DEPARTMENT OF COMMERCE
WILLIAM F. WHITING, SECRETARY

PRESENT HOME FINANCING METHODS

BY

JOHN M. GRIES and THOMAS M. CURRAN
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BUREAU OF STANDARDS

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FOREWORD

By Herbert Hoover

Hundreds of thousands of families who set out to own their homes each year find financing the most trying problem which they have to surmount. This pamphlet aims to aid them in choosing the lending agencies which will best meet their needs. A well-managed institution may save a family from failure in its efforts, and hundreds of dollars in cash, through the terms which it offers, and by rendering advice and friendly counsel. Probably several thousand institutions in the country to-day are giving such service in connection with lending on first mortgages.

It often happens, however, that a family is severely handicapped in attempting to carry through a sound transaction because it has to pay excessive charges for borrowing on a second mortgage, or because such funds are not available or can be had only at prohibitive rates. The authors of this booklet have given a careful discussion of the factors which a family considers before taking out a second mortgage.

I hope that this pamphlet, which was prepared with the cooperation of leading individuals associated with the principal types of home financing institutions, may encourage the establishment of more adequate local second-mortgage financing agencies doing business at a reasonable charge, and constituting part of the recognized financial structure of our communities.

The way has already been pioneered in a number of cities. The United States has the most abundant capital resources of any great nation in the modern world and can ill afford to let this field of credit suffer from want of adequate organization. An adequate, constructive solution would help to maintain home building at a high rate, and thus contribute to active and stable business conditions. But, of even deeper importance, such action will enable more families to achieve the independence and security and greater return from life which go with home ownership, and make our body politic more sound.

PRESENT HOME FINANCING METHODS

INTRODUCTION

In attaining home ownership most American families need some financial assistance. The amount which must be borrowed represents in some cases a relatively small but more often a large part of the outlay. Although conditions vary from one section of the country to another, the extent to which borrowing is necessary generally determines the financing method employed, and for the purpose of discussing the various plans they use, home buyers and home builders who borrow may be divided into three groups, as follows:

THREE GROUPS OF BORROWERS

The first embraces those who can supply in cash 50 per cent or more of the price of the home, and who can get the remainder on first mortgage [1] from any of several different sources.

The second includes those whose cash resources are within the approximate limits of from 25 to 40 per cent, and who borrow the amount needed either on first mortgage (usually only from a building and loan association) or through the use of a first and a second mortgage.

The third comprises those who have but 10 or 15 per cent of the price, who sometimes finance through mortgage agencies, but more frequently by means of an installment purchase agreement.

FIRST GROUP

Families in the first group generally experience little difficulty in obtaining the amount needed by placing a first mortgage on the property acquired. Since there are a number of lending agencies anxious to make conservative mortgage loans, the problem of these families often resolves itself into a mere question of choosing the one offering the most satisfactory service and terms.

[1] In some localities a " deed of trust " is used in place of a mortgage. The instruments are similar in that their effect is to pledge the property as security for the loan. One important difference between the two is that, in many jurisdictions, in case of failure to make payments a forced sale of the property may be effected more quickly under the deed of trust.

BUILDING AND LOAN ASSOCIATIONS

The building and loan association is an important financing source for families in this group. These organizations make a practice of lending considerably more than half the property value where such loans are required, and they are, therefore, discussed in connection with the second group of borrowers.

LIFE-INSURANCE COMPANIES

Another source of funds for home buyers in the first group is the life-insurance company. Prior to the war most of the larger companies did not make housing loans to any considerable extent, preferring to invest their funds in mortgages on large commercial structures, thus limiting the number of their transactions and the amount of their investigational and administrative work. With the housing shortage resulting from the war and the need for broader channels of investments, however, many of these companies entered the home-loan field and they have become an important factor in the business.

The loans of life insurance companies are placed through local agents—banks, trust companies, mortgage companies, and individuals trained in the work. These agents are permitted to accept applications only in connection with properties located in developed sections where values are stabilized. The man seeking a loan to finance the purchase of a house located on an unimproved street or in a section where real estate does not sell readily will not generally be able to obtain it from a life insurance company. Applications from borrowers on properties located in growing communities and having the advantages of modern facilities, however, are eagerly sought.

The applicant is required to supply the loan agent with information bearing on the risk, on blanks furnished for the purpose. These forms call for a variety of data, such as the location, size, and contour of the lot, the condition of the building, the materials of which it is constructed, and its heating, lighting, and plumbing system.[2] The agent investigates the risk, appraises the property, and reports to his company. His appraisal is invariably a conservative one, and the borrower should not be surprised if he learns that the home he has contracted to buy is valued for loan purposes at a figure somewhat below the price he has agreed to pay. This valuation is not necessarily a reflection on the wisdom of the purchase, for in determining the question of value a number of insurance companies are inclined to disregard certain items which are generally (and properly) considered by buyers and sellers as legitimate elements of worth. As an example of this, the appraisal policy of one of the largest companies in the home loan field may be cited. This company does not allow

[2] See Appendix, p. 16, The mortgage-loan application.

its agents to include in their estimates of the cost of a building the builder's overhead expense, his carrying charges or profit. As a consequence of their appraisal methods the loans of the more conservative companies, though made up to 60 per cent of valuation, seldom represent more than 50 or 55 per cent of the cost of the property to the purchaser.

Insurance company loans run for periods as long as 15 years. Interest is at the rate prevailing in the locality where the loan is made, and is usually payable semiannually. In many cases the principal is required to be curtailed regularly on interest dates. The contract of one large company requires a payment of 3 per cent of the principal semiannually and gives the borrower the option of making larger payments or of taking up the entire loan after the third year. The plan of another company provides for the payment of the loan and interest in equal monthly installments over a period of 10 years. This company makes a life insurance policy a part of the mortgage agreement, so that if the borower should die the loan may be repaid from the insurance proceeds. In cases where such an insurance policy is involved the home owner who wishes to sell his property shortly after the mortgage is placed is usually required to obtain the company's permission to transfer the loan to the new owner.

Insurance companies seldom lend their funds for construction purposes, and, therefore, where a family builds its home the money needed during the construction period must be supplied from some other source. The agent frequently arranges such a temporary loan, however, on the basis of his company's willingness to take over the financing when the structure is completed, and where banks and other financial institutions act as agents they often advance their own funds for the building period, after which the loan is transferred to the insurance company. Some additional expense to the borrower is usually involved in these instances.

