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UNITED STATES GENERAL ACCOUNTING OFFICE

REPORT TO THE CONGRESS

Audit Of Financial Statements Of Federal Home Loan Banks Supervised By Federal Home Loan Bank Board For The Year Ended December 31, 1969

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B-114827

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D C 20548

B-114827

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the audit of financial statements of the Federal home loan banks for the year ended December 31, 1969 Our audit was made pursuant to the Government Corporation Control Act, as amended by the act of August 30, 1964 (31 U S C 857), and the Federal Home Loan Bank Act, as amended (12 U.S.C. 1431(j)).

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of the Treasury; and the Chairman of the Federal Home Loan Bank Board

Elmer B. Staats

Comptroller General
of the United States

Contents

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

AUDIT OF FINANCIAL STATEMENTS OF FEDERAL HOME LOAN BANKS SUPERVISED BY FEDERAL HOME LOAN BANK BOARD FOR THE YEAR ENDED DECEMBER 31, 1969 B-114827

DIGEST

WHY THE AUDIT WAS MADE

The Government Corporation Control Act and the Federal Home Loan Bank Act require the General Accounting Office (GAO) to make an annual financial audit of the Federal home loan banks.

The 12 Federal home loan banks are corporations chartered under the Federal Home Loan Bank Act for the purpose of providing reserve banking facilities to their member institutions--which may comprise savings and loan associations, savings banks, and insurance companies--and to certain nonmember borrowers.

FINDINGS AND CONCLUSIONS

During 1969, the Federal home loan banks substantially increased their advances to member institutions and their borrowings through the issuance of consolidated obligations--joint and several liabilities of all the banks--to help maintain the flow of funds into the mortgage market. The December 31, 1969, balances of advances outstanding and outstanding consolidated obligations were $4 billion and $3.7 billion greater than the respective balances as of December 31, 1968.

Interest earned by the Federal home loan banks on advances increased from $275 million in 1968 to $449 million in 1969, an increase of 63 percent, and the interest expense on their consolidated obligations increased from $253 million in 1968 to $400 million in 1969, an increase of 58 percent.

In the opinion of GAO, the financial statements of the Federal home loan banks present fairly the financial position of the 12 Federal home loan banks at December 31, 1969, and the results of their operations and the sources and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year and with applicable Federal laws.

RECOMMENDATIONS OR SUGGESTIONS

None.

AGENCY ACTIONS AND UNRESOLVED ISSUES

None.

MATTERS FOR CONSIDERATION BY THE CONGRESS

This report contains no recommendations or suggestions requiring action by the Congress. It is submitted to the Congress as required by the Government Corporation Control Act to show the results of GAO's annual audit of the Federal home loan banks' financial statements.

INTRODUCTION

The General Accounting Office has made an audit of the financial statements of the 12 Federal home loan banks for the year ended December 31, 1969. The scope of the audit is described on page 6 of this report.

The 12 Federal home loan banks are corporations chartered under the Federal Home Loan Bank Act, approved July 22, 1932 (47 Stat. 725; 12 U.S.C. 1421). The act provides that the Federal Home Loan Bank Board may create new Federal home loan banks--there may not be more than 12 nor less than eight--and may liquidate or reorganize any Federal home loan bank. In calendar year 1969 the Federal Home Loan Bank of Seattle, was established to replace the bank at Spokane.

Each federally chartered savings and loan association and each State-chartered institution whose accounts are insured by the Federal Savings and Loan Insurance Corporation is required to be a member of a Federal home loan bank. At their request other State-chartered institutions making long-term home mortgage loans and meeting the qualification requirements may become members upon approval by the Federal Home Loan Bank Board.

OPERATIONS

To help maintain a reasonable flow of funds into the home mortgage market, the Federal home loan banks advanced $5.5 billion to member thrift and home-financing institutions in 1969 compared with $2.7 billion advanced in 1968. Advances repaid totaled $1.5 billion in 1969 compared with $1.9 billion repaid in 1968. The net increase in the balance of bank advances outstanding was $4 billion in 1969, which increased the total advances outstanding to $9.3 billion at the end of the year.

During 1969, consolidated obligations of $8.2 billion were sold and maturing obligations of $4.5 billion were retired by the Federal home loan banks, which increased the balance of outstanding obligations by $3.7 billion at the end of the year.

The interest earned by the Federal home loan banks on advances increased from $275 million in 1968 to $449 million in 1969, an increase of 63 percent, and the interest expense on their consolidated obligations increased from $253 million in 1968 to $400 million in 1969, an increase of 58 percent.

