CYCLOPEDIA

OF

Building, Loan and Savings Associations

How To Organize and Successfully Conduct Them

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AND
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EMBRACING

The Origin and History of Co-operative Societies; Objects and Benefits of Building Associations; How to Organize and Successfully Conduct Them; Leagues; Legislation; Constitution and By-Laws; Forms and Description of Books, Blanks, and Papers; Interest and Dividend Tables; Auditing and Supervision; and a Comprehensive Variety of Practical and Useful Information and Suggestions, with Special Features Relative to Advertising.

By

HENRY S. ROSENTHAL.

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By
HENRY S. ROSENTHAL
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Preface to Fifth Edition

ONLY three years have passed, since the fourth edition of this cyclopedia was published. Yet the changes wrought in the civic life of mankind become very distinct in the re-editing of the book. Civilization today is facing problems that were undreamed of a few years ago. Commerce and industry, capital and labor, manufacturing and mining, agriculture, and transportation are all confronted by issues of vital importance. They can be solved only by the application of the highest wisdom and most earnest efforts of men and women everywhere.

One of the deep-going questions that America must consider today grows out of the increasing needs and the more and more strenuous demands for additional homes. The ultimate unit of which our whole system of government is composed is the family, and the family kingdom is the home. One of the seriously disturbing factors which have attracted the attention of thoughtful Americans for some years past is the growing ratio of our population who have no homes of their own, but who live in rented houses. A rented house or apartment can never be a real home in the true sense of the word.

A nation composed of renting tenants always lacks the finest type of patriotism. This enlarged ratio of tenant citizenry is not merely a social and economic evil, to be lightly regretted and then dismissed and forgotten. It is a vital danger, insidiously undermining the foundations of our Government and threatening the very life of the nation! There is at this time a serious housing shortage

in the United States. This condition is not local, affecting a few communities. It is nation-wide, and exists in practically every community in America. Moreover, this housing shortage is not a new thing. The world's war simply aggravated a widespread, and rapidly growing trouble of peace times, which the country must now deal with. The growth of tenantry is not confined to the towns and cities, but the same conditions may be observed in rural and agricultural communities. The increase in the ratio of farms operated by tenants is growing apace in every state of the nation.

In all efforts to solve this problem of tenantry and aid city and farm tenants to become home and farm owners, the financial factor is always the most difficult to solve. But a solution must be found if our Government is to endure.

Thoughtful students of these questions are fast coming to realize that in the *building association system of America will be found the most potent and efficient instrument to aid in solving this vital problem.* The public is coming more and more to appreciate that in this system is found the only type of financial institution known to the economic life of our country which confines its activities and devotes all its resources to the great object of teaching thrift and aiding families to build homes.

The housing problem, to be sure, is not confined to America. It is present in still more aggravated form in every civilized country. In many other nations the governments are dealing with the problem in characteristic fashion. They are extending government sub-

sidies and expending government funds to finance the building of homes which are sold to the citizen on long time contracts by the government. This plan of extending government aid to private citizens is contrary to the genius and theory of our Government. The accepted idea in America has always been that the true relation between the government and the citizen should be one in which the able-bodied citizen supports and maintains the government, rather than that the government should support and maintain the able-bodied citizen. America has such an abundance of wealth and such inexhaustible resources, that it is only necessary to provide proper channels to make the solution of this great problem easily attainable.

The solving of the tenant question is now before our country and is found in the work for which building associations exist. The last few years show a tremendous growth in the strength and resources of these institutions. Their ability to handle and solve this vital problem has been proved. The institutions have grown in number and in resources until *the American building associations present today the largest and strongest mutual co-operative system of institutions that the world has ever known.* They have been evolved from the needs of the people. Their strength and popularity are abundant evidence of the fact that they have accurately measured and fitted themselves to supply a vital, national need. Great as are the results already accomplished, they have only scratched the surface of their opportunities.

Plans are now under consideration that will greatly

strengthen these institutions and open to them a much wider opportunity for service. Among these is the suggestion that building associations be permitted to utilize the mortgages lying in their vaults as a basis and security on which to issue a standard type of bond, the entire proceedings to be adequately safeguarded. It is believed that this will provide very large additional resources which building associations may utilize in helping to finance additional home building, and thus multiply the useful service they render to the respective communities where they operate.

The many conferences and consultations between the leaders in the building association movement, and legislative, judicial and executive representatives of the government during the last few years have done much to clear the atmosphere and prepare the way for greater things. The character, the force and the mission of the true building association is today better understood in all activities of human endeavor than ever before.

THE AUTHOR.

Cincinnati, Ohio, June 1, 1923.

TABLE OF CONTENTS

CHAPTER I.

CO-OPERATION.

Origin of Co-operating Business; Conditions of Successful Co-operation; Examples of Co-operative Concerns; Building Associations as Co-operative Institutions..... 1–7

CHAPTER II.

BUILDING ASSOCIATIONS.

Name and Title; Definition; The Aim and Purpose; Origin; Essential Features; The Fundamental Inspiration; Saving and Lending; The Saving Feature; Advantages of Membership; Unlimited Savings; The Lending Feature; Other Services to Home-building Members; How Borrowing Helps Saving; Periodicals Devoted to Building Associations; Changes in Management Announced in *The News;* Recognition by Congress; Statistical Information..... 8–28

CHAPTER III.

HISTORICAL REVIEW.

Societies in England; The Movement in Other Foreign Countries; Early History in the United States; The First Building Association in the United States..... 29–34

CHAPTER IV.

THE RESULTS ACHIEVED BY BUILDING ASSOCIATIONS.

Means to Financial Advancement; Methods of Operation; Helping Men to Independence; A Man is King in His Own Castle; Home Building Made Easy and Dignified; Home Building Will Beautify American Life; The Federal Reserve Banking System; The Future of the Building Association Movement..... 35–46

CHAPTER V.

Building Association Leagues.

Origin of Leagues; Organization of United States League; State Leagues; International League; County, City and Local Leagues; Group Meetings; Method of Group Organization; Beneficial Results of Group Meetings; State Group or Conference Meetings; Women's Auxiliaries; State Supervisor's and Inspector's Meetings; Future of United States League Meetings; Systematic Propaganda Work; State Publicity Bureaus, National Promotion of the Movement; Thrift Organizations; Co-operation with Other Institutions; Building Association Day; Library of Building Association Literature; What a League Can Do; League Membership; Educational Factors; Branch Offices; The Press..... 47–67

CHAPTER VI.

Legislation and Taxation.

Legislation in England; Provisions of the English Law; Defects in the English Law; Laws in the United States; Improved Legislation; Litigation; Exemption from Taxation; Forceful Arguments by Hon. Julius Stern; The Association is a Clearing House for Its Members; Summary of Revenue Measures; The Revenue Act of 1918; The Revenue Act of 1921; The Policy of Congress; The Federal Home Loan Act Proposition..... 68–98

CHAPTER VII.

Plans and Methods of Associations.

The Terminating Plan; The Terminating Plan Described; The Serial Plan; Paying Off a Matured Series; Advantages of the Serial Plan; An Expert Discourse on the Serial Plan; The Permanent Plan; Paid-up Stock; The Fundamental Principles of Building Associations; Fines for Delinquents; Maturity of Shares; Arguments Favoring the Permanent Plan; Guarantee, Permanent or Reserve Fund Stock Plan; The National Loan Association Plan Now Defunct; 3% and 4% Contract Loan Companies; Standardization of the Building and Loan Institution; Annuities and Other New Features; Withdrawal Rules; Reserve Fund; Premiums; The Charging of Fees; Cancellation or Withdrawal Fees; Special Deposits; Farm Loans or Rural Credits..... 99–166

CHAPTER VIII.

How to Organize.

Necessary Conditions; Establishing the Necessity for an Association; Industries and Building Associations; Preliminary Steps; The Building Association as a Community Proposition; Supply Concerns Should Co-operate; Labor Unions Should Assist; Foreign Language Associations; Secure Co-operation of Organizations; Choice of Name; Capital Stock; Amount of Capital Stock; The Constitution; By-Laws; Incorporation; Officers; Representative Men in Directorate; Headquarters; Recruiting Members; Support of Press Needed; Co-operation with Banks Desirable; Building Associations Mobilize Idle Funds; New Regulations 167–187

CHAPTER IX.

Stock and Stockholders.

Different Definitions of Capital Stock; Increase of Stock; Stock is Property; Shares Transferable; Stock Payments or Dues; Paid-up Stock; Certificates of Paid-up Stock with Coupons; Other Facts Concerning Stock; Certificates of Deposit 188–195

CHAPTER X.

Definition of Stock and Stockholders.

Difference Defined; Serial Associations; Borrowing Members; Safety of These Associations.....196–200

CHAPTER XI.

Insurance.

Insurance Features; Health, Accident and Disability Insurance; Tornado Insurance; Life Insurance.....201–203

CHAPTER XII.

Duties and Rights of Members.

Membership; Duties of Members; Fines and Forfeitures; Rights of Members; Corporate Rights of Members; Rights as Investors; Dividends; Rights of Withdrawal; The Equity of a Withdrawing Member; Inheritance Tax Laws; Rights of Borrowers; Duties of Borrowers.....204–215

CHAPTER XIII.

Loans and Securities.

Nature of a Loan; Mortgages; Premium; Other Securities; Assignment of Stock; Sale of Securities; Disposition of Proceeds; Loans and Securities; Application for Loan; The Necessity of a Plat; Appraisement of Real Estate; Expert Appraisers; Mechanics' Liens; Straight Mortgage Loans; State Supervision.....216–231

CHAPTER XIV.

Corporate Management.

The Corporate Meeting; General Meetings; Special Meetings; Management of Corporate Meetings; Officers: Their Election and General Powers.....232–237

CHAPTER XV.

Election and Duties of Officers.

Officers Required; Elections; Duties of President and Vice-President; Duties of Secretary; Assistant Secretaries; Duties of Treasurer; General Manager; Duties of Directors; Duties of Trustees; The Attorney; His Appointment, Duties and Compensation; Bonds of Officers; Surety Bonds; Responsibility of Officers; Remuneration of Officers; Salary of Directors; Salary of Secretary.....238–254

CHAPTER XVI.

Powers and Liabilities.

General Powers; Perpetual Successions; The Corporate Seal; Contracts and Agents; Suits; Rules; Special Powers; Dissolution.....255–261

CHAPTER XVII.

Practical Questions Answered.

Borrowing Money; Cost of a Loan; Time Required to Pay Up a Loan; Advantages of a Building Association Loan; Contingent or Reserve Fund; Undivided Profits; Quick Assets; Mortgages—Custody, Recording; Insurance Policies as Collateral Security; Leaseholds; Taxes and Assessments; Payment of Dividends; Dues; Deposit Slips; Business Methods in Large Associations; Disbursements; Paid-up Stock Ledger; Semi-annual Settlements in Permanent Associations; General Remarks; Paying Off Shares 262–284

CHAPTER XVIII.

Auditing: Its Necessity and Object.

State Examinations; Purposes of Auditing; Protection of Corporate Interests; Protection of Members; Statutory and Constitutional Requirements; Economical, Labor-saving, and Simple Methods; The Balance Sheets; The Auditor the Representative of the Members; The Selection of the Auditing Committee; Qualifications for Auditing; Disqualification of Auditors; Assistance from Officials; Change of Auditors; Compensation of Auditors.285–302

CHAPTER XIX.

Auditing: Its Methods.

Uniformity Impossible; Care of Books; Special Hints; False Accounts; Errors of Omission; General Outline; Share Contributions; Proving a Cash Balance; Secretary's Contribution Book; Monthly Secretary's Book; Secretary's Cash Book; Treasurer's Cash Book; Members' Ledger; Withdrawals; General Ledger; Assets and Liabilities; Auditor's Report on Special Matters; Auditor's Certificate; Safety Insured.....303–324

CHAPTER XX.

Reports.

Their Necessity; Legal Requirements; Preparation and Publication of Reports; Secretary's Balance Sheets; Specimen Reports Illustrated.....325–333

TABLE OF CONTENTS.

CHAPTER XXI.

REBATE AND COMPOUND INTEREST TABLES.....334–364

CHAPTER XXII.

DISTRIBUTION OF EARNINGS—PERMANENT PLAN.

Calculations of Dividends and Interest; Application of Profits; Permanent Plan Tables.....365–413

CHAPTER XXIII.

DISTRIBUTION OF EARNINGS—SERIAL PLAN.

Division of Profits; Rules and Tables Exemplifying the Division of Profits Under Dexter's Rule and the Partnership Rule.....414–437

CHAPTER XXIV.

LEGAL FORMS FOR ASSOCIATIONS.

Specimen Blanks; Articles of Corporation (Ohio); Subscription List; Bonds of Officers (Ohio); Mortgage (Ohio); Mortgage Clause for Insurance Policies; Mortgage Collateral Note on Shares of Stock; Waiver of Mechanics' Lien (Ohio); Collateral Note for Loan on Pass-Book; Attorney's Report.....438–453

CHAPTER XXV.

BOOKS AND BLANKS.

General Suggestions; Book Accounts; Pass-Books; Deposit Envelopes and Slips; Necessary Books and Forms; Building Association Supplies.....454–464

CHAPTER XXVI.

JUVENILE SAVINGS.....465–471

CHAPTER XXVII.

ADVERTISING.

Why Should You Advertise?—How Should You Advertise?—The Preparation of Advertisements; Technical Data.....472–477

APPENDIX.

CONSTITUTION; By-Laws; Laws of Ohio.....478–527

BIBLIOGRAPHY.....528–544

GENERAL INDEX.....545–553

SPECIAL INDEX TO FIGURES, FORMS AND TABLES..... 554

CHAPTER I.

Co-operation.

THE first record of human co-operation is stated in the well known words of the story in Genesis: it is not good for man to live alone. While this has particular reference to marriage it voices the basic principle of progress in all fields of human enterprise. Co-operation is the watch word of social achievement. Man has been called a social animal. In fact, he resembles the bees and ants and beavers in his application of the laws governing co-operation. Without co-operation business would be impossible, governments unknown, cities unheard of. Civilization is nothing more than co-operation of the most intelligent and sympathetic kind.

It may be said that co-operation is instinctive. Its origin lies in the nature of life itself. Just as the many members of our bodies work together for health, so all members of the community must work together for municipal, state, or national welfare.

A single individual, without help or companionship, and without the aid of tools and implements, made by other hands, is one of the most helpless creatures the mind can imagine. In that situation he could not fell a tree, nor build a house worthy of the name. He could not with his empty hands protect himself from wild beasts or the unkind elements. But as the race gathered into families, and families combined into clans and tribes, and these combined to form nations, always applying and practicing co-operation, the result is seen in the progress of the race and the development of civilization.

CHAPTER I.

While all the great enterprises depend for their successful accomplishment on co-operation of many minds and hands, it is not always true that the fruits and benefits of the enterprise inure to those whose efforts made the success of the enterprise possible. Under the system of business management which has developed into the present "Industrial System" now almost universally applied to the industries of the world, the building and financing and management of the industry are in the hands of comparatively few individuals, co-operating in those phases of the enterprise, while the manual work of operation and producing the goods for which the enterprise was formed is usually done by wage workers, toiling for stipulated pay.

It is no part of the purpose of this work to suggest a plan or method, by which labor and capital can share on fair and equitable terms in the results of a great industry; but it is here referred to as one of the great problems, now before the industrial world for solution. The statesman or student of social economy, or captain of industry, or labor leader, whether great or humble, whether eminent or obscure, who can solve the problem and suggest a plan or method, by which the rules of right and justice, fairness and equity can be observed in the distribution of the products of an industry, among all the factors contributing to the production, will be a public benefactor, and such a solution will be a most valuable contribution to the higher welfare of mankind.

While the problem involves many complexities and intricacies, yet, in view of what human ingenuity has accomplished in solving other problems which seem equally involved and difficult, its solution would not seem impossible. It is of the greatest importance to the happiness and well-being of the race to determine and declare what are the just and equitable rights and relations of

humanity in their dealings with one another. Especially in these times must attention be given to the equalizing of opportunities whereby men may live together more justly and without the exploitation of any class of workers.

A co-operative business concern may be defined as one organized and operated as a joint co-partnership, dealing only with its co-partners, and distributing the profits and sharing the losses arising from the business on the basis of what each co-partner has contributed to the enterprise. The origin of the practice of conducting business organizations on the co-operative plan is shrouded in the mists of traditions and therefore cannot be stated with certainty. Some authorities believe that the first successful co-operative business organizations were established in China many centuries ago; but definite information as to the nature, character, plans, and methods of these co-operative experiments by the Chinese is not available.

Origin of Co-operative Business.

During the closing years of the eighteenth century there was founded in England by the weavers of the mills of Bradford, a co-operative institution which is still in operation and with a marvelous record. At the outset a handful of men established the institution for the co-operative buying of a few staple necessities of life. They were led to do this because of the reduced price at which such articles could be obtained in large quantities, sufficient, indeed, to supply the entire group, as compared with the price which each must pay when buying the smaller quantity required for his single family needs. The saving shown by this experiment soon led them to the addition of other articles to the list of supplies. The membership increased rapidly. Without detailing the history of this movement, suffice it to say that this

experiment has extended its activities to many other cities; and has expanded the list of commodities which it handles to include practically everything in the line of merchandising that can be named. They have established in distant lands plantations where they cultivate and obtain their own supplies of teas and coffee. They have established for their own source of supply, great factories for manufacturing their supplies of clothing, boots and shoes, and many other articles. The volume of business handled by these co-operative merchandising, manufacturing, and distributing institutions each year in England is enormous; and the successful and efficient way in which this tremendous co-operative business is being handled has won the admiration of the commercial and financial world.

The success of these co-operative institutions in England led to their establishment on similar plans and with similar aims and objects in many of the English Colonies throughout the world. The principles on which these institutions are operated have been copied by all the nations of Europe. In Germany, France, Austria, Russia, Italy, Denmark, and other European countries, (in fact all parts of the world) the growth and development of co-operation and the practical application of its principles have been truly phenomenal.

Conditions of Successful Co-operation.

Wherever the co-operative institutions have been established, they have been the same in their essential plan and nature. They spring from the same social and economic conditions, minister to the same needs and necessities, and achieve the same results. To organize and operate such an institution successfully, the community must be rather densely populated, consisting mainly of persons of small means and generally dependent upon their daily wages

for their incomes. These persons must have intelligence, and a similarity of tastes and interests. There must exist among them a strong element of mutual trust, confidence and dependence. These conditions are usually found most highly developed among laborers, mill, mine and factory employes, clerks, shop and store assistants, wage-earners and salaried employes with small or moderate incomes. By systematic and persistent application of even the small contributions which a large number of individuals in the stations in life above described can spare from their income (while each contribution may seem small and trifling) the aggregate will suffice to capitalize a co-operative concern of quite respectable magnitude, and produce results very helpful and beneficial to the membership. When a co-operative concern of this character is planned and operated on an economical basis, and is prudently and honestly conducted by operatives skilled in the line of business to which the enterprise is devoted, benefits and advantages will result which could not be secured by the individuals working for themselves.

