Investor Participation in Financing Residential Mortgages: 1963-1972

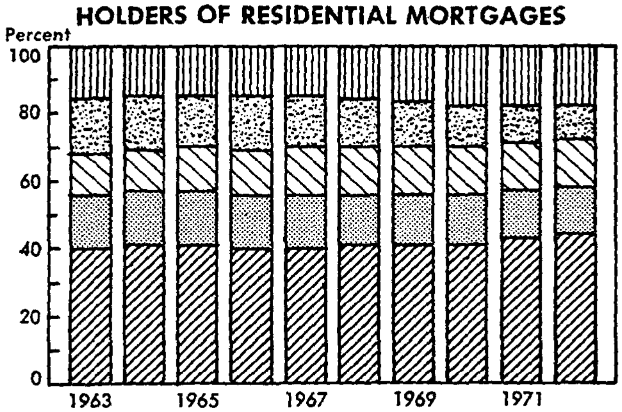
HOLDERS OF TOTAL RESIDENTIAL MORTGAGES

Over the 10-year period ending in 1972 the value of residential mortgage debt outstanding doubled from $211.2 billion to $422.5 billion. Chart 1 shows how the suppliers of mortgage credit participated in this growth. During the first five years, the relative degrees of participation were roughly unchanged; but during the second five years savings and loan associations, commercial banks, and "others" (several Federal agencies and individuals) increased their market shares at the expense of mutual savings banks and life insurance companies.

These shifts in market shares may in part be explained by the data in Chart 2, which shows residential mortgages as a percentage of total assets at four financial institutions. Over the period, savings and loan associations held essentially fixed proportions of their total assets in residential mortgages. Mutual savings banks and life insurance companies, however, reduced their relative holdings of residential mortgages, especially after 1969, in favor of alternative assets. Chart 3 shows net savings inflows at three depository institutions. In 1971 and 1972 commercial banks and savings and loan associations enjoyed unusually large savings inflows, which they in part used to enlarge their shares of the residential mortgage market.

Chart 1

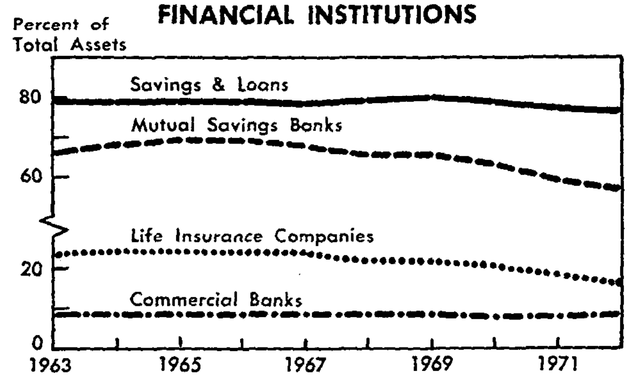
HOLDERS OF RESIDENTIAL MORTGAGES



Source: Federal Reserve Bulletin.

Chart 2

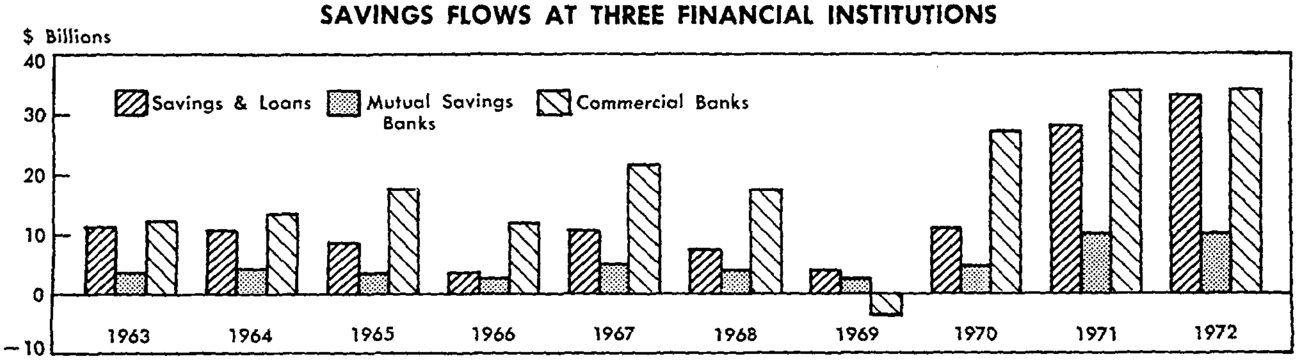
RESIDENTIAL MORTGAGES AS A PERCENTAGE OF TOTAL ASSETS AT FOUR FINANCIAL INSTITUTIONS