On December 23, 1969, the Federal Home Loan Bank Act was amended by Public Law 91-151 (83 Stat. 374) which increased the Secretary of the Treasury's authority to purchase Federal home loan bank obligations by raising the limitation from $1 billion to $4 billion on the amount of the Secretary's holdings of such obligations. The amendment also provided that this authority:

> "*** shall be used by the Secretary of the Treasury when alternative means cannot effectively be employed, to permit members of the Home Loan Bank System to continue to supply reasonable amounts of funds to the mortgage market whenever the ability to supply such funds is substantially impaired during periods of monetary stringency and rapidly rising interest rates and any funds so borrowed shall be repaid by the Home Loan Bank Board at the earliest practicable date."

The authority to purchase Federal home loan bank obligations had not been exercised by the Secretary of the Treasury through June 30, 1970.

SCOPE OF AUDIT

The scope of our audit was determined after giving full consideration to the supervision and examination of the banks by the Federal Home Loan Bank Board. Our audit included:

1. A review of the Federal Home Loan Bank Act, as amended, and the Board's rules and regulations issued pursuant to the act to ascertain the policies and restrictions within which the banks are required to operate.

2. A review of the banks' lending and investment policies.

3. A review of the banks' financial reports and statements.

4. Direct confirmation with the custodians of the banks' investment securities held at December 31, 1969.

In accordance with section 301(a) of the Government Corporation Control Act (31 U.S.C. 866), we relied to the fullest extent deemed practicable on the examination made by the Board's Office of Audits. Our review of the work of the Office of Audits was accomplished by (1) reviewing the audit programs to determine the adequacy of the prescribed audit procedures, (2) observing the examinations made at two selected banks, and (3) reviewing reports and working papers pertaining to the examinations to the extent that we deemed appropriate.

OPINION OF FINANCIAL STATEMENTS

The financial statements in this report (schedules 1 through 6) were prepared by the Federal Home Loan Bank Board.

In our opinion, the financial statements present fairly the financial position of the 12 Federal home loan banks at December 31, 1969, and the results of their operations and the sources and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year and with applicable Federal laws.

FINANCIAL STATEMENTS

SCHEDULE 1

FEDERAL HOME LOAN BANKS

COMPARATIVE COMBINED STATEMENT OF FINANCIAL CONDITION

AT DECEMBER 31, 1969, AND DECEMBER 31, 1968

ASSETS	December 31, 1969	December 31, 1968
CASH		
On hand and in commercial banks	$ 81,406,309	$ 88,594,733
Treasurer of the United States	42,095,870	37,314,916
Total cash	123,502,179	125,909,649
INVESTMENTS		
U.S Treasury obligations	1,669,342,977	2,362,779,820
Securities held under resale agreements	193,079,721	11,788,596
Total investments (note 1)	1,862,422,698	2,374,568,416
ADVANCES TO MEMBERS		
Secured (note 2)	8,681,607,571	4,946,395,041
Unsecured	607,359,521	312,615,410
Total advances outstanding	9,288,967,092	5,259,010,451
OFFICE BUILDING LOAN--FEDERAL HOME LOAN BANK BOARD (note 3)	5,662,061	5,259,000
ACCRUED INTEREST RECEIVABLE	82,716,093	38,613,521
DEFERRED CHARGES	7,189,010	3,534,387
BANK PREMISES (note 4)	324,553	329,909
OTHER ASSETS (note 4)	1,777,134	562,669
LOANS GUARANTEED BY AGENCY FOR INTERNATIONAL DEVELOPMENT	61,944	
Total assets	$11,372,622,764	$7,807,788,002
LIABILITIES AND CAPITAL		
DEPOSITS		
Members		
Time	$ 710,325,137	$1,078,317,840
Demand	330,327,093	304,048,300
Government instrumentalities--demand	494,490	760,870
Applicants for membership	292,800	176,475
Total deposits	1,041,439,520	1,383,303,485
ACCRUED INTEREST PAYABLE	173,719,110	85,491,477
ACCOUNTS PAYABLE	331,074	19,493
DIVIDENDS PAYABLE	16,341,098	14,905,601
UNAMORTIZED BOND PREMIUM	74,666	380,181
OTHER DEFERRED CREDITS	440,389	877,222
CONSOLIDATED OBLIGATIONS (note 5)	8,422,000,000	4,701,000,000
Total liabilities	9,654,345,857	6,185,977,459
CAPITAL STOCK $100 PAR VALUE		
Total paid in on subscriptions	1,478,226,925	1,402,770,750
RETAINED EARNINGS		
Legal reserve (note 6) (schedule 3)	165,526,977	147,219,958
Unreserved earnings (schedule 3)	74,523,005	71,819,835
Total retained earnings	240,049,982	219,039,793
Total capital	1,718,276,907	1,621,810,543
Total liabilities and capital	$11,372,622,764	$7,807,788,002

The statement of financial condition of individual banks i› shown in schedule 5.