The insurance company loan has this important advantage: It is made for a period sufficiently long to enable the borrower to repay it without the necessity of renewing, and thus to avoid the inconvenience and expense frequently incident to this process. Where amortization, or gradual repayment of the principal, is provided for, interest charges are reduced and the borrower is encouraged to get out of debt.[3]

SAVINGS BANKS

A third lending agency, which often lends somewhat more than the insurance company, is the savings bank. The type known as mutual savings banks, found principally in the East, invest heavily in mortgages on homes.

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[3] See Appendix, p. 17, for amortization plans.

Applications for mortgage loans are made to the real-estate department of the bank or, where no separate department has been created, to the officer appointed to pass on such applications. Appraisal methods vary. Frequently an officer or committee of the bank visits the property and determines its value by personal inspection. Under normal conditions the valuation reached is not ordinarily greatly below the market value.

In making real-estate loans savings banks are generally restricted by State laws which fix the maximum percentage of property value that they may lend. In some States this maximum is 50 per cent; in others it is as high as 60 per cent. These laws, however, do not necessarily determine whether a bank's lending policy shall be liberal or conservative.

A bank located in a State permitting the higher ratio of mortgage loan to value may be unwilling to lend up to the legal limit or may regard existing prices as inflated and fix an appraisal value well under the selling price. One restricted to 50 per cent loans may, however, appraise property at the full selling price, and advance as much or more money on a given home than the bank operating under the more liberal statute, whose policies or appraisal methods are more conservative.

Savings bank loans are frequently made for short terms—for periods of one, three, and five years—and are repayable in full at the end of the term. An increasing number of banks are making long-term loans, however, which are repayable in installments similar to those of building and loan associations, which are discussed later, and of some of the life-insurance companies. Banks making the short-term "straight" loans are usually willing to renew, but some of them make a charge for granting this privilege. Where there has been undue depreciation of the property, such as would result from the owner's failure to keep it in repair, or where its value has been lessened through changes in the character of the neighborhood, difficulty may be encountered in renewing the loan, at least in its full amount.

A number of savings banks do not lend for construction purposes, regarding these loans as a greater risk than those predicated on the security afforded by an existing building. Undoubtedly there is a larger element of risk unless special precautions are taken. The home builder or his contractor may build the house of materials inferior to those called for in the plans and specifications on which the loan is based, or, through ignorance or a desire to economize, may construct it poorly. Under such circumstances the bank may find itself holding a mortgage on a home for a sum which it would not consider lending if the loan were applied for on the complete property. Banks making construction loans usually require the owner or contractor to furnish a bond guaranteeing the completion of the building according to plan, or advance the loan money in installments as the work progresses and is inspected. Few losses are suffered where such methods are followed.

It is possible for the home builder to finance through many savings banks which do not make building loans, by obtaining credit from building-material dealers for the construction period and using his available cash to pay the labor cost. The bank then lends on the completed structure and the building material is paid for with the loan funds.

Home owners who want their loans to run five years or more frequently find that the local savings bank makes its loans payable on demand or advances funds for periods of but one, two, or three years, and home owners who wish to amortize their loans often are unable to borrow from a savings bank on this basis. Officials of some banks restrict their loans to short terms because they feel that mortgage investments can not be readily converted back into cash in case the institution needs the funds, and, therefore, plan to have these loans fall due at comparatively short intervals. Many savings banks make loans for terms of five years or longer, however, and report that they can sell such mortgages readily when funds are needed. Some savings banks and other banks which sell their loans feel that they can not put them on an amortization basis, since the investors buying them do not wish to accept small payments on the principal, but a number of the institutions are solving this problem by retaining the mortgages and selling investment certificates issued against them. These banks receive the amortization payments on the various obligations, reloan them, and add new mortgages to the group behind the certificates to keep the security constant.

TRUST COMPANIES

A fourth source of funds for families in the group under discussion is the trust company. In addition to large savings deposits, these institutions have trust funds which are available for real-estate loans. Their lending policies and methods are similar to those of savings banks.

MORTGAGE COMPANIES

In most of the larger communities mortgage companies are an important factor in home financing. There are two classes of such companies—those lending on first, or senior, mortgages and those lending on second, or junior, mortgages. The latter group is discussed in a later section.

Because of the lack of uniformity in the policies and methods of mortgage companies, no general statements can be made as to how they conduct their lending operations. They are not generally so closely confined in their activities by legal restrictions as are banks, trust companies, and insurance companies, and the use they make of their funds, whether derived from the marketing of company stock, or the sale of their mortgage investments or bonds issued against them, is therefore left more to their own discretion. Companies selling mortgages, the repayment of which they guarantee, and those whose investments are eligible for purchase by savings banks and trustees, will be found the more conservative of this class of lenders. These do not usually lend in excess of 50 per cent of their valuations, at least in the case of " straight " loans. Many of the other companies make loans larger than 60 per cent of the sale price, but usually charge a commission or a higher rate of interest than that borne by more conservative first-mortgage paper. The loans of mortgage companies are made for both short and long terms and on the amortized or straight basis. Many of the companies devote a large percentage of their funds to construction loans.

PRIVATE INVESTORS

Another group of lenders is made up of private investors. Unorganized and operating separately, their practices are, of course, even less standardized than those of mortgage companies. Frequently they are inclined to follow the methods of lending institutions in their communities. Since they are not handling the funds of others, however (except where they act as trustees), they have greater freedom of action than most of the institutions and are often found willing to advance a higher percentage of property value than are banks, trust companies, or insurance companies, especially where they have an opportunity to obtain an unusually favorable return.

The home owner who finances through an institution can usually depend on being able to renew his mortgage, especially if he has decreased the loan principal by means of installment payments. There is frequently less assurance of the permanence of the loan obtained from a private investor. A change in the plans or circumstances of the lender or his death may result in an unexpected failure to renew the loan. This sometimes creates an exceedingly embarrassing situation for the home owner in a community having limited mortgage facilities. In this connection it may be mentioned that trustees sometimes have limited power in the matter of extensions and renewals.

NATIONAL BANKS

National banks and many of the other commercial banks have not been lending on real estate to any considerable extent, partly because of restrictive Federal and State laws. They have large savings resources, however, and are, therefore, a potential source of funds for home owners. A law enacted in 1927 permits national banks to invest as much as one-half of their savings deposits in realty loans for periods up to five years, and many of them have commenced to devote a larger part of their assets to real-estate lending.

