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CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

By the Staff
Board of Governors
of the Federal Reserve System

September 29, 1967

The Domestic Financial Situation

Business demands for bank financing over the mid-September tax and dividend period at banks outside New York City were quite heavy, as shown in the table. This was in contrast with the light financing demands at New York City banks reported in the Green Book.

CHANGES IN SELECTED BALANCE SHEET ITEMS AT BANKS OUTSIDE NEW YORK CITY OVER THE SEPTEMBER TAX AND DIVIDEND PERIOD 1/

(Millions of dollars)

Item	1964	1965	1966	1967
Business loans	422	511	535	704
Government security dealer loans	543	140	55	342
Finance company loans	115	190	275	29
Treasury bill holdings of banks	333	245	-42	319
Negotiable CD's outstanding	-312	-302	-466	-381
Total	1,725	1,388	1,289	1,775
Corporate income tax payments (1967 estimated)	4,000	4,200	4,500	4,100
Bank financing as a percentage of tax payments	43	33	29	43

1/ Reporting week or weeks including September 10 and 15.

Associated in part with the large rise in tax-related borrowing at outside banks, total loans and investments at these banks rose substantially in the week ending September 20, notwithstanding a large decline in their holdings of municipal and agency issues. As a result, it now appears that the end-of-month bank credit series will show a somewhat larger rise in September than implied in the Green Book, although considerably below that in August.

International Developments

On Tuesday, September 26, the Bank of Canada announced an increase in the bank rate from 4-1/2 per cent to 5 per cent, effective September 27. This action appears to be a technical adjustment to sharp increases in Canadian market yields in the last six months rather than a sign of a new tightening of monetary policy. The 91-day Treasury bill rate had recently approached the previous level of the bank rate, and long-term bond yields had risen above 1966 peaks, so that the 4-1/2 per cent bank rate was out of line with the whole structure of market rates.

The Canadian bond market has been weak primarily because of a very heavy schedule of flotations, reflecting substantial public sector financing requirements and the evident desire of many Canadian corporations to improve liquidity positions. But the Bank of Canada has not acted to counter this weakness in bond markets despite the fact that the predicted second half economic recovery has not yet materialized. The Canadian economy has been plagued by a combination of stagnant demand and serious price and wage inflation. Yesterday's action suggests that the Bank will adhere to the somewhat tighter monetary policy of recent months so long as prices and wages continue to rise rapidly.

Corrections:

Page I - 2. First word of line 2 should be expected.

Page I - T - 1. The rise in nonindustrial employment from 2 years ago was 10.5 per cent. The consumer food price index in August was 116.6 which was 0.7 per cent above a year ago and 0.9 per cent above 2 years ago. The index of service prices was 128.2 in August and 127.7 in July. The August rise from a year earlier was 4.2 per cent.

Page I - T - 2. Lines 6 and 7. The decimal points were omitted. Corporate public offerings include both public and private and stocks.

Page II - 5a. Industrial production for QII 1967 should be 155.8; capacity utilization rate should be 84.8 in QII.

Pate II - 5b. Annual rate of change in industrial production in QII should be 3.1 per cent.

Page III - 11, Table A. Footnote in last column heading should be 3/ (instead of 2/).

Page IV - 9. In footnote b/ the figure should be £5 million (instead of dollars).

SUPPLEMENTAL APPENDIX A: CURRENT AND PROSPECTIVE MORTGAGE MARKET CONDITIONS AS REPORTED IN SPECIAL SURVEYS BY THE FEDERAL RESERVE BANKS AND THE FEDERAL HOME LOAN BANKS*

Although mortgage lenders generally expect that their savings and cash flows will remain strong over the rest of this year, they foresee little, if any, pickup in new mortgage commitments from last month's rate which was not far below normal. With new mortgage commitment activity having recovered much of its drop in 1966, the outlook for no substantial further change through December primarily reflects lender restraint in view of unusually attractive yields on bonds, uncertainty about forthcoming interest rate movements and liquidity needs, and advanced levels of outstanding loan commitments. In contrast, demands for mortgage credit seem likely to strengthen slightly, despite some borrower hesitancy stemming from high housing prices and high costs of construction and financing, in addition to uncertainties about the Vietnamese war and the proposed increase in Federal income taxes.

The 421 lender interviews held by the Federal Reserve Banks and the Federal Home Loan Banks during September showed quite mixed results in many cases, partly reflecting the varying extent of current recovery among different types of mortgage lenders, properties, loans, and regions. Even though respondents were asked to make full allowance in their replies for seasonal change, their outlook conforms to a pattern that could be explained largely in terms of usual behavior under close-to-normal conditions. The fourth quarter of the year, of course, spans a period when savings flows ordinarily remain stronger than new mortgage commitments do.