Sources Federal Reserve Bulletin, Mutual Savings Bank Fact Book, Life Insurance Fact Book, and Savings and Loan Fact Book.

Chart 3

SAVINGS FLOWS AT THREE FINANCIAL INSTITUTIONS



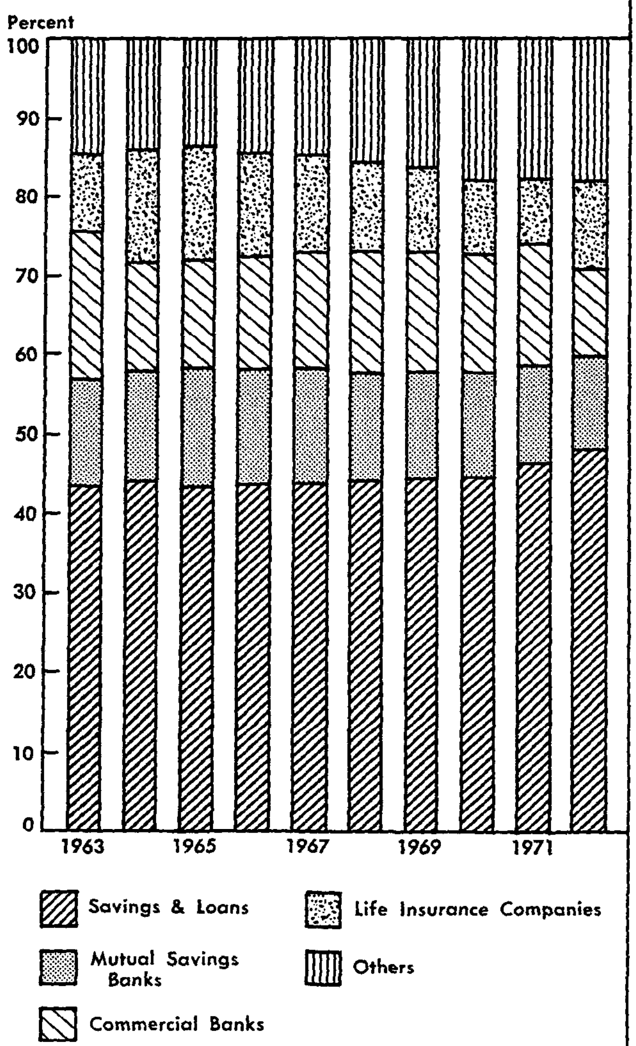
Source: Savings and Loan Fact Book.

HOLDERS OF RESIDENTIAL MORTGAGES BY TYPE OF PROPERTY

One way of disaggregating residential mortgage data is by the type of property against which the loan is made. Two broad classifications are typically used: one-to-four family units and multifamily units. These categories essentially refer to single family homes and apartment buildings, respectively. Between 1963 and 1972 movements in the relative holdings of single family home loans followed the pattern established for total residential mortgages while movements in relative holdings of apartment-type loans exhibited a much different pattern. Since loans for single family homes constitute the bulk of residential mortgages, it is not surprising that Chart 4 closely resembles Chart 1. Movements in holdings of apartment loans, as compared to single family home loans, were much greater over the entire period. Savings and loan associations and life insurance companies replaced mutual savings banks and "others" as the dominant forces in this market, while commercial bank holdings remained at a stable but relatively small percentage.