SECOND GROUP

Families having in the neighborhood of from 25 to 40 per cent of the amount needed to buy or build a home have fewer agencies to choose from than families in the group heretofore discussed. In some of the States which do not have laws restricting their lending on real estate there are savings banks willing to advance the amount required, and in some communities mortgage companies will make such loans where the borrower pays a commission or a higher rate of interest than that prevailing for more conservative loans. The building and loan association, however, is the most popular source of funds for families in this group.

BUILDING AND LOAN ASSOCIATIONS

The building and loan association [4] is an organization created for the promotion of thrift and home ownership. It accomplishes its worthy objects by providing a method of saving and by lending its funds for the purchase and construction of homes. There are nearly 13,000 of these institutions in the country, having in all more than 11,000,000 members and assets exceeding $7,000,000,000.

Various plans for obtaining funds are employed by the associations. Under the plan in most common use members subscribe for "shares" and make regular stated payments on them until the sum of these installment payments, added to the dividends obtained through the lending operations, equals the matured or face value of the shares. Some associations require no share subscription but accept deposits in almost any amount and at any time; others derive funds from the sale of full-paid shares or investment certificates. Frequently where their funds are insufficient to supply the demand for loans, associations borrow for the purpose at a rate lower than their own charge.

Building and loan associations usually pay a higher rate of return to their depositors than is obtainable from other savings institutions, and prospective home owners who place their savings in the associations may often accumulate sufficient funds to make the first payment

[4] This is the name most widely used, but many other similar names have been adopted by the various organizations throughout the country. The following are a few examples: "Savings and loan association," "Building loan and savings association," and "Loan and building association." In Massachusetts the associations are known as cooperative banks and in Louisiana as homestead associations.

on their homes more quickly than is possible by any other method affording equal safety.

Lending policies and methods differ among the associations. Applications for loans usually are received only from members, but in many associations the home buyer may easily enter the membership and apply for a loan at once. The loan-application forms frequently call not only for data regarding the site and the existing or proposed building but also for information as to the health, occupation, and income of the prospective borrower. The element of personal responsibility is often given considerable weight, especially where the loan applied for is large and the borrower's equity in the property small. In a number of associations the application is examined by the board of directors, and if the proposition appears sound on its face the appraisal officer or committee is instructed to report on it, and title to the property is ordered examined. Appraisals are usually made by personal inspection. As in the case of savings banks and other institutions lending on real estate, the valuation reported depends somewhat on the attitude of the particular association toward the existing realty market. Many building and loan associations appraise property at the full market value and are willing to lend on the basis of two-thirds or more of their appraisements. In some cases as much as 80 per cent of a fair valuation is loaned. The monthly amortization plan [5] enables the associations to lend a very large percentage of property value and yet provide a high degree of safety for their investments. They find that these frequent payments on the loan more than offset depreciation of the property and declines in market value.

Association loans are made for periods as long as 12 years. The interest rate is often slightly higher than that asked by savings banks, trust companies and insurance companies, and a "premium," or commission, is sometimes charged.[6] The associations justify these higher charges by calling attention to the fact that, as their loans are made for long periods, the borrower is saved the expense of renewals. They also feel that in making loans representing two-thirds or more of property value they perform a greater service than do institutions lending not more than half the amount of their appraisements and are, therefore, entitled to a higher return. Borrowers seeking construction loans often find it to their advantage to pay the slightly higher rate asked by building and loan associations, as most of these organizations are specialists in this type of lending and their service and advice in connection with the building project frequently save the home builder much inconvenience and expense.

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[5] See Appendix, p. 17.

[6] See Appendix, p. 18.

Many associations require the borrower to subscribe for shares having a matured value equal to the amount of the loan. In such associations the monthly payments cover interest on the debt and installment dues on the shares. Interest is calculated on the full amount of the loan throughout its term, but the borrower is credited with dividends on the amounts applied toward his shares. When the shares are matured they are used to cancel the loan. Other associations apply the monthly amortization payments directly against the loan and charge interest on outstanding balances. The amount of interest paid by the borrower under the first arrangement is, of course, larger than that paid under the second where the dividend rate is lower than the interest rate.

SECOND MORTGAGE BORROWING

In communities having no building and loan associations and in those where the associations and other agencies are unwilling to supply on first mortgage from 60 to 75 per cent of the amount needed to acquire the home, borrowers in the second group generally find it necessary to use two loans, the first obtained from any one of the agencies previously mentioned and the second from an individual or organization advancing funds on second-mortgage security.

There are numerous private investors engaged in this kind of lending, and a large part of the business is handled by organizations called "second," or "junior," mortgage companies. In Maryland and Pennsylvania many of the building and loan associations make second-mortgage loans.

As the legal rights of the second-mortgage lender are subordinate to those of the lender on first-mortgage security, and as his risks are usually greater, he charges more than the first-mortgage rate. The whole charge is rarely made directly, however, for the reason that the maximum rates permitted by the usury laws of most of the States are not high enough to yield a return satisfactory to the second-mortgage agency. In order to avoid violating the usury laws and yet obtain a rate which they consider adequate to compensate them for the risk they assume, second-mortgage lenders conduct a discount business, purchasing second-mortgage notes at less than their face value. As an example of the operation of this method of advancing funds, we may take the case where a note is purchased from an operative or speculative builder who has accepted it from a home buyer as part of the selling price of a property. Though the builder usually adds to his price the amount of the anticipated discount and the buyer, in effect, pays a usurious rate on the obligation transferred, the second-mortgage agency does not violate the usury law.

However, much of the demand for second-mortgage funds comes from operative builders who need the money for construction purposes and from persons building their own homes. In order to obtain the business of these two types of borrowers and yet make the transactions appear to be note purchases, a considerable number of second-mortgage lenders grant loans through a third party whom they procure to act as the lender. The borrower's note is executed in favor of this party, who indorses it to the second-mortgage agency. The latter " discounts " the note, to obtain an interest rate greater than the legal maximum, and turns the proceeds over to the borrower. This is a mere subterfuge and the transaction is tainted with usury. In those States which impose a light penalty on the usurious lender, such as the loss of interest or part of it, this practice is freely indulged in, however, and borrowers seldom attempt to take advantage of its illegal feature.

