SAVINGS SOCIETIES SHOW BIG GROWTH

Record of Quarter of Century of Building and Loan Associations is Most Remarkable.

By T. J. FITZMORRIS.

A quarter of a century of state supervision plants a guide post of progress in the twenty-fifth annual report of the state banking board covering the business of Nebraska building, savings and loan associations for the twelve months ending June 30 last. The years spanned since the first report in 1892 constitute a record of co-operative development creditable alike to the fostering care of the state and the men who directed the affairs of associations.

In 1892 the combined assets of seventy-one associations totaled $2,902,557 with 45,000 shares in force. Today the assets o. seventy-three associations total $54,545,629, representing the savings of 101,869 share-holders and 1,133,580 shares. This is a normal year's gain of $6,627,782 in assets, more than double the total of 1892, and an increase of $370,000 over the recdrd of the preceding twelve months.

Woven into the warp and woof of the quarter-century growth is a story of struggle, perseverance and sacrifice, of unselfish work and devotion to the ideal of mutual self-help. Hard work gratuitously given, coupled with confidence and a fighting spirit, were the forces which pulled Nebraska associations through the painfully lean years of the '90's and fought off the blight and threatened disaster of nationwide speculative concerns using the name of building and loan association. The success which local associations subsequently won is due in large part to state supervision and the protection and encouragement afforded by sympathy and sense in law enforcement.

Margin of Safety in Loans.

Several features of the report deserve special study. The foundation of association strength and permanence rests on the homes of borrowing members. Homes are the chief security for loans, restricted by law to first mortgages. Experience in Nebraska and the country over ranks the home loan at the top of real estate securities, provided the lender's margin is on the safe side. In practice three or more officers inspect and appraise property for loans and determine the amount of the loan both from the appraised and the community standing and earning ability of the applicant. These methods establish the relation of loans to the margin of safety. The report shows that the mortgage loans totaling $48,617,709 are secured by property appraised at $97,888,928.52, more than double the amount of the loans. Fire insurance to the amount of $57,375,636 and tornado insurance totaling $35,723,000 are held by the associations as collateral security. Tornado insurance is a comparatively new additional safeguard, its rise dating from Omaha's famous Easter Sunday blow.

Analysis of Real Estate Holdings.

The report notes a slight increase in real estate in process of foreclosure and subject to foreclosure, but these are offset by an increase of $65,000 in real estate sold on contract, the total of the latter standing at $322,173.82. The item of "real estate, office and other real estate," totaling $897,372.46, gives an impression of lax management unwarranted by the facts. In the report for 1916 the late Secretary Royse pointed to this item as evidence of inflated loans. Examination gives a different aspect to the figures. Four office buildings, projected or occupied by three Omaha associations, account for one-half the real estate total. All of them are income producers and rising in value. Grand Island and North Platte associations' own permanent office homes. These six association homes represent a total investment of $501,885, leaving the actual real estate holdings taken over through defaulted loans $395,487. In other words three-fourths of 1 per cent of all real estate mortgages have come into possession of associations at the close of a quarter of a century of state supervision.

Real estate in process of foreclosure and subject to foreclosure has little actual bearing on association business methods. They arise from business difficulties of borrowers, sickness or other misfortune. Most of the cases are settled in or out of court, or the equity of the borrower sold to others. "Subject to foreclosure," is particularly misleading. Under the law a borrower delinquent for three months is subject to foreclosure, but the rule, enforced in chronic cases, serves as an efficient prod for laggards.

Reserve Fund Safeguards.

Shortly after the state banking department assumed supervision of associations the change from serial to permanent association began. Serial associations are those issuing shares in series, each series independent in itself and requiring regular weekly or monthly payment until maturity or par value, following the original system started in Philadelphia eighty-six years ago and still in vogue in that city. The so-called permanent plan had its rise in Ohio forty years ago and is distinguished from the serial in each account being independent, sharing pro-rata in profits divided quarterly or semi-annually and withdrawable on thirty days' notice. In the serial system the larger share of profits are withheld for division at maturity of shares, and are subject to any losses sustained in the given series. The permanent system necessitated the creation of reserve funds to meet possible losses and the law fixed the amount at 5 per cent of the annual net profits. Fifty-four associations are on the permanent plan, thirteen retain the serial system and six associations combine both systems. The reserve fund now amounts to $1,309,284.11 and is available solely for losses in mortgage loans. This in itself is a bulwark of strength. But in addition the associations report undivided profits of $534,299.48, making a total reserve of $1,843,683.59 to meet contingent losses from real estate on hand and in process of foreclosure. Even if these two classes of defaulted accounts proved a total loss, an impossible result, the drain on the reserves would barely amount to one-third.

Profits and Interest Charges.