The findings analyzed below and tabulated at the end of this appendix are based on Federal Reserve Bank interviews with 117 commercial banks, 59 mortgage companies, 55 life insurance companies, and 23 mutual savings banks, as well as Federal Home Loan Bank interviews with 167 savings and loan associations, as tabulated by the Federal Home Loan Bank Board. While the Federal Reserve Banks followed a questionnaire similar to one already used in the field by the Federal Home Loan Banks, the Reserve Bank survey amplified several items and included separate questions on construction lending, life insurance company cash flows, and the effect on expected savings flows of yields on competitive market

* Prepared by Robert M. Fisher, Senior Economist, Capital Markets Section on the basis of reports from the Federal Reserve Banks to the Board letters of August 25 and September 8, 1967, and a summary prepared by the staff of the Federal Home Loan Bank Board based on a similar survey conducted by the Home Loan Banks of savings and loan associations.

instruments. As in earlier surveys, the findings reflect only the viewpoints of lenders, since real estate brokers and builders--and would-be buyers and sellers--were not interviewed.

Current volume of new permanent mortgage commitments

New mortgage commitments were generally being made during September in somewhat below normal volume on homes, and at or above normal volume on income-producing properties. These commitment rates imply that recovery from last year's sharp drop has been achieved more fully in the case of multifamily and commercial mortgage lending than in the case of home lending. According to the reports, new commitment volume was running closer to normal for banks than for mortgage companies or life insurance companies.

Savings and loan associations have apparently been taking up some of the slack in the home mortgage market. These institutions reported a quite active volume of total mortgage commitments, expressed in terms of pre-1966 levels. As a result, pressures on their resources have apparently been increasing, as noted below.

Per cent of all respondents with new
mortgage commitments at normal or better levels in September

	Property type		
	Homes	Income	Total
Commercial banks	57	69	n.a.
Savings banks	56	71	n.a.
Mortgage companies	38	48	n.a.
Life insurance companies	24	51	n.a.
All four combined	47	61	n.a.
Savings and loan associations	n.a.	n.a.	66

Note: Percentages in this and following tables are based on all reporting cases, which were often rather small in number.

Even so, a lack of strength was noted in several Federal Reserve Districts, including New York. Within the Boston Federal Reserve District, "in general, the supply of mortgage finance cannot really be said to be currently tight, and conditions have eased greatly since late last year. Money is available, but weakness in quality demand and a general aura of caution among lenders are acting to keep new commitments lower than they would otherwise be."

One of the least favorable reports came from the Atlanta Federal Reserve District, where "the mortgage market. . . has deteriorated somewhat within the past month. The principal factor in this change was the recent price reduction for home mortgages by the Federal National Mortgage Association. A less specific but important factor was the developing uncertainty over whether a tax increase would materialize during 1967."

Current volume of new short-term construction loan commitments

New construction loan commitments during September closely followed the pattern reported by commercial banks and mortgage companies for their permanent loan commitments. The volume of new construction loan commitments was more active (a) for commercial banks than for mortgage companies, and (b) for multifamily and commercial properties than for homes.

Per cent of all respondents with new construction loan commitments at normal or better levels in September

	Property type	
	Homes	Income
Commercial banks	55	65
Mortgage companies	40	55

New construction loan commitment patterns varied considerably among regions. In the Kansas City Federal Reserve District, "the divergence between mortgage loan and construction loan commitments [which were stronger] may be explained, in part, by the fact that commercial banks and mortgage companies make construction loans on properties for which mortgage loan commitments have been obtained from savings and loan associations. It was related by some respondents that although long-distance lenders were not active in the market at the present time, savings and loan associations are filling this gap. This would help account [in the Tenth District] for both the low volume of long-term commitments and the higher volume of construction loan commitments."

The New York Federal Reserve Bank reported, on the other hand, that "commitments on short-term construction loans for new single-family building are presently running below normal levels. . . . Mortgage companies have indicated that this is a reflection of high interest rates which have dampened the activity of new home builders. Similarly, many commercial banks have not had many applications for such loans, since their correspondents (who typically seek the banks' participation in this type of lending) have been able to handle the bulk of the loan requests. . . . Those commercial bankers that have sharply stepped up their lending in this area pointed to the very attractive yields obtainable on this type of loan."