As a rule, second-mortgage loans are made on the amortization basis. Charges vary according to the locality, the demand for funds, the risk, and the length of the loan period. Interest rates are usually 1 or 2 per cent above the prevailing first-mortgage rates, where the State law permits. and discounts are quoted at from 4 to 10 per cent a year. Since the borrower is usually required to curtail the loan periodically, and therefore, does not have the use of the whole amount for the entire loan period, these discount rates are actually considerably higher. In fact, under the usual regularly amortized loan the real discount rate is approximately double the advertised rate. But, expressed entirely as an interest charge, the rate paid by the borrower is even higher than the total of the combined nominal interest rate and the actual discount rate, because " discount " differs from " interest " in that it is paid at the beginning of the loan term and not during the term or at the end of it. Thus, on a typical monthly payment three-year second-mortgage loan bearing 7 per cent nominal interest and a 15 per cent discount (5 per cent annually, so called) the rate paid by the borrower is approximately 18 per cent a year.[7]

In many communities the high rates charged for second-mortgage funds have had a tendency to discourage home building. In some of these communities this situation has been partly overcome by chambers of commerce and other local groups.

In Gardner, Mass., a group of about 100 business men, cooperating with the local chamber of commerce, agreed to become liable to the extent of $1,000 each on second-mortgage-note indorsements of a committee which they formed. No actual cash was required of the members of this group, but by thus lending their credit they were

[7] See Appendix, p. 20, pt. 1.

able to obtain second-mortgage funds for home owners from a local bank at a low rate of interest and without a discount charge. Similar plans were used in several other cities.

A second-mortgage company was formed in Providence, R. I., to provide funds for periods of 50 months at a total discount of 5 per cent, covering the whole term. This company helped to relieve the second-mortgage situation in two ways. It loaned several hundred thousand dollars at relatively low rates, and through its operations caused other local second-mortgage agencies to reduce their charges.

In some sections lumber dealers assist in solving the problem, and at the same time increase their sales, by indorsing the second-mortgage notes of home builders who purchase material from them.

THIRD GROUP

THE THIRD MORTGAGE

The home buyer able to make but a 10 or 15 per cent cash payment can sometimes obtain a second-mortgage loan large enough to bridge the gap between his initial payment and first-mortgage loan and the selling price. Where the transaction is handled by means of mortgages, however, the buyer is frequently compelled to use three loans. The seller of the property as a rule holds the third mortgage and receives no principal payments on it until the buyer has paid off the second. In order to facilitate sales, many builders accept third-mortgage notes as a part of the purchase price, but where they sell these notes they usually add an allowance for the discount to the price of the property. In these instances the financing charges borne by the home owner are extremely heavy, as discounts on third-mortgage notes are considerably larger than those on second-mortgage paper. Buying a home from an individual or organization unwilling or unable to hold the note and to allow the purchaser the full face value thereof is therefore not to be recommended.

THE LAND CONTRACT

Another, and a more widely used, financing plan for home buyers in the third group is founded on the land contract. This instrument is most popular in the Middle Western States. It is simply an agreement between the buyer and the seller of property under the terms of which the buyer usually makes a small down payment and agrees to pay the full purchase price in installments, frequently monthly. The seller does not immediately pass the legal ownership of the property to the buyer, but agrees to convey the title to him when a certain percentage of the purchase price, say, 50 per cent, has been paid, at which time the buyer gives a mortgage to the seller or to some third party supplying a loan for the unpaid balance.[8]

It is said in favor of the land-contract sales method that it makes home ownership possible for a large class of persons who might be unable to buy in any other way. Many real-estate operators like it for the reason that under it they retain the title until the buyer has a substantial equity, and therefore are often in a better legal position than the holder of a mortgage would be in cases where the buyer fails to live up to his agreement.

However, in many cases the land contract has disadvantages to both parties concerned. It is pointed out that the seller may legally contract to transfer title to property which he does not own when the contract is executed, expecting to acquire it prior to the time agreed for the conveyance, and that one who deals with an irresponsible seller contracting on this basis and unable to acquire the property he has agreed to convey may sustain a considerable loss. This situation has sometimes arisen in transactions involving the sale of building lots in new developments. While it is true that the purchaser may often guard against such a contingency by making sure that the seller has a good title and by recording the contract, it is not customary for buyers on land contract to obtain an abstract of title or a certificate of title insurance prior to the time for actual transfer of title, and in some States no provision is made for recording the contract.

Again, an unreliable seller might transfer the property to the buyer encumbered with debts much larger than the amount due under the contract, and in this instance the buyer would be compelled to assume obligations not contemplated by his agreement in order to retain the property. Such losses are often prevented by placing the deed in the hands of a bank or similar institution, acting as a third party, which applies the buyer's payments properly and delivers the deed to him at the time agreed upon.

Among disadvantages to real-estate men which cause many of them not to enter into land contracts is the fact that a considerable amount of capital which they may need for other purposes is tied up in financing the purchaser. In some places real-estate operators are unable to borrow on favorable terms on the strength of their land contracts, or are unable to sell them at a satisfactory rate of discount. In some States sellers are deterred from using the method because of the complicated and lengthy legal procedure required in cases where the buyer defaults and the seller wishes to regain possession of the property.

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[8] In a number of States a land contract covering the difference between the down payment and the first mortgage is often used in place of a second mortgage.

CHOOSING A HOME-FINANCING AGENCY

If the family about to buy or build a home has an account in a building and loan association or a savings bank which it knows has served other families satisfactorily the problem of choosing an agency may be a simple one. In order to obtain the best service and the lowest actual rate for the type of loan best suited to its requirements, however, a family may have to " shop around " and compare the loan plans and rates of the various agencies and the service they render. The long-term amortization loan of the building and loan association or life insurance company helps to assure eventual debt-free home ownership and enables the home owner to avoid renewal charges, but where there is a second mortgage to be amortized such a loan plan may not be feasible in the beginning. Some first-mortgage agencies lending on a long-term amortization basis, however, are willing to allow the mortgage to run as a straight loan until the second mortgage has been taken up.

If premiums or commissions are charged, the borrower should, of course, consider them as additional interest payments and take into account the true rate he pays.[9] He should also consider that under some plans of loan repayment the real interest rate is considerably higher than the advertised rate. Unfortunately, the plans of some agencies are purposely made complicated in order to conceal the true rate charged.

Careful inquiry among persons of standing in the community will usually lead the borrower to an honest and reliable agency which offers reasonable rates and terms. What may be equally important is the sound and helpful advice and service based on knowledge of local conditions and home-owner's problems which a sympathetic lending agency renders. Making sure of the title, seeing that all back taxes and special assessments are paid, that there are no mechanics' liens or other claims against the property, placing insurance, and making a contract with a builder are some of the points on which specific service may be given. The size of payments a family may safely undertake to meet in view of its income, estimating home-ownership expenses, the possibility of special assessments, the course of real-estate values and trends which may affect the character of the neighborhood are examples of problems on which the lender may give helpful counsel.