In various parts of the United States it is true that there have been many unsuccessful experiments made in co-operative effort in manufacturing, merchandising and distribution of commodities. While in isolated points co-operative concerns of this character are still in operation, there have been none whose success has been so notable as to attract serious attention. There has been in recent years, however, a very noticeable growth of general public interest in certain lines of co-operative effort, and while few have achieved great magnitude, it is very encouraging to note that the principles of co-operation are being applied to a great variety of lines in a rapidly widening area, and in fast growing numbers. It is worthy of note that this application of the idea of co-operation *has been adopted most rapidly by the farmers and rural dwellers*

of America, while in Europe its principal application has been in the towns and cities.

Up to this time co-operative effort in the United States has concerned itself preferably with the distribution or marketing of products. Quite a number of large co-operative marketing associations have been organized and proved eminently successful and beneficial to the participants. The final consumers of products thus marketed, of course, gain only through the fact that these products are brought into many markets where otherwise they would not be available.

Examples of Co-operative Concerns.

As examples of the successful application of co-operation in America, there can be named the citrus, walnut, raisins, and prune growers of California, who co-operate in the marketing of their fruit, and in the purchase of their supplies and machinery for conducting their business; the fruit growers of Florida, Oregon, Washington, Texas, and other states who co-operate in like manner. The truck and market gardeners along the south Atlantic Coast pursue a plan of co-operative marketing in the purchase of their supplies of seeds, fertilizers and implements. In many parts of the country may be found co-operative grain elevators, creameries, and cheese factories. The dairymen of Wisconsin, which is now the leading dairy state of the Union, market most of their dairy products through the medium of a co-operative selling agency that is highly successful, and maintains distributing agencies in many of the larger cities.

A striking example of co-operation is found in the numerous mutual co-operative insurance companies that carry a tremendous volume of the fire, hail and storm insurance, especially in rural communities. Co-operative telephone companies are especially common and popular

among the farmers of the country and are still supplying local service to a surprisingly large number of patrons. All these ventures in co-operation (and many others along various lines that might be mentioned) are rapidly familiarizing the American people with the idea, and educating them in the principles and practices of co-operation.

The errors and defects that will always be found in the early efforts along every line of endeavor, are being understood and avoided, and rapidly these experiments in co-operation are being reduced to a system, adopting safeguards which experience has shown to be needful; imposing plans and methods of supervision and oversight that are at once a safeguard and a stimulus to these enterprises; and thus each year these co-operative efforts and enterprises are becoming more and more a beneficial factor in American economic life.

Building Associations as Co-operative Institutions.

One form of co-operative effort has been remarkably successful in this country. This is found in what is most widely known as Building Associations. It is the purpose of this work to treat of this type of institutions; to trace their origin and development; to describe the various plans and methods on which they are operated; to give some account of their usefulness and benefits; to call attention to the size and magnitude to which they have attained; make some suggestion as to plans and methods by which they are organized and conducted, and point out the way by which this practical co-operative institution may be utilized in every community for the common benefit of every citizen, and become a vital factor of great efficiency in stimulating business and adding materially to the community wealth.

CHAPTER II.

Building Associations.

Name and Title.

For the sake of brevity we shall use throughout this work the name "Building Associations" as a generic term for the institutions to be considered in this volume. This type of organization is known by a wide variety of names and titles in different parts of the United States. In some parts of the country the various state laws prescribe certain words and terms, which must be made part of the name. In other states, the laws mention certain words that must not be used in the name. For example, Massachusetts requires that these institutions must use the term, "Co-operative Bank," as a part of the title. In other states they are expressly prohibited from using the word "Bank" as a part of the name. As a result it will be found that they are variously designated as "Building Associations," "Building and Loan Associations," "Savings Associations," "Savings and Loan Associations," "Co-operative Banks," "Homestead Associations," "Mutual Loan Associations" and many other names made up of varying combinations of the several terms above mentioned.

It is a frequent practice in selecting the name to adopt as an initial part thereof, some word of special significance, such as "Peoples," "Citizens," "Merchants," "Mechanics," "Security," "Fidelity," "Equitable," "Workingmens," "Wage-Earners" and "Home." A still more common practice is to use the name of the town or city in which the association is organized as a part of the name. Many associations are organized among the employes of a single large industry, and associations of this character quite often utilize the name of the firm or company where they are employed as a part of their title.

Definition.

A building association is a mutual, co-operative financial institution, usually operating under articles of incorporation issued by the state, and composed of members who have thus associated themselves together for their mutual benefit and financial advantage. The membership of a building association may be broadly divided into two classes, designated saving members and borrowing members. The former use the association as a place where they may deposit from time to time, such sums as they are able to spare from their wages, salary or other income. The borrowing members use the associations as a place where they can borrow funds for use in buying, building or repairing a home, or for other useful purposes, and at the same time repay their loans systematically with their savings.

The members save money together.
They lend money to each other.
They divide the profits with each other.
They work together to help each other.

The Aim and Purpose.

The aim and purpose of a building association is to aid and encourage its members to learn and practice thrift by regular systematic savings, and to provide ways and means by which every family may procure a home.

CHAPTER II.

Origin of Associations.

The first building association in America of which we have any authentic record, was organized at Frankford, Pennsylvania, now a suburb of Philadelphia. Among the gentlemen especially active in its organization were: Dr. Henry Taylor, and two manufacturers, named Samuel Pilling and Jeremiah Horrocks. These gentlemen had gathered some information regarding the plans and methods by which institutions of this kind were being operated in England, and believing that such an association might be useful in this country, laid their plans before Jesse V. Castor, a lawyer, and Isaac Shallcross, a conveyancer. As a result of the conferences between these gentlemen, there was organized on January 3, 1831, an association called the "Oxford Provident Building Association of Frankford."

It appears that in the formation of this association, the founders followed as nearly the plans of the English associations as they could from the ideas they had gathered by observing them in operation, or by perhaps participating in them. Judge Endlich, in his work on "Building Associations," however, intimates that they had no printed directions. The plan on which it was organized and operated was what is now designated as the Terminating Plan. It was restricted to the members who organized it, or who joined soon after it was formed. This plan is more fully described in Chapter VII.

The records of this first association are being carefully preserved by the Pennsylvania Historical Society, 13th and Locust St., Philadelphia, Pa. From the association records, January 3, 1831:

"At a meeting of sundry inhabitants of the Borough of Frankford and its vicinity held this day, pursuant to public notice, at the house of Thomas Sidebotham, in said borough, for the purpose of forming an association to enable the contributors thereof to build or purchase dwelling houses, Isaac Whitelock was called to the chair and Jesse V. Castor was appointed secretary.

This association shall be known by the name, style and title of the Oxford-Provident Building Association of Philadelphia County.

The association shall be conducted by thirteen trustees. The trustees shall not receive, either directly or indirectly, any compensation for their services.

Each member shall pay the sum of five dollars upon each share of stock held by him and a monthly contribution of three dollars.

The association shall continue until every member shall have an opportunity of building or purchasing a dwelling house for each share of stock he may hold in the same, after which the balance in the treasury shall be equally divided among the members according to their respective shares.

No loan shall be made to a member for the purpose of building a dwelling house at a greater distance than five miles from the Borough of Frankford."

It is noteworthy, that many of the prominent citizens of Frankford are direct descendants of the shareholders of the Oxford-Provident. Most of these descendants are still faithful to the cause of their ancestors. At present several of them are directors in the Decatur Building and Loan Association. The Decatur was organized as a successor to the Oxford-Provident No. 3 in January, 1849. In December, 1851, an amendment to the by-laws authorized the issue of a new series, and the association has continued to issue quarterly series to the present time. In active service it is the oldest association of its kind in the United States.

It is interesting to note, however, that while succeeding years and extended experiences have seen the building association idea greatly develop and pass through an experience of evolution and change in many of its minor features, yet a study of the fundamental ideas will disclose that this small, modest, humble association had in its plan the essential features that still characterize the entire system of building associations to this day.

In the beginning little was heard of the association. It did its work among its own members in an unobtrusive way and achieved the objects for which it was organized. Then, in accordance with its plan the association passed out of existence. It is doubtful if any of its own members

or officers at any time realized the true value and significance of the movement they were originating. They doubtless considered it as a restricted, neighborhood organization, formed to solve some of the financial problems with which they were individually confronted, by a plan of mutual, self-helping co-operation.

When, however, we come to measure that early association by the results which have come from the remarkable development of its essential idea, it can be seen today, that the formation of that first building association was an event of immeasurable importance in the growth of our nation.

The Essential Features of the Building Association.

Among the essential features of the first association which have been retained in all its successors, is the idea of *mutuality;* an equality of rights, powers, privileges and opportunity in the organization and operation, control and management of the association; and also an equal interest and liability in its results.

Its original membership was made up chiefly of *workingmen and wage-earners.* The fact, that a doctor, a lawyer, a surveyor and two manufacturers were willing to give their time and broader business experience, and that all of the thirteen trustees were to give their services without direct or indirect remuneration doubtless contributed much to the success of the movement, and this generous will to help has been continued by hundreds of thousands of such trustees or directors ever since. These activities are founded upon true democratic lines of, by, and for the people. This is a striking feature of building associations today.

Another feature, present from the beginning, is the opportunity afforded the member to make regular sys-

tematic deposits with the association of the sums he can save from his wages. This feature aims to teach the virtue of *thrift* in a practical way.

The foundation plan of the association provides that it be *cheaply and economically managed.* This is strikingly shown by the fact that the average of expenses of management have for many years been about 8/10 of 1 per cent of the volume of business handled.

This association is to be *a local institution,* confining its investments to the local community in which it operates. The wisdom of this idea is proven by the fact that practically every attempt to extend the investments of an association to a wide radius, beyond the territory with which its officers were personally familiar, has proven unsafe and often disastrous.

The Fundamental Inspiration.

The funds of the first association were applied to aid its members to *procure homes.* This was in fact the one outstanding feature of the plan and the high purpose for which the association was organized. The wish and desire to own their own home, was, in fact, the primary, fundamental inspiration on which the first building association was formed, and has ever continued to be the shining pole star which has guided and directed the progress of these building associations to the present day. The desire to own a home is one of the primary, natural instincts of every real man or woman. An institution organized and operated on a fair and equitable plan which has for its object the gratifying of that desire, is sure to make a strong appeal to all humanity. The constant appeal which building associations have always made to this deep-seated human desire, is the real secret of their great success.

CHAPTER II.

Saving and Lending.

Building associations occupy a two-fold relation to the communities in which they operate; first, they are SAVINGS SOCIETIES, aimed to promote thrift; second, they are LENDING SOCIETIES, aimed to promote home ownership. The saving feature is named first, because some one must save, before any one can lend. The use of the word "Building" in the name of these associations, while accurate at the beginning of the movement, has become traditional because of the changes which have developed in the evolution of these societies. In the early years of the movement it was quite common for these associations to buy tracts of land, and subdivide it into lots, contract for and superintend the erection of homes thereon and dispose of them to their membership. Since this plan of operation involved considerable risk, and must always be to some extent speculative and uncertain; and as experience in this line of work occasionally proved unprofitable and involved the association in losses (sometimes to a serious extent) that line of activity has been wholly abandoned by building associations.

In most of the states, building associations are not now permitted to do the actual building of homes for its members; so that "Building" in the sense of actual construction work is no longer any part of the business done by these institutions. While the work is no longer being done, the name still clings, and is often misleading to those who are not familiar with the real plans and methods of these associations. A name which would at once be strictly accurate and descriptive, would be "Co-operative Savings and Loan Association."

The Saving Feature.

As a *savings institution* building associations have become a most important factor in the work of teaching thrift and stimulating the habit of saving. The practice of thrift, and systematic saving should be encouraged, and must become a national characteristic, if our land is ever to become truly and solidly prosperous. Thrift is a word of broader meaning than saving. It denotes a higher and more intelligent use of accumulations, than merely saving them. It involves placing the savings to practical and profitable use. A saving person might justify the name, by merely hiding his savings away, where they would earn nothing for him, nor be of any use to any one else. A thrifty person will make such use of his savings that they will at the same time earn profits for him and be useful to others.

Building associations provide ideal facilities for the practice of thrift. They offer a plan which encourages the saving of money, and makes it easy and convenient. At the same time they employ these savings in a way which is profitable for him who saves, and extremely useful and helpful to him, who on giving proper security, is able to enjoy the use of these savings.

The practice of systematic saving should be especially urged upon the young. The self-denial involved in the practice of this habit and the resulting feeling of independence enjoyed by those who realize their savings are a substantial protection against misfortune or unemployment, tends to strengthen their character, gives them greater self-respect and inspires a higher respect and confidence in them, in the minds of others. The poet Burns urges us to save money:

"Not for to hide it in a hedge,
Nor for a train attendant,
But for the glorious privilege
Of being independent."

CHAPTER II.

Membership in a building association is a constant incentive and stimulus to thrift and economy; it teaches the practice of self-denial; encourages resistance to expensive habits; awakens ambition and a desire for higher and better modes of living; and provides a way to satisfy such desires. All these influences tend to strengthen the character and result in a higher and better type of citizenship.

The attractions of a building association as a savings institution are peculiarly strong. It is a *money saving* institution, inasmuch as a part of its system is the constant urge for regular systematic saving. It is a *money making* institution, since its present system of investment is such as to secure to the members such rates of interest on their savings as can be earned in the money market of the community. It is a *safe* place for savings, for the reason that the nature of the investments made by building associations is such that losses of a serious nature are rarely experienced. It is a convenient place for savings, since savings in these associations can usually be withdrawn on demand or on reasonable short notice. Lastly, it is especially *popular* for the reason that each member shares in the management and control of the association, in the election of its officers, and in fixing its plan and policy.

In short, a building association is the practical example, the concrete expression of the idea of democracy, applied to a financial institution. It has no group of preferred stockholders* drawing a high rate of dividend from the earnings of the small depositors, but all members, whether their savings are large or small, receive the same rate of interest, and their dividend depends on the amount they have saved.

* Excepting those associations authorizing Permanent or Guaranty Stock.

Advantages of Membership.

The advantages derived from membership in a building association are many and various. It provides a safe and convenient place to deposit whatever sums the members can spare from their wages or income. Funds so deposited are less liable to be spent extravagantly for useless things. The funds also are beyond the reach of the sneak thief and pickpocket. An unlucky fire has destroyed many a savings fund which had been gathered by many months of self-denying economy and left hidden about the house; when if it had been deposited from time to time in a building association, it would not have been lost.

The dividends which even small sums will earn, are an item of income obtainable in no other way. There is no safe form of investment, by which small savings can be made to draw interest at so profitable a rate, as is obtained in a building association. A person with a large sum, say a thousand dollars, can invest it in a safe first mortgage, which is everywhere recognized as one of the highest forms of security. But where the sum sought to be invested is but ten dollars, this high-grade security is not available, since there are no ten-dollar mortgages. If a hundred persons each put ten dollars into a building association, the association can invest the entire sum in a mortgage, and by this means each of the contributors to the fund will get the same high security and the same rate of income assured the party who individually invests a thousand dollars in a mortgage.

Indeed, the member of the building association has decided advantages over the individual who invests his own money. The single investor owns the mortgage outright. He takes all the risk of the investment, must defray all cost of time, trouble and expense in looking after it, collecting the interest and, at maturity, collecting the

principal. He must see to it that the insurance is kept in force and taxes paid on mortgaged premises; and whether or not the mortgage must be foreclosed. Again, if the borrower should die, and litigation of any kind result in the settlement of his estate (and this is almost invariably the case) all these costs and expenses and work and time and trouble must be borne by the owner of the mortgage. The members of building associations have all these matters attended to by the association, as a part of its routine business, without in any way interfering with their dividends.

Furthermore, if the single investor in a mortgage which he owns, has the best of good fortune, receives his interest promptly and the mortgage is paid at maturity, it will often occur that some interval will elapse before he can re-invest his funds and he loses the interest on his money during the interim. On the other hand, the funds of building association members draw dividends regularly, since there are no periods when its funds are idle. Where the individual investor in mortgages has a loss on any such investment, it all falls on him; while if a loss should be sustained by a building association on one of its mortgages, the loss is distributed pro rata against all the assets of the association, and so does not fall on any one person or any group of members.

Under the most modern plan of associations, a reserve fund is provided for to meet such losses as the foregoing, so that in actual experience it is extremely rare that dividends are affected by reason of such losses.

These facts are so well known and so thoroughly understood by the public, that this safety of investment, the high class of the securities taken, and the constant, unvarying income received, have all been potent factors in attracting ever-increasing numbers to seek membership in these associations.

Unlimited Savings.

Under the original plan on which building associations were organized, and in some types of their more recent development, there were strict limits placed on the amounts which members were permitted to deposit in these associations. There has been a constant tendency, however, to expand and make more and more liberal the privileges of members to utilize these associations as institutions for saving. In most states, there is no limit to the amount which a member is permitted to deposit. In a few states, the law still prescribes the limits, but these are being gradually raised and extended. The real object and purpose of fixing such a limit, was to prevent the management of the association being monopolized by a few individuals of means; hence the law prescribed the number of shares which any person could hold in an association.

In other states, the problem was met in another way. Instead of restricting the number of shares which a member could hold, the law left that undetermined, but provided that no member could cast more than twenty votes in his own right. The same popular control of the association is secured in other states by the provision that each member could cast but one vote, regardless of the number of shares he owns.

This broadening of the powers of associations and enlarging their ability to receive larger sums of money has added much to the usefulness of these institutions and has greatly increased the useful work which they are able to do.

The original building associations were based on the idea, that every member was eventually to utilize his membership for the purpose of buying or building a home. It was primarily an association composed of borrowers or prospective borrowers. Adherence to this plan must

of necessity restrict the activities of an association within very narrow limits. Where every member was striving to secure his loan first, it resulted in such keen rivalry among the members, that in many cases, loans were made at an exorbitant cost to the borrower. With the introduction of a broader plan by which members were admitted who did not intend to buy or build a home, but joined merely to enjoy the opportunity which the association offered to exercise thrift and habits of saving, it was quickly found that this broadening of the plan provided greater volume of funds available for the prospective home-owner, and enabled the association to greatly expand its usefulness as an aid to home-ownership.

The Lending Feature.

As a lending institution, extending its loans in order to aid its borrowers to procure homes, the building associations have been especially useful. Very few wage-earners or workingmen, when they first attempt to procure a home for themselves and their families, have sufficient cash in hand to pay the entire cost of purchase or of building. Such transactions are almost invariably financed through the medium of a mortgage loan. In the task of paying off such a loan, the average borrower usually relies on the sums that he can save from his wages or income. The sums which can be spared from this source are seldom large, and are received by him at frequent intervals, depending on the character of his employment. The ideal type of loan for an individual in such circumstances, is one, on which he can make each pay-day a payment large enough to cover the accrued interest, and an additional sum to apply on the principal of his debt. It should also be a loan which can be carried by the borrower without renewal, until these periodical payments will have paid the entire debt.

In carrying this type of loan, the borrower can adjust his payments to meet his regular income and has no future maturity date to look forward to when a large amount of debt will fall due. Under the terms of loans made by most building associations the time may be extended from six to sixteen years or even longer if necessary, and the sum of the borrower's periodical payments are often no larger than the rent he would be required to pay for a property of equal value.