Chart 4

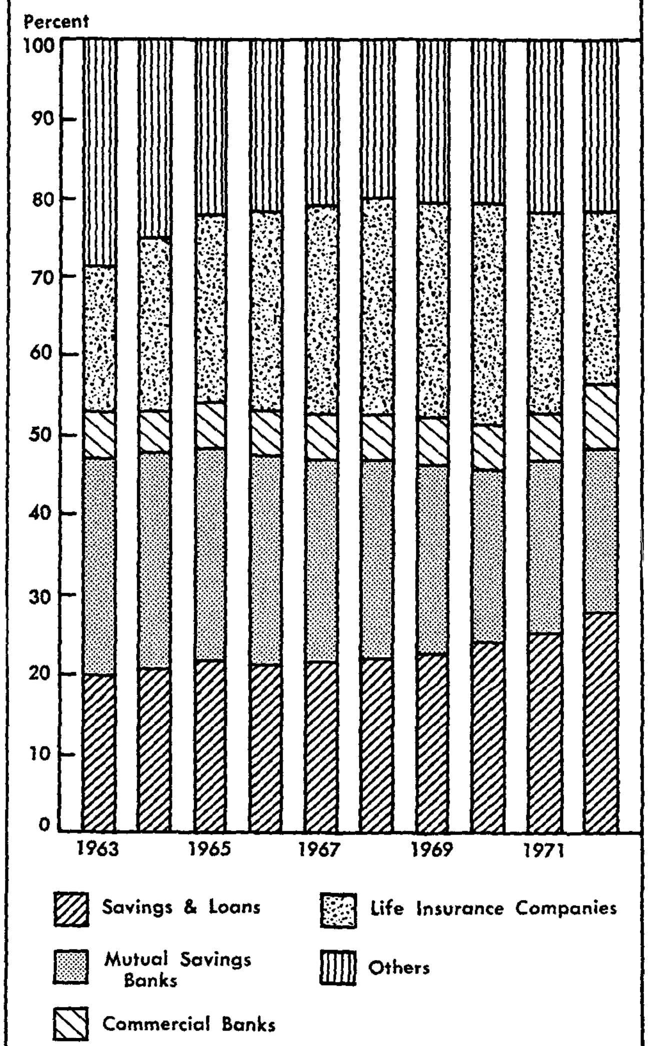
HOLDERS OF MORTGAGES ON SINGLE-FAMILY HOMES



Sources: **Federal Reserve Bulletin and Savings and Loan Fact Book.**

Chart 5

HOLDERS OF MORTGAGES ON APARTMENT BUILDINGS



Sources: **Federal Reserve Bulletin and Savings and Loan Fact Book.**

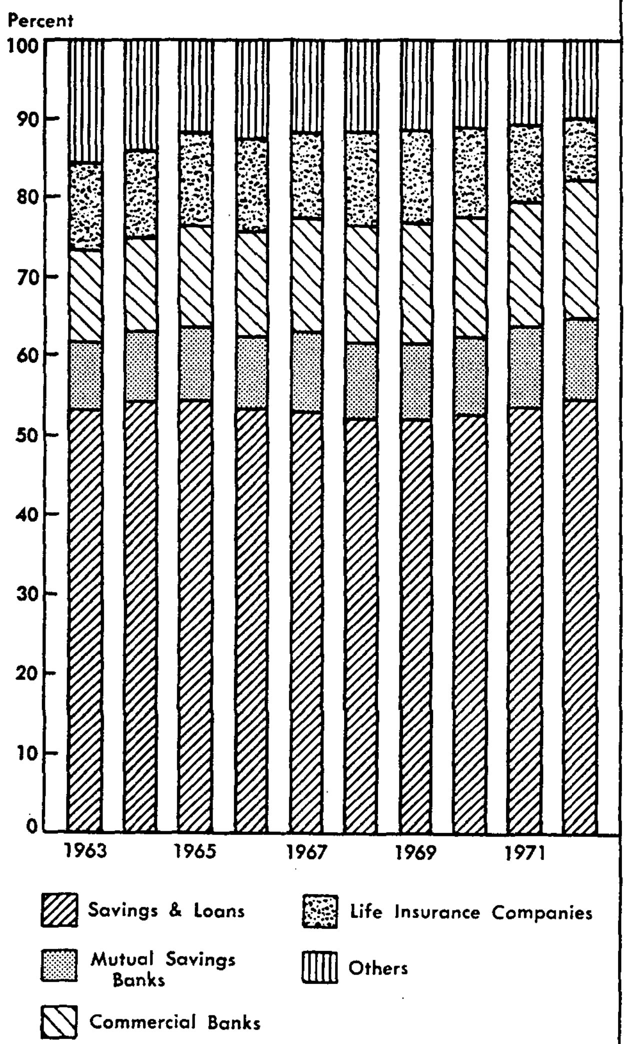
HOLDERS OF RESIDENTIAL MORTGAGES BY TYPE OF LOAN

Residential mortgage data may also be broken down by type of loan, with such loans being classified as conventional or Government-underwritten. The latter type refers to those loans that are insured against default by either the FHA or the VA. Chart 6 shows the relative holdings of conventional loans between 1963 and 1972, which remained rather stable over the period except for the increased market share acquired by commercial banks, a share that was