

| Advantages Compared With SFPM <sup>a</sup>                                    |  | Disadvantages Compared With SFPM <sup>a</sup>   |  |
|---|--|---|--|
| Borrowers   | Lenders  | Borrowers   | Lenders  |
| Slightly lower initial interest rate; increased availability of funds.        | Interest rate risk is reduced.   | Increased interest rate risk.   | Lack of standardization makes it difficult for investors to evaluate loans.  |
| Reduced payments in early years.  | May earn higher long-run interest rate.                                    | Payments may rise faster than income.   | Negative amortization in early years.  |
| Substantially lower interest rate.  | Interest rate risk is reduced.   | Reduction of capital gains on appreciation; need to pay large amount at end of loan period. | Uncertain return on investment; reduced cash flow in early years.  |
| Eliminates tilt in real payments stream and increases equity in home quickly. | Interest rate risk is reduced.   | Payments may rise faster than income.   | Return on investment can be uncertain because it is largely determined by skill of lender at reinvesting principal repayments. |
| Eliminates tilt in real payments stream.                                      | Interest rate risk is reduced; certainty about the real value of payments. | Inflation-induced increase in equity is eliminated.   | Reduced cash flow in early years.  |



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**APPENDIX D. ADDITIONAL INFORMATION ON SOURCES AND FLOWS  
OF MORTGAGE FUNDS**

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TABLE D-1. ORIGINATIONS OF FEDERAL HOUSING ADMINISTRATION-INSURED AND VETERANS ADMINISTRATION-GUARANTEED RESIDENTIAL MORTGAGE LOANS BY PROPERTY TYPE, 1970-1982  
(In millions of dollars)

| Years | <u>VA-Guaranteed Loans<sup>a/</sup></u> |                       | <u>FHA-Insured Single-Family Loans</u> |          |   | <u>FHA-Insured Multifamily Loans</u> |       | Total Value as Percent of Total <sup>e/</sup> | Value of Multi-family Loans <sup>f/</sup> |          |
|-------|---|-----------------------|--|----------|---|--------------------------------------|-------|---|---|----------|
|       | Number                                  | Value                 | Number                                 | Value    | Value as Percent of Total <sup>c/</sup> | Number                               | Value |   |   |          |
| 1970  | 186,187                                 | 3,682.3               | 471,981                                | 8,068.7  | 22.7                                    | 35,600.0                             | 2,039 | 2,852.4                                       | 32.4                                      | 8,800.0  |
| 1971  | 197,884                                 | 4,111.6               | 565,417                                | 10,374.5 | 17.9                                    | 57,800.0                             | 2,324 | 3,672.3                                       | 29.4                                      | 12,500.0 |
| 1972  | 359,001                                 | 7,860.7               | 427,858                                | 8,067.1  | 10.6                                    | 75,900.0                             | 2,000 | 3,127.7                                       | 20.3                                      | 15,400.0 |
| 1973  | 365,122                                 | 8,357.5               | 240,004                                | 4,473.3  | 5.7                                     | 79,100.0                             | 1,247 | 2,047.7                                       | 14.6                                      | 14,000.0 |
| 1974  | 311,250                                 | 7,709.4               | 195,827                                | 3,932.9  | 5.8                                     | 67,500.0                             | 546   | 977.0   | 7.9                                       | 12,300.0 |
| 1975  | 290,191                                 | 8,091.4               | 255,061                                | 6,166.1  | 7.9                                     | 77,900.0                             | 346   | 813.4   | 7.7                                       | 10,600.0 |
| 1976  | 326,727 <sup>b/</sup>                   | 9,951.2 <sup>b/</sup> | 250,808                                | 6,362.1  | 5.6                                     | 112,800.0                            | 706   | 1,663.5                                       | 13.5                                      | 12,300.0 |
| 1977  | 382,586                                 | 13,135.8              | 321,118                                | 8,840.8  | 5.5                                     | 162,000.0                            | 982   | 2,538.7                                       | 16.1                                      | 15,800.0 |
| 1978  | 380,869                                 | 14,658.7              | 334,108                                | 11,140.0 | 6.0                                     | 185,000.0                            | 1,178 | 5,208.9                                       | 31.8                                      | 16,400.0 |
| 1979  | 364,578                                 | 16,072.0              | 457,726                                | 18,184.2 | 9.8                                     | 186,600.0                            | 1,078 | 3,287.1                                       | 21.6                                      | 15,200.0 |
| 1980  | 297,447                                 | 14,815.3              | 381,169                                | 16,458.5 | 12.3                                    | 133,800.0                            | 1,321 | 4,227.6                                       | 33.8                                      | 12,500.0 |
| 1981  | 187,628                                 | 10,008.9              | 224,829                                | 10,278.1 | 10.5                                    | 98,212.0                             | 1,219 | 3,680.7                                       | 31.7                                      | 11,600.0 |
| 1982  | 103,439                                 | 5,541.9               | 166,734                                | 8,087.1  | 8.5                                     | 94,918.0                             | 1,575 | 4,507.3                                       | 40.1                                      | 11,234.0 |

SOURCE: Data from the U.S. Department of Housing and Urban Development and the Veterans Administration.