It was demonstrated quite early in the experience of these associations that many men, lacking courage to place large, short-termed mortgages, would willingly undertake the purchase of a home through the aid of building associations. The usual form of mortgage loan, on which the borrower pays only the interest as it accrues, the entire principal falling due at some future date, is wholly unsuited to the needs of the ordinary wage-earner, who wishes to buy or build a home. Such a loan is seldom reduced, but is permitted to run to maturity, when it may be repeatedly renewed and, perhaps at last, never paid. It becomes a burdensome heritage to the family.

The building association plan of a loan is handled differently. The regular periodical payments become part of the routine, just like paying rent; the debt is regularly and systematically reduced and finally extinguished, without any periodical uneasiness of being renewed.

Other Services to Home-building Members.

In many associations the secretary and directors give the borrowing member most valuable advice regarding the selection of a home site, supervise the transfer of all bills, acting as escrow agent or holder. Likewise they advise regarding the selection of home plans, the best size for rooms, the essential quality of good and economic construction, making of contracts, payments of money as the

building progresses, protecting the member from mechanic's liens, and in other ways give the borrowing member the advantage of their broad experience in these matters. The service rendered is of great value and is, as it should be, only in the interest of the member, who generally is inexperienced in such matters.

How Borrowing Helps Saving.

Another most important result usually follows in the case of a man who has carried a loan on this plan. *Paying a loan in this way, has taught the borrower the habit of saving money out of his wages.* When his home is paid for he usually continues the habit of keeping up these periodical payments. They are, however, no longer being applied to the payment of a debt, but become a savings account which, growing with the regular systematic payments, and the dividends added thereto and compounded, soon becomes a fund of real value. The habit of saving taught by this effort to procure a home, has often proved of as great value to the man as the home itself.

Periodical Devoted to Building Associations.

At various times there have been a number of periodicals launched in different parts of the United States, devoted to building association interests. With one exception these have all failed to attract support sufficient to make their efforts successful, and for lack of support they have one by one suspended publication. The one successful publication of this character, however, is *The American Building Association News,* founded in 1880, and published in Cincinnati and Chicago.

This journal has been declared the official organ of the United States League of Local Building and Loan Associations and of most of the State leagues. It is the recognized authority on all matters relating to building asso-

ciation affairs. It has been ably edited and managed and has been a most important factor in directing and protecting the interests of these institutions. On many occasions its educational value to Federal and State legislators has been recognized. Every association should receive this journal regularly, and keep a complete file carefully preserved for reference. A growing number of associations throughout the country have adopted the plan of supplying a copy of this journal regularly to each director and officer of the association, as a part of the current expenses of the association. Such a plan should be adopted by every association in the country. An officer or director, who is a faithful reader of this journal, gathers from it a mass of information of the highest value on all phases of building association activity.

It has been the fixed policy of this journal to open its pages for free discussion of all matters of especial interest to building associations. Its many useful features, including its editorials, its legislative and statistical news, association advertising, judicial decisions, and all general news relating to association interests, make this journal indispensable to all who are entrusted with the management of these associations.

Some of the most successful and progressive associations are adopting the plan of ordering special editions of this journal in quantities sufficient to supply their entire membership. These special editions are sent at the end of each semi-annual fiscal period and contain one or more special pages devoted to that particular association, giving its financial statement and such other items of special local interest as may seem important. This has been found especially valuable publicity for the associations, and the number who follow this practice will doubtless largely increase as the benefits gained by this use of the journal are more generally understood.

CHAPTER II.

The efficient and valuable service of *The American Building Association News* in looking after the interests of the associations of the country has been repeatedly exemplified for many years. It may be said that every revenue bill which has been adopted in Congress since 1891 had in its original form some provision that would have been highly injurious, if not fatal, in its effects on building associations, had it been enacted in its original form. This did not arise from any feeling of enmity toward these institutions on the part of Congress, but was due to the fact that these associations are so little known or understood by the average legislator,— unless he had enjoyed personal relations with one — that the legislators who drafted the bills did not realize the effect which its terms would have on these associations. In every instance *The American Building Association News* was swift to detect the dangerous situation and sound the alarm in its pages, and in every case, Congress, after the situation was called to its attention, and the injustice of the original terms of these bills demonstrated, consented to make such changes in these revenue bills exempting building associations from the burdens which Congress at once admitted would have been unjust and improper. Such changes and amendments have saved building associations enormous sums of money, the payment of which would have greatly burdened them and might possibly have driven many, or all of them, out of business.

Changes in Management Announced in the News.

While the fundamental principles of building associations are subject to but slight changes, yet with practical experience in conducting them, many new ideas are constantly developed in the matter of bookkeeping and accounting; in the books, forms and blanks used

in the conduct of their business; in new ideas of advertising and publicity; and all such are immediately presented and discussed in this journal. Judicial decisions on matters relating to various phases of building association business are frequently handed down, and important cases are at once reported in *The American Building Association News*. At the meetings of the State leagues and of the United States League, papers are presented by the leading building association men of the country, in which matters of vital interest are discussed, and the best of these papers are reproduced in *The American Building Association News*.

All these facts combine to make the publication indispensable to every one who holds official position in a building association, and desires to render efficient service, and every member of these associations will find this journal well worth careful and regular reading.

Recognition by Congress.

The value to the associations of their recognition by Congress, must not be measured alone by the actual money saved to each association. The standing prestige given to these associations from such a source is of far greater value than money can measure. By this recognition on the part of Congress it proclaims that building associations are so useful in the economic life of the nation, that it would be unwise to impose on them any unnecessary burdens. On the contrary they should be fostered and encouraged by all reasonable means to continue the helpful, uplifting work done in teaching thrift and building homes and adding to the concrete, tax-paying wealth of the nation.

The recognition by Congress has been especially helpful to the associations in creating public confidence in them, and is doubtless one of the great underlying causes

CHAPTER II.

for the wonderful growth which has come to them in the past quarter of a century.

While the growth of these institutions has been very great, yet their modesty in advertising their merits is seen in the fact that the ordinary business man or citizen has a very limited knowledge of their character and knows but little of their plans and methods. This is also true of the lawmakers of the country. At almost every session of each state legislature measures are introduced which, if enacted into law, would be highly detrimental to the success and prosperity of building associations. It is frequently the case that these acts have been drawn by parties who have no practical experience or accurate information regarding building associations.

In some states the State building association leagues make a practice of having the name of every member of the legislature placed on the mailing list of *The American Building Association News*. As a result the legislators are thus given an opportunity to inform themselves regarding these institutions, and when legislation affecting them comes up for consideration, they are much better informed on the subject, and their action is based on a more thorough knowledge and a fuller conception of the merits of the measure on which they are asked to pass. Building associations have but little to fear from legislators who are familiar with their plans and methods and who know the meritorious work they are doing.

Statistical Information.

The first attempt to make a nation-wide survey of the building associations of the United States, was made in 1893, by Carroll D. Wright, who was then U. S. Commissioner of Labor. The official compilation of building association statistics was issued as a government publication in 1894.

BUILDING ASSOCIATIONS.

Commissioner Wright presented a paper at the first meeting of the United States League of Local Building and Loan Associations, held at Chicago, Illinois, June 27 to 30, 1893, in which he gave the following statistics of building and loan associations, these being figures compiled by his investigators, prior to the publication of his official report, which appeared early the following year.

States.	No. of Associations.	Members.	Assets.
Arkansas	69	19,493	$ 5,851,205
California	139	31,677	13,090,802
Colorado	60	16,950	5,088,004
Connecticut	15	3,222	433,578
Delaware	24	5,331	2,410,862
District of Columbia	32	24,451	6,821,861
Georgia	37	10,453	3,137,603
Florida	37	10,524	3,159,418
Illinois	518	146,571	55,821,888
Indiana	350	90,157	21,390,550
Iowa	100	36,865	9,049,310
Kansas	164	46,330	13,907,211
Louisiana	21	6,569	3,391,557
Maine	36	10,064	2,020,293
Maryland	200	62,294	14,921,607
Massachusetts	115	54,484	14,574,334
Michigan	99	27,968	8,395,207
Minnesota	91	25,708	7,716,806
Mississippi	41	11,393	3,726,291
Missouri	418	74,620	35,446,429
Nebraska	47	13,278	3,985,603
New Hampshire	17	8,857	1,137,719
New Jersey	282	87,019	30,871,644
New York	447	156,660	32,820,563
Ohio	723	227,535	59,204,826
Pennsylvania	1,100	254,918	80,860,976
Rhode Island	7	2,506	791,410
Tennessee	143	40,398	12,126,410
Utah	11	3,108	932,801
Wisconsin	67	18,982	5,681,605
Other States	450	127,125	38,160,032
Total	5,860	1,655,456	$496,928,405

These statistics are inserted here for convenient comparison with the corresponding statistics for the year 1925, which disclose the growth and progress of these associations in the United States during the intervening thirty-two years.

CHAPTER II.

Statistical Table for 1925.*

The following statistical table shows, by states, the number of associations, total membership, and total assets for states in which statistics are compiled by state supervisors, or for which accurate figures are obtainable. The figures given are for the fiscal year of the respective State Departments, ending in the year 1925:

1925

	States	Number of Assn's	Total Member-ship	Total Assets	Increase in Assets	Incr. in Mem-bership
1	Pennsylvania† ...	4,440	1,700,000	$900,000,000	$180,000,000	100,000
2	Ohio	865	2,098,733	847,570,701	82,264,610	409,047
3	New Jersey[1]	1,410	1,008,092	645,539,550	45,726,625	80,597
4	Massachusetts ...	220	439,553	369,278,095	57,310,184	57,279
5	Illinois	852	783,888	317,403,747	44,077,122	211,888
6	New York.....	305	447,721	258,089,817	41,082,676	38,725
7	Indiana[2]	397	349,879	218,479,623	26,458,710	32,824
8	Wisconsin	167	200,939	149,648,269	31,465,915	32,826
9	Nebraska	84	202,100	141,485,904	18,414,254	9,900
10	California	152	156,388	140,057,891	31,970,748	39,999
11	Louisiana	94	162,148	129,924,059	22,992,658	26,788
12	Missouri	242	182,550	117,007,732	23,449,027	27,770
13	Michigan	90	177,888	96,302,277	16,000,010	19,286
14	Kansas	148	172,272	93,267,886	14,417,779	19,657
15	Oklahoma	88	146,210	93,061,767	15,273,761	24,768
16	North Carolina..	246	92,007	81,188,546	11,188,546	7,007
17	Washington[3]	71	217,440	76,145,600	22,903,289	66,397
18	Kentucky	145	125,200	64,192,658	8,996,201	8,800
19	Texas	119	83,562	51,971,859	17,991,773	16,568
20	Dist. of Columbia	23	57,239	46,020,000	3,988,000	1,585
21	Iowa	74	71,800	37,380,525	4,070,530	6,800
22	Florida	47	25,865	33,616,550	18,166,550	7,215
23	Colorado	56	72,183	30,458,600	4,786,331	19,141
24	Arkansas	63	46,286	27,551,264	2,702,996	7,019
25	Utah	24	51,000	25,458,736	2,908,116	5,925
26	Minnesota	83	66,429	25,212,662	4,372,708	23,549
27	West Virginia....	59	54,500	25,000,000	1,748,242	2,200
28	South Carolina†..	150	25,000	20,000,000	5,000,000	1,000
29	Rhode Island....	7	29,248	17,075,328	2,187,648	2,563
30	Maine	89	25,787	16,631,015	2,295,692	187
31	Connecticut	37	35,574	16,197,954	2,004,044	2,897
32	Oregon	37	34,200	14,871,323	3,068,886	5,400
33	Montana	30	36,900	13,109,462	1,460,190	2,500
34	New Hampshire..	28	14,773	8,145,484	814,950	552
35	Delaware	40	14,500	7,412,252	1,210,913	1,850
36	North Dakota....	17	13,960	6,965,555	796,158	1,600
37	Tennessee	21	8,775	5,212,066	734,167	1,125
38	South Dakota....	27	7,950	4,951,443	*127,089	*210
39	New Mexico†	12	6,300	2,950,000	400,000	550
40	Arizona	6	5,530	2,371,970	*6,923	*20
41	Vermont	9	3,533	1,798,039	444,088	521
42	Other States†	1,379	433,600	239,625,000	18,287,372	8,570
	Totals	12,403	9,886,997	$5,509,176,154	$743,238,957	1,382,645

† Estimated. * Decrease.
1 New Jersey as May 31, 1925, previous report December 31, 1924.
2 Indiana as December 31, 1925, previous report September 30, 1924.
3 Washington as Dec. 31, 1925, previous report June 30, 1924.

* Prepared by Mr. H. F. Cellarius, of Cincinnati, O., Secretary of the U. S. League of Building and Loan Associations.

CHAPTER III.

Historical Review

Societies in England.

Building societies existed in England as early as 1798. The first one of which we have a full and authentic account is the Union Building Association, founded at Greenwich, England, in January, 1809. The purpose of this organization, as declared in its rules and regulations, was the raising by monthly subscription of a fund to be expended in building houses. These houses, as they were built, were deeded to the different members of the association. The membership of this society was restricted to the number of fifty; the whole number of shares was two hundred, valued at two hundred and ten pounds each. Payments were made in monthly installments of two guineas each. A member was subject to a fine in default of payment, and if he continued to fail to make his payments, the money already paid in was under certain conditions forfeited to the society.

Every share in this association represented a dwelling house. The houses were built under the supervision of the society's inspector and by certain tradesmen specified in its articles. They were distributed among the members by lot, a new house being built as often as the society had sufficient funds. From the time a house was finished, the member owning it paid to the society five per cent, per annum and the regular monthly payment on his share until the close of the society, at which time each member should have paid in the full amount of the two hundred and ten pound share held by him. Members who were successful in the allotment of the houses as they were completed, were required to give satisfactory security for

the continuance of their payments on their shares and of the interest on the sums which the society had advanced for the construction of the house. Certain other rules were also observed, but space forbids a discussion of them.

One of the earliest building associations established was that by the Earl of Selkirk, at Kircudbright, in the southern part of Scotland, in 1815. The Earl of Selkirk was a gentleman of large means and philanthropic ideas, and he is said to have expended considerable time and study in perfecting and developing the scheme of this society.

The organization of similar associations gradually extended into the manufacturing districts of England, Wales and Ireland. They were afterwards established in London, and soon became general throughout Great Britain, Australia and the other British possessions. In 1836 these societies had increased to such numbers and attained such magnitude and public importance that an act of Parliament was passed affording facilities for their formation and regulating their government and management. Since that period they have had a flourishing growth. They report to the Registrar, who publishes annual statistics relating to them.

The Movement in Other Foreign Countries.

The good work accomplished in the United States has caused co-operators in other countries to study and obtain information as to their plans and methods. In France, Dr. Chas. Pranard, for many years a close student of this movement in America, prepared, at the request of the French government, documents covering the work in the United States. Dr. Pranard has published a valuable work on this subject. As a result of his studies, the

government of France has passed legislation exempting their building societies from taxation, and supporting them with investments of government money. The result is seen in the rapid growth and internal development of these organizations in the French Republic.

In South Africa, New Zealand, the various subdivisions of Australia, in British Guiana, and in South America, building associations have been established also, and are successfully developing the work of teaching thrift and building homes. Spain, Italy, Germany, Austria, Russia, the Scandinavian countries, and other European nations are following the same lines. It is clear that, as an educational factor, the example set by the achievements of building associations in America and the expansion of this co-operative saving and home-building idea, will obtain a firm footing, not only in Europe, but in all nations of the world.

Early History in the United States.

For some years there was controversy over the question of when and where the first building association was organized in the United States. Several cities claimed the honor; but the final decision of the question has been to award Frankford, a suburb of Philadelphia, the honor of being the birthplace of the building association movement in America.

The following account, by Thomas W. O'Brien, of the Philadelphia Bar, gives an interesting description of the origin of

The First Building Association in the United States.

"Like its brother, the savings bank, the building association practically owes its birth to the thriftiness and foresight of the Scotch financiers and philanthropists. The Earl of Selkirk's Association was founded in Scotland in 1815, and through correspon-

dence with friends and relatives in the old country its progress was carefully noted on this side of the water.

The first building association formed in the United States was organized in Frankford, a borough having a population of about 2,000 inhabitants and located in Oxford Township, Philadelphia County, Pennsylvania, which is now a part of the City of Philadelphia. On January 3d, 1831, according to the call, 'A meeting of sundry inhabitants of the borough of Frankford was held at the house of Thomas Sidebotham, for the purpose of forming an association to enable the contributors thereof to build or purchase dwelling houses.' A constitution for the government of the association was adopted, and the name, 'The Oxford Provident Building Association of Philadelphia County,' was selected. Subscription books were opened; forty members signed the constitution, enrolled their names and subscribed for shares.

At the next meeting, held on January 10th, 1831, the organization was completed. Isaac Whitlock was elected president, Isaac Schalcross, secretary, and Samuel Pilling, a mill owner of considerable means, treasurer; thirteen trustees were also elected.

The Oxford Provident Association matured in ten years; the first payment was made on January 17th, 1831, and the last payment on January 11th, 1841, a share then being worth $500.00. The affairs of the association were not formally wound up until June 10th, 1841, but no payments were made after January 11th, 1841, and this is the date of the maturity of the first series of shares issued by any association in the new world.

The origin of building associations in this country has been a subject for dispute. Most of the claimants were easily disposed of, but Philadelphia and Brooklyn had some old associations, Brooklyn's dating from 1836. The question of Brooklyn's priority was settled when it was proved that the society was not organized until after leading citizens from Brooklyn had made a trip to Frankford for the purpose of investigating the results of the experiment that had been started in this country.

The original error, crediting the organization of the initial association of the new world to Brooklyn, was made in a Georgia case, Bibb County Loan Association vs. Richards, (21 Georgia State Reports 592) where Judge Lumkin stated that 'In the year 1836, twenty-one years after the first one was established in Great Britain, the first organization of this kind, called the Brooklyn Building and Mutual Fund Loan Association, was organized in Brooklyn, New York.'

This opinion was followed by Judge Endlich, in his work, 'The Law of Building Associations,' and by Howard Wurtz Page, in his article on building associations in the first edition of the 'American and English Encyclopedia of Law.' In later editions of the encyclopedia, however, the misstatement is corrected and the subject of the first building association in this country is no longer a subject for controversy."

Gustav Koerner, in his book, "The German Element in the United States," speaking of the influential and public-spirited citizens of Pennsylvania (pages 73 and 74), says of Dr. Wm. Schmoele, "In the year 1845 he returned to Philadelphia. We have especially to thank him for the establishment of the first building association in Philadelphia, which was organized under the name of 'The American Deposit and Building Association.' He was also the founder of numerous other societies of this kind." It must be remembered that in the year 1846, Frankford was not included in the city of Philadelphia, and as the early building associations were on the "terminating" plan, the Frankford association had, in 1846, completed its work and gone out of existence. In 1846, Dr. Schmoele, through his brother, residing in Brooklyn, N. Y., succeeded in organizing an association in that city, and in the following year, 1847, through his friend, Woolsieffer, Dr. Schmoele secured the organization of an association in Baltimore, Md. It is believed that the oldest building association that is now operating in the United States is "The Decatur Building Association of Frankford," Philadelphia, Pa., which was organized in January, 1849, and has led a useful and prosperous existence to the present day.

Similar associations were organized soon afterward in New York City, Newark and Hoboken, New Jersey; Boston, Massachusetts, and in other cities of the North. In 1850, their formation was begun in Charleston, South Carolina, Savannah, Georgia, and other important South-

ern cities. These associations continued to spring up from time to time throughout the country, spreading from city to city and from State to State, until now they are found established in every State in the Union.