During the twelve months covered by the last report dividends amounting to $1,894,694.04 were declared on installment shares and $769,461.04 on full-paid shares. The average rate on installment shares was 7.4 per cent and on full paid shares 6.2 per cent. In some quarters the rate of interest charged borrowers remain abnormally high, the average rate being 8.1 per cent together with a premium rate averaging 2.9 per cent. Permanent associations as a rule long ago abandoned the premium system for a straight charge. The report does not show how many retain it. Omaha associations combined represent a little more than one-half the total assets. With one or two exceptions no premium charge is made and the ruling interest charge was 6.6 per cent, up to April 1, when three local leaders reduced rates to 6 per cent straight. To strike an average interest rate of 8.1 per cent with a much lower rate on half the business, it is evident that interior associations cater more to the investors than the home maker.

A fact of much significance in this connection is the marked increase in the number of investing members holding full-paid shares. Ten years ago full-paid shares represented one-eighth of the whole. Today they represent 40 per cent of outstanding shares. In like manner the proportion of non-borrowers to borrowers has decreased from 3 to 1 to 2 to 1. The money of both classes of shareholders serves the same useful end. It financed 2,646 new building loans during the year and 4,300 loans on improved property.

One of the many striking features of the business aggregating in round figures $54,500,000 in assets is the low cost of handling the fiscal year's receipts. The outlay for twelve months itemized as salaries, commissions and other expenses, totals $435,140.34, or three-fourths of 1 per cent of the assets. The average cost of operation throughout the United States is slightly under nine-tenths of 1 per cent.

The saving makes more secure Nebraska's rank as the eighth state in this class of co operative development. It outranks every state west of the Mississippi and south of the Ohio. With a record untarnished by dishonesty or serious failure, Nebraska associations move forward to greater prosperity and usefulness.

Summary of Nebraska Building and Loan Associations for Year Ending June 30, 1917

ASSETS.		LIABILITIES.	
First mortgage loans	$48,617,709.19	Running stock and dividends	36,946,026.11
Loans in process of foreclosure	252,105.90	Paid-up stock and dividends	14,116,148.21
Loans on stock or pass book security	476,526.79	Due shareholders on incomplete loans	1,556,055.49
Real estate (other than office)	897,372.46	Reserve fund	1,309,284.11
Real estate sold on contract	322,173.22	Undivided profits	534,309.48
State and municipal securities	424,537.68	Unearned premium	50.58
Cash	2,840,953.49	Other liabilities	55,765.80
Delinquent interest, fines, etc	135,239.20	Matured stock	27,350.00
Furniture and fixtures	37,994.50	Bills payable	550.00
Taxes paid	18,092.44		
Other assets	255,089.31	Total	$54,545,629.78
Tax certificates	3,336.30		
Certificates of deposit	264,500.00		
Total	$54,545,629.78		

RECEIPTS.		DISBURSEMENTS.	
Cash on hand last report	$ 2,819,014.88	Mortgage loans	$15,055,470.21
Dues (running stock)	13,174,833.63	Stock loans	737,510.44
Paid-up stock	5,346,820.18	Withdrawals running stock and dividends	10,400,524.70
Mortgage payments	8,967,570.87	Withdrawals dividend on paid-up stock	590,082.00
Stock loan payments	706,604.37	Withdrawals, paid-up stock	3,545,793.43
Real estate sales	307,908.17	Salaries	265,254.02
Interest	3,171,868.57	Commissions	49,006.03
Premium	137,573.13	Other expense	96,171.68
Fines	14,381.20	Real estate account	339,330.55
Rents	10,097.85	Cash on hand	2,886,181.75
Membership and transfer fees	34,854.24	Other disbursements in detail	1,325,827.67
Rents and office building receipts	38,567.71	Tax certificates	8,760.28
Other receipts in detail	691,661.76	Matured stock	114,956.05
Tax certificates	4,825.08	Certificates of deposit	359,878.63
Certificates of deposit	278,100.11	Bills payable	12,808.81
Incompleted loans	484,971.80	Incomplete loans	422,842.39
Bills payable	20,745.00		
		Total	$36,210,398.55
Total	$36,210,398.55		

PROFIT.		LOSS.	
Undivided profits (last report)	$ 449,497.41	Dividends credited to running stock	1,926,220.38
Interest	3,159,566.61	Dividends credited to paid-up stock	753,092.75
Premium	141,746.20	Salaries	265,264.39
Fines	17,400.60	Commissions	52,313.86
Membership and transfer fees	50,116.01	Other expenses	117,563.73
From other sources in detail	138,878.64	Reserve fund credit	237,656.78
		Undivided profits	526,117.51
Total	$3,957,205.47	Other expenses in detail	78,977.07
		Total	$3,957,205.47