- a. Because the number and value of VA-guaranteed loans are fiscal-year data, the value of these loans as a percent of all single-family (i.e., one- to four-unit) loans--a figure available only by calendar year--is not calculated. Loans for mobile homes are included as of 1971. Loans for farms and businesses, no longer made as of 1974, are excluded in the early years.
- b. Data for the transition quarter July 1 through September 30, 1976, when the definition of the fiscal year was changed, are not included.
- c. Percentage of the total value of one- to four-unit residential mortgage loans originated each year. Total includes FHA-insured, VA-guaranteed and conventional mortgage loans.
- d. Total value of one- to four-unit loans includes FHA-insured, VA-guaranteed, and conventional mortgage loans originated each year.
- e. Percentage of the total value of multifamily loans originated each year. Total includes FHA-insured and conventional mortgage loans.
- f. Total value of multifamily loans includes FHA-insured and conventional mortgage loans originated each year.

TABLE D-2. GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA) MORTGAGE-BACKED SECURITIES PROGRAM-- COMMITMENTS AND SECURITIES GUARANTEED, 1968-1982 (In millions of dollars)

| Year | Commitments | Securities Guaranteed |
|------|-------------|-----------------------|
| 1968 | N/Aa/       | N/Aa/                 |
| 1969 | N/Aa/       | N/Aa/                 |
| 1970 | 1,126.2     | 452.0                 |
| 1971 | 4,373.6     | 2,702.2               |
| 1972 | 3,909.5     | 2,661.9               |
| 1973 | 5,588.0     | 2,952.5               |
| 1974 | 6,202.5     | 4,552.7               |
| 1975 | 10,448.6    | 7,447.3               |
| 1976 | 25,395.3    | 13,764.4              |
| 1977 | 31,077.5    | 17,439.8              |
| 1978 | 35,012.4    | 15,358.4              |
| 1979 | 56,447.0    | 24,939.9              |
| 1980 | 57,704.0    | 20,646.8              |
| 1981 | 34,542.6    | 14,257.3              |
| 1982 | 38,865.4    | 16,011.5              |

SOURCE: Government National Mortgage Association data.

- a. N/A = not available. The GNMA was founded in 1968 and data for the MBS program are not available for that year and for 1969.

TABLE D-3. FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA) PURCHASES AND SALES OF ONE- TO FOUR-UNIT MORTGAGES, 1968-1982 (In millions of dollars)

| Years | Purchases |         |              |          | Sales   |
|-------|-----------|---------|--------------|----------|---------|
|       | FHA       | VA      | Conventional | Total    |         |
| 1968  | 1,291.0   | 646.8   | N/Aa/        | 1,937.8  | 0.4     |
| 1969  | 2,789.9   | 1,311.7 | N/Aa/        | 4,101.6  | 0.0     |
| 1970  | 3,490.1   | 1,287.4 | N/Aa/        | 4,777.4  | 20.3    |
| 1971  | 2,068.2   | 674.2   | N/Aa/        | 2,742.4  | 335.5   |
| 1972  | 1,775.4   | 765.3   | 55.1         | 2,595.8  | 211.2   |
| 1973  | 1,605.1   | 1,626.0 | 938.6        | 4,169.6  | 70.8    |
| 1974  | 1,278.4   | 2,339.4 | 1,128.3      | 4,746.0  | 4.3     |
| 1975  | 1,331.3   | 1,767.3 | 547.2        | 3,645.8  | 2.0     |
| 1976  | 403.4     | 420.3   | 2,512.9      | 3,336.6  | 86.1    |
| 1977  | 1,093.4   | 1,190.2 | 2,366.4      | 4,650.0  | 81.6    |
| 1978  | 4,309.3   | 2,310.6 | 5,681.7      | 12,301.7 | 9.0     |
| 1979  | 4,535.3   | 852.4   | 5,410.2      | 10,797.9 | 21.8    |
| 1980  | 3,477.9   | 1,794.6 | 2,801.8      | 8,074.3  | 0.6     |
| 1981  | 1,441.8   | 842.2   | 3,827.0      | 6,111.0  | 9.3     |
| 1982  | 577.4     | 300.4   | 14,288.5     | 15,106.3 | 2,071.3 |

SOURCE: Federal National Mortgage Association data.