The borrower on a second mortgage may have to exercise great caution in selecting an agency and negotiating for such funds. While there is a tendency toward better practice in the second-mortgage field, some of the individuals and organizations conducting this

[9] See Appendix, p. 18.

type of business employ most irregular methods. The charging of interest, for example, on the full amount of an amortization loan throughout the entire term instead of on outstanding balances, together with the discount charged, may run the true rate of interest up to 25 or 30 per cent.[10] Although this is not a general practice, it serves as an example of the type of danger to be guarded against.

Where a purchase is to be made under a land contract the buyer should satisfy himself as to the reputation and financial standing of the seller. In this case, as well as in the case where the financing is handled by means of mortgage loans, the buyer should also determine to what extent financing charges are included in the selling price of the property.[11]

The prospective home buyer with a small amount of cash who must pay, directly or indirectly, a large financing charge in connection with a second or third mortgage or land contract will do well to ask himself whether or not it would be wise to defer the purchase until he has saved enough to make a more substantial down payment and reduce the financing cost. Whether it is best for a family to delay purchasing for several years while saving additional funds may depend on the circumstances of the particular case.

Where a family moves into a city, for example, it might save $100 or $200 by deferring the purchase of a home for two or three years, but still decide, wisely, to go ahead. For by going ahead, it may save the expenses of moving once or twice, and, in addition, get established just so much sooner in a neighborhood that it likes and enable the children to have continuous schooling at one institution. There may be other good reasons which will cause a family to pay extra financing charges and not regret it, although they are a heavy charge on the family pocketbook. (The fact that some families knowingly pay excessive charges is, of course, no justification for the lack of adequate financing facilities in the community.)

In other cases, such as that of a young couple, for example, the sacrifice of continuing to live in inexpensive rented quarters for some time might be advisable in order to permit the accumulation of larger cash savings to apply as first payment on a home. Certainly the latter course is the wiser one for a family which has any reasonable doubt as to its ability to carry the mortgage obligations, after a careful consideration of the problem.

Sometimes an employer, a relative, or a friend will be found willing to provide second-mortgage funds at considerably less than the market rate, directly or through his indorsement, and thus bring a family to the goal of home ownership sooner than would otherwise be possible.

[10] See Appendix, p. 21, pt. 2.
[11] See Appendix, p. 21, pt. 3.

IMPROVEMENT OF FACILITIES

No doubt some improvement can be brought about in the home financing machinery available in many communities. By taking full advantage of the safety afforded by the amortization method of loan repayment, important first-mortgage agencies now restricting their lending to not more than 50 per cent of property value can, in a number of States, change their policy and advance up to 60 or 65 per cent and thus enable many home buyers and home builders to avoid expensive second-mortgage borrowing. Loans up to two-thirds of property value when confined to the lower-priced small homes in sound growing communities have, as a rule, proved entirely safe.

A study of what has been done in several localities indicates that groups of business men and others interested in the healthy growth of their communities can, with small capital, render material assistance in improving local home financing facilities.[12]

Where second-mortgage borrowing is necessary some of the inconvenience and expense incident to dealing with more than one agency might be obviated by cooperation between the two agencies in the matter of appraisals, title searches, and other legal work.

The opinion has been expressed that present usury laws are largely responsible for the high charges made for the use of second-mortgage funds, and it has been suggested that these laws be revised where necessary to permit second-mortgage lenders to obtain a return on their investments commensurate with the risk assumed, without the necessity of adopting roundabout lending methods. It has been suggested that the legalizing of this class of lending would put the business on a higher plane and cause considerable amount of additional capital to be attracted to it, and that more uniform practice and lower rates would naturally follow. The limited information at present available unfortunately makes it hard to determine just how far this and other suggestions might work out to improve second-mortgage facilities. A thorough and comprehensive study of the subject is needed.

In those States in which the mortgage laws and laws affecting land contracts are unsatisfactory to lenders, and therefore have a tendency to limit the supply of capital available for real-estate investment, consideration should be given to remedial legislation consistent with justice to borrowers.

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[12] See Appendix, p. 22, for discussion of the effect of high rates on housing standards and the construction industries.

APPENDIX

THE MORTGAGE-LOAN APPLICATION

Mortgage-loan application forms vary with the type of lending institution. Some call for considerable information from the borrower; others ask relatively little. The short forms usually cover only the more general features of the risk and the lenders using them obtain the detailed information from their examining agent's report. Following is a list of points upon which information is often required of the borrower, in addition to his name, address, amount of loan requested, etc., and it is well for him to be prepared to supply the data requested when applying for a loan:

Legal description of property:
- Lot number, block number, address.

Size of lot:
- Number of feet front, depth.

Street:
- Improved, unimproved, being improved.

Value of lot.

Value of building.

Description of building:
- Size.
- Age.
- Condition.
- Brick.
- Frame.
- --------
- Number of rooms—
  - First floor.
  - Second floor.
- Garage—
  - Size.
  - Building material.
  - Value.
- Heating system—
  - Steam.
  - Hot water.
  - Hot air.
- Lighting system—
  - Gas.
  - Electricity.
- Plumbing system—
  - Connected with sewer.
  - Complete with bath, toilet, etc., or incomplete.

House occupied by owner or tenant.
Encumbrances:
  Mortgage.
  Judgment.

Purpose of loan:
  Finance purchase.
  Improve property.
  Pay existing lien.

CONSTRUCTION LOAN

When a request is made for a loan to finance the building of a new home the forms call for information similar to that listed above, and for:

Estimated cost or contract price.
Contractor's name.
Contractor's surety.
Architect's name.