The first association incorporated in Ohio was the "Delaware Building Association," of Delaware, on February 20, 1867. The Cleveland Land and Building Loan Association, of Cleveland, followed March 1, 1867. The first association in Hamilton County was incorporated August 1, 1867 under the name "Cincinnati German Building Association No. 1," and was followed in 1868 by the organization of ten other Cincinnati associations. Dr. Peter A. Keck was active in the early Cincinnati associations and was long honored as the father of Ohio building associations. He lived to see Ohio as one of the leading building association states of the Union. He lived to a ripe old age, departing this life on January 12, 1919.

The Mutual Home and Savings Association of Dayton, Ohio, was organized in 1873. It is especially mentioned here for the reason that a few years later it adopted a new constitution and by-laws, which made it the pioneer of that type of association, now known as "The Dayton Plan," "The Ohio Plan," or the "Permanent Plan" of building and loan associations. The experience of this association on this plan was eminently successful and its growth and development so rapid that it soon became one of the largest and strongest building associations in the United States, which position of leadership it held for some years, but the application of this plan to associations located in larger cities and more fruitful fields resulted in the growth of associations that gradually overtook and surpassed it in size and strength, although it is still one of the leaders in the building association movement of the Nation.

The Results Achieved by Building Associations.

The results which follow the establishment and operation of these associations, referred to in Chapter III, are well illustrated in the city of Philadelphia, where they originated. Probably one-half of the dwelling houses of that city have been built through the agency of these associations, and much of the present prosperity of the city is doubtless due to their work and influence. It is through this agency that the city has obtained the proud and significant title of "City of Homes." Thousands of working men and wage-earners in this one city have secured homes through these associations. This is merely given as an illustration on a large scale of the work which these associations perform. There is convincing proof that in large cities of the country, such as Chicago, Baltimore, Newark, Brooklyn, Boston, Cincinnati, St. Louis, Kansas City, Oklahoma City, Louisville, Rochester, Troy, Utica, and Milwaukee, similar conditions in like proportion prevail. In the smaller cities and villages even a greater percentage of home-ownership has been created through these associations.

Means to Financial Advancement.

Building, loan and savings associations are now an important factor in the economic life of the country. Their establishment is encouraged by political economists and philanthropists, and they are carefully guarded and fostered by legislation. The large middle class of our

population, the working men and wage-earners of the country, among whom they prosper and flourish, recognize them as a practical and efficient means to financial advancement. Their beneficient and economic value to the community is now acknowledged by all classes, and they are encouraged on every hand as a prominent factor in promoting public welfare. Among the chief merits and advantages of this institution, attention may be called to the following features:

(1) Each member has a voice in its management, and each participates in its advantages and profits.

(2) It furnishes the best method by which wage-earners and others with limited income can become their own capitalist.

(3) Building associations furnish a better and safer opportunity than any other plan that has ever been devised for securing a liberal return of profit from periodic savings of small sums.

(4) The industrial class, the store-keeper and manufacturers get practical instruction in the management of money and property in these institutions.

(5) One highly important feature of these associations lies in the fact that they enable their members to secure the use and benefit of their savings in advance by enabling them to borrow funds from the association with which to build or buy homes or embark in other enterprises. These loans they are privileged to repay in such periodic installments as their savings will permit. In some associations they are able to borrow money on straight loans, when that plan is preferred.

(6) The loan or credit that is thus extended to the workingmen, to the wage-earner, the small merchant or manufacturer, is an important factor in the development of this country.

With the spread of intelligence under our modern civilization, there has been an ever-increasing effort on the part of the working-classes and those dependent on small incomes to accumulate money and property. In order to become in any measure independent, people relying upon their own earnings for income must constantly practice industry and frugality with intelligent judgment and patient perseverance. Of all the systems that have been devised to aid the working men and women in this respect, none has proved so successful or efficient as the building, loan and saving association. It enables this class to convert their wages into income. Wages are earned by brains or hands. Income is earned from investments. When brains fail, or hands cease working, wages stop, but income does not cease. A strong point in favor of these associations is the purely democratic, mutual and equitable nature of their advantages.

Financial institutions may be divided into two classes: Mutual, co-operative institutions, and capital institutions. In the capital stock institutions the control, management and ownership of the institution is in the hands of the relatively small group, which owns the capital stock, and will operate for the chief purpose of earning the highest possible dividend for themselves. The bulk of the earnings of these capital stock institutions comes from the use of the funds deposited by the masses which receive a restricted rate of interest from these deposits. In a mutual or co-operative concern, like a building association, every member and depositor receives all the earnings which his investment produces. All share alike in the earnings of the institution, in proportion to the amount which they have invested therein.

In capital stock financial institutions, practically the only relation which the depositor sustains to it is the mere mechanical act of making his deposit.

CHAPTER IV.

In the building, loan and savings association, the conditions are entirely different, for here the member has an active ownership and interest in the enterprise. He has a voice and influence in these associations, and there is no preferred class to be benefited at the expense of the other members. There is no preferred class of stockholders receiving large dividends from the earnings produced by the deposits of the little fellow. Even though a capitalist becomes a member and subscribes for a large number of shares, and deposits large sums of money, he can derive no benefit or advantage on any dollar of his investment that can not be commanded by the humblest member. He must enter upon exactly the same terms as are required of other members and must stand on an equal footing with them throughout.

Moreover, stockholders elect their own directors, choosing from their own number such persons whom they wish to clothe with authority to administer the affairs of the organization. By using discretion in selecting intelligent and honest managers, and then holding them to strict accountability for their policy and management, an economical and faithful administration of the business of the association is assured.

Associations open to a member the opportunity to share in the profits on small savings which can not be secured in any other type of institution. The deposits of all the members, when combined, form a sum of money of such proportion as commands ways and means of investments, not possible for the individual members acting independently through their individual savings. Under this system members really become their own self-made capitalists. The collective savings of the many members, who do not need their money, form a sum out of which other people who do need the money may supply their wants; and on such conditions both borrowers and lend-

ers reap mutual benefits from the transaction. They are independent of private capitalists and other financial institutions, and save for themselves the tribute they must otherwise pay to some money-lender, should they desire to build a home, to embark in business or to make any other use of money.

The wage-earner, trained in habits of economy, saving and thrift by the influence of the association, and aroused to a laudable ambition by the opportunity it suggests and offers, becomes himself a borrower and a user of capital, and supplies his needs for money from the accumulated capital of his associates.

Methods of Operation.

The methods by which these associations are operated insure the minimum expense in handling their funds. For many years past, the expense of operating the building associations of the United States has averaged about eight-tenths of one per cent. of the volume of business handled, a record of efficiency and economy that can not be equalled by any other type of financial institution. At the same time the opportunities and sources of profit are larger and cannot be secured to the same extent, except through a co-operative effort of this nature.

Not only may a fair rate of interest be derived from an investment in the share of a well-conducted association, but through the system adopted by nearly all of these societies the members receive a greater income yield than can be derived from any other safe financial institution. In the early days of building association development, fines and forfeitures enforced against delinquent members constituted a considerable source of profit, but these features of building association management are fast disappearing. The same is true of the premiums which

were formerly charged on loans. The undeclared dividend on withdrawals forms a considerable source of profit. Thus it will be seen that these institutions furnish unusual opportunities for securing profits upon small savings; opportunities which capitalists can not secure for themselves except upon exactly the same terms and conditions.

Ordinarily, a wage-earner, and especially one having a considerable family dependent upon him, finds great difficulty in meeting the demands that are constantly made upon his purse. Too often, discouraged by circumstances, he falls into a most ruinous way, and feels satisfied if from week to week his net income meets his expenses. However large a working man's wage may be, if he spends it all, he is on the ragged edge of hard times; and a short illness, an unfortunate accident, the loss of a job or any one of a hundred little things that might easily happen, will quickly teach him that it is but a few steps from "The Sunny Side of Easy Street" to "The Dark Side of Want Alley." A man earning one hundred dollars a week and spending one hundred and five dollars is already hard up; while a man earning twenty dollars a week and saving some part of it, however small, is on the road to independence and prosperity.

Helping Men to Independence.

It occasionally happens that a wage-earner, more ambitious than many of his fellows, sets about to form some plan of his own for regular saving, and then he gradually accumulates a sum of money. This is sometimes done by hoarding it in some secret receptacle, and sometimes by carrying it constantly on his person, but this plan of saving is only a routine and mechanical one, and he gains nothing thereby, except a mere addition to his savings. He receives no interest or profit on his savings.

Money thus hoarded is absolutely dead and useless. It earns nothing for the owner, and it is withheld from circulation when it might be usefully employed by those who need it, and by those who would willingly pay for its use. A man saving by this plan has no occasion for the exercise of his judgment and gains no experience that would be an advantage to him in the management of a large sum of money after he has accumulated it. Living thus from day to day in ignorance of the various means of accumulation and investment, he is not likely to make much advance in the way of improving his financial condition. Should he succeed, through constant hoarding in accumulating a considerable sum of money of his own, when he undertakes to make an investment he must either run the risk of losing all or part of his savings through his ignorance and inexperience, or he must become dependent upon and pay for the skill and knowledge of others in the management of his investment.

On the other hand, a thrifty saver who invests his money in a building association makes that money render a triple service: First, in earning an income for him. Second, in becoming part of a fund which enables some fellow workman to purchase or build a home of his own. Third, in stimulating business, and adding to the community prosperity.

A Man Is King in His Own Castle.

The activities of the building associations in constructing homes and providing means by which every family is given a chance to procure a home of its own is one of the most important features of their work. In recent years the housing problem has become of great and ever greater importance. The growing ratio of our people,

who are living in rented homes, as compared with the number that live in homes of their own, is giving much concern to students of political economy. In a representative government such as ours, it is of the highest importance that the people should have a real, vital interest in the ownership of the country. A citizenry, made up of renting tenants, will always lack the highest element of civic pride. They have not that real, vital, personal interest in the affairs of the country when they own no part of the country itself. A tenant citizenry is less stable and conservative than one made up of home-owners.

The advantages of home-ownership are seen in the increased happiness and contentment of families; their greater comfort and better health; their deep interest in the beautifying and improving of the homes in which they live; the increasing educational advantages and opportunities; more economy in the expenses of living; a deeper interest in the civic welfare of their community; and independence of action and bearing which can only arise from the regular and intelligent discharge of their duties and responsibilities incident to this natural and beneficial form of home life.

Home Building Made Easy and Dignified.

In the stimulation and encouragement of home ownership, building associations perform a vital service. It is a matter of common knowledge that a vast majority of homes must be built and financed on some type of credit; that few home buyers or home builders have at command ready cash to pay the full value of the home they build or buy. The accepted form in which this home-building credit is extended is almost universally in the shape of a mortgage loan. In order that this mortgage loan may be upon the most convenient and reasonable terms, it should be a long-time amortization loan, repayable in

small periodic sums, each sufficient to cover the accrued interest and an amortization payment to apply on the principal of the debt. Few individual capitalists would care to make a loan of this character, since it involves an investment for a longer time than the average capitalist cares to make. Furthermore, the trouble, annoyance, and expense of collecting, of accepting frequent payments of small sums and the necessary accounting which such types of payments would require, make it inconvenient and undesirable to the individual investor.

It is quite common to hear criticisms of the policy of commercial banking institutions in declining to make long-time mortgage loans, but such criticism is uncalled for and unjust. The policy of commercial banks confining their investments to short-time commercial paper is amply justified by the commonest principles of business prudence and conservative banking. Much the larger part of the funds handled by commercial banks are the deposits of their patrons, which are subject to withdrawal on demand check, and even the savings accounts carried by some of these institutions are withdrawable upon comparatively short-time notice. For these reasons commercial banks must keep their assets liquid and must not tie up their funds in long-time loans, no matter how good the security, or how attractive the returns. It would be the height of business folly for such an institution to invest its funds in long-time securities when those funds are subject to withdrawal on demand or short-time notice. The universal judgment, both of practical bankers and of students of finance is that such long-time loans must be made sparingly, if at all, by commercial banks, and every country that has a banking system has, by law, hedged in and restricted the powers of such banks to make long-time loans. Indeed, no principle of the banking business is better settled than this.

CHAPTER IV.

The aggregate volume of the business of mortgage loan investments in this country is so very great as to justify a thoroughly organized, efficiently operated, nation-wide system of financial institutions, organized and operated for the sole purpose of making mortgage loans of this character and applying all their resources, and restricting their activities to this one type of investment. Building and loan associations are the only type of institutions known to the economic life of this country which confine their business to this type of investment.

Home Building Will Beautify American Life.

For some years prior to the outbreak of the great world war in 1914, the number of homes constructed in America averaged about 600,000, and the volume of mortgage loans required to finance this amount of construction is estimated to have been about $2,500,000,000. The volume of home-building and the funds required to finance home-building activities will, in the future, be considerably greater than heretofore. This means that much greater opportunities for usefulness will be presented to the building associations of America in future years than they have enjoyed in the years that are passed. The development in America of industrial, commercial and manufacturing activities will doubtless produce a greater growth of towns and cities in the next decade than the country has ever known before, in a like period. This will mean, of course, a vast increase in the volume of home-building.

The Federal Reserve Banking System.

Not only will the volume of business offered be greatly increased, but there is another serious condition which will add greatly to the work which build-

ing associations will be called upon to perform. We refer to the fact that the savings banks, State banks, trust companies, and similar financial institutions, that have heretofore been heavy investors in mortgage securities and have supplied a large volume of funds required for floating mortgage loans, are rapidly being absorbed in and affiliated with the Federal Reserve Banking system of the United States. The expanding industries and commerce of the country require increased volume of banking facilities to carry on their business; and as these saving banks and similar institutions affiliate with the Federal Reserve Bank system, and apply more and more of their resources to the activities which are opened up to these banks through the Federal Reserve system, it will result in those institutions withdrawing their investments from the field of mortgage loans and applying them to more profitable fields of short-time commercial loans, which are best adapted to these organizations.

The Future of the Building Association Movement.

Thus it appears that for years to come building associations will be confronted with an increased demand for the special type of loans which they are organized to make, and at the same time will be confronted with the fact that the amount of funds available in the money markets will be depleted by the withdrawal from that type of investments, of funds which have heretofore sought the mortgage loan market. Thus broadening of the field of opportunity and the heavier burden of responsibility placed upon building associations can not be evaded or ignored. It becomes the plain duty of these institutions to accept the responsibility thus laid upon them, and take steps to meet and discharge their duties to a much higher degree. They should devise

and execute plans for increasing their membership, simplifying their plans and methods, adopting such new features as will attract to their treasuries funds in adequate volume to enable them to meet the demands made upon them.

The present membership of building and loan associations is a very small fraction of the number they should have. When the government put War Savings Stamps upon the market, and solicited the people to invest therein, in less than one year the number of purchasers and investors in War Savings Stamps grew to five times the total membership of all the building associations in America. Building associations should adopt more aggressive and efficient plans of publicity, and should, with greater force, call the attention of the public to the merits of these institutions, as teachers of thrift and aids to home-building. There should be considerable increase in the number as well as in the size of building associations, and a corresponding expansion of the useful service which these institutions are rendering. The readiness and cheerfulness with which the American people responded to the call of their government to purchase Liberty Bonds and War Savings Stamps is ample proof that the American people are ready to respond to an appeal for thrift and saving, and that proper effort on the part of the building associations will meet with a ready response, and will bring to these institutions a growth and prosperity commensurate with their merits. With such expansion they will be able to do work in transforming wandering tenants into permanent, home-owning, home-loving, patriotic citizens.

Building Association Leagues.

As building associations are composed of a group of individuals who have combined to co-operate for their mutual advantage, it was perfectly natural that when these associations became numerous in any State they should bring the associations together into a league. Such a league would logically adopt the same principle of combination and co-operation which made the individual associations successful. It was soon found desirable that there should be greater uniformity of methods in the plans and practices of the several associations, that constant vigilance through such union was required to prevent injurious legislation. These considerations led to the formation of so-called "leagues," of which local associations form the constituent members. These leagues give an opportunity for interchange of views, and make for harmonious and concurrent action.

In England, where building societies, as we have seen, have long been in existence, co-operation among these associations has been established by the so-called "Building Societies Association." This national association holds annual meetings at designated places, to which delegates from the respective local associations are selected to represent them in the congress. The proceedings issued by this organization have formed a very important historical review of the movement in Great Britain.

One after another the several States in our own country have formed leagues of the local associations

within the respective States and the State leagues finally combined to organize "The United States League of Local Building and Loan Associations."

Origin of the United States League.

The first step toward the organization of the United States League was taken in August, 1891, at a State convention of the Ohio Building Association League, held at Cincinnati, Ohio. At this convention, a resolution was introduced by the author of this work for the appointment of delegates to a convention of the various leagues then in existence in the United States. Thereupon a committee was appointed to take up the matter with other State leagues, to hold a preliminary meeting at Chicago, so that proper steps could be taken to organize the United States League of Local Building and Loan Associations. In this connection it was also advised to have the work of the associations brought properly before the people of the United States and other countries by the holding of a symposium at the World's Fair Congress in Chicago, in 1893.

In April, 1892, a preliminary meeting was held at the Grand Pacific Hotel in Chicago. Temporary officers were elected, and these were authorized to make an official call on the State leagues then in existence, to become affiliated with this organization. The first meeting was held in Chicago, July, 1893. Since that time the League has held regular meetings in various cities of the United States. The great value of the work that has been accomplished by this useful organization is not yet fully recognized. In fact, the statistical information gathered, together with a review of the work accomplished during each year, is properly brought before the American public through this organization.

Organization of State Leagues.

In practically every State where the interests of building associations are important, leagues have been successfully organized. Leagues hold annual conventions, to which all associations are invited to send delegates. It is the usual custom to select one or two representatives from each association as delegates to attend the annual gatherings. A program is arranged, with papers, addresses and discussions which are carefully prepared and from which the movement has derived untold benefit. It is highly important that all associations in each State should be affiliated with their respective leagues. The value of these league organizations is so apparent, and the benefits derived from membership therein are so great, that in several States the State supervisors of these associations (to whom the associations must make their annual reports) have interested themselves in urging every association in the State to become an active member of the State league. The many important matters which are constantly arising and affecting the interests of these associations, such as new legislation, either helpful or injurious court decisions, together with the commercial aspect of these associations and their relation to the business and industry of the country — all demand the hearty co-operation of each local organization at all times. Through the activities of these leagues is found the best and most practical channel through which associations can acquaint themselves with modern ideas, new plans and methods.

International League.

The same spirit of helpful co-operation which led to the establishment of the State leagues and the United States League has gone still further. Since these so-

cieties, with similar aims, objects and purposes exist in practically every civilized nation, it was thought by the leaders of the movement in all lands that much good might result from forming an International League of Building Societies. In 1911, Dr. Charles Pranard, of Paris, was the honored guest of the United States League of Local Building and Loan Associations, at their convention in the city of Grand Rapids, Mich. In 1913, at its convention at Milwaukee, this league entertained as its honored guests, President Thomas Whitely and Secretary Enoch Hill, of the Halifax Permanent Building Society, of Halifax, England.