The notes on pages 18 to 20 apply to December 31, 1969, ba_ances and are an integral part of this statement

FEDERAL HOME LOAN BANKS

COMPARATIVE COMBINED STATEMENT OF INCOME AND EXPENSE

FOR THE YEARS ENDED

DECEMBER 31, 1969, AND DECEMBER 31, 1968

	December 31, 1969	December 31, 1968
EARNED OPERATING INCOME		
Interest on advances	$449,234,132	$274,641,773
Interest on investments	111,918,748	131,285,485
Interest on office building loan--Federal Home Loan Bank Board	252,274	236,363
Other	20,474	19,947
Interest on Agency for International Development loans	1,366	-
Total operating income	561,426,994	406,183,568
OPERATING EXPENSES		
Compensation	4,987,145	4,520,715
Travel	423,809	389,197
Other administrative expenses	3,267,756	2,970,664
Interest on consolidated obligations	400,335,607	253,390,086
Concessions to dealers for marketing consolidated obligations	5,924,750	4,438,762
Expenses of fiscal agent	453,006	431,000
Interest on members' deposits	49,345,846	54,838,627
Assessment for expenses of Federal Home Loan Bank Board	3,253,656	2,580,454
Total operating expenses	467,991,575	323,559,505
Net operating income	93,435,419	82,624,063
NONOPERATING INCOME		
Profit on sales of securities	258,965	607,497
Sales of furniture and equipment	16,469	279,050
Other	3,438	15,432
Total nonoperating income	278,872	901,979
NONOPERATING CHARGES.		
Loss on sales of securities	1,849,388	724,309
Furniture and equipment purchases	225,873	406,719
Other	103,937	49,307
Total nonoperating charges	2,179,198	1,180,335
Net income	$ 91,535,093	$ 82,345,707

The statement of income and expense of the individual banks for calendar year 1969 is shown in schedule 6.

The notes on pages 18 to 20 apply to December 31, 1969, balances and are an integral part of this statement

SCHEDULE 3

F E D E R A L   H O M E   L O A N   B A N K S

COMBINED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1969

	Legal reserve (note 6)	Unreserved earnings
BALANCE, DECEMBER 31, 1968	$147,219,958	$ 71,819,835
Add net income for year ended December 31, 1969 (schedule 2)	-	91,535,093
TRANSFERS TO LEGAL RESERVE FROM UNRESERVED EARNINGS	18,307,019	-18,307,019
	165,526,977	145,047,909
Less:		
Dividends declared	-	70,517,228
Retirement fund contribution (military service prior years)	-	7,676
	-	70,524,904
BALANCE, DECEMBER 31, 1969 (schedule 1)	$165,526,977	$ 74,523,005

The amount of retained earnings applicable to each bank is shown in schedule 5.

The notes on pages 18 to 20 are an integral part of this statement.

FEDERAL HOME LOAN BANKS

COMBINED STATEMENT

OF SOURCES AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1969

FUNDS PROVIDED:		
Sale of consolidated obligations		$ 8,197,000,000
Investment securities redeemed or sold (at amortized cost)		7,725,258,869
Repayment of advances made to members		1,501,287,402
Capital paid in by members		121,268,275
Net increase in funds resulting from operations:		
Net income for the period ($91,535,093) and depreciation of bank premises ($5,357)	$91,540,450	
Less amortization of net discount on investment securities	59,378,625	
Net increase		32,161,825
Repayment on loan for office building--Federal Home Loan Bank Board		188,939
Total funds provided		$17,577,165,310
FUNDS APPLIED		
Purchase of investment securities		$ 7,153,734,526
Advances made to members		5,531,244,043
Redemption of consolidated obligations		4,476,000,000
Dividends declared on capital stock		70,517,228
Repurchase of capital stock		45,812,100
Loan for office building--Federal Home Loan Bank Board		592,000
Loan guaranteed by Agency for International Development		61,944
Contribution to the retirement fund (military service prior years)		7,676
Net changes in other assets and liabilities		299,195,793
Total funds applied		$17,577,165,310