AMORTIZATION TABLES

Table showing how a $1,000 loan at 6 per cent interest is retired in 11 years and 7 months by monthly payments of $10 each

Month	Outstanding principal during month	Monthly payment	Applied to interest	Applied to principal	Principal due after installment payment
First	$1, 000. 00	$10. 00	$5. 00	$5. 00	$995. 00
Second	995. 00	10. 00	4. 98	5. 02	989. 98
Third	989. 98	10. 00	4. 95	5. 05	984. 93
Fourth	984. 93	10. 00	4. 93	5. 07	979. 86
Fifth	979. 86	10. 00	4. 90	5. 10	974. 76
Sixth	974. 76	10. 00	4. 88	5. 12	969. 64
Seventh	969. 64	10. 00	4. 85	5. 15	964. 49
Eighth	964. 49	10. 00	4. 83	5. 17	959. 52
Ninth	959. 32	10. 00	4. 80	5. 20	954. 12
Tenth	954. 12	10. 00	4. 77	5. 23	948. 89
Eleventh	948. 89	10. 00	4. 75	5. 25	943. 64
Twelfth	943. 64	10. 00	4. 72	5. 28	938. 36

Year	Total of monthly payments	Applied to interest	Applied to principal	Principal due at end of year
First	$120. 00	$58. 36	$61. 62	$938. 36
Second	120. 00	54. 56	65. 44	872. 92
Third	120. 00	50. 55	69. 45	803. 47
Fourth	120. 00	46. 25	73. 75	729. 72
Fifth	120. 00	41. 71	78. 29	651. 44
Sixth	120. 00	36. 89	83. 11	568. 33
Seventh	120. 00	31. 76	88. 44	480. 09
Eighth	120. 00	26. 32	93. 68	386. 41
Ninth	120. 00	20. 52	99. 48	286. 93
Tenth	120. 00	14. 40	105. 60	181. 33
Eleventh	120. 00	7. 89	112. 11	69. 22
Twelfth (7 months)	70. 00	1. 44	68. 56	[1] . 66

[1] Principal due at end of 7 months.

Total interest paid during loan period, $390.65

It will be noted that during the first year $58.36 is paid as interest and $61.62 is applied to principal, while in the eleventh year only $7.89 is paid as interest and $112.11 of the principal is retired.

Semiannual and Annual Amortization

Where a loan is paid off in semiannual installments the interest expense is a little higher.

Outstanding principal during—	Semi-annual payment	Applied to interest	Principal due after installment payment
First 6 months, $1,000	$60.00	$30.00	$970.00
Second 6 months, $970	60.00	29.10	939.10
Total interest paid during first year		59.10	

Under the annual amortization plan the interest cost for the first year is $60 as compared to $59.10 under the semiannual plan.

EFFECT OF "PREMIUM," "COMMISSION," "BONUS," OR "DISCOUNT" ON INTEREST RATE PAID BY THE BORROWER

The mortgage borrower is often required to pay a charge in addition to his interest expense. This charge, known as the premium, commission, bonus, or discount, is usually, though not always,[13] deducted from the face amount of the loan at the time the mortgage is negotiated. Thus, a borrower applying for the loan of $1,000 described in the example below, receives $960, a commission of 4 per cent of the face of the loan having been deducted by the lender.

Example (1):

Loan of $1,000. Term, 10 years (120 months). Nominal interest rate, 6 per cent. "Premium," "commission," "bonus," or "discount," 4 per cent ($40). Principal and interest paid in 120 monthly installments of $11.10 each.

It might appear that the deduction of $40 for the 10-year period, or $4 for each year, results in the addition of four-tenths of 1 per cent to the nominal interest rate. ($\$4 \div \$1,000 = 0.4$ of 1 per cent.) However, since a part of the loan is paid off each month the borrower does not have the use of the full amount throughout the whole loan period. While he has the use of a large part of the money during the early months of the loan, he has but a small part during the later months. The average amount outstanding throughout the entire term is approximately equal to half the full loan. The commission, therefore, adds about eight-tenths of 1 per cent to the nominal interest rate. ($\$4 \div \$500$ (half the face amount of the loan) $= 0.8$ of 1 per cent.) The commission being taken in advance by the lender, slightly more is added to the interest rate, since the borrower does not

[13] Some lenders charge a premium which is payable in monthly installments.

have the use of any part of the amount deducted, as he would have if the commission were paid in the form of monthly interest.

Where a commission or other fee is paid in addition to the interest charge, the real rate of interest paid may be found by referring to the table on this and the following page. In the case of the loan discussed in example (1) the borrower pays $11.10 per month and receives 9.6 hundreds of dollars ($1,000 less $40). His monthly payment is therefore $1.16 per hundred ($11.10÷9.6). In the 120 months line in the table $1.16 is found under "7 per cent," which is the rate paid.

Example (2):

Loan of $1,000. Term, 11 years 7 months (139 months). Nominal interest rate, 6 per cent. Premium, 3 per cent ($30). Principal and interest paid in monthly installments of $10.

The monthly payment per hundred is $1.03 ($10÷9.7). In the 139 months line of the table below $1.00 is found under 6 per cent and $1.05 under 7 per cent; $1.03 falls between these two figures and the rate paid is therefore about 6½ per cent.

Example (3), Effect of commission, etc., on short-term loan:

Loan, $2,000. Term, 3 years (36 months). Nominal interest rate, 6 per cent. Commission, 4 per cent ($80). Principal and interest payable in monthly installments of $60.80.

The monthly payment per hundred is $3.17 ($60.80÷19.2 hundreds of dollars received). In the 36 months line of the table $3.18 is found under 9 per cent, which is the approximate rate paid, since $3.17 is but 1 cent less than $3.18. It will be noted that in example (1), where the loan is on a 10-year basis, a 4 per cent commission adds 1 per cent to the interest rate, while the same rate of commission adds nearly 3 per cent in the case of the short loan.

Table showing monthly payment required to pay off a $100 loan in various periods and at various interest rates