Outlook for savings and cash flows

Banks and savings and loan associations generally foresaw normal or slightly above normal net savings inflows through the end of the year, although there was a wide range of variation in outlook.

Per cent of all respondents anticipating normal or better net savings inflows through year end

Commercial banks	90
Savings banks	83
Savings and loan associations	71
All three combined	79

An average of about 7 in every 10 banks made some allowance for the possibility that yields available on competitive market instruments might affect their future savings inflows. About 6 in 10 banks on the average took this factor into consideration in estimating their future savings withdrawals as well. For both inflows and withdrawals, the majority of banks required little, if any, adjustment in their outlook in order to account for this possible type of market competition. When adjustments were made, they were applied moderately downward with respect to inflows, and upward more often than downward with respect to outflows.

Commenting on the savings outlook, the Philadelphia Federal Reserve Bank reported that "while commercial banks remain essentially confident of their ability to attract and retain funds, liquidity does receive increasing attention on the part of portfolio managers. Corporate issues, particularly in the shorter end of the market, are sought after [perhaps in the form of commercial paper]. In any event, the atmosphere is unlike 1966, since few respondents were inclined to regard the existence of any serious withdrawal threat, but rather were concerned over a possible slowing down in the rate of inflows."

The Kansas City Federal Reserve Bank noted that "most [commercial] banks made some allowance for the impact of yields on competitive market instruments, but the effect was generally expected to be either small or moderate. Some banks indicated that they would be able to adjust their rates in accordance with the market so that the effect on savings inflows would be minimized."

Most life insurance companies--37 out of 55 interviewed--looked for policy loan demands to remain steady through December, with almost as many of the remaining 18 companies anticipating a decline as a moderate rise. The Atlanta Federal Reserve Bank indicated that "all of the five life insurance companies surveyed reported that they expect no significant change in policy loans over the next ninety days. Most [companies] cited as the reason for this expectation that bank credit is now more readily available and one indicated that last year's increase was related to banks' encouraging their customers to 'take them out' of loans collateralized by life insurance cash or loan values. This is not repeatable."

Life insurance companies generally expected that their cash flows would be normal or slightly below normal through year end, in contrast to the more favorable savings flow estimates made by banks and savings and loan associations. The life insurance companies interviewed generally foresaw no significant excess or shortage of funds that would become available to meet outstanding or presently anticipated loan commitments of all types. But the Boston Federal Reserve Bank added this cautionary note: "The Ford Motor Company strike, if extended for three months or more, could affect severely the gross flow of funds available for lending at one of our largest Life Insurance companies due to the fact that Ford employees are the largest group policy holders."

Outlook for new permanent mortgage commitments

Most lenders expected that their willingness to make new permanent loan commitments would change little over the next 90 days. (Savings and loan associations were not questioned on this subject.) The lenders interviewed appeared to be slightly more willing to make future commitments on income-producing property loans than on home mortgages.

A number of reasons were given for the lack of lender aggressiveness in making new commitments, despite anticipations of quite favorable cash flows to depositary institutions. The Philadelphia Federal Reserve Bank noted that commercial banks in its District "continue to cite the attractiveness of corporate bond rates as do several of the savings bank respondents." In the Chicago Federal Reserve District, "responses from the life insurance companies seem to square with reports from other sources to the effect that these firms have had little interest in single-family home mortgages since the crunch of last year. Indeed, indications are that multifamily and commercial mortgages also are attracting little interest on the part of the life companies." The New York Federal Reserve Bank emphasized that "those institutions (mainly life insurance companies and a few smaller commercial banks) whose activities in the single-family mortgage area were already at low levels, or were expected to decline moderately, indicated that they preferred to acquire bonds rather than home mortgages because of the more attractive bond yields."

Demands for mortgages--especially those secured by multifamily and commercial properties--were expected to be generally unchanged or moderately higher in the coming three months, thus suggesting some modest pressure on the available supply of funds. More than two-fifths of all reporting savings and loan associations, in fact, felt that demands for mortgage loans by prospective home buyers and builders were currently greater than the volume of funds available for lending.

Lenders believed on balance that the rate of new mortgage commitments actually underwritten during the fourth quarter would not change substantially from last month's pace. Compared with new commitments expected to be made on multifamily and commercial properties, anticipations were that new commitments on homes would be less strong, reflecting partly the already heavily committed position of savings and loan associations.

Per Cent of All Respondents Expecting New Mortgage Commitments During the Fourth Quarter to Change From September's Rates

	Property type	
	Homes*	Income
Increase	27	26
Unchanged	42	53
Decrease	30	20
Total	100	100

* Includes all savings and loan association reports.

