, 3
- England, history of building societies in, 1
- Errors and omissions insurance, 142
- Essex County, compared with rest of N.J., 20; spread of optional payment plan in, 57-60
- Examination of associations, State, 119
- Expansion, 251
- Farm loans, 158
- Faulty computation, illustration of with respect to loan cost to borrowers, 215
- Federal Reserve System, membership in, 190
- Fees, appraisal, 121, 124; legal, 136; membership, 181-3; of building and loan workers analyzed, 243-7
- Fetter, F. A., cited, 213
- Fidelity bonds, 142
- Financial picture of associations, 187-209; trends in, 207-9
- Fines, 54, 180-2
- Fire insurance, 139
- Foreclosures by associations, 260
- Foreign countries, building and loan associations in, 1-4
- Fraud, few cases of, 62
- Full-paid shares, *see* Paid-up shares
- Funds, disbursement of on loans, 144-7
- Genesis of the building and loan association movement, 1
- Great Britain, Building Societies' Act, 3; early societies in, 1
- Greenwich Union Building Society, 2
- Gross premium, and instalment premium compared, 174-5, 179
- Growth, of associations in the U.S. and N.J., 12-36; in the U.S., 21-4; in N.J., 24-7; of associations and savings banks compared, 23-7
- Heydon, H. R., Secretary of N.J. League, *see Foreword and Introduction*
- Historical financial picture of associations, 202-9
- History of association movement, 1-11
- Illinois, rank as a building and loan State, 13; size of associations in, 18
- Importance of associations as savings institutions, 14-16
- Income from loans, association, 170-86
- Income-tax exemption, 159-69; Cambridge Decision, 166-9; Polify Ruling, 164-6
- Incorporation of associations, 51
- Indiana, rank as a building and loan State, 13; size of associations in, 18
- Instalment, investment, 45-7; premium and gross premium compared, 174, 175, 179; shares, 69; withdrawal ratio of instalment shares, 78-85
- Institute of building and loan in N.J., 258
- Institutions for savings in N.J., 27-32
- Insurance, check-up of policies, 140; co-insurance clause, 139; demolition clause, 140; errors and omissions, 142; fire, 139; fidelity bonds, 142; life, 143; title, 137-9; tornado, 141
- Interest, compound, 41, 44-5; effective and nominal contrasted, 39; formula for computing loan cost, 216; reduc-

INDEX

- ing-interest plans, 226-33; simple, 42-5; theory of, 211-15
- Investment, instalment, 45-7; in securities, 154; of building and loan associations and savings banks compared, 190; restrictions on by law, 115-18; worth of building and loan shares, 89-120
- Juvenile shares, 88
- Law of building and loan associations, *see* Building and Loan Association Act
- Leagues of building and loan associations, in general, 256; in New Jersey, 256-9; in the United States, 259
- Legal Committee of the N.J. League, 257; fees, 136
- Legislative Committee of the N.J. League, 257
- Liability of shareholders, 68-9
- Lien, mechanics', 150
- Life insurance, 143
- Liquidity, of assets, 193-200; present discussion of, 197-200
- Loan cost to borrowers, 210-42; chart for ascertaining, 220; illustration of faulty computation, 215; statistical analysis of, 218
- Loan practices, 121-69; *see also* Loans
- Loans, application for 121-2; B-Share, 237-41; B & L type explained, 48-50; classified as to security, 148-9, as to stage of building construction, 149-52, as to terms of repayment, 152-4; combination, 153, 222; construction, 149; disbursement of funds on, 144-7; early repayment of, 233-7; fees on distant and local, 126; on farms, 158; geographical spread of, 127; income from, 170-86; on city, suburban, and rural properties, 133-5; on specialized properties, 157; share, 112, 224; size of, 128; State law on, 115-8; straight, 48, 152, 168; to non-members, 159; types of, 148
- Losses in building and loan associations, 114
- Management and control, of associations, 61-2
- Marketability of shares, *see* Convertibility
- Massachusetts, growth of associations in, 33; rank as a building and loan State, 13; size of associations in, 18
- Maturity, of shares, meaning of, 48, 68; statistics relating to, 70
- Mechanics' lien, 150
- Membership, 65-88; fees, 181-3; *see also* Shareholders
- Modal average, meaning and use of, 19
- Mortgage loans, 148 *ff.*; *see also* Loans
- Mutual savings banks, origin of in N.J., 7; size of, 17-20
- Mutuality, of associations in N.J., 37, 53; in taxation, 161-4
- Names of associations, 52
- National associations, history of, 6
- New business, how developed, 251
- Newark, first association started there, 9-11
- New York, rank as a building and loan State, 13; size of associations in, 18
- Nominal *vs.* effective rate of interest (or dividends), 39
- Non-borrowing membership, 65
- Non-members, loans to, 159
- Non-serial associations, described, 54
- Occupations of building and loan workers, 248-50
- Officers, compensation of, 62, 243-7; duties of, 62-4; how chosen, 61; occupational classification of, 248-50
- Ohio, rank as a building and loan State, 13; size of associations in, 18
- Operation, the building and loan plan explained, 38; organization and structure of associations in N.J., 51-64
- Optional payment plan, 41-55; arguments against, 55-6; arguments for, 55; provides flexibility, 85; spread of, 57-60
- Origin of building associations, 1
- Other institutions for savings in N.J., 27
- Oxford Provident Building Association, 5
- Paid-up shares, 69, 75-88; criticisms of, 77; described, 75; holdings of, 87; increasing popularity of, 86-7; legal position of paid-up shareholders, 76; withdrawal of, 78-85