Loan period (months)	Interest rates (per cent)															
	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
	Monthly payments															
12	$8.56	$8.61	$8.65	$8.70	$8.75	$8.79	$8.84	$8.88	$8.93	$8.98	$9.03	$9.07	$9.12	$9.17	$9.22	$9.26
13	7.92	7.96	8.01	8.06	8.10	8.15	8.19	8.24	8.29	8.33	8.38	8.43	8.48	8.52	8.57	8.62
24	4.39	4.43	4.48	4.52	4.57	4.61	4.66	4.71	4.76	4.80	4.85	4.89	4.94	4.99	5.04	5.09
25	4.22	4.27	4.31	4.36	4.40	4.45	4.49	4.54	4.59	4.63	4.68	4.73	4.78	4.83	4.87	4.92
36	3.00	3.04	3.09	3.13	3.18	3.23	3.27	3.32	3.37	3.42	3.47	3.51	3.57	3.62	3.67	3.71
37	2.92	2.97	3.01	3.06	3.11	3.15	3.20	3.25	3.30	3.34	3.39	3.44	3.49	3.54	3.59	3.64
48	2.30	2.35	2.39	2.44	2.49	2.54	2.58	2.63	2.68	2.73	2.78	2.83	2.89	2.94	2.99	3.04
49	2.26	2.31	2.35	2.40	2.45	2.49	2.54	2.59	2.64	2.69	2.74	2.79	2.84	2.90	2.95	3.00
60	1.89	1.93	1.98	2.03	2.08	2.12	2.17	2.22	2.28	2.33	2.38	2.43	2.49	2.54	2.59	2.65
61	1.86	1.91	1.95	2.00	2.05	2.10	2.15	2.20	2.25	2.30	2.35	2.40	2.46	2.51	2.57	2.62
72	1.61	1.66	1.70	1.75	1.80	1.85	1.90	1.96	2.01	2.06	2.11	2.17	2.22	2.28	2.34	2.39
84	1.41	1.46	1.51	1.56	1.61	1.66	1.71	1.77	1.82	1.87	1.93	1.99	2.04	2.10	2.16	2.22
96	1.27	1.31	1.36	1.41	1.47	1.52	1.57	1.63	1.68	1.74	1.79	1.85	1.91	1.97	2.03	2.09
108	1.15	1.20	1.25	1.30	1.35	1.41	1.46	1.52	1.58	1.63	1.69	1.75	1.81	1.88	1.94	2.00
120	1.06	1.11	1.16	1.21	1.27	1.32	1.38	1.43	1.49	1.55	1.61	1.67	1.74	1.80	1.87	1.93
132	.99	1.04	1.09	1.14	1.20	1.25	1.31	1.37	1.43	1.49	1.55	1.61	1.68	1.74	1.81	1.88
139	.95	1.00	1.05	1.11	1.16	1.22	1.28	1.33	1.40	1.46	1.52	1.58	1.65	1.72	1.78	1.85
144	.92	.98	1.03	1.08	1.14	1.20	1.25	1.31	1.37	1.44	1.50	1.57	1.63	1.70	1.77	1.85

Table showing monthly payment required to pay off a $100 loan in various periods and at various interest rates—Continued

Loan period (months)	Interest rates (per cent)														
	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35
	Monthly payments														
12	$9.31	$9.36	$9.41	$9.46	$9.50	$9.55	$9.60	$9.65	$9.70	$9.75	$9.80	$9.84	$9.90	$9.95	$10.00
13	8.67	8.72	8.76	8.81	8.86	8.91	8.96	9.01	9.06	9.10	9.15	9.20	9.25	9.30	9.35
24	5.14	5.19	5.24	5.29	5.34	5.39	5.44	5.49	5.54	5.59	5.64	5.69	5.75	5.80	5.85
25	4.97	5.02	5.07	5.12	5.17	5.22	5.27	5.32	5.38	5.43	5.48	5.53	5.58	5.64	5.69
36	3.77	3.82	3.87	3.92	3.98	4.03	4.08	4.14	4.19	4.25	4.30	4.35	4.41	4.47	4.53
37	3.69	3.75	3.80	3.85	3.90	3.96	4.01	4.06	4.12	4.17	4.23	4.28	4.34	4.40	4.45
48	3.10	3.15	3.21	3.26	3.32	3.37	3.43	3.48	3.54	3.60	3.66	3.72	3.78	-----	-----
49	3.06	3.11	3.17	3.22	3.28	3.33	3.39	3.45	3.50	3.56	3.62	3.68	3.74	-----	-----
60	2.71	2.76	2.82	2.88	2.94	2.99	3.05	3.11	3.17	-----	-----	-----	-----	-----	-----
61	2.68	2.74	2.79	2.85	2.91	2.97	3.03	3.09	3.15	-----	-----	-----	-----	-----	-----
72	2.45	2.51	2.57	2.63	2.69	2.76	-----	-----	-----	-----	-----	-----	-----	-----	-----
84	2.28	2.34	2.40	2.47	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
96	2.16	2.22	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----

ACTUAL RATES OF INTEREST PAID ON SECOND MORTGAGES

1. Rate Paid on Typical Second-Mortgage Loan.

Loan, $2,000. Period, 3 years (36 months). Nominal interest rate, 7 per cent. Discount or bonus, 15 per cent ($300). Borrower receives $1,700 and pays principal of $2,000, with interest at 7 per cent, in 36 monthly installments of $61.80.

The monthly payment per hundred dollars is $3.64 ($61.80 (monthly payment) ÷17, number of hundreds of dollars received). In the 36 months line of the table, page 19, $3.62 is found under 18 per cent, which is slightly less than the rate paid. The 15 per cent discount (5 per cent annually, so-called), therefore, adds more than 11 per cent to the nominal rate of 7 per cent. (See p. 19 for explanation of the use of the table on pp. 19 and 20 and for discussion of factors involved in the determination of the effect of extra charges on the interest rate.)

In order to facilitate the calculation of monthly interest, lenders frequently require an even monthly payment. Thus, in the above loan the monthly payment might be fixed at $60. In cases of this kind the loan usually runs approximately an extra month and the rate should be sought in the 37 months line of the table. Where the loan runs for an extra month the discount or bonus adds somewhat less to the interest rate, since the amount deducted is spread over a longer period. The difference is not great, however. Dividing $60 by 17, the rate per hundred is found to be $3.53, or 1 cent less than $3.54, which falls under 18 per cent.

As the 36 months line shows that $3.53 per hundred represents a rate of only a little more than 16 per cent, the necessity for determining whether an extra month is added to the loan period is apparent. This may be readily ascertained by consulting the table and multiplying the rate per hundred found under the nominal rate charged by the number of hundreds in the *face* amount of the loan. Thus the rate per hundred in the 36 months line under 7 per cent is \$3.09. \$3.09×20 hundred=\$61.80. If the monthly payment for such a loan is less than \$61.80, the loan is probably on a 37 months' basis. On a 3-year \$1,000 loan at 7 per cent nominal interest the monthly payment would be \$30.90 (\$3.09×10 hundred), but some lenders would require a monthly payment of \$30 and allow the loan to run about 37 months.

2. Rate Paid Where Sharp Practice is Employed.

A few lenders follow the irregular and misleading practice of calculating interest on the full amount of an amortization loan instead of on outstanding balances, which practice has the effect of nearly doubling the total payments made as interest.