The Federal Home Loan Bank of Chicago noted that a number of savings and loan associations "anticipate a seasonal decline in mortgage commitments. As one managing officer put it, brokers used to call on early Monday morning relative to obtaining mortgage commitments; now they call Monday afternoon or Tuesday." The Cincinnati Federal Home Loan Bank reported that "most of those questioned indicated that commitments already on the books were at an all-time high, and that a less aggressive policy of taking on new commitments was deliberate and only a result of the current high level of outstanding commitments." Emphasizing the lack of a marked change, few respondents of any kind foresaw any increase or decrease of a substantial nature.

Some Federal Reserve Districts, such as Philadelphia and Minneapolis, looked for new commitments to be written at a slightly lower pace in the coming three months. In the St. Louis District, "these beliefs were based on the anticipations of growing demands for credit for purposes other than real estate financing, higher interest rates, and less availability of funds for mortgages." According to the Atlanta Federal Reserve Bank, "it appears that the reduction in the marginal supply of mortgage funds normally imported into this District by the mortgage bankers will significantly limit further housing recovery. . . . Expectations for maintaining the current volume of home mortgage commitments have weakened and expectations for increasing volume of multifamily and commercial mortgage commitments has strengthened." There has also been "an increase in the pressures on conventional lenders, predominantly savings and loan associations, to bridge the gap opened up by the deepening discounts in FHA-VA home mortgages. While helpful in cushioning the expected decline in single-family home starts, this shift in financing source will be inadequate to prevent a decline."

Outlook for new construction loan commitments

Commercial banks and mortgage companies generally foresaw little change to a moderate increase through December in their willingness to make new commitments on short-term construction loans. The respondents looked on new commitments secured by multifamily and commercial properties somewhat more favorably than those secured by single-family properties.

According to the Federal Reserve Bank of New York, "some commercial banks indicate that they would be willing to be more active in the financing of short-term construction of multifamily and commercial properties in view of the attractive returns offered in this area." The Philadelphia Federal Reserve Bank noted that "rather than indulge in expanded mortgage lending, commercial banks indicate their intent to expand short-term construction loans in the months ahead, citing the 7-7-1/2 per cent yield such loans are currently bringing, as opposed to a 6 per cent usury ceiling on mortgages."

Meanwhile, demands for construction loan credit were expected to remain about unchanged to moderately higher. Slightly more strength was anticipated in demands for construction loans on income-producing properties than for those on homes.

Weighing both supply and demand factors, commercial banks and mortgage companies generally looked for no substantial change in the actual volume of new construction loan commitments over the next 90 days. The likelihood seemed greater of a moderate increase for new construction loan commitments on multifamily and commercial properties than on homes, provided that adequate permanent mortgage takeouts remained available.

Per Cent of All Commercial Banks and Mortgage Companies Expecting New Construction Loan Commitments During Fourth Quarter to Change From September's Rates

	Property type	
	Homes	Income
Increase	24	32
Unchanged	59	56
Decrease	17	13

Current borrower demand

Most lenders evaluated the current desire of prospective home buyers to seek mortgage loans as moderate or large--at a time of usual seasonal strength in real estate market activity. In the Richmond Federal Reserve District, for example, "there was a general feeling that a backlog of demand from 1966 still exists and that presently there is a moderate number of home buyers seeking mortgage loans."

Per Cent of All Lenders Rating Prospective Borrower Mortgage Demands as Moderate or Large

Commercial banks	87
Savings banks	88
Mortgage companies	86
Life insurance companies	84

Savings and loan associations, commenting on the same subject, also indicated that current borrower demands were relatively active.

Lenders generally believed that high mortgage discounts posed somewhat greater deterrants to potential borrowers than high interest rates. Other loan terms and conditions were generally felt to be even less restrictive.

Per Cent of All Respondents Considering the Following Items to be an Important Factor Discouraging Many Prospective Home Buyers

	Discounts	Interest Rates	Other Provisions
Commercial banks	25	9	5
Savings banks	9	8	4
Mortgage companies	49	19	12
Life insurance companies	26	13	5
All four combined	28	12	6
Savings and loan associations	n.a.	2	1

In the Philadelphia and Atlanta Federal Reserve Districts, borrowers reportedly had become more or less reconciled to high interest rates. The Chicago Federal Reserve Bank noted that "two or three of the respondents expressed the belief that prospective borrowers have become resigned to high rates, or may have come to think another round of rate increases is in the offing. One respondent reports his prospects 'don't even ask about such things!'" The St. Louis Federal Reserve Bank indicated that "interest rates on mortgages, although up from last spring and only about 1/4 of 1 per cent less than a peak a year ago, do not seem to be as discouraging to home buyers as in former surveys. Among the reasons cited by respondents for this development were: less publicity given to the high rates; a growing feeling that since high rates may remain for some time there is little to gain from postponement, and greater expectations of price and wage increases which make the high interest rates seem less burdensome."