- a. The FNMA did not purchase conventional loans (i.e., loans neither guaranteed nor insured by a federal agency) until 1972.

TABLE D-4. FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC) MORTGAGE ACTIVITY: PURCHASES, SALES, AND HOLDINGS BY TYPE, 1970-1982 (In millions of dollars)

| Years              | Transactions (during period) |                                 |        |                                 | Holdings (end of period) |                                 |         |
|--------------------|------------------------------|---------------------------------|--------|---------------------------------|--------------------------|---------------------------------|---------|
|                    | Purchases                    |                                 | Sales  |                                 | FHA/VAC/                 | Conven-<br>tional <sup>b/</sup> | Total   |
|                    | FHA/VA                       | Conven-<br>tional <sup>b/</sup> | FHA/VA | Conven-<br>tional <sup>b/</sup> |                          |                                 |         |
| 1970 <sup>a/</sup> | 325.0                        | N/A                             | N/A    | N/A                             | 325.0                    | N/A                             | 325.0   |
| 1971               | 564.0                        | 214.0                           | 48.0   | 65.0                            | 821.0                    | 147.0                           | 968.0   |
| 1972               | 833.0                        | 464.0                           | 90.0   | 317.0                           | 1,502.0                  | 286.0                           | 1,788.0 |
| 1973               | 335.0                        | 999.0                           | 0.0    | 409.0                           | 1,800.0                  | 804.0                           | 2,604.0 |
| 1974               | 261.0                        | 1,929.0                         | 0.0    | 53.0                            | 1,961.0                  | 2,625.0                         | 4,586.0 |
| 1975               | 119.0                        | 1,594.0                         | 70.0   | 1,451.0                         | 1,881.0                  | 3,106.0                         | 4,987.0 |
| 1976               | 20.0                         | 1,107.0                         | 35.0   | 1,762.0                         | 1,675.0                  | 2,594.0                         | 4,269.0 |
| 1977               | 20.0                         | 4,140.0                         | 7.0    | 4,633.0                         | 1,450.0                  | 1,817.0                         | 3,267.0 |
| 1978               | 0.0                          | 596.0                           | 0.0    | 1,040.0                         | 1,299.0                  | 1,792.0                         | 3,091.0 |
| 1979               | 0.0                          | 5,621.0                         | 0.0    | 4,544.0                         | 1,159.0                  | 2,893.0                         | 4,052.0 |
| 1980               | 0.0                          | 3,722.0                         | 0.0    | 2,526.0                         | 1,090.0                  | 3,966.0                         | 5,056.0 |
| 1981               | 0.0                          | 3,800.0                         | 0.0    | 3,532.0                         | 1,047.0                  | 4,190.0                         | 5,237.0 |
| 1982               | 0.0                          | 23,673.0                        | 0.0    | 24,169.0                        | 1,009.0                  | 3,724.0                         | 4,733.0 |

SOURCE: Federal Home Loan Bank Board data.

N/A = Not available.

- a. Data for 1970 include only the period beginning November 26 when the FHLMC first became operational. Data for other years are full-year figures.
- b. Includes participations as well as whole loans for mortgages neither guaranteed nor insured by a federal agency (i.e., conventional mortgage loans). Participation certificates are reflected in figures for 1971-1982. Guaranteed mortgage certificates are reflected beginning in 1975.
- c. Includes loans used to back bond issues guaranteed by the GNMA.

TABLE D-5. DISTRIBUTION OF ORIGINATIONS OF LONG-TERM MORTGAGE LOANS ON ONE- TO FOUR-UNIT HOUSES<sup>a/</sup> BY TYPE OF FINANCIAL INSTITUTION, 1970-1982 (In percent)