INDEX

- Paid-up stock, *see* Paid-up shares
Partnership plan of profit apportionment; arguments in its favor, 91; arguments in opposition to, 92; *see also* Simple interest
Pennsylvania, early associations in, 5; growth of association movement in, 33; rank as a building and loan State, 13; size of associations in, 18
Per capita of population comparisons, N.J. and U.S., 20
Personnel of building and loan associations, 243-53
Phares, E. W., cited, 139
Plans of operation, Dayton, 41; optional payment, 41; terminating, 39; serial, 40
Polify Ruling (tax case), 164-6
Premium charges, gross and instalment compared, 174, 175, 179; history of, 171; practices with respect to mortgage loans, 173, 176; practices with respect to share loans, 178; prevalence of, 172
Prepaid stock, *see* Paid-up shares and Single-payment shares
Present situation in N.J., 259
President, duties of, 62
Profits, allowed on early withdrawal, 94; apportionment of, 90; simple-interest plan, 90; Dexter Plan, 92
Property loaned on, 155-9; classification of, 155; specialized, 157; farms, 158
Psychology of the amortization feature, 50; importance of integrity of officers and directors, 61

Rates earned, on mortgage loans, 170-7; on share loans, 177-80
Ratio scale, explanation of, 21
Reducing-interest plan, 226; compared with regular plan, 228-33; statistics concerning, 232
Regularity of dues, 56
Rent, 200
Reserves, "asset" and "proprietary" distinguished, 188-9; effective, 195-7
Residence of shareholders, 67
Riegel, R., and Doubman, J. R., cited, xxviii, 143, 247
Rural property, loans on, 133-5
Safety, 113; losses, 114
Salaries, of building and loan workers, 243-7; viewed as association expense, 201
Savings, changes in composition of, among various institutions in N.J., 30; deposited in associations, 29-32; deposited in National banks, in savings banks, in State banks, and in trust companies, 29-32
Savings banks, and building and loan associations compared, 188; *see also* Mutual Savings Banks
Secretary, duties of, 63
Securities, investment in, 154-5
Serial plan, 40-54; arguments against, 55; arguments for, 55-6; earnings of serial associations, 99
Series, meaning of, 40; frequency of, 54
Sex of shareholders, 66-7
Share, use of certificates, 72
Share loans, 112, 224; graphic portrayal of, 225; outstanding, 148-9
Shareholders, 65-88; are members of the corporation, 61; juvenile, 88; liability of, 68-9; residence of, 67; sex of, 66-7
Shares, 65-88; application for, 124; held by corporations, 67; held in trust, 67; instalment, 69; juvenile, 88; paid-up, 75-88; short-term, 71; single payment, 72-5; statistics relating to, 71; types of, 69
Short-term shares, 71
Simple interest, 42; compared with compound interest, 45; plan of apportioning profits, 90
Single-payment shares, 72-5
Sinking fund, as a factor for safety, 113; principle of, 47-50
Size, of associations, 16; N.J. and Essex County compared, 20; of loans, 128; of savings banks, 17
Smith, F. H., Commissioner, quoted, 262
Smith, J. B. R., cited, 66, 69
Smith, J. G., cited, 137
Spread of the building and loan movement in the U.S., 6
State supervision of associations, 118-9
Statement of earnings, typical, 96
States, seven leading building and loan, 13; arranged in order of percentage increase in assets per capita, 32; average size of associations in, 18

INDEX

- Statistics, relating to association personnel, 243-53; relating to growth of associations, 12-36; relating to loan cost, 218 *ff.*
- Stock, building and loan association, *see* Shares
- Straight loans, data on, 168; described, 48, 152
- Streeter, W. W., cited, 45, 92
- Structure of the N.J. building and loan association, 51-64
- Suburban property, loans on, 133-5
- Sundheim, J. H., cited, 69
- Supervision of associations by Department of Banking and Insurance, 52, 118-19
- Taxation, associations exempt from federal corporation income tax, 159-69; Cambridge Decision, 166-9; Polify Ruling, 164-6
- Terminating plan, 3, 39
- Theory of the building and loan association, 37-50
- Time deposits, in National banks, in State banks, in trust companies, 29-32
- Title, insurance, 137-9; tracing, 136
- Tornado insurance, 141
- Treasurer, duties of, 62
- Trust, building and loan shares held in, 67
- Types of associations, in N.J., 54-60; in other parts of the U.S., 41
- Vacant land, loans on, 155
- Value of property, difficult to ascertain, 130
- Wind insurance, 141
- Withdrawal of shares, low allowances on, 56; provisions for, 111; ratio of withdrawals, 78-85; 107-8