Concern over the impact of discounts on FHA and VA mortgages bearing fixed contract interest rates was deeper and more widespread. The Federal Reserve Bank of San Francisco reported that around San Francisco, "like the banks, the mortgage companies indicate that a 'moderate' number of prospective home buyers are seeking loans, but unlike the banks, they indicate that interest rates and discounts are discouraging would-be home buyers. (These and several other mortgage companies in the San Francisco area currently are charging as much as 6.75 per cent for prime conventional loans, 7 per cent for apartment and commercial loans, and 5 or more points on FHA and VA's.)"

The Federal Reserve Bank of Atlanta noted that deep discounts on Government underwritten mortgages "continue to be a formidable hurdle for sellers of occupied homes who want to upgrade their housing and for all but the strongest producers of new homes for sale." On the same subject, the Federal Reserve Bank of Philadelphia emphasized that "the 5-5-1/2 point discount penalty which lenders trace to FNMA's lower price being paid for mortgages bore heavily on sellers and has led either to a bidding up of the seller's asking price or a reluctance to put the house on the market at all in the face of a serious point penalty."

Summarizing the situation in the Second District, the Federal Reserve Bank of New York reported that "most institutions, as in the February Survey, continued to argue that mortgage interest rates are a relatively unimportant factor affecting the decisions of prospective home buyers. Discounts involved in the sale of homes, however, were thought to have a somewhat more dampening influence on prospective home buyers because they affect the amount of immediate cash outlay. Also, some lenders felt that the required size of the downpayment was moderately discouraging to home buyers since it affects immediate cash outlay." The Cleveland Federal Reserve Bank found that "reduced building activity, increased construction costs, discounts, and other uncertainties have contributed to homeowners' unwillingness to upgrade their housing at this time."

Other considerations

The diversity of responses among and within regions, as well as the limited number of replies in any one area, emphasize the need for care in drawing broad conclusions from the survey reports. As the Federal Reserve Bank of Dallas pointed out, "since wide disparities were evident both between different types of mortgage lenders and between various communities, any generalizations should be interpreted cautiously."

Several Federal Reserve Banks, including Atlanta, specifically mentioned usury laws as affecting market activity. The St. Louis Federal Reserve Bank indicated that "the State of Tennessee has a usury law limiting maximum interest rates to 6 per cent on loans under $50,000. This law effectively keeps out-of-state suppliers of funds from making home mortgages in the state." The Federal Reserve Bank of New York noted that "mortgage companies reported that they cannot broker single-family mortgages when they are faced with present usury maximums on mortgages. After they deduct their service charges, the resulting yield is not attractive to banks or other investors." Finally, the Federal Home Loan Bank of New York implied why some savings and loan associations have been moving more into Government underwritten mortgages: "Many members maintain the attractive yields on FHA loans netting over 6 per cent after servicing result in satisfying local needs only at a sacrifice. New York and New Jersey have a 6 per cent usury clause."

1. (For all respondents.) How would you best characterize your present volume (during the past 3 or 4 weeks) of new commitments on permanent mortgage loans, taking into account normal volume at this time of year? (Reply separately for home versus multifamily and commercial properties. "Normal" applies to average conditions during the year 1965.)

On Home Properties	Commer-cial banks	Sav-ings banks	Insur-ance cos.	Mort-gage cos.	S&L's*	Total
(a) a substantially above normal volume of new mortgage loan commitments is being made	8	4	2	1	17	32
(b) a moderately above normal volume of new mortgage commitments is being made	16	6	4	7	42	75
(c) a normal volume of new mortgage commitments is being made	40	12	5	8	51	116
(d) a moderate and somewhat subnormal volume of new mortgage loan commitments is being made	36	13	17	13	48	127
(e) a small and very subnormal volume of new mortgage loan commitments is being made	12	4	17	13	9	55
Total replies	112	39	45	42	167	405
On Multifamily and Commercial Properties						
(a) a substantially above normal volume of new mortgage loan commitments is being made	9	1	5	4	--	19
(b) a moderately above normal volume of new mortgage commitments is being made	19	8	10	11	--	48
(c) a normal volume of new mortgage commitments is being made	44	11	13	7	--	75
(d) a moderate and somewhat subnormal volume of new mortgage loan commitments is being made	20	7	15	13	--	55
(e) a small and very subnormal volume of new mortgage loan commitments is being made	13	1	10	11	--	35
Total replies	105	28	53	46	--	232

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* Savings and loan associations were not asked to respond separately for homes and income-producing properties. All their replies are tabulated under the home-property category.