| Year | Percent Distribution          |                      |                  |                                  |                     | Total Value of Originations (billions of dollars) |
|------|-------------------------------|----------------------|------------------|----------------------------------|---------------------|---|
|      | Savings and Loan Associations | Mutual Savings Banks | Commercial Banks | Mortgage Companies <sup>b/</sup> | Other <sup>c/</sup> |   |
| 1970 | 41.6                          | 5.9                  | 21.9             | 25.0                             | 5.6                 | 35.6  |
| 1971 | 46.0                          | 6.1                  | 21.8             | 21.6                             | 4.5                 | 57.8  |
| 1972 | 48.4                          | 6.7                  | 23.3             | 17.5                             | 4.1                 | 75.9  |
| 1973 | 48.5                          | 7.5                  | 23.8             | 16.1                             | 4.1                 | 79.1  |
| 1974 | 45.8                          | 5.8                  | 23.9             | 19.3                             | 5.2                 | 67.5  |
| 1975 | 52.9                          | 5.5                  | 18.5             | 18.0                             | 5.1                 | 77.9  |
| 1976 | 54.9                          | 5.7                  | 21.7             | 13.9                             | 3.8                 | 112.8   |
| 1977 | 53.3                          | 5.4                  | 22.7             | 15.9                             | 2.7                 | 162.0   |
| 1978 | 48.6                          | 5.1                  | 23.7             | 18.6                             | 4.0                 | 185.0   |
| 1979 | 44.4                          | 4.8                  | 21.8             | 24.3                             | 4.7                 | 186.6   |
| 1980 | 45.7                          | 4.0                  | 21.5             | 22.0                             | 6.8                 | 133.8   |
| 1981 | 42.8                          | 4.1                  | 22.1             | 24.4                             | 6.6                 | 98.2  |
| 1982 | 36.7                          | 4.3                  | 24.5             | 29.4                             | 5.1                 | 94.9  |

SOURCE: Data from U.S. Department of Housing and Urban Development.

- a. Only nonfarm houses are included.
- b. Mortgage companies include all mortgage banking firms that originate mortgages for resale.
- c. Other institutions include: life insurance companies; private, non-insured pension plans; real estate investment trusts; state and local retirement plans; federally sponsored credit agencies; and state and local credit agencies.

TABLE D-6. DISTRIBUTION OF NET ADDITIONS TO HOME MORTGAGE DEBT, BY TYPE OF INSTITUTION, 1970-1982  
(In percent)

| Year               | Depository Institutions <sup>a/</sup>    |                            |                          | Federally<br>Sponsored<br>Credit<br>Agencies <sup>b/</sup> | Mortgage<br>Pools <sup>c/</sup> | House-<br>holds <sup>d/</sup> | Pension<br>Plans <sup>e/</sup> | Other <sup>f/</sup> |
|--------------------|--|----------------------------|--------------------------|--|---------------------------------|-------------------------------|--------------------------------|---------------------|
|                    | Savings<br>and Loan<br>Associa-<br>tions | Mutual<br>Savings<br>Banks | Commer-<br>cial<br>Banks |  |                                 |                               |                                |                     |
| 1970               | 45.3                                     | 7.2                        | 5.8                      | 30.8   | 8.1                             | -0.6                          | 0.4                            | 3.0                 |
| 1971               | 54.9                                     | 4.0                        | 19.0                     | 6.9  | 14.3                            | 10.1                          | -0.7                           | -8.5                |
| 1972               | 56.3                                     | 6.3                        | 20.6                     | 4.2  | 9.8                             | 7.6                           | -0.8                           | -4.0                |
| 1973               | 48.7                                     | 5.9                        | 24.9                     | 7.9  | 7.2                             | 5.1                           | -0.1                           | 0.4                 |
| 1974               | 38.7                                     | 2.0                        | 18.4                     | 15.2   | 9.1                             | 17.9                          | 0.1                            | -1.4                |
| 1975               | 52.8                                     | 1.8                        | 4.8                      | 5.8  | 16.6                            | 12.6                          | -1.2                           | 6.8                 |
| 1976               | 56.3                                     | 4.7                        | 14.1                     | 0.7  | 18.2                            | 7.4                           | -0.1                           | -1.3                |
| 1977               | 51.2                                     | 5.1                        | 19.4                     | 0.5  | 16.2                            | 5.8                           | 0.1                            | 1.7                 |
| 1978               | 40.2                                     | 4.7                        | 21.3                     | 8.0  | 11.0                            | 10.2                          | 0.2                            | 4.4                 |
| 1979               | 32.3                                     | 2.3                        | 16.8                     | 7.7  | 18.3                            | 13.5                          | 0.5                            | 8.6                 |
| 1980               | 26.8                                     | 1.1                        | 11.3                     | 8.0  | 19.5                            | 21.4                          | 0.8                            | 11.1                |
| 1981               | 17.6                                     | 0.7                        | 16.0                     | 6.0  | 18.5                            | 26.9                          | 0.4                            | 13.9                |
| 1982 <sup>g/</sup> | -8.0 <sup>h/</sup>                       | -3.7 <sup>h/</sup>         | 18.0                     | 12.2   | 38.3                            | 24.1                          | 0.6                            | 18.5                |

SOURCE: Board of Governors of the Federal Reserve System, Flow of Funds Accounts.