roughly offset by the reduced market share held by "others." Substantial changes in the relative shares of the market for Government-underwritten loans were recorded between 1963 and 1972, as shown in Chart 7. The sharpest increase in market share was registered by "others," which indicates the more aggressive role played by the Federal Government in establishing a broad secondary market for mortgages, especially following the restructuring of the Federal National Mortgage Association in 1968.

Philip H. Davidson

Chart 6

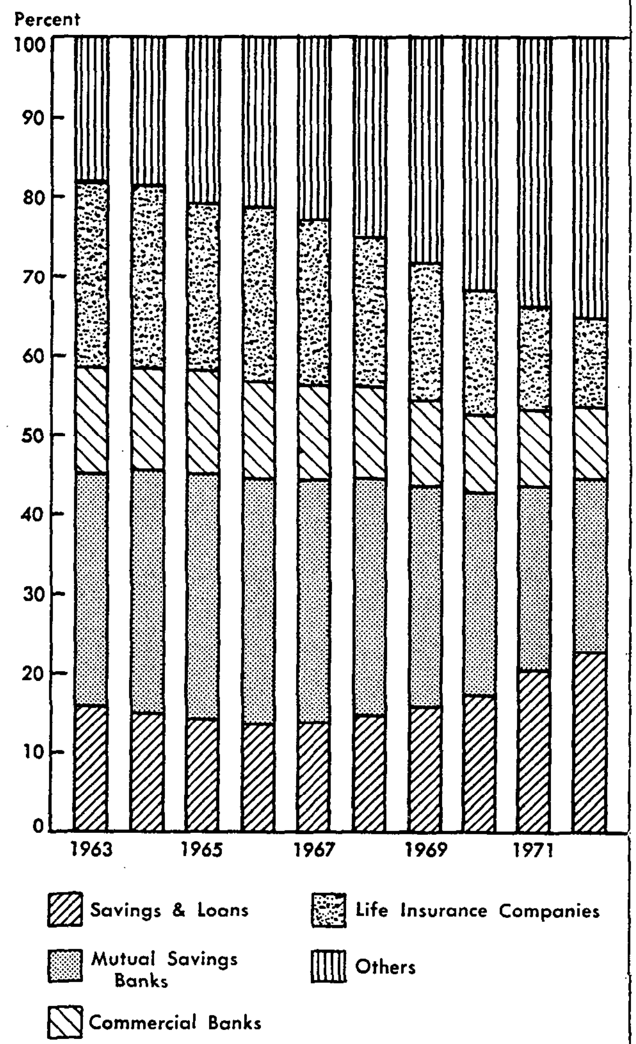
HOLDERS OF CONVENTIONAL LOANS ON RESIDENTIAL PROPERTIES



Sources: **Federal Reserve Bulletin and Savings and Loan Fact Book.**

Chart 7

HOLDERS OF GOVERNMENT-UNDERWRITTEN LOANS ON RESIDENTIAL PROPERTIES



Sources: **Federal Reserve Bulletin and Savings and Loan Fact Book.**