2. (For commercial banks and mortgage companies.) How would you best characterize your present volume (during the past 3 or 4 weeks) of new commitments on short-term construction loans, taking into account normal volume at this time of year? (Reply separately for home versus multifamily and commercial properties.)

On Home Properties	Commercial banks	Mortgage companies	Total
(a) a substantially above normal volume of new construction loan commitments is being made	4	1	5
(b) a moderately above normal volume of new construction loan commitments is being made	18	7	25
(c) a normal volume of new construction loan commitments is being made	39	11	50
(d) a moderate and somewhat subnormal volume of new construction loan commitments is being made	37	14	51
(e) a small and very subnormal volume of new construction loan commitments is being made	14	14	28
Total replies	112	47	159

On Multifamily and Commercial Properties	Commercial banks	Mortgage companies	Total
(a) a substantially above normal volume of new construction loan commitments is being made	13	5	18
(b) a moderately above normal volume of new construction loan commitments is being made	25	9	34
(c) a normal volume of new construction loan commitments is being made	36	11	47
(d) a moderate and somewhat subnormal volume of new construction loan commitments is being made	31	9	40
(e) a small and very subnormal volume of new construction loan commitments is being made	9	11	20
Total replies	114	45	159

3. What do you expect your net savings inflows (i.e., new savings minus withdrawals) to be over the next 90 days, after allowance for usual seasonal influences? (For commercial banks, include consumer or personal-type savings; exclude large negotiable CD's.)

	Commercial banks	Savings banks	S&L's	Total
(a) substantially above normal for this period	5	2	9	16
(b) somewhat above normal for this period	34	11	35	80
(c) normal for this period	65	7	76	148
(d) below normal for this period	12	4	47	63
Total replies	116	24	167	307

4. (For commercial banks and savings banks.)

4A. In formulating your outlook for net savings inflows over the next 90 days, did you make any allowance for the possibility that yields available on competitive market instruments might affect new savings flows into your institution, or might affect withdrawals from it? (Reply Yes, No, separately for inflows and withdrawals.)

Inflows	Commercial banks	Savings banks	Total
No	39	5	44
Yes	75	18	93
Total replies	114	23	137
Withdrawals			
No	44	9	53
Yes	63	13	75
Total replies	107	22	128

4B. If question 4A is answered "Yes," how much allowance did you make for the change in savings? (Reply separately, where appropriate, for inflows and withdrawals.)

	Commercial banks	Savings banks	Total
Inflows			
(a) substantially downward	0	2	2
(b) moderately downward	24	12	36
(c) little, if any, resulting change	45	4	49
(d) moderately upward	6	0	6
(e) substantially upward	0	0	0
Total replies	75	18	93
Withdrawals			
(a) substantially downward	0	0	0
(b) moderately downward	7	6	13
(c) little, if any, resulting change	39	4	43
(d) moderately upward	17	3	20
(e) substantially upward	0	0	0
Total replies	63	13	76

5. (For life insurance companies.)

5A. What is your expectation as to probable change in your policy loans over the next 90 days, after allowance for usual seasonal influences?

(a) declining	8
(b) steady	37
(c) rising moderately	6
(d) rising sharply	0
Total replies	51

5B. What do you expect your cash flow (adjusting for expected net changes in policy loans) to be over the next 90 days, after allowance for usual seasonal influences?

(a) substantially above normal	0
(b) somewhat above normal	9
(c) normal	30
(d) below normal	13
Total replies	52

5C. Do you expect this cash flow to provide more funds than are needed to meet anticipated takedowns on outstanding or presently anticipated loan commitments of all types over the next 90 days? (Yes, No.)

Yes	22
No	30
Total replies	52

5D. Is any expected excess (or shortfall) considered to be significant in amount? (Yes, No.)

Yes	9
No	40
Total replies	49

6. (For all respondents.)

6A. Taking into account your outlook as to the availability of loanable funds at your own institution, how do you expect your willingness to make new permanent mortgage loan commitments will change over the next 90 days, after allowance for usual seasonal influences? (Reply separately for home versus multifamily and commercial properties.)