- a. Mortgage-backed securities are not included as mortgage debt holdings of depository institutions.
- b. The federally sponsored credit agencies include the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives.
- c. Mortgages in pools backing passthrough securities issued and/or guaranteed by the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Farmers Home Administration, and the Federal National Mortgage Association.
- d. Mortgage debt held by households that financed the sale of a unit to someone.
- e. Includes private and public pension plans.
- f. Other institutions include: life insurance companies, real estate investment trusts, state and local credit agencies, credit unions, finance companies, and U.S. agencies for which amounts are small or separate data are not readily available.
- g. Based on activity through the first six months of 1982.
- h. Figures are negative because of the FHLMC SWAP program.

TABLE D-7. DISTRIBUTION OF HOME MORTGAGE DEBT OUTSTANDING, BY TYPE OF INSTITUTION, 1970-1982 (In percent)

| Year               | Depository Institutions <sup>a/</sup> |                      |                  | Federally Sponsored Credit Agencies <sup>b/</sup> | Mortgage Pools <sup>c/</sup> | Households <sup>d/</sup> | Pension Plans <sup>e/</sup> | Other <sup>f/</sup> |
|--------------------|---------------------------------------|----------------------|------------------|---|------------------------------|--------------------------|-----------------------------|---------------------|
|                    | Savings and Loan Associations         | Mutual Savings Banks | Commercial Banks |   |                              |                          |                             |                     |
| 1970               | 41.8                                  | 14.2                 | 14.2             | 5.2   | 1.0                          | 7.8                      | 1.6                         | 14.2                |
| 1971               | 43.0                                  | 13.3                 | 14.7             | 5.4   | 2.2                          | 8.0                      | 1.4                         | 12.0                |
| 1972               | 44.6                                  | 12.4                 | 15.4             | 5.2   | 3.1                          | 8.0                      | 1.1                         | 10.2                |
| 1973               | 45.0                                  | 11.7                 | 16.4             | 5.5   | 3.6                          | 7.7                      | 1.0                         | 9.1                 |
| 1974               | 44.5                                  | 10.9                 | 16.6             | 6.3   | 4.0                          | 8.5                      | 0.9                         | 8.3                 |
| 1975               | 45.2                                  | 10.1                 | 15.6             | 6.3   | 5.1                          | 8.8                      | 0.7                         | 8.2                 |
| 1976               | 46.5                                  | 9.5                  | 15.4             | 5.6   | 6.6                          | 8.7                      | 0.6                         | 7.1                 |
| 1977               | 47.2                                  | 8.8                  | 16.0             | 4.9   | 8.1                          | 8.2                      | 0.5                         | 6.3                 |
| 1978               | 46.2                                  | 8.2                  | 16.8             | 5.3   | 8.5                          | 8.5                      | 0.5                         | 6.0                 |
| 1979               | 44.3                                  | 7.4                  | 16.8             | 5.6   | 9.9                          | 9.2                      | 0.4                         | 6.4                 |
| 1980               | 42.5                                  | 6.8                  | 16.2             | 5.8   | 10.9                         | 10.4                     | 0.6                         | 6.8                 |
| 1981               | 40.7                                  | 6.4                  | 16.2             | 5.9   | 11.4                         | 11.5                     | 0.5                         | 7.4                 |
| 1982 <sup>g/</sup> | 37.8                                  | 5.9                  | 16.0             | 6.4   | 13.5                         | 12.4                     | 0.5                         | 7.5                 |

SOURCE: Board of Governors of the Federal Reserve System, Flow of Funds Accounts.

NOTE: Components may not add to 100 because of rounding.

- a. Mortgage-backed securities are not included as mortgage debt holdings of depository institutions.
- b. The federally sponsored credit agencies include the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives.
- c. Mortgages in pools backing passthrough securities issued and/or guaranteed by the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Farmers Home Administration, and the Federal National Mortgage Association.
- d. Mortgage debt held by households that financed the sale of a unit to someone.
- e. Includes private and public pension plans.
- f. Other institutions include: life insurance companies, real estate investment trusts, state and local credit agencies, credit unions, finance companies, and U.S. agencies for which amounts are small or separate data are not readily available.
- g. Based on activity through the first nine months of 1982.