The notes on pages 18 to 20 are an integral part of this statement

F E D E R A L   H O M E   L O A N   B A N K S

COMPARATIVE STATEMENT OF FINANCIAL CONDITION OF INDIVIDUAL BANKS

AT

DECEMBER 31, 1969 AND 1968

	Boston 1969	Boston 1968	New York 1969	New York 1968	Pittsburgh 1969	Pittsburgh 1968	Greensboro 1969	Greensboro 1968	Cincinnati 1969	Cincinnati 1968
	(000 omitted)									
ASSETS										
CASH	$ 3,127	$ 875	$ 20,821	$ 23,223	$ 4,449	$ 7,979	$ 19,247	$ 12,488	$ 14,842	$ 18,428
INVESTMENTS (note 1)										
U S Treasury obligations	52,469	56,910	166,356	237,252	120,514	145,667	170,888	338,683	133,821	163,735
Securities held under resale agreements	16,031	-	14,000	-	10,978	4,000	9,983	-	14,047	7,788
ADVANCES TO MEMBERS										
Secured (note 2)	337,233	195,758	473,620	291,970	250,566	139,799	868,035	425,297	417,998	166,747
Unsecured	5,905	5,659	150,387	83,327	16,674	8,461	6,995	1,000	59,955	54,335
OFFICE BUILDING LOAN--FEDERAL HOME LOAN BANK BOARD (note 3)	181	168	517	468	242	218	620	585	272	251
LOANS GUARANTEED BY AGENCY FOR INTERNATIONAL DEVELOPMENT	-	-	62	-	-	-	-	-	-	-
ACCRUED INTEREST RECEIVABLE	4,137	1,941	4,491	2,439	2,203	1,296	8,366	3,386	4,948	1,953
BANK PREMISES (note 4)	-	-	-	-	-	-	-	-	-	-
OTHER (note 4)	259	132	718	383	189	110	2,265	748	534	65
Total assets	$419,342	$261,443	$830,972	$639,062	$405,815	$307,530	$1,086,399	$782,187	$646,417	$413,302
LIABILITIES AND CAPITAL										
DEPOSITS	$ 18,033	$ 24,780	$132,985	$170,174	$ 93,050	$116,552	$ 172,928	$246,633	$123,594	$162,943
ACCRUED INTEREST PAYABLE	6,085	2,965	9,562	2,902	5,156	2,423	14,131	5,457	8,192	1,975
CONSOLIDATED OBLIGATIONS (note 5)	318,835	151,000	503,510	270,000	211,290	95,000	684,385	329,000	359,955	99,000
OTHER	8	20	35	23	3	12	7	15	3,580	3,122
Total liabilities	342,961	178,765	646,092	443,099	309,499	213,987	871,451	581,105	495,321	267,040
CAPITAL STOCK $100 PAR VALUE--PAID IN	64,935	72,089	155,019	168,857	83,459	81,915	184,317	173,301	127,550	124,773
RETAINED EARNINGS										
Legal reserve	8,723	7,922	20,362	17,856	9,943	8,784	21,813	19,366	17,334	15,593
Unreserved earnings	2,723	2,667	9,499	9,250	2,914	2,844	8,818	8,415	6,212	5,896
Total retained earnings	11,446	10,589	29,861	27,106	12,857	11,628	30,631	27,781	23,546	21,489
Total capital	76,381	82,678	184,880	195,963	96,316	93,543	214,948	201,082	151,096	146,262
Total liabilities and capital	$419,342	$261,443	$830,972	$639,062	$405,815	$307,530	$1,086,399	$782,187	$646,417	$413,302

The notes on pages 18 to 20 apply to December 31, 1969, balances and are an integral part of this statement