The first steps toward the organization of an International Congress of Co-operative Home Societies appears again to have been taken by the Ohio Building Association League at its annual meeting, held at Canton, Ohio, in 1910. At this meeting, upon the suggestion of Henry S. Rosenthal, editor of *The American Building Association News,* a resolution was presented by Lewis L. Rankin, "That a committee of three be appointed by the Chair to arrange for an International Congress of Co-operative Home Societies." This resolution was adopted, and Mr. Rankin was made chairman of the committee.

This committee presented a similar resolution to the United States League of Local Building and Loan Associations the following year at its annual meeting at Grand Rapids, Michigan, providing, "that a committee of seven be appointed by the president of this League to take steps toward the organization of an International Congress, and that the same shall meet in London, Paris, or any other European city as may be desired, in the year 1913, and on such days as may be found agreeable to all concerned." This resolution was adopted, the proposed committee was appointed with Mr. Rankin as chairman.

At the annual convention of the United States League, held at Atlantic City, in July, 1912, this committee reported progress and was continued with authority to call such International Congress to meet in the city of London. At the annual convention of the United States League, held at Milwaukee, in 1913, the committee reported that arrangements had been made to hold the first International Congress in London, at the Hotel Metropole, on August 11th and 12th, 1914, and the following January the formal call was issued.

At this first Congress representatives were present from the United States, from England, Wales, Ireland, South Africa, France and Norway. A corps of officers were elected, with Lewis L. Rankin, of Columbus, Ohio, as president. Constitution and by-laws were adopted, providing among other features, that the second convention should be held in 1915 in the city of San Francisco, California, and that future meetings should be held each third year thereafter. The second meeting of the International Congress was held in 1915, in the city of San Francisco California, being one of the features of the Panama Exposition. The war interrupted the holding of further meetings. It is to be hoped that in the near future proper steps will be taken to resume this work.

County, City and Local Leagues.

In many communities, where there are numerous associations in existence, it is quite common to form local leagues. These organizations meet at regular intervals, and discuss problems affecting the interest and welfare of their associations. In some cities, scheming building contractors and real estate operators have sought to use building associations as a means of advancing their personal interests, but with co-operation among the building

associations in these localities, this abuse has been promptly stopped.

Many advantages may be derived from these organizations. They have a tendency to bring the interests into a more harmonious co-operation. Very strong local organizations of this kind exist in many of the cities of the country. The Metropolitan League in New York City, the Hamilton County League, with headquarters at Cincinnati, Ohio, the Polish League of Building Associations, and the Bohemian League, in the city of Chicago, the Cuyahoga County League of Building Associations of Cleveland, Ohio, and many other similar instances might be given where these local leagues have splendid working organizations, with financial, legislative, executive and exchange committees, selected from their Board of Directors. The hearty co-operation given by these local leagues to the State and United States League has proved an important factor in legislative as well as other matters. The Hamilton County League above referred to may be cited as an example of what can be accomplished by active, efficient work of a local league organization. The efforts of this league have been very effective in inaugurating movements for helpful legislation, and in preventing the enactment of proposed laws that would be seriously harmful to building association interests.

Group Meetings.

The visible good results and benefits derived from the work of the various Leagues mentioned brought forth the desire for still closer affiliation in other forms. Almost simultaneously so-called Group Meetings were inaugurated in Ohio, Indiana and Illinois. This brought together not only the secretaries of the associations, but also other officers, directors and interested members took part in the discussions and other activities of the Groups.

Method of Group Organization.

Usually under the auspices of the State League or a committee thereof the states are divided into groups of similar interests, quite often following the lines of congressional districts. Then a Group meeting is called by sending out a thirty days' notice to all building associations in the respective district. The notice, of course, carries with it an earnest invitation to attend, to all parties interested in the work.

Beneficial Results of Group Meetings.

As a result of this work a larger number of persons are being trained and educated in the active management and the ideals of the building and loan movement. The directors and officers who have never before attended State or National League meetings, will soon be found at these important gatherings, lending their active co-operation to the development of the institution at large.

State Group or Conference Meetings.

At first glance it appears as if the problems of the building association movement are altogether alike in all parts of the United States. However, this is not the case and the problems differ materially in the different geographical sections, and of course, each section must study its own problems. This fact justifies the establishment of State Group meetings, which are now being consummated. The first of these, the Pacific Coast Conference, was organized in Los Angeles, Cal., on February 11, 1922. To these conferences the states adjoining each other send their delegates to discuss the best methods of doing business and advancing the cause under the conditions peculiar to their particular geographical section. The second organization of this character was that of the

Southwestern States, organized at Shawnee, Okla., sixty days later. Eventually these State Groups or Conferences will present in an orderly manner their particular problems to the United States League meetings.

Women's Auxiliaries.

A further advance is found in the perfecting of the active co-operation in this work by the women of the land. The first Women's Auxiliary has been organized in the state of Ohio. Many other State Leagues have this matter under consideration. A nation-wide women's organization will undoubtedly become a fact, and will work and advance the building and loan movement in co-operation with the United States League.

Already a number of women, interested in the work, have appeared as delegates in state and national meetings. They were always not only courteously received, but honored with all the recognition they deserve. At least one woman demonstrated her fine parliamentary ability in presiding at the New York State League meeting. The importance of enlisting the women's participation in the constructive work of the movement cannot be overrated. After all, the women of the land are the most vitally concerned in real home-building.

State Supervisors' or Inspectors' Meetings.

There has been called into existence an organization of the officers of the various states, who have charge of the governmental supervision and examination of the building and loan associations. The meetings of this organization are usually held at the same time and place as the meetings of the United States League. This close connection of the State officers with the active managers of the building associations is of material benefit to both

parties. In due time it will be of decided aid in the standardization of plans and methods.

Future U. S. League Meetings.

The new developments will, of course, influence future United States League meetings, and proceedings will be modified to meet the new conditions.

With the perfection of the State Groups or Conferences these will be enabled to make carefully devised recommendations for the consideration and action of the United State League meetings.

In the same manner the women's auxiliaries will present their ideas for the betterment of the movement.

The state supervisors and inspectors will, in all likelihood, work in strict co-operation, and their advice regarding uniformity of management and bookkeeping systems for building associations will be valuable.

Systematic Propaganda Work.

Quite a number of years ago a proposition for systematic propaganda and publicity work for the advancement of the movement in a national sense was submitted to the United States League meeting, and reappeared in every meeting thereafter. The plan was to inaugurate a nation-wide campaign for the enlightenment of the American public regarding the idea of financial co-operation. The consideration of national and state legislation affecting the building and loan association interests was also included in the plan. The latter idea was favorably received and acted upon through the appointment of a Federal Legislative Committee, which has since served with efficiency and with success.

While the main idea of the proposition has been defeated regularly at each session of the United States

League, the agitation for it produced an awakening to this essential work by the various state leagues.

State Publicity Bureaus.

In conformity with the constructive idea referred to, many of the state leagues have established regular departments of publicity and promotion with creditable results. Not so many years ago hardly any notice was taken of the building and loan associations by the press, the periodicals, clergy and statesmen. Nowadays the public discussion of this great civic work has produced splendid results and brought hundreds of thousands of new members to the associations.

National Promotion of the Movement.

The benefits to be derived from a co-ordination of the work above referred to are evident. This can and eventually will be done by the establishment of a National Promotion Bureau, from which not only the state leagues but even local building associations can draw proper promotion material, prepared by a body of experts, trained for the purpose and fully conversant with all phases of the subject.

Thrift Organizations.

Efforts are made to establish regular organizations called "Thrift Societies," in conjunction with the building association movement. The main object of these societies is to instill the idea of thrift in time, money and other details of life into the American people. It has been said that there is sufficient "waste" in the United States to feed half the world. This is one of the exaggerations which border on truth. To teach the preservation of national and individual resources is certainly laudable.

The Y. M. C. A. of the United States have inaugurated a so-called "Thrift Week," each year beginning with Franklin's birthday, January 17. The national organizations in various activities, among them the United States League of Building Associations, assist in carrying the thrift message to the American people. In many states the building associations are utilizing the thrift week as a special one for membership campaigns, and are meeting with good success, especially on "Own Your Own Home" day.

Co-operation With Other Institutions.

It is entirely beneficient for the building associations, if the directors of same actively co-operate with other institutions, promoting the welfare and happiness of the human family. In all important gatherings of that kind the voices of officers and directors of building associations ought to be heard.

The desirableness of co-operating with influential national organizations cannot be overestimated, and carries with it the weight of their influence, and their procedure is made public in official journals, newspapers, proceedings, etc., bringing to view the superiority of the building and loan system as a most feasible and widely established institution for relieving the housing situation and for supplying funds for building and home buying purposes.

Building Association Day.

Many years ago the idea was suggested that the building and loan movement designate one day in each year which shall be known as "Building Association Day." It was proposed that the officers and members of the associations should get together in a friendly way and fittingly

celebrate the splendid results achieved by the co-operative savings and home-building movement.

When this experiment was put in operation in some of the localities it proved a wonderful success.

Mr. R. Holtby Myers, of Los Angeles, Calif., has made a suggestion that the building associations of the United States should designate President Abraham Lincoln's Birthday, February 12th, as "Building Association Day," which should be observed by all interested in the building and loan associations of the United States. The idea was, that he being the great emancipator, the building association interests should take the lead for "Emancipation from Tenantcy on behalf of the Rent Payers of the Nation."

The various State Leagues, as well as the United States League, should take appropriate action along these lines, so that an annual celebration on this day all over the United States at the same time would serve to attract the attention of the public to the constructive work in which the movement is engaged.

The officers, members and their families, should be invited to meet annually and fittingly pay tribute to the Great Emancipator and the principles for which he so nobly stood, as well as to observe the achievements and accomplishments of the greatest co-operative movement of modern times.

Library of Building Association Literature.

The only public depository of building association literature is now in the Congressional Library. Even there no systematic and complete collection of all such matter is made. There are, of course, a few individual collections of such literature, but these are meagre and not available for the student. In course of time the United

States League will provide for the collection of such a library, properly maintained and catalogued. The expansion of the movement will bring with it an increase of the literature and a greater necessity for such a library.

What a League Can Do.

Building association leagues are organized for the purpose of promotion, publicity and protection of building association interests.

(1) There are several ways in which the League may promote the interests of building associations. This may be done by initiating and urging the enactment of helpful legislation. Building associations can exercise only the power conferred by law. They are subject to all restrictions and limitations which the law imposes. At the time of their origin, they were merely associations of individuals and were doing a line of business and carrying on a type of activities unknown to the law and unrecognized by the statute. As they grew in number and increased in strength, the Legislatures took cognizance of their existence and enacted laws under which they are to be organized and operated. In some States these statute restrictions were very severe, and hampered the activities and unduly restricted their operations. Through the influence of the State leagues many statute restrictions have been relaxed and the powers and opportunities of the associations have been broadened and extended. As the helpfulness of these institutions to the community was demonstrated and became recognized, Legislatures, as a rule, have been quite ready to grant extended privileges to them when properly advised of the necessity for such additional powers and privileges.

In pursuance of this work, suggestions are offered to the League from associations in all parts of the State, and the league committees representing the

whole building association interests of the State can consider these matters specifically, and arrange to have them formulated in the most desirable way. A delegation from a league representing the building association interests can appear before the Legislature on short notice at any time and a delegation of this character representing the interests of so many citizens, and of such great importance, are given far greater consideration by a legislative committee and by the Legislature itself than could possibly be commanded by any individual or any single association appearing only in its own behalf. In the absence of a league organization, matters of the gravest importance pending before a Legislature are liable to go by default, and association interests suffer injury, because, in the absence of a league, it is the business of no particular person to represent these interests before the Legislature.

(2) A second matter of great importance to the associations is the opportunity which the league meetings afford for the discussion of all practical questions connected with the management of associations. It is hardly possible that there could be absolute uniformity of method in handling the various details of association management. In some organizations, one phase of the business may be handled by a better method than in another. Delegates coming together for the discussion of these practical questions are certain to learn from each other many things which will be to the advantage of their respective associations. In this way their work will be simplified, their plans and methods made more practical and efficient. Thus League meetings form a means for obtaining information and giving more publicity to the best plans and methods.

(3) As a protective agency, league organizations are

of special value. Any type of institution which attains the strength now enjoyed by building associations, is certain to meet with more or less antagonism, and against these adverse forces the associations need protection. Antagonisms may arise in the way of proposed legislation by adverse interests, with a deliberate intention to injure the association. They may arise from lack of proper information on the part of the party proposing the adverse legislation. Any movement to injure associations may furthermore gather momentum in the course of litigation against some local association. Novel legal questions may arise in such litigation that would be of the gravest importance to association interests and which should be given careful attention by the best legal talent in order that the decision arrived at will be a correct and proper one.

Some years ago, in a Southern State, when building association interests had become quite important and where they had at that time no building association league, a decision was handed down against building associations in a case that went practically by default, and in which the interests of the associations were not properly presented to the court. The result was, that this improper decision nearly annihilated the building association interests of that State. Scores of associations were put out of business, and it was nearly twenty years later (when the same question came up in another case by the same court) on being properly presented the former decision was reversed and the building associations of that State began to recover from the harmful result of that wrongful decision. In cases like this an efficiently organized and operating building association league would have looked after that case, would have seen that it was properly presented to the court by a competent lawyer, and a proper decision rendered. These are a few of the

instances in which the league acts as a protective agency for building associations.

League Membership.

Of course, the work of a league can not be carried on without some expense. If, however, the League is properly organized and operated, this expense need not be heavy. To meet the necessary outlay, each affiliated association must pay a small fee. The plan of apportioning these fees differs in the different States. Some charge a flat rate for all members. In others fees are graduated according to the assets of the association. One of the most successful State leagues finances its operation by making up a budget and then apportioning it among the members at a certain very low percentage of the assets shown in its last annual report. This plan seems to be eminently fair, and in practical operation has been found entirely satisfactory.

It is highly important that every association should become a member of its State League. This State organization is charged with protecting the interests of all the associations in the State. Every association is benefitted by the work the State League does, and it is clearly inequitable that the non-members should receive equal benefits from the League activities, and bear no part of the burden. In order that the League work may be done intelligently, and in justice to all, every association should be represented in its councils. The League, like the individual association, is a mutual and co-operative institution, and extends the same services, and produces benefits to the member associations similar to those provided by the respective associations for their own members. All associations, therefore, should affiliate with the League, so as to make it co-operative, in fact as

well as in name. Each association should bear its proper share of the expense and labor connected with the work of the League. It is clearly unfair, where there are, say, three or four hundred associations in a State, for a small group of them to bear the expense and labor of looking after the work of promotion, publicity and protection for all the building association interests in the State. Co-operation is just; it means power.

It should also be borne in mind that, while a league is an organized body, its work must be done by individuals. The personal expenses of delegates to the League meetings are usually paid by the association they represent. These individual delegates, however, must lose time from their own private business, and incidentally, are put to no little inconvenience and expense. This is especially true of officers of the League. In view of these facts, they should certainly have the cordial and unanimous support of the interests which they represent, and thus, in a measure, lighten their burden, and give them such a standing and prestige as will make them most influential in securing the ends for which they labor.

The duty and relations of the individual associations to the State League do not end by their becoming members and paying annual dues. The work of the League and its officers must have the united support of the member associations. For example, it frequently occurs that important legislation is pending, affecting building association interests, either helpfully or harmfully. The usual custom is for the League officers to call the attention of the member associations to these matters, by a circular letter, requesting each association to inform their local legislators regarding merits or evils of the pending legislation. Such *circular letters should not be ignored and thrown into the waste-basket.* The officers

and members of the local associations should back up the efforts of the officers of their leagues by personal interviews or personal letters to their legislators regarding the pending measures. The result of efforts of this kind is always helpful and beneficial. Legislators, as a rule, are actuated by the highest motives and ordinarily endeavor to enact such laws as will be beneficial to their constituents. Where evil or harmful legislation is enacted, it is seldom done by the deliberate intent of the legislators, but more frequently results from misconception, misunderstanding or lack of full knowledge regarding the merits of the pending legislation.

Building association officers, who are actively engaged in the practical conduct of these institutions, are better informed and far more familiar with the needs of the institutions and what measures would be beneficial or harmful to them than the average legislator. It is not only the plain duty of association officers to give to the legislators the benefit of their knowledge and experience, but such action on their part, as a rule, is gladly welcomed by these representatives, and is given full and careful consideration.

Educational Factors.

Generally the executive forces of a local building and loan association are elected from the membership for their individual qualification to fill the offices of president, secretary, treasurer, etc. The growth of the institution bringing forth local associations of gigantic resources and equally gigantic responsibilities, has created a demand for officers with special training. To fill this demand has led to the establishment of "The American Savings, Building and Loan Institute," a Non-Profit Corporation, affiliated with the Kansas City School of Kansas City, Mo.

Chapters of this institute have been organized in Kansas City, St. Louis, Tacoma, Youngstown, O., and many other places.

The purpose of The American Savings, Building and Loan Institute is to extend definite knowledge of this important movement, in order that the efficiency of individual workers may be increased, the enlightenment of the public extended, and the maximum development of the whole movement promoted.

To these ends, a course of study has been evolved that, while far from complete, marks a distinct advance in systematic study of the subject, and may well lead to research work of even greater value.

The curriculum of the institute embraces all the subjects necessary for practical grasp — history, the object, the organization, management, accounting, loans, general building and loan finance, laws, and development methods of the building and loan movement.

"Selling the Building and Loan Idea."

The secretary is generally a most responsible figure in the organization. His personality more than any other, is apt to direct and develop the association's success or failure.

He should be many-sided in experience and knowledge and have a character and business record above reproach or suspicion. Upon his ability depends in large measure, the place the association will hold in the confidence of the community.

We recommend that every secretary procure a copy of "Selling the Building and Loan Idea," prepared by R. Holtby Myers, of Los Angeles, Cal., and published by the American Building Association News, Cincinnati, Ohio. It contains ten lessons which will help the secretary in

presenting the merits of the building and loan association, and is invaluable to any secretary who wishes to truly advance his association and himself.

American Savings, Building and Loan Institute.

Likewise, there is now an important educational opportunity presented through the American Savings, Building and Loan Institute, headquarters of which are located in the R. A. Long Building, Kansas City, Mo.

This institute is affiliated with the Kansas City School of Commerce, which will give college credits to those completing the course of study in the institute. A letter addressed to Frank A. Chase, Educational Director, will bring full information, and most secretaries would find their correspondence course of study an inspiration and benefit.

Branch Offices.

The establishment of branch offices of those associations that have found it to their advantage to be represented at different localities within a limited radius of their headquarters has been found of value to some associations.

The idea of branch offices was of English origin. The Halifax Permanent, which is the largest building society in the world, at the present time maintains over one hundred branches. These branches make all returns to the general offices at Halifax and have been the direct means of accelerating the growth of this remarkable institution. Many associations in England likewise have branches, aiding largely in their development.

In the United States there are not many associations that have undertaken to open up branch offices, due to the fact that the modern transportation facilities, in the

way of automobiles, has now made the central offices available to the nearby communities. Moreover, the establishment of building associations is now taken up by almost every growing community. And that is good and beneficent. Wherever there is a demand for more home-building, there is also a field for the activities of a live building association.

The Press.