On Home Properties	Commercial banks	Savings banks	Insurance cos.	Mortgage cos.	S&L's*	Total
(a) a substantial increase is in prospect	8	1	1	0	--	10
(b) a moderate increase is in prospect	18	5	7	7	--	37
(c) unchanged from the present	72	13	28	32	--	145
(d) a moderate decrease is in prospect	14	6	7	11	--	38
(e) a substantial decrease is in prospect	2	--	2	7	--	11
Total replies	114	25	45	57	--	241

On Multifamily and Commercial Properties	Commercial banks	Savings banks	Insurance cos.	Mortgage cos.	S&L's*	Total
(a) a substantial increase is in prospect	6	0	2	0	--	8
(b) a moderate increase is in prospect	17	5	12	10	--	44
(c) unchanged from the present	68	11	31	31	--	141
(d) a moderate decrease is in prospect	10	5	5	10	--	30
(e) a substantial decrease is in prospect	3	1	3	3	--	10
Total replies	104	22	53	54	--	233

* Savings and loan associations were not asked this question.

6B. In addition, how do you expect that the demand for new mortgage loan commitments will change over the next 90 days, after allowance for usual seasonal influences? (Reply separately for home versus multifamily and commercial properties.)

On Home Properties	Commercial banks	Savings banks	Insurance cos.	Mortgage cos.	S&L's*	Total
(a) a substantial increase is in prospect	6	2	3	1	--	12
(b) a moderate increase is in prospect	36	7	10	15	--	68
(c) unchanged from the present	54	15	21	25	--	115
(d) a moderate decrease is in prospect	16	2	9	12	--	39
(e) a substantial decrease is in prospect	3	0	1	4	--	8
Total replies	115	26	44	57	--	242

On Multifamily and Commercial Properties	Commercial banks	Savings banks	Insurance cos.	Mortgage cos.	S&L's*	Total
(a) a substantial increase is in prospect	6	1	2	0	--	9
(b) a moderate increase is in prospect	33	7	23	17	--	80
(c) unchanged from the present	56	14	20	28	--	118
(d) a moderate decrease is in prospect	13	0	6	4	--	23
(e) a substantial decrease is in prospect	0	0	2	2	--	4
Total replies	108	22	53	51	--	234

* Savings and loan associations were not asked this question.

6C. Based on both of the above considerations, on balance how do you expect your new mortgage loan commitments will change over the next 90 days, after allowance for usual seasonal influences? (Reply separately for home versus multifamily and commercial properties.)

On Home Properties	Commercial banks	Savings banks	Insurance Cos.	Mortgage cos.	S&L's*	Total
(a) a substantial increase is in prospect	2	1	0	0	5	8
(b) a moderate increase is in prospect	33	6	7	11	44	101
(c) unchanged from the present	53	12	25	13	65	168
(d) a moderate decrease is in prospect	23	6	9	17	43	98
(e) a substantial decrease is in prospect	3	0	4	5	10	22
Total replies	114	25	45	46	167	397

On Multifamily and Commercial Properties	Commercial banks	Savings banks	Insurance Cos.	Mortgage cos.	S&L's*	Total
(a) a substantial increase is in prospect	2	0	0	0	--	2
(b) a moderate increase is in prospect	29	5	16	9	--	59
(c) unchanged from the present	58	11	26	30	--	125
(d) a moderate decrease is in prospect	17	5	8	11	--	41
(e) a substantial decrease is in prospect	1	1	3	3	--	8
Total replies	107	22	53	53	--	235

* Savings and loan associations were not asked to respond separately for homes and for income-producing properties. All their replies are tabulated under the home-property category.

6D. (For savings and loan associations.) Do you expect the proportion of new commitments to be made over the next three months for multifamily structures to:

(a) decline?	38
(b) be about the same?	102
(c) rise?	27
Total replies	167

7. (For commercial banks and mortgage companies.)

7A. Taking into account your outlook as to the availability of loanable funds at your own institution, how do you expect your willingness to make new short-term construction loan commitments will change over the next 90 days, after allowance for usual seasonal influences? (Reply separately for home versus multifamily and commercial properties.)