Indianapolis		Chicago		Des Moines		Little Rock		Topeka		San Francisco		Seattle	
1969	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969	1968
(000 omitted)													
$ 14,174	$ 16,976	$ 5,001	$ 7,028	$ 15,082	$ 12,172	$ 8,083	$ 7,828	$ 10,112	$ 10,511	$ 6,688	$ 6,582	$ 1,876	$ 1,820
103,356	141,845	210,290	254,362	145,534	221,726	96,500	134,223	46,475	78,206	369,623	506,852	53,519	83,318
9,024	-	12,055	-	17,000	-	19,934	-	11,996	-	50,032	-	8,000	-
226,763	124,897	526,162	330,492	446,254	208,183	571,177	333,553	405,292	187,984	3,829,247	2,367,101	329,262	174,616
50,078	24,169	229,850	92,478	37,699	14,316	25,905	19,335	8,725	5,361	3,461	150	11,725	4,023
217	202	475	442	345	324	318	293	194	180	2,079	1,939	201	189
-	-	-	-	-	-	-	-	-	-	-	-	-	-
1,899	1,016	5,311	2,843	4,074	1,882	3,629	1,773	3,291	1,204	37,870	17,674	2,496	1,208
-	-	-	-	-	-	-	-	325	330	-	-	-	-
191	71	550	197	458	176	431	214	299	116	2,800	1,764	270	120
$405,702	$309,176	$989,694	$687,842	$666,446	$458,779	$725,977	$497,219	$486,709	$283,892	$4,301,800	$2,902,062	$407,349	$265,294
$106,034	$141,438	$112,946	$160,510	$134,404	$160,955	$ 57,158	$ 80,412	$ 42,296	$ 56,324	$ 14,642	$ 26,981	$ 33,369	$ 35,601
4,538	1,908	15,327	7,692	8,605	4,619	11,249	5,518	7,829	2,958	77,151	44,149	5,894	2,926
212,735	87,000	679,945	346,000	428,565	203,000	552,425	315,000	371,190	166,000	3,792,760	2,470,000	306,405	170,000
207	16	3,751	3,649	8	31	2,355	2,068	6	15	7,218	7,189	11	21
323,514	230,362	811,969	517,851	571,582	368,605	623,187	402,998	421,321	225,297	3,891,771	2,548,319	345,679	208,548
69,781	67,899	151,068	145,537	81,707	78,291	91,372	84,057	57,002	50,926	360,009	307,066	52,006	48,061
8,999	8,009	19,107	17,251	9,851	8,716	8,855	7,734	6,176	5,505	28,973	25,766	5,389	4,717
3,408	2,906	7,550	7,203	3,306	3,167	2,563	2,430	2,210	2,164	21,047	20,911	4,275	3,968
12,407	10,915	26,657	24,454	13,157	11,883	11,418	10,164	8,386	7,669	50,020	46,677	9,664	8,685
82,188	78,814	177,725	169,991	94,864	90,174	102,790	94,221	65,388	58,595	410,029	353,743	61,670	56,746
$405,702	$309,176	$989,694	$687,842	$666,446	$458,779	$725,977	$497,219	$486,709	$283,892	$4,301,800	$2,902,062	$407,349	$265,294

FEDERAL HOME LOAN BANKS

STATEMENT OF INCOME AND EXPENSE OF INDIVIDUAL BANKS

FOR YEAR ENDED DECEMBER 31, 1969

	Combined (note a)	Boston	New York	Pitts-burgh	Greens-boro
	(000 omitted)				
EARNED OPERATING INCOME					
Interest:					
Advances	$449,235	$16,862	$30,247	$12,183	$38,026
Office building loan--Federal Home Loan Bank Board	251	8	22	10	28
Investments	111,919	2,945	10,935	8,021	15,268
Deposits with other Federal home loan banks	(b)	-	21	37	71
Other	22	-	2	-	6
Total	561,427	19,815	41,227	20,251	53,399
OPERATING EXPENSES:					
Compensation	4,987	164	785	372	423
Interest on consolidated obligations	400,336	13,509	21,973	8,611	29,390
Concessions for marketing consolidated obligations	5,924	204	317	127	418
Interest:					
Members' deposits	49,345	1,224	4,545	4,826	10,144
Deposits of other Federal home loan banks	(b)	148	48	14	-
Other	7,400	256	901	478	662
Total	467,992	15,505	28,569	14,428	41,037
NET OPERATING INCOME	93,435	4,310	12,658	5,823	12,362
NONOPERATING INCOME	279	8	10	11	37
NONOPERATING CHARGES	-2,179	-314	-138	-39	-161
Net income	$ 91,535	$ 4,004	$12,530	$ 5,795	$12,238

[a]The amounts in the "combined" column may differ from amounts shown for the same items in schedule 2 because the amounts were rounded off.

[b]No amount is shown because the income and expense from interbank transactions offset each other in total.

The notes on pages 18 to 20 are an integral part of this statement.

Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
			(000 omitted)				
$20,855	$12,752	$36,598	$20,438	$30,193	$18,856	$195,376	$16,849
12	10	21	16	14	8	93	9
7,641	6,238	11,786	8,769	6,283	3,502	26,927	3,604
8	-	60	49	2	-	25	4
-	-	-	-	1	13	-	-
28,516	19,000	48,465	29,272	36,493	22,379	222,421	20,466
512	254	544	319	232	200	988	194
12,884	8,120	31,112	17,601	26,813	16,678	199,096	14,549
175	112	446	259	401	241	3,012	212
5,303	4,945	6,305	4,663	2,918	1,628	1,074	1,770
24	42	-	-	1	-	-	-
520	372	689	615	402	260	1,909	336
19,418	13,845	39,096	23,457	30,767	19,007	206,079	17,061
9,098	5,155	9,369	5,815	5,726	3,372	16,342	3,405
8	5	95	29	7	15	50	4
-403	-212	-186	-167	-129	-33	-353	-44
$ 8,703	$ 4,948	$ 9,278	$ 5,677	$ 5,604	$ 3,354	$ 16,039	$ 3,365

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1969

1. The Federal home loan banks are required to invest their legal reserve funds and any other funds available for investment in direct obligations of the United States, obligations, participations, or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association and securities authorized for the investment of fiduciary and trust funds under the laws of the States in which the banks are located. The book value (cost after amortization of premiums and discounts) of U.S. Government securities owned by the banks is compared below with the face and market values at December 31, 1969.

Government securities	Book value	Face value	Market value
Marketable	$1,853,956,605	$1,882,210,000	$1,837,804,869
Nonmarketable	8,466,093	8,450,000	-
Total	$1,862,422,698	$1,890,660,000	

Included in the marketable category above was $331 million in U.S. Special Series Certificates of Indebtedness due January 1, 1970 (bearing interest at 7.48 percent), which were not marketable on the open market but which could have been redeemed by the Treasury at full par value at any time prior to their maturity, had the need arisen. Also included in the marketable category above was the banks' investment of $193,079,721 in securities held under resale agreements which could have been exercised on or before January 26, 1970, to ensure that the banks recover their full investment.

2. Of advances to members, $8,681,607,571 was secured by pledges of collateral consisting of home mortgages, capital stock of the Federal home loan banks, obligations of the United States, and other authorized collateral as below.

Unpaid balances of home mortgages	$16,799,117,966
Capital stock of the Federal home loan banks	1,194,977,600
Face amount of Government securities	110,726,500
Other authorized collateral	13,062,900
Total	$18,117,884,966

3. The Federal Home Loan Bank Act, as amended November 3, 1966 (12 U.S.C. 1438(c)), authorizes the Federal Home Loan Bank Board to require advances of funds from the Federal home loan banks to finance site acquisition and construction of buildings for the Board in Washington, D.C. In accordance with the act, such advances are apportioned by the Board among the banks in proportion to the total assets of the respective banks, bear interest at the rate of 4-1/2 percent a year from the date of the advance, and are to be repaid by the Board in installments over a 25-year period.

4. The Federal Home Loan Bank Act, as amended (12 U.S.C. 1432), provides that, with the prior approval of the Federal Home Loan Bank Board, the Federal home loan banks may buy or erect bank buildings. The Board has approved the acquisition of a bank premise for the Topeka bank and the purchase of land and the construction of a building for the Greensboro bank.

   The amount of $324,553 for bank premises is associated entirely with the Topeka bank. Included in the amount of $1,777,134 for the other assets are costs of $1,455,456 that relate to the Greensboro bank. An analysis of the costs for the two banks follows.

	Greensboro	Topeka	Total
Land	$ 275,291	$121,000	$ 396,291
Buildings	1,180,165	214,073	1,394,238
Depreciation reserve	-	10,520	10,520
Buildings--net	1,180,165	203,553	1,383,718
Total	$1,455,456	$324,553	$1,780,009

At the end of 1969, construction of the building for the Greensboro bank was nearing completion.

5. Consolidated obligations of $8.422 billion are the joint and several liabilities of all Federal home loan banks and are not guaranteed by the U.S. Government. The amount outstanding consists of $6.321 billion in notes and bonds maturing in 1970 and $2.101 billion in bonds maturing after 1970.

6. The Federal Home Loan Bank Act, as amended, requires each Federal home loan bank to transfer semiannually to a reserve account 20 percent of its net earnings until the reserve account equals 100 percent of its paid-in capital; thereafter each bank must add 5 percent of its net earnings semiannually. At December 31, 1969, the legal reserve of $165,526,977 was 11.20 percent of the total paid-in capital of $1,478,226,925.

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