The greatest benefit occurring from the various meetings of the Leagues is the publicity which the building associations receive from the publication of their proceedings. The public press is usually willing to give wide-spread publicity to their work, and at each of these League meetings it is highly important that the representatives of the press be aided and assisted by the officers and delegates in getting full and accurate stories of the proceedings. Many of the papers and addresses presented to these league meetings are published in full by the local press, and the result is that the general public gets full information in this way regarding the merits and benefits arising from building association activities. The publicity thus given the building association movement has doubtless been a strong factor in its growth and development.

CHAPTER VI.

Legislation and Taxation

Building associations, in their original form, were voluntary associations of small neighborhood groups of individuals, and were not incorporated. The advantages derived by their members soon became so apparent as to result in the formation of many societies for similar purposes. Many of these grew in number and in strength and broadened their field of activities until their membership was not confined to the little circle in which they first originated. The larger scope of activity obviously required judicious legislation regulating their organization and the plans and methods of their operation.

It will readily be admitted that no institution should be permitted to hold itself out as a depository to receive and invest the funds of the public or of those citizens who desire to take advantage of its facilities, except as such organization is subject to legislative control. It is believed that Pennsylvania was the first State to pass laws regulating the organization and operation of building associations. This first statute was passed in 1850, and was shortly followed by enactments along the same lines by the legislatures of other States. Similar legislation has been passed from time to time as experience has disclosed the need.

Vast interests of individuals and of the State are involved in the operation of these associations. Where they have become numerous and great resources are entrusted to their care, they become closely identified with the moral and material welfare of communities. It is of the highest importance, therefore, that with

such an interest at stake, their rights, duties, privileges and immunities should be clearly defined by statute, and that the individual rights, duties and privileges of members should be carefully guarded and specifically defined.

Legislative bodies are made up of representatives chosen from various sections of the State, identified with various industrial and financial interests and often holding diverse views and opinions, and, as it has often occurred, with little or no knowledge of or experience in building association affairs. It is legislative bodies thus constituted that have proposed and enacted legislation governing building associations, some of which has been helpful, some detrimental.

Many useful and conservative laws have been enacted, and the interests of the associations have been promoted thereby. On the other hand, there has been no little patchwork and superficial legislation, which has sometimes proved detrimental to the cause it was intended to benefit. With the growing popularity of these associations, some of our statesmen, with a laudable ambition to originate laws, have proposed, and in some cases secured the enactment of measures that were unwise and impracticable. The time has now arrived, however, when the members elected to the various Legislatures, and to Congress, are becoming better informed as to the real nature and function of building associations.

The establishment of the United States, Inter-State, Group, State and Local Leagues, has created an authoritative body which can present to lawmakers in a formal, representative and influential way the new legislation which is needed and can point out the dangers of harmful measures when they are proposed. Legislators are growthe wiser and better informed on this subject. If an improper measure is now introduced in any Legislature,

there are faithful and intelligent guardians of these institutions either within the Legislature or without, who will quickly turn on the light and reveal the measure in its true aspect.

Legislation in England.

The success of the Greenwich Union Building Society and of other early organizations of the kind in England, soon attracted the attention of the government. So important was the movement considered, as indicated by the activity of these organizations, that in the year 1836 an Act of Parliament was passed, giving building associations their first legal recognition, providing ample opportunities and inducements for their formation, and making full provision for the protection of their members. English societies existed under this act until 1874, when a new act, very liberal and elaborate in its provisions, was passed.

Provisions of the English Laws.

The English law, upon which our early associations apparently were founded, contains a number of interesting provisions. It declares that any number of persons may establish a society, either terminating or permanent, for the purpose of raising subscriptions, to be used as loans to the society members. Such loans must be protected by members out of the funds of the society by security on freehold, copyhold, or leasehold estate by way of mortgage. Any society under the act shall have power to hold land, with right of foreclosure, and may from time to time raise funds by the issue of shares of one or more denominations, paid either by periodical or other subscriptions, and with or without accumulating interest. Such funds may be repaid when no longer required for

the purpose of the society. Societies, furthermore, are empowered to receive deposits or loans from members, or other persons, corporate bodies, joint stock companies, or terminating building societies.

Societies established under or adopting the act of 1874 are bodies corporate, having perpetual succession and a common seal, thus dispensing with the cumbrous and inconvenient system of trusteeship. The rules must specify the society's name and place of meeting, terms of withdrawal and repayment, manner of alteration of rules, the appointment, remuneration and removal of officers, provisions as to general and special meetings, and the settlement of disputes, custody of seal, mortgage deeds and securities, powers of directors and other officers, fines and modes of dissolution. Societies may unite with others. One society may transfer its engagements to another. They may purchase, build or hire, or take on lease, any building for conducting their business. Minors may be members, but cannot vote or hold office during non-age. Accounts are to be furnished to members annually. The societies are exempt from stamp duties, except those upon mortgages. Receipts endorsed upon mortgages are sufficient discharge without conveyance.

The law of 1836 provided for the appointment of a special board of commissioners to superintend the work of the Loan Fund Societies of Ireland. This was called the Loan Fund Board. All societies had to register with and report to this board, whose duty it was to see that the societies conducted their affairs according to the provisions of the new law.

Defects in the English Law.

Upon analysis it will be found that the English acts governing building societies are not philosophical and

harmonious in their construction. They were rather spontaneous and sporadic in their origin, passed from time to time out of necessity, or to meet some special interest. It would not be in place here to attempt an analysis of the English statutes, or to point out their contradictory and inharmonious provisions. It will be sufficient to quote a passage from the masterly work* of an English writer, Mr. Henry F. A. Davis. He says: "This (act) has been unfavorably noticed by some learned judge, who has had to decide a question arising under it. A piece of legislation more resembling patch-work would be difficult to find anywhere. Two acts of parliament, originally intended to regulate associations having very different objects in view from those contemplated by building societies—and having, as a writer in the *Jurist* once observed, internal evidence of their having been passed during the chaos of a legislative convulsion—badly conceived and badly executed, were by a third act, if possible more clumsy than either, incorporated so as to form the code which was to govern building societies."

Laws in the United States.

The history of associations in the United States, as we have already noted, is still young. The associations, which appeared slowly at first, were organized, partly as unincorporated voluntary associations, and partly under charters obtained under the general acts of several of the States authorizing the incorporation of beneficial and other such associations. The rapid development of the country led to a like rapid development of building associations, so that legislation soon became imperative.

During the years from 1850 to 1860, most of the older

* The Law of Building and Free Hold Land Societies, 3d edition, H. Sweet & Sons, London, England.

States endeavored by legislation to regulate the formation, powers and management of building associations. Since 1860 the newer States have taken up the subject. At the present time there are in nearly all the States and territories some statutory provisions for the government of associations. Building associations are, as a rule, recognized in the laws of the different States as a class of corporation in many respects widely different from any other type of corporation; different in their plans, organization, method of operation, as well as in the aims and purposes for which they are organized, and in the results which follow their activities.

The law-making powers in most of the States have recognized the fact that these institutions are not organized or operated as money-making concerns, or for the purpose of acquiring unusual profits, or for exploiting the public for the benefit or advantage of a few individuals. The mutual and co-operative plan on which they are organized and conducted restricts their operation to their own members, and the fair and equitable distribution of the benefits resulting from their operation among the members on fair and even terms, makes a distinct line of cleavage, which differentiates these institutions from any other type of corporation. The work of these institutions in teaching thrift and aiding their members to practice habits of saving and frugality, has done incalculable good in elevating the character, improving the habits and enhancing the prosperity of a vast number of our people. The practical application of the resources of these institutions to the building of homes and aiding their members to change their condition from rent-paying tenants to home-owning citizens, has been recognized as a work of vital importance and of the highest helpfulness to the interests of the State and Nation.

All these considerations have led legislative bodies

and the law-making powers to recognize the institutions as a vital force for good in the economic life of our people. It has resulted in causing our legislators to regard these institutions with much favor, and to accord to them a just recognition of the benefits they confer upon the public and upon society. Some of the early legislation related hereto may be classed as having been adopted by legislators ignorant of and inexperienced in the subject and with no adequate precedent for their guidance. But of late years the subject has received more intelligent attention by the law-making powers and many legislators have given much study to the various problems connected with it.

Improved Legislation.

In the two decades, between 1880 and 1900 the various State leagues have taken aggressive steps in the matter of securing proper legislation. Most of the leagues have appointed committees on legislation, which have drafted laws regulating them, and submitted their plans to the various State Legislatures. In most instances the measures thus proposed by the various leagues have been accepted and adopted by the several legislatures in substantially the form which the league committee proposed. These successful results have been achieved by the policy established in practically every league organization of proposing only such legislative enactments as were fair, proper and equitable, not only to the building associations, but to the State and public. In no other way could such favorable results have been attained. The future success and prosperity of the building associations depends upon adherence to this policy whenever legislative action is required by any league, or pending legislation is either favored or opposed.

As an example of what can be achieved by the united co-operation of a State League, the experience of the State of Ohio may be cited. In 1890 the convention of the Ohio Building Association League unanimously adopted a motion instructing the legislative committee to codify the existing laws relating to building associations, embodying therein such changes, amendments and additions as might be deemed necessary. After this committee had carefully prepared the measure is was submitted in printed form to the associations of Ohio for suggestions, which were fully discussed by the committee. Finally, and after many modifications, the code was submitted to the Legislature for adoption. As a result of the combined interests of the building associations of the entire State, requesting this legislation, the Legislature gave the measure very careful attention, and after long and thorough discussion, this bill, called *the Corcoran Act,* was passed in May, 1891.

This bill had been so carefully drawn, so thoroughly revised, and given such efficient attention by the Legislature that for the ensuing period of seventeen years there was no change or amendment made to this law. The legislative committee of the Ohio Building Association League opposed every suggestion made to change or amend it during that period. Under the provisions of this law the building associations of Ohio prospered greatly and increased their assets and their usefulness enormously.

It was not until 1908 that the Ohio League, meeting at Youngstown, passed a resolution instructing its legislative committee to draft and ask the enactment of certain amendments to the law, which had become desirable on account of the increased growth and the expanding needs and improved plans and methods of operation. In 1909 this amended measure having been prepared in much the

same fashion as above described, was brought before the Ohio Legislature, approved by that body, and enacted as *the Russell Act.*

In 1923, owing to some abuses which had been practiced by promotors under the existing code, the Ohio Building Association League again presented a bill to the legislature to prevent and correct the same. This also provides for a stricter regulation of the organization of new associations and defines, by statute, the securities on which loans may be made to members and others, instead of leaving it a matter for regulation by the constitution and by-laws of the individual associations. The bill has been passed by the legislature and is known as *The King Act.*

This outline of the plan and methods followed by the State of Ohio practically describes the steps taken in numerous States in which building associations' interests are important and which have active and efficient building association leagues. Many of the provisions found in these Ohio enactments have been adopted with little modification in numerous other States. In every case they have resulted in stimulating the growth and increasing the prosperity of building association interests.

The great good that has been accomplished by the Illinois State League is also a matter of history.

Litigation.

Not only has the legislation under which associations are organized and operated oftentimes been crude and imperfect, but the associations themselves, in many cases, have been organized by persons without experience and lacking information in such matters. It resulted therefore, that through crude legislation on one hand and crude organization and inefficient operation on the other,

many associations did not reach the high success which was anticipated. As a natural result in most of the States litigation occurred. With the enactment of wiser laws and the very marked improvement in the character and ability of the officers which have been enlisted to operate these local associations, there has been a decided improvement along these lines.

It would be foreign to the character and purpose of this work to undertake a resume of the laws of the different States in reference to these associations, or to give digests of the cases arising under these laws and of the decisions that have been rendered in the different courts. Such matters belong more properly to a work of a legal than a popular character. Members and officers of associations should look to their regular legal advisors for information and instruction upon all mooted or doubtful questions of legal character.

Exemption from Taxation.

The useful work done by building and loan associations and especially their aid and assistance in the building of homes and the creation of permanent, tax-paying wealth, has led many of the States, where their constitutions permitted it to be done, to exempt these institutions, their mortgages and investments from all forms of State and municipal taxation. Most of the States also encourage their citizens to invest in these institutions, by providing that the shares held by individuals in these institutions shall not be taxed.

There are excellent reasons to support this policy. The funds invested in building associations by the individual members are not a permanent investment, and are subject to withdrawal either on demand or on a comparatively short notice. The result of levying a burden-

some tax on investments of this character certainly would encourage their withdrawal, and in that event the State would be deprived of the slight revenue which is sought from that source. On the other hand, the investments made by building associations in aiding in the building of homes results in the creation of permanent additions to the taxable property of the community, every one of which will forever after bear its share of the public burdens.

It is a realization of this fact that has led the law-making bodies of many States to encourage the organization and operation of building associations by exempting the property of the building association, and exempting the money invested therein belonging to the members from all forms of taxation, the result being to stimulate the building of homes, thus bringing to the public treasury a continuing stream of revenue from the taxation of the homes thus created.

Forceful Arguments by Hon. Julius Stern.

An exceedingly logical and forceful argument in favor of this policy was presented in a paper before the United States League by the Hon. Julius Stern, of Chicago. The arguments used by him in this paper are so convincing and are of such plain value that we reproduce them as follows: "Nevertheless exemption laws in matters of taxation will, on examination, be found to be as old as the laws imposing taxes themselves, and we will find that there has been no time when exemption from the imposition of fiscal burdens was not practiced and favored under the written laws and possibly the unwritten ones which preceded them. An inquiry as to the propriety of exemptions in general, must therefore be narrowed down to an inquiry into the proper selection of the matters and things

to be exempted from taxation, and as to the forms of property the exemption of which from taxation will be most conducive to the advancement, and conservation of the government by the greater progress in wealth, stability, and sustaining power of the people, which would naturally follow from such exemptions.

"It has been the practice of American governments, both State and municipal, to embody in their constitutions and statutes, laws exempting property devoted to charitable and educational uses from taxation, on the theory that whatever advanced the education of the people conduced to their greater progress and wealth-producing power, and that whatever was devoted to charitable uses should escape the exactions of the tax gatherer, because it was not productive of income to those who expended the money, and possibly also because of the moral sentiment before alluded to.

"It must be conceded, however, that it is good economics as well as good morals, and free from any taint of dubious experiment, for any government to foster home-owning and thrift, that at all times and in all places, these form the basis for a better mode of living and ever-growing expenditures on material things which, in themselves, are taxed by the government; while on the other hand, among the most mischievous forms of taxation that can be devised are such as place skill, industry and frugality at a disadvantage in the struggle for existence. Again, the policy of exempting certain industries for limited periods, or for all time, in order to foster their growth as a source of future strength to the government by way of providing a fruitful field for future taxation, indirect or direct, has been practiced both by the National and State governments; and where put into execution with proper forethought, and surrounded with

necessary safeguards, has been productive of satisfactory results.

"All taxation to be just should be imposed so that every species of property, in proportion to its value, be made to bear its due and equal share of the burden; yet, if it be perceived that by minimizing its weight in certain directions for a time, or by excluding here and there the burden altogether, an economic result is achieved which will yield greatly increased returns in the future from the aggregate taxables, then it is the part of wisdom in that behalf to so minimize or exclude—that is, exempt from taxation.

"For instance, to encourage commercial enterprises and exchanges governments have often found it expedient and profitable to exempt from taxation the shipping necessary to carry on these enterprises, and not only abroad, but at home do we find this to be the practice. In Great Britain, Germany and France, the earnings only of ships are taxed;—not the capital invested. In Austria recently all taxes on vessels engaged in foreign trade were suspended for five years, in order that this industry might be built up and become sufficiently strong and rich to afford a remunerative harvest at the end of such term. Delaware exempts shipping from all taxation. New York and Alabama exempt their shipping in the foreign trade from all taxation; Massachusetts, New Hampshire and Connecticut tax the earnings only of their shipping in foreign trade, and under the decision of the United States Supreme Court, Pennsylvania imposes no taxes on its shipping in interstate or foreign trade. The heavy taxes levied for limited periods on the importation of certain foreign goods for the protection of infant industries at home seek their justification and excuse on this same line of thought; and the wisdom or unwisdom of their imposition from the point of view of economics

simply, must abide the outcome of the experiment. All exemptions from taxation are based on considerations of public policy;—the highest public policy is that which sacrifices a present given measure of good results for a future increased measure.

"Whenever governments can aid directly or indirectly in so increasing the future measure, it becomes not only good policy but a duty imposed upon the directing power to afford such aid.

"In the case of the local loan and building associations, the only aid that need be asked under this head, is of a passive nature. No direct action of any kind is required, it is but necessary that they be shielded against improper impositions, and be allowed to work out their own salvation. *As corporate entities, they need exemption from taxation*—because the property which stands for and as their assets, already pays its just and equitable share to the government for the protection it receives therefrom in the shape of taxes paid by the individual shareholders;—and because as corporations purely co-operative in their nature they cannot afford to pay what would be in effect a double taxation, without so far impairing their strength as to endanger their existence and destroy their usefulness.

"As corporate entities their *exemption from taxation is justified*, because to a far greater degree than the charitable and educational institutions quoted above as being so generally exempted, do they tend to advance the education of the people, and conduce to their greater progress and wealth-producing power; and to a greater degree than either of the others are they entitled to the support of that healthy moral sentiment, which finds in home-ownership the mainstay of enlightened good citizenship, and in enlightened good citizenship the only safeguard of our continued existence as a nation.

"Again on the theory that it is proper and far-sighted economic policy for the State to encourage and foster the growth of institutions which will create new wealth for its future support, the exemption of the local building and loan associations from taxation, is amply justified.

"Among other things it is stated: It cannot be fairly claimed that the bonds and mortgages of a building and loan association are property of a taxable nature, or are possessed of value in the sense had in mind by the framers of the constitution of this State by the phrase, 'subject to taxation,' because they have no exchangeable value whatever, as they are absolutely non-negotiable; not having been given by one individual to another, in exchange for any articles of value advanced thereon, but being merely written promises by one member of a class of co-operators to the other members of the same class that will continue to co-operate with them, in accordance with the agreement then or at some antecedent date entered into by all of them, until by the result of their joint operation, certain ends of like usefulness to all of them shall have been attained. This promise being only one of a mutual set of promises between all the members of that class, is not of such nature that it can be assigned or transferred to an outsider for value, by either of the parties thereto, so as to change it into a promise of the repayment of a certain sum of money advanced on its strength, in a different manner; i. e., the repayment in bulk of the total moneys advanced to the borrowing stockholder, after the manner of ordinary notes and mortgages. *A building association could not place its entire collection of bonds and mortgages upon the market, and realize a single dollar by the sale thereof;* it cannot assign them; it cannot dispose of them in any way. They represent, in such transaction, a mere agreement between two sets of stockholders or between the borrowing stock-

holder in the particular transaction and itself (i. e., the aggregation of all the stockholders), to the effect, *not* that the borrowing stockholder will, at any one time, pay the amount stipulated in the said bond, but that he will pay to his co-stockholders, being the loan and building association, a certain stipulated amount per week or month, as installments on his own shares of stock with interest, etc., for the advancement of money to him thereon, and that he will continue such payments, until the value of each share of stock in the series held by him, reaches par; and that he is to receive a release of the mortgage by him given to the association, as an earnest of the performance by him of the condition of his bond.