On Home Properties	Commercial banks	Mortgage companies	Total
(a) a substantial increase is in prospect	10	0	10
(b) a moderate increase is in prospect	22	8	30
(c) unchanged from the present	67	25	92
(d) a moderate decrease is in prospect	9	10	19
(e) a substantial decrease is in prospect	2	1	3
Total replies	110	44	154

On Multifamily and Commercial Properties	Commercial banks	Mortgage companies	Total
(a) a substantial increase is in prospect	9	0	9
(b) a moderate increase is in prospect	34	12	46
(c) unchanged from the present	61	23	84
(d) a moderate decrease is in prospect	7	7	14
(e) a substantial decrease is in prospect	1	1	2
Total replies	112	43	155

7B. In addition, how do you expect that the demand for new short-term construction loan commitments will change over the next 90 days, after allowance for usual seasonal influences? (Reply separately for home versus multifamily properties.)

On Home Properties	Commercial banks	Mortgage companies	Total
(a) a substantial increase is in prospect	5	2	7
(b) a moderate increase is in prospect	30	8	38
(c) unchanged from the present	65	27	92
(d) a moderate decrease is in prospect	8	8	16
(e) a substantial decrease is in prospect	2	2	4
Total replies	110	47	157

On Multifamily and Commercial Properties	Commercial banks	Mortgage companies	Total
(a) a substantial increase is in prospect	9	2	11
(b) a moderate increase is in prospect	35	15	50
(c) unchanged from the present	61	19	80
(d) a moderate decrease is in prospect	5	5	10
(e) a substantial decrease is in prospect	1	4	5
Total replies	111	45	156

7C. Taking into account both of the above considerations, on balance how do you expect your new short-term construction loan commitments will change over the next 90 days, after allowance for usual seasonal influences? (Reply separately for homes versus multifamily and commercial properties.)

On Home Properties	Commercial banks	Mortgage companies	Total
(a) a substantial increase is in prospect	4	1	5
(b) a moderate increase is in prospect	24	7	31
(c) unchanged from the present	59	26	85
(d) a moderate decrease is in prospect	12	9	21
(e) a substantial decrease is in prospect	2	1	3
Total replies	101	44	145

On Multifamily and Commercial Properties	Commercial banks	Mortgage companies	Total
(a) a substantial increase is in prospect	5	1	6
(b) a moderate increase is in prospect	34	9	43
(c) unchanged from the present	62	24	86
(d) a moderate decrease is in prospect	11	4	15
(e) a substantial decrease is in prospect	2	2	4
Total replies	114	40	154

8. (For all respondents other than savings and loan associations.) How would you evaluate the present desire of prospective home buyers to seek mortgage loans?

	Commercial banks	Savings banks	Insurance cos.	Mortgage cos.	Total
(a) a large number are seeking mortgage loans	31	10	8	11	60
(b) a moderate number are seeking mortgage loans	71	12	29	40	152
(c) relatively few are seeking mortgage loans	15	3	6	10	34
Total replies	117	25	43	61	

8A. (For savings and loan associations.) How would you evaluate the present desire of prospective home buyers and builders for mortgage loans?

(a) not sufficient to absorb mortgage funds available	32
(b) just about in balance with available mortgage funds	62
(c) greater than mortgage funds available	62
(d) much greater than mortgage funds available	11
Total replies	167

9. (For all respondents.) What, in your judgment, is the impact on home mortgage loan demand of present levels of interest rates and discounts being charged on home mortgages? (Reply separately for interest rates and discounts.)

Interest Rates	Commercial banks	Savings banks	Insurance cos.	Mortgage cos.	S&L's*	Total
(a) a relatively unimportant consideration for prospective home buyers	51	13	20	23	119	226
(b) discouraging to some prospective home buyers	55	10	22	23	45	155
(c) an important factor discouraging many prospective home buyers	11	2	2	11	3	29
Total replies	117	25	44	57	167	410

Discounts	Commercial banks	Savings banks	Insurance cos.	Mortgage cos.	S&L's*	Total
(a) a relatively unimportant consideration for prospective home buyers	39	11	17	12	--	79
(b) discouraging to some prospective home buyers	48	10	14	17	--	89
(c) an important factor discouraging many prospective home buyers	25	2	11	28	--	66
Total replies	112	23	42	57	--	234

* Savings and loan associations were not asked about discounts.

10. (For all respondents.) What, in your judgment, is the impact on home mortgage loan demand of other terms and conditions of mortgage loans?

	Commercial banks	Savings banks	Insurance cos.	Mortgage cos.	S&L's	Total
(a) a relatively unimportant consideration for prospective home buyers	80	15	23	41	140	299
(b) discouraging to some prospective home buyers	27	9	14	14	25	89
(c) an important factor discouraging many prospective home buyers	6	1	5	3	2	17
Total replies	113	25	42	58	167	405