Example.—Second-mortgage loan of \$1,000. Term, 2 years (24 months). Nominal interest rate, 7 per cent. Discount, 15 per cent (\$150).

The monthly payment which should be required to pay off the principal and interest of this loan is approximately \$44.80 (10 hundred dollars×\$4.48 per hundred (found in the 7 per cent column in the 24 months line of the table, p. 19)=\$44.80. Since interest is calculated on the full amount of the loan throughout the term, however, the monthly payment actually required is \$47.50 (\$1,000×7 per cent×2 years=\$140; \$1,000+\$140=\$1,140; \$1,140÷24 months=\$47.50).

Dividing \$47.50 by 8.5, the number of hundreds of dollars received, the monthly payment per hundred is found to be \$5.59. In the 24 months line of the table, page 20, this figure is found in the 30 per cent column; 30 per cent is, therefore, the rate paid on this loan.

3. Concealed Charges.

There is a very large group of home purchases in which the true financing charges are concealed, because the seller takes a second mortgage or land contract from the buyer in part payment and often sells it at a discount. Under such conditions a family should always find out what price the seller will take if he can be paid the amount of the second mortgage or contract in cash.

A family having \$1,000 in cash to make as a down payment may be offered a house at \$6,500, placing a first mortgage of \$3,500 and giving a second mortgage of \$2,000 to the seller. It may be ascertained that the seller would be willing to accept \$6,200 as the total price of the house if he were to receive a total of \$2,700 cash instead of \$1,000 and a second mortgage for \$2,000. In such a case it is evident that the seller considers a \$2,000 second mortgage equivalent to only $1,700 in cash, an amount which he might obtain for it if he were to sell it to a second-mortgage company. For the purpose of considering the true rate of interest paid, the family may consider the transaction as exactly the same as the one in which a $2,000 second mortgage was given to a third party and but $1,700 received with which to pay the seller. (See pt. I, p. 20.)

HOW HIGH RATES FOR HOME-FINANCING CAPITAL AFFECT HOUSING STANDARDS AND THE CONSTRUCTION INDUSTRIES

High financing charges often compel a homeseeker to accept a house which does not meet his reasonable requirements. This situation tends to lower housing standards and deprives the building-material dealer, the contractor, and the building trades worker of substantial benefits which should accrue to them. It may be illustrated by a case like the following:

From its savings of $1,200 a family purchased a lot valued at $1,000 and planned to build a house to cost $5,500. In order to build the house it would be necessary to borrow $5,300. It was found that a first mortgage of $3,500 could be obtained, but that $360, or 20 per cent discount, would be deducted from the $1,800 second mortgage applied for. The family would therefore lack $360. The second-mortgage agency offered to make the face amount of the mortgage note $2,000 and to take a discount at the same rate, which would amount to $400. The family would still be short $200 under this arrangement, however, and even if it were found possible to raise the needed $200 in some other way, the total of the second mortgage monthly payment—based on a $2,000 loan—and the monthly interest on the first mortgage would be too high for the family income. Rather than abandon the idea of building, this family decided to build a house somewhat smaller than it actually needed and to omit certain desirable features. In this way the cost of the house was reduced from $5,500 to $4,750. The building was financed with a first mortgage of $3,100, a second mortgage of $1,800 (from which a discount of $360 was deducted, so that it provided only $1,440), and $210 in cash.

The equity of $1,200, which this family had, represented more than 18 per cent of the total value of the lot and the house originally planned. Had it been possible to obtain a second mortgage even at a somewhat higher rate than the nominal rate of 7 per cent asked, but without a discount charge, this family would have acquired a better home and would have turned 750 additional dollars into the construction industries. No doubt thousands of families, finding themselves in a position similar to that described, abandon the idea of acquiring a home, with consequent loss to themselves and to the community.

DEPARTMENT OF COMMERCE

WASHINGTON

PUBLICATIONS ON HOUSING, CITY PLANNING, ZONING, AND BUILDING CODES

[Printed documents, for which prices are noted in each case, may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D. C., payments to be made by money order or New York draft; currency at sender's risk. Postage or foreign money not accepted.

Single copies of mimeographed material may be obtained upon request to the Department of Commerce, Washington, D. C.]

Housing.

BH4. How to Own Your Home. 28 pages. Price, 5 cents. By John M. Gries and James S. Taylor, with a foreword by Herbert Hoover.

City Planning and Zoning.

BH10. A City Planning Primer. 17 pages. Price, 5 cents.

BH11. A Standard City Planning Enabling Act. 53 pages. Price 15 cents.

BH3. A Zoning Primer. 7 pages. Price, 5 cents.

BH5. A Standard State Zoning Enabling Act. 13 pages. Price, 5 cents.

The above four publications are by the Advisory Committee on City Planning and Zoning.

Zoning Progress in the United States: Part I, Zoning and the Courts; Part II, List of State Zoning Laws, and names of zoned municipalities (mimeographed).

For details of papers relating to zoning and health, lists of zoned municipalities arranged according to size, city planning progress, references to city planning commission enabling acts, and later material, inquire of the division of building and housing, Department of Commerce, Washington, D.C.

Building and Plumbing Codes.

BH1. Recommended Minimum Requirements for Small Dwelling Construction. 108 pages. Price, 15 cents.

BH6. Recommended Minimum Requirements for Masonry Wall Construction. 57 pages. Price, 15 cents.

BH7. Minimum Live Loads Allowable for Use in Design of Buildings. 38 pages. Price, 10 cents.

BH8. Recommended Practice for Arrangement of Building Codes. 29 pages. Price, 10 cents.

BH9. Recommended Building Code Requirements for Working Stresses in Building Materials. 53 pages. Price, 10 cents.

The above five publications are by the Building Code Committee.

BH2. Recommended Minimum Requirements for Plumbing in Dwellings and Similar Buildings. 260 pages. Price, 35 cents. By the Subcommittee on Plumbing.

NOTE.—How To Own Your Home, another publication of the division of building and housing of the Department of Commerce, discusses such problems as how much to pay for a home, financing, selection of the site, house plans, and quality of construction, whether to buy or build, maintenance costs and expenses of home ownership, and other problems involved in building or buying a home. It contains financing tables based on various down payments and showing typical annual expenses. Copies may be obtained from the Superintendent of Documents, Government Printing Office, Washington, for 5 cents each, or $4.25 per hundred, cash or money order.

This pamphlet, Present Home Financing Methods, has been prepared to meet the needs of those requesting a fuller treatment of various home-financing problems.