"And again, 'property' is defined by Bouvier to be 'an exclusive right of things; a right to dispose of them, either by exchanging them for other things or by giving them away to any other person without consideration, or even throwing them away'; thus showing that the definition of the legal text writer, as to the essence of the value, accords in all things with that laid down by the political economists. To go one step farther, 'valuable property' would be defined to be such property as one could, under ordinary circumstances, dispose of for valuable consideration. *The bonds and mortgages of a building and loan association are not property of such a character;* as before stated, they are absolutely valueless, except to the association itself, and to that, merely as an evidence of the advances made to one of its stockholders on his stock, and a means of compelling him to continue payment of installments thereon in like manner as his brother stockholders, to whom no advances have as yet been made; under penalty of being compelled to make good such payments out of the real estate, the title to which has been transferred as a security for the perform-

7

ance of his promise, reduced to writing in said bond, given before the making of said advances.

"It has been well said by a distinguished author (Perry) that 'the right to tax on the part of the government grows out of the whole service rendered by the government to the individual; and that as a return service (or tax) is connected with and limited by the *exchanges* which the individual makes under the eye of the government, the tax itself should be proportioned as nearly as possible to the amount of those exchanges, and should be justified simply on the ground of them.'

"As before shown, in the advances made by a building association to one of its co-operative members of moneys on his stock, which he pledges to said association with the promise to continue to make installment payments thereon in the same manner and amount as he had been making as a simple stockholder, merely adding thereto interest for the prior use of the money contributed to a general fund by himself and his brother stockholders, and further secured by a pledge of the real estate *upon which he is paying taxes to the State,—in such a transaction there are no exchanges* — in the commercial acceptance of that word; and as those securities are not transferable by the association for value, or otherwise, and are held simply for the performance of a promise made, they cannot enter into the subject of exchanges; hence, there is no possible justification for the exaction of a tax thereon by the governing power.

"Thus viewed from economic, ethical or legal standpoints, the exemption from taxation of local building and loan associations appears to be justified; and as these associations are the wisest, best, and, hitherto, most practical school of education for the great wage-earning class which our civilized world has evolved, and a school which rests upon a membership of those who can con-

tribute, not in large sums, but only by the mites saved from meager earnings, the necessity of fostering and sustaining such associations for the direct and indirect advantages accruing therefrom to the nation must be apparent, and in conclusion, therefore, it may be safely said, that the *necessity of exempting them is the best justification for so doing.*"

The Association Is a Clearing House for Its Members.

A building association, being purely mutual and co-operative, and being conducted for the mutual benefit of all its members, is in reality a clearing house for its membership. It is a place where the members gather to exchange mutual accommodations, and in operation, very closely resembles that of the clearing houses established for the accommodation of commercial banks. No proposition has ever been made to levy taxation upon the activities of bank clearing houses, and the same principles which would exempt those institutions from taxation should be applied to the business of building associations, which have no assets on which they can realize. From the very nature of their character they have nothing that should be taxed, outside of their regular office fixtures, books, etc. As these are of but little commercial value, there is no valid reason that can be advanced why the associations should be taxed in any form.

Not only have many of the different States thus exempted building associations from taxation, but the Federal Congress, in like recognition of the usefulness of these institutions, and of the unwisdom of burdening them with unnecessary taxation, has in every revenue measure passed since 1891, exempted building associations from practically every form of Federal taxation. These exemptions, however, have only been secured by

the earnest efforts and active work of the officers and committees of the United States League of Local Building and Loan Associations, co-operating with the various State and local leagues, together with the assistance of *The American Building Association News.* Many of these revenue measures, had they been passed in the form in which they were first presented to Congress, would have resulted in the absolute destruction and annihilation of the whole building and loan association movement in this country.

One measure which might be referred to levied an annual tax of fifty cents per thousand on the authorized capital of all corporations. Had this measure been enacted in the form in which it was introduced it would have cost the building associations of America many millions of dollars per year. When the facts relating to this subject were presented before Congress by the representatives of the building associations of the country, Congress very promptly recognized and admitted the justice and necessity of the exemption asked for, and consented that building associations should not be made subject to the proposed tax.

Summary of Revenue Measures.

A review of these several measures is of such interest and instructive value that we present the following summary of the various revenue measures and the exemption given to building associations from time to time:

In 1894 Congress passed a law providing for the levy of a Federal income tax, but inserted therein the following provision: "Nothing herein contained shall apply to building and loan associations or companies which make loans only to their shareholders." The Supreme Court of the United States afterward declared this income tax law unconstitutional, but in its enactment Congress

had established a precedent in favor of building and loan associations, which has been consistently followed in every succeeding revenue measure.

In 1898, the Spanish-American war made it necessary for the Federal government to obtain increased revenue, for which purpose Congress enacted the *Stamp Act.* This law contained the following exemption clause: "Provided further that stock and bonds issued by co-operative building and loan associations, whose capital stock does not exceed ten thousand dollars, and building and loan associations of companies that make loans only to shareholders shall be exempt from the tax herein provided."

In 1909 Congress passed a law taxing the capital stock of corporations, and after strenuous efforts on the part of building association representatives these institutions were exempted from this tax in the following language: (after naming several corporations to which the tax should not apply) "Nor to domestic building and loan associations organized and operated exclusively for the mutual benefit of their members."

In administering this act of Congress, Internal Revenue collectors in different parts of the country took different views in construing its terms and conditions, which resulted in litigation. Two cases arose in Ohio in which the collector decided that an association which accepted deposits from non-members or made loans to non-members, was not "operated exclusively for the mutual benefit of their members"; and in New Jersey a collector insisted that an association which paid a different rate of dividend to various classes of stockholders was not "operated for the mutual benefit of their members." The result of the litigation over both of these questions resulted in a victory for the building associations, the courts holding that the facts urged by the collectors did not make the association liable for the tax.

CHAPTER VI.

The Ohio cases above referred to are:

Central Building and Loan Association vs. Bowland. Bellefontaine B. & L. Association vs. McMaken. 216 *Federal Reporter* 526.

The New Jersey case above referred to is:

Park View Building and Loan Association vs. Herold. 203 *Federal Reporter* 876. *Affirmed by the Circuit Court of Appeals, 3rd Circuit.* 210 *Fed.* 577.

Under this *Federal excise tax law of August* 5, 1909, the Commissioner of Internal Revenue ruled that certain building associations were taxable, and quite a number of them were required to pay the tax, which they did under protest. After the court decision referred to was handed down, Congress passed a bill, authorizing such associations to file claims for refunder, and all the associations which did so recovered the tax they had wrongfully paid.

Under the Income Tax amendment to the Constitution, Congress passed the Act of October 3, 1913, levying an income tax on corporations in lieu of the Special Excise taxes provided under the Act of August 5, 1909. The exemption of building associations in Subdivision 2 of Section II, paragraph G (a), thereof, reads:

"Provided, however, that nothing in this section shall apply to labor, agricultural, or horticultural organizations, * * * nor to domestic building and loan associations, nor to cemetery companies organized and operated exclusively for religious, charitable, scientific or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual."

On October 22, 1914, Congress passed an act known as *"The Emergency Revenue Law,"* in Section 15, of which Congress adopted almost the exact language contained in the Stamp Act of 1898, the exemption reading as follows:

"Provided further, that stocks and bonds issued by co-operative building and loan associations, * * * and building and loan associations or companies that make loans only to their shareholders, shall be exempt from the tax herein provided."

The Income Tax Law, passed September 8, 1916, levying an income tax on individuals' and corporations' incomes, exempted building and loan associations from its provisions. Under Section 11, Title 1, of this act, is this provision:

"Section 11—(a). That there shall not be taxable under this title any income received by any * * * Fourth—domestic building and loan association and co-operative banks without capital stock, organized and operated for mutual purposes, and without profit."

Under Title 4 of the same act, a special license tax is imposed upon corporations. Building associations were exempted from this tax by a proviso in Section 407, as follows:

"And provided further that this tax shall not be imposed upon any corporation, joint stock company, or association, or insurance company not engaged in business during the preceding taxable year, or which is exempted under the provisions of Section 11, Title 1, of this act."

The act of March 3, 1917, levied a tax on excess profits on all corporations having an income of $5,000.00 or more for the taxable year. Section 204 of this act exempted building associations from its provisions in the following language:

"Section 204. That corporations exempt from tax under the provisions of Section Eleven, Title II, of the act approved September 8, 1916, and partnerships carrying on or doing the same business, shall be exempt from the provisions of this Title, and the tax imposed by this title shall not attach to incomes derived from agriculture or from personal services."

On October 3, 1917, Congress passed *the War Revenue Act*, levying additional taxes upon every corporation, joint stock company, or association or insurance company, subject to the tax imposed by the act of April 8, 1916,

and the act of March 3, 1917. Since building associations were exempted under the act of 1916, they were also exempted from the tax imposed by the War Revenue Act by a provision contained in Section 201 of said act.

The Revenue Act of 1918.

The Revenue Act of 1918 provided that the following organizations be exempt from taxation under the income tax title:

"Section 231. (4). Domestic building and loan associations and co-operative banks without capital stock, organized and operated for mutual purposes and without profit."

It will be observed that in this law the language of the exemption clause was to "domestic building and loan associations" without any qualification. It was thought that this broad and unqualified language would have the effect of granting exemption to any and every association doing business in accordance with law in any State, despite the wide divergence of building and loan practice which exists in different parts of the country. Frequent difficulties, nevertheless, arose as to the interpretation by the internal revenue department, resulting in regulations issued by the department from time to time as to what practices by a building and loan association would deprive it of the exemption. A vital point to be kept in mind is, that under every revenue act the treasury department officials have contended constantly for the right to determine when any particular association was a domestic building and loan association entitled to the exemption granted by Congress. In the case of the exemption in the Revenue Act of 1918 government officials contended, that a domestic building and loan association, such as was contemplated must contain certain traditional characteristics of these associations, most prominent among which is the element of *mutuality* of interest among all the persons that deal with the institution. In this connection it is interesting to note, that the Department's solicitor reached the conclusion, that the term "Mutual" does not necessarily mean "equal" and held:

1. That paid-up shares may be preferred as to earnings and may bear a definite rate of interest, higher or lower than the rate of dividends paid on other stock, without destroying mutuality.
2. The lending of money to non-members of the association does not destroy mutuality.
3. The borrowing of money to be loaned in the regular course of business does not destroy mutuality.

A test case under the Revenue Act of 1918 was instituted in Ohio, by the Ohio Building Association League, to determine the rights of certain building associations in that state to exemption from income tax under Section 231—(4). (*Lilley Building and Loan Company vs. Newton M. Miller, Collector of Internal Revenue.*) The government claimed that the association was doing a banking business under the guise of a building association, because it was receiving a disproportionate amount of deposits from non-members and was making most of its loans to non-members, who gave their notes and paid them off in installments, such obligations being entirely disassociated from their obligations to pay for stock. The building association maintained that it was conducting its affairs as a domestic building and loan association in strict conformity with the laws of Ohio governing building and loan associations and that inasmuch as the Income Tax Act exempted "Domestic building and loan associations," without qualification, it was not subject to the tax.

U. S. District Judge Peck, in rendering his decision, adverse to the building association, held:

"It is not thought that the making of loans to non-members, or borrowing from non-members, or receiving deposits to be withdrawn on demand or on time, so long as such transactions are simply incidental to the primary business of operating a mutual building association, would defeat the exemption. *In Central Building, Loan and Savings Co. vs. Bowland,* 216 Fed. 526, the question was whether the existence of such powers necessarily put the corporation out of the exempt class and it was concluded that it did not, and that conclusion is thoroughly concurred in. But here the association has put aside the attribute of mutuality; indeed, it is most difficult to distinguish its activities from those of the ordinary savings bank. Its primary design no longer is to be an instrumentality of mutual helpfulness among its contributors in saving and borrowing for home-owning, but its object now is the receiving of deposits from, and lending money on interest to the public for the profit of the stockholders. Counsel argue that the people are better served thus; that mutuality is inefficient; that a concern of ten stockholders and many customers is more beneficial to the public than one containing in its body corporate all of its depositors and borrowers. This may be true. But the statute has not exempted all corporations that receive deposits and loan money on homes. It may not be possible to define precisely how far a building association may go in extraneous activities without losing its essential character, but it seems clear that when it ceases to be substantially mutual and adopts as its chief business dealing for profit with the general public by the methods of an ordinary savings bank, it is no longer a building association entitled to be exempted from income taxation under the statute in question."

This decision was affirmed by the Circuit Court of Appeals. The case is being taken to the U. S. Supreme Court for review and final determination.

The Revenue Act of 1921.

When the Revenue Act of 1921 was under consideration in Washington, the Federal Legislative Committee of the United States League, after careful consideration, prepared an amendment to the act of 1918, proposing the passage by Congress of a moderate exemption ($500) of individual income derived from investments in domestic building and loan associations. Congress coin-

cided with the general idea of this exemption, but reduced the amount and limited the time during which the exemption is in force. The act of 1921 exempts all "domestic building and loan associations substantially all the business of which is confined to making loans to members," from corporation income taxes, and from the war profits and excess profit taxes levied on corporations, also from the corporation capital stock tax, and relieves from stamp taxes the "stocks and bonds issued by co-operative building and loan associations which are organized and operated exclusively for the benefit of their members and make loans only to their shareholders." The individual members of "domestic building and loan associations, operated exclusively for the purpose of making loans to members" are exempted from the payment of income or surtaxes on so much of the amount of dividends or interest received by them after December 31, 1921, and before January 1, 1927, as does not exceed $300 annually.

The simple and inconsiderable exemption of $300 is to every citizen who can show that that amount of his income has been derived from investments in a building association designed to create homes for worthy citizens of the United States. As an expedient for promoting home-building and cultivating the stability of our citizenship it is thoroughly justified at any time.

New regulations of the Treasury Department relating to the Income Tax under the Revenue Act of 1921, were issued on February 16, 1922, and supercede all previously issued regulations. The following articles of these regulations No. 62 relate to building and loan associations:

"*Art.* 53. *Examples of constructive receipt.* . . . An amount credited to shareholders of a building and loan association, when such credit passes without restriction to the shareholder, has a taxable status as income for the year of the credit. Where the amount

of such accumulations does not become available to the shareholder until the maturity of a share, the amount of any share in excess of the aggregate amount paid in by the shareholder is income for the year of the maturity of the share. But see Section 213 (b) (10) and Article 89.

"*Art.* 89. *Additional exclusions from gross income under the Revenue Act of* 1921.—The following additional exclusions from gross income not provided by the Revenue Act of 1918 are allowed by the Revenue Act of 1921: . . . (2) So much of the amount received by an individual after December 31, 1921, and before January 1, 1927, as dividends or interest from domestic building and loan associations operated exclusively for the purpose of making loans to members as does not exceed $300 per year.

"*Art.* 515. *Building and loan associations and co-operative banks.*—In general, a building and loan association entitled to exemption is one organized pursuant to the laws of any State, Territory, or the District of Columbia, which accumulates funds to be loaned primarily to its shareholders for the purpose of building or acquiring homes. In order to be exempt the association (1) must be mutual, that is, all of its stockholders or members must share in the profits on substantially the same footing; and (2) must be operated so that substantially all of its business is confined to the making of loans to bona fide shareholders. A building and loan association otherwise exempt does not lose its exempt status because—

"(1) It has paid-up shares which are (*a*) preferred as to earnings, and (*b*) have a definite rate of interest which may be higher than the rate of dividends paid on other stock.

"(2) It borrows money (accepting deposits is held to be a form of borrowing) which it uses for loans to shareholders, the dues, fines, and penalties paid by shareholders being inadequate for this purpose.

"(3) It makes loans to non-members from accumulated funds which are not needed for loans to shareholders. In any such case, however, the burden will be upon the association to show that substantially all of its loans are made to members.

"(4) The amount of its prepaid or full-paid stock is disproportionate to running or installment stock, provided the issuance of such prepaid or full-paid stock is ancillary to the furtherance of the main business of the association; that is, that it is intended to provide a fund from which loans may be made primarily to persons subscribing to running or installment stock to enable them to acquire or build homes.

"Co-operative banks without capital stock organized and operated for mutual purposes and without profit are exempt. Credit unions such as those organized under the laws of Massachusetts, being in substance and in fact the same as co-operative banks, are likewise exempt from tax."

The following rulings of the Treasury Department as to what defeats the exemption of building and loan associations are worthy of note:

"A building and loan association which loans its funds to non-members, on indorsed notes, a very small amount only being secured by real estate, and divided the profits among the holders of the paid-up certificates, these being the only members of the association participating in the management and in the profits, is held to be engaged in business in the nature of a banking business, and does not come within the exemption provided in Section 231 (4) of the Revenue Act of 1918. [1-21-1375, O. D. 768.]

"Where a large proportion of the loans of an association are made upon such securities as stocks, automobile notes and personal endorsements and only a small proportion upon real estate, it is held that such an association is not a domestic building and loan association within the meaning of Section 231 (4) of the Revenue Act of 1918, and must file returns of annual net income and pay any tax shown to be due thereon. [44-21-1900, O. D. 1088.]

"The business conducted by an insurance agency is not of the kind usually carried on by a building and loan association, and the transactions of such business by a building and loan association will defeat its exemption under Section 231 (4) of the Revenue Act of 1918." [49-21-1965, O. D. 1129.]

These regulations and rulings are especially interesting because of the effect they will naturally have upon the definition of what constitutes a building and loan association, which must sooner or later be given by Congress.

The Policy of Congress.

This review of the revenue legislation of the government since 1891 shows a settled and consistent policy on the part of Congress to recognize the rights of building and loan associations to ask and receive exemption from taxation, and this recognition of the usefulness of

building associations and of the helpful and beneficial work which they are doing, has been of untold benefit to these institutions and adds much to their strength and prestige.

In most of the States formation of building and loan associations is encouraged, and stimulated by the provisions of the laws requiring only a nominal charge for incorporation fees for obtaining a charter. In some of the States, notably West Virginia and Kentucky, the fees for obtaining charters are still unnecessarily heavy, and burdensome. This was formerly true in the State of Michigan, but in 1917 the Legislature of Michigan amended the laws regulating the charter fees of building and loan associations, and provided that the fees should be based upon the capital stock actually paid in, rather than upon authorized capital. Proper steps should be taken in those States where unnecessary burdens are thus imposed, and the laws should be so amended as to bring those States into harmony with the enlightened provision of the laws of most States of the Union.

The Federal Home Loan Bank Act Proposition.

Immediately after the signing of the armistice in the world war, November, 1918, the United States government became concerned in the solution of two great problems. The first was the problem of unemployment incident to the demobilization of the military forces and relating causes. The second was the "Housing Question." Previous to the war and under normal conditions it required the building of 600,000 homes per year to supply the normal growth of the country and to replace the loss of homes through fire and other destructive agencies. What building of houses had been done during the war was mainly such as was demanded to meet the war conditions. The end of 1918 found the United States short

1,000,000 homes, not considering the additional requirements for the next year.

But the vital element in home-building is money. And it also became at once visible that the greatest single agency existing in the United States for promoting house building and home ownership was the Co-operative Building and Loan Association. The present-day assets of the 9,500 building associations in the country are about $3,000,000,000, consisting of first mortgages on small homes acquired by the members of these associations. The annual new investments by the associations in such mortgages aggregate about $500,000,000. Even with these gigantic resources, it is clear that in many parts of the country the savings accumulated by the members are insufficient to meet the requirements of members who would buy or build their own homes on the co-operative plan. The government officials called the president of the United States League of Building Associations into conference. This, in turn, brought about a larger conference of government officials of the Department of Labor and of Construction, United States Senators and Congressmen, and many prominent building association men from all parts of the country. The conference met on January 22 and 23, 1919, to devise a plan for supplementing the resources of building and loan associations in those sections of the country, where the demand for loans exceeded the supply of money available to meet them.

A tentative plan for the purpose mentioned was prepared and formed the basis of a document on the subject issued in March of the same year. The entire matter was again thoroughly discussed by the Legislative Committee of the United States League. From all this grew a bill, entitled "A Bill to Create a Federal Home Loan Board and Home Loan Banks for the purpose of Aiding

and Financing the Construction of Homes," which was introduced in the United States Senate by Senator Calder, of New York. To the building associations this bill appeared somewhat ponderous and expensive in its provisions, and they kept studying the proposition. The result was the production of the "Federal Home Loan Bank Bill," subsequently introduced in the House of Representatives by the late Congressman Nolan, of California. In a further conference with building association representatives, Senator Calder generously agreed to withdraw the original Calder bill and introduced in the Senate the bill above referred to, which was popularly known as the Calder-Nolan bill. Many more conferences took place. In its final form (Senate Bill 797 and House Bill No. 2,229) the bill is a fine and complete piece of work, fit to be a permanent part of the structure of national finance. But, very likely stimulated by other financial interests in the country, strenuous opposition to the bill developed in both Houses of Congress. The Legislative Committee of the United States League became convinced that the bill could not be passed without danger to some of its most salient points. Therefore, without abandoning the measure, further efforts for its passage were postponed.

It is proper to give an outline of the bill as fostered by the building and loan associations. The bill is designed to provide a system of Regional Home Loan Banks, federating building and loan associations, who may become members, and authorizing such associations to deposit with the regional banks their mortgages as securities for additional funds to be used for home loaning purposes. The regional banks are authorized to issue and sell tax-free bonds with the deposited mortgages as security. The system is to operate and function in practically the same manner as the Federal Farm Loan Banks are authorized to do business by act of Congress.

Plans and Methods of Associations

The Terminating Plan.

The building association, since its introduction into the United States in 1831, has appeared in four distinct forms.

The first association was on the "terminating" plan. This type was useful, but has largely disappeared, giving way to more popular forms. A few terminating associations, however, still exist. In the terminating association, all the stock is issued as of one date. Such an association is organized on the presumption that all the stock will be subscribed at the opening meeting. This, however, is seldom done. The consequence is, that shares sold after the first meeting must be sold at such price as to make them equal in value to those already issued. To do this, the sum paid must equal the amount already paid in as installments by the subscribers to the original shares, with such additional sums as will represent the profit already accrued. If the regular dues should be $1.00 per week, a person subscribing for a share after the association has run ten weeks, must pay $10.00 for the share. In like manner, if the association has been running for a longer period, his initial payment must be as many dollars as the number of weeks the association has been running, and if profit has already been earned, he must pay such additional amount upon his share as will correspond to the earnings of the original share up to that time.

After an association organized on this plan has run for a time the sum of money which a prospective mem-

ber would be required to pay in order to gain membership is so large, including the back installments, accrued profits, and other incidental charges, that the average wage-earner would find it impossible to join. In its practical working, therefore, an association organized on this plan confines its membership to the group which joined at the beginning, or acquired membership shortly thereafter, and this condition produces the logical result of restricting terminating associations to small membership, and thereby limiting their usefulness.

In a terminating association all the shares are, of course, at all times, of equal value. Whenever the total amount of dues paid in and the accumulated profits equal the par value of all the shares, the association terminates, and its affairs are wound up. Each stockholder who has not borrowed his money in advance receives the full value of his share. To those who have made loans from the association, their mortgages are cancelled and receipted and returned in full.

No better or clearer explanation of the plan and theory on which these terminating societies were organized and operated has ever been written than that found contained in the paper prepared by the late Addison B. Burk, of Philadelphia, and presented at the first meeting of the United States League of Local Building and Loan Associations at Chicago, in 1893. This explanation is of such interest and historic value that we include the following extract therefrom: (Mr. Burk was for many years a leader in the building association movement in America; was president of the United States League of Building Associations in 1912; and by his rare training and intelligent and untiring efforts, did much to advance building association interests and to aid in bringing it to a commanding position of power and influence in the affairs of this country.)

The Terminating Plan Described.

"The building association system, in the simpler forms, may be made plain in this way. One hundred men, each able to save $1 a month agree, in order to strengthen each other in their purpose to save, to put their money together at fixed periods and lock it up in a strong box until each shall have accumulated $200.

"It is easy enough to see that if each man is prompt in his payments the strong box will be ready to be opened for a division of the savings at the end of two hundred months, when each share will be worth $200.

"But let it be supposed that as soon as this agreement has been entered into, by which one hundred men come together monthly and put a dollar each into a common fund, one of the members suggests that instead of allowing the money to lie idle in the box, they had better put it out at interest each month, putting the securities for its return and the interest into the box as fast as earned.

"At a glance the other members see that by acting on this suggestion they will accumulate the $200 each share in less than two hundred months, perhaps in one hundred and fifty months, when they will have paid only $150 each.

"The suggestion is adopted, and now we have a purely co-operative savings fund or building association, with only one distinguishing feature, and that one of great value—the savings are compulsory and made at stated periods.

"The member does not lay aside his spare cash as humor prompts him, but enters into an obligation to pay so much per month. In this scheme, as thus far developed, we have the essential feature of our building and loan associations.

"The other branches of business in which they engage, although they give character and name to the associations, are really incidental to the accomplishment of the one grand purpose, that of saving money by co-operation and by compulsory payment into the treasury.

"The first problem that presents itself to the directors is: how to use the money collected the first month. The purpose of the society will be destroyed if it is not safely invested. Shall it be put in government bonds at a low rate of interest, or invested in bond and mortgage, with real estate security at a reasonable rate? If the latter course is adopted, to whom shall it be loaned? George Burton, who is not a member of the society, desires to borrow, but so also does John Dubree, who is a member. If the society lends to John Dubree it will have security additional to that represented by

his bond and mortgage—in his stock or deposits, growing in value month by month. To get this additional security for all the money it lends, and at the same time secure a higher rate of interest for the money than could be obtained from government bonds, the society determines to lend only to members.

"Now it appears that other members besides John Dubree want to borrow the first month's collections. How shall it be decided between them? Obviously, the fairest plan is to let them bid one against the other, and lend it to the man who is willing to give the highest premium over and above the fixed or legal rate of interest.

"This course is adopted and the association finds itself in possession of two sources of profit, interest on loans to its own members, and premiums for the prior use of the money collected.

"It is manifest now, that instead of requiring two hundred months in which to accumulate in the strong box enough money to divide $200 per share, it will only take, possibly, one hundred and twenty-six months.

"If, in the course of time, a member should fail to pay his installment, and this should be permitted, the member withholding his deposit and depriving the association of its use would in the end have an advantage over his fellow members.

"To check this a fine is imposed when installments are delayed, that the fine may serve as a penalty as well as to reimburse the association for the loss of the use of the money.

"Another member finds that he cannot keep up his payments, or he desires to move to another city. To accommodate him the association agrees to open its strong box before the appointed time, give him what he has paid in, with some portion of the profit already gained, and cancel his stock.

"Now, it is seen that there are, besides the saving money and interest upon it, several sources of profit, namely: Premiums arising from competition for the loans, penalties for non-payment of dues, and a portion of the profits withheld from members who fail to remain in the association, and whose stock is cancelled. And so the features of a building and loan association are developed.

"At last, between 126 and 140 months, and when from $126 to $140 have been paid in on each share, the strong box is found to contain securities or money sufficient to divide and give to each share-borrower and non-borrower alike, $200.

"The time has come for the association to be 'wound up,' technically speaking. Each holder of an unborrowed or free share

gets $200 in cash; each borrower is entitled to his bond and mortgage, so the account is squared by the cancellation of the mortgage.

"This description relates to a single series society, the kind first organized. For many years they met with no trouble. They were organized by little groups of workingmen. Every member intended to borrow when occasion served, and the demand for money was kept up to the end; but the success of these single series societies proved their downfall. Gradually men of means began to join the workingmen's societies. They did not want to borrow money, but they wanted to get good interest on periodical investments.

"The societies contained such a large proportion of drones that it was impossible to lend money and as it was idle, profits were reduced. Borrowers could not be brought in, as year by year the cost of back dues and profits, which had to be paid to put all on an equality, increased, until it became prohibitive. It was then that the idea of serial societies was started. I am still of the opinion that a single series society, composed wholly of workingmen, who intended to become borrowers, is the best; but it is now almost impossible to organize such a society. By issuing the stock in series a constant demand for the money can be maintained, but inconveniences of another sort arise which need not here be discussed in detail further than to indicate that if the money is kept invested enough of it may not be ready to pay maturing shares, and that the accounts become involved—even when the series are treated as partners and the profits are divided between the series as in a partnership business."

The Serial Plan.

The second phase of building association development is the Serial Plan. This is a very natural evolution from the terminating form. By some this is called *the "Philadelphia" or "Pennsylvania" plan.* The association is usually chartered with authority to issue a definite amount of stock, and to run a definite number of years. Instead of selling and issuing all the stock as of the same date, it is divided into series, the first series being sold as of the date of the beginning of the first term. Subscribers to this series of stock who come in after its first organiza-

tion are required to pay back dues, just as in a terminating association. When this series has run for such a length of time as to make it difficult and burdensome for new subscribers to purchase shares of the first series, the practice is to declare that series closed, and begin the issue of a second series.

The frequency with which new series are issued varies in different parts of the country. In some associations they are issued annually; in others semi-annually, and still others open a new series quarterly. In some associations the number of shares in a series is limited, while in other associations no limit is placed on the number of shares which may be issued in a series. After the first series has been issued, and before opening a second one, the total assets of the association are ascertained, and divided by the number of shares outstanding, which gives the book value of each share in the series. Deducting the total dues for the term from the total assets gives the profit for that term.

At the end of the second term, and before issuing a third series, the profits on all shares in all series, as shown by the last preceding report, should be deducted from the total profits of that date. The remainder will be the net profit for the current term. Dividing this net profit by the total number of shares then outstanding gives the profit to be added for that term to each share outstanding. A fuller detail of the plan and method of figuring will be given in a later chapter of this work. It will be seen that the older the series, the greater the value of the share.

In some associations, operated under this plan, a member is permitted to purchase shares in any of the older series, by paying the book value of the share at the time he joins. In other associations this is not permitted, and in some States the law forbids associations to issue

shares in any older series after a new series has been opened, and requires that members can join only by purchasing shares in the then current series. After an association has run for seven to twelve years the first series reaches its ultimate value; that is to say, the paid-in dues, and the profits accrued amount to a sum equal to the par value of the share, and this series is then said to be matured, and the holders of its shares are then entitled to receive in cash the par value of their shares. Those members who are holding "Free Shares" in that series are paid in cash, and the borrowers who have made loans in that series have their mortgages released and cancelled. The association now has reached the period when each series of shares must be paid off as it matures.

Paying Off a Matured Series.

One of the most perplexing and embarrassing problems which confront an association operated on the serial plan is to determine the best, most convenient and equitable plan for paying off a matured series. In theory, the holders of free shares in a matured series are entitled to receive the cash value of their shares from the funds in the association treasury. It can readily be seen that an association whose funds are accumulated by the small payments of its members might not have in its treasury a sum equal to the funds which a series has been accumulating through a period of from seven to twelve years. If it must meet this matured series from its ordinary income paid in by its members, it would be necessary to hoard this income for some weeks or months in advance of the maturity of the series in order to meet the payments. This would be unprofitable, since this idle money would draw no interest during the period in which it was being accumulated. In some serial associa-

tions, however, it is the practice to meet a matured series by this plan, but this is not advisable.

A great variety of different plans are followed, some of which we will describe. In one very successful New York institution, the practice is not to hoard up money with which to meet a matured series, but when a series matures, the funds are permitted to remain in the association, subject to the following by-laws: "Holders of free shares in matured series shall receive 3 per cent. on their money after the maturity of the stock, until paid, and may withdraw at any time thereafter, subject to the withdrawal clause." Further provisions state: "At no time shall more than two-thirds of the funds in the treasury of the association be applicable to the payment of withdrawing stockholders and holders of matured stock, without the consent of the board of directors." By-laws of this association contain these further provisions:

"In case a number of members wish to withdraw stock at the same time, notice of withdrawal shall have precedence according to the order or date of filing with the secretary.

"The board of directors shall have power to compel withdrawal of free and matured stock in alphabetical or other order."

Perhaps no better plan than the above can be devised with which a serial association can meet its obligations to pay off a matured series.

In some associations the demand of holders of matured stock is met by borrowing money, either from individuals or local banks. This method of obtaining funds for this purpose has the serious drawback that such loans can only be obtained for a limited time, and usually at a high rate of interest. The burden of accumulating funds for the payment of a matured series is simply shifted to a period after that payment instead of accumulating them beforehand, and is equally unsatisfactory.

Another plan is practiced in other associations to avoid the embarrassment of meeting obligations for matured shares. For some months prior to the estimated date of maturity, holders of shares in the series maturing are compelled to withdraw and accept the book value of their shares, so that at the maturity of the series, the liabilities to the shareholders are greatly reduced and more easily met.

A still different plan is followed in some communities, namely, to make no provision for meeting the matured series, in cash, but after the date of maturity, whenever the association has cash on hand sufficient to redeem one or more shares, to put it up at auction, and pay to that shareholder in the matured series who will allow the largest discount and accept the smallest sum. In associations following this plan, these discounts frequently form a very considerable addition to the profits realized by the remaining stockholders. This serial plan may be compared to a piece of machinery, each series representing a small cog-wheel and in operating upon one grand revolving wheel. These smaller wheels are inserted one after another in their regular order. When the first one has worn out, at the end of from seven to twelve years, a new one is inserted in its place, which will run an equal period, and as each of the smaller cogs has served its purpose and done its work, it is replaced by a new one, and so on continually, the old machine thereby being kept constantly in repair, and in perfect operating condition.

Advantages of Serial Plan.

It will be seen that the serial association is a great improvement over the old terminating plan, inasmuch as it is much more practicable and adapted in its operation to the demands likely to be made upon it. It provides

for the constant introduction of new members and new money, and has in it the element of permanency and perpetual operation. Its life is being constantly renewed; as one branch withers and drops away, another grows in its place.

The plan originated in the city of Philadelphia, where building associations have had their greatest demonstration of practical usefulness. From Philadelphia, the building association idea spread all over the country, and consequently the serial plan became the prevailing form.

An Expert Discourse on the Serial Plan.

In some of the States of the Union, State Departments have contributed much to the development of the building association movement. This is especially true of New Jersey, where the building and loan associations are under the jurisdiction of the Department of Banking and Insurance. Mr. James McMaster, chief of the Building and Loan Division, is an expert in this field and an enthusiastic supporter of the serial plan. The building association movement is still so young and the subject of "Plans" of such vital importance, that the author requested Mr. McMaster to contribute a discussion of the serial plan in the light of his vast experience. Mr. McMaster says:

"The first building and loan associations in the United States were conducted on the terminating plan, all of the shares being of the same age, having started at the same time. The life of the association terminated upon maturity, and the custom was to immediately form another association in which the same men began to accumulate another fund for distribution at the time of maturity, ten or eleven years. But after a number of associations had been thus terminated the idea came of a permanent association which would not go out of business at the maturing of its shares but would issue shares annually or in some other period, the association being conducted for an indefinite time, and this new plan of

conducting an association was called the permanent plan, shares being issued in series. The word permanent has a different meaning now, it being generally understood to refer to building and loan associations which are not conducted under the serial plan, but in which a member is permitted to increase or decrease his monthly payments, the word permanent applying to each individual's account, as well as to the association. It was a privilege to come into a building and loan association and, therefore, an admission fee was charged. As it was necessary for the continuance of the society that every member should keep his agreements, a fine, which was in use in the terminating association, was continued in the serial association. But fines should be understood not as penalties but as compelling forces to bring about regularity of payment. In the old serial associations premiums were always obtained for money received each meeting, it being put up at auction, but nowadays premiums are not in any way necessary.

"Another feature of early building and loan associations which has continued in associations conducted on the serial plan, is the retaining of a portion of profits upon withdrawal of shares, which retaining of profits has a very good reason, that reason being that a member has failed to fulfill his agreement which was that he would continue to pay a certain sum on his shares every month until their maturity. The compulsion of regularity of payments has always been considered important in the conducting of a building and loan association, and nearly all the decisions of the courts in the various states of the Union are based on the idea of agreement and regularity of payment. As for instance, in the making of loans to members, the courts have in numerous decisions designated such mortgage loans to members as advancements of shares, and Judge Endlich, a well-known writer on building and loan associations, has declared that no one has ever been able to put in a building and loan mortgage all that it represents, another distinguished lawyer saying that there are seven things in a building and loan association mortgage that are not in an ordinary real estate mortgage. The idea of advancement on shares might be thus explained. You and I, each at the same time, subscribe for ten shares in a building and loan association, agreeing, according to the constitution, to pay $1.00 per share, $10.00 per month, until such time as each share attains a value of $200.00, the total of the ten shares being $2,000. You propose to thus pay for your shares, but I, needing a home, ask for a loan of $2,000, which is given me as an advancement, on my written agreement and signature that I will continue

to pay on the shares $1.00 per month per share until such time as the value of $200 per share, $2,000 in all, is attained, the mortgage on the real estate being what might be called additional security or collateral. This idea of advancement and the penalties of fines, premiums, when necessary or desirable, and admission fees, are looked on as technicalities or possibly of small account by those who wish to conduct their associations like banks of deposit and without strict regularity of payment, but it is a fact that judicial decisions in the several states are almost entirely based on the idea of regularity of payment as per agreement made by the members with the association at the time of their subscribing for shares. If a run on a building and loan association occurred, the association, if it were conducted on the serial plan would have a great advantage over one that did not have admission fees, fines and retention of profits on withdrawal. When the report would arise that an association was in difficulty a member would hesitate about withdrawing his shares if by so doing he would lose a large proportion of his profits, in addition to which he would have to again pay his admission fee if at a later time he resumed his membership in the association. On the other hand, if, instead of withdrawing, a member wished to suspend making his monthly payments, he would think of the fines and continue to make the payments. It can easily be seen that in an association where there are no features thus compelling payments there would be in time of a run on the building and loan association a great strain on the association which might ruin it. Examples might be easily given and to provide against such a condition associations not conducted on the strict serial plan find it necessary to have sufficient reserve funds.

"In the serial association, properly conducted, there is no such thing as waiting your turn. The income of the association for dues, interest, etc., is regular and dependable and even in time of great industrial depression this regularity of receipts continues. In financial institutions, even building and loan associations, where there is not the compulsory feature of payment of dues, the receipts generally fall off to a large extent in time of industrial depression or excitement, but again and again it has been shown that in serial associations the members make their payments regularly and many will refrain from putting money in the savings bank and will do without things, even borrow, to keep going the building and loan shares, and in that lies the great security of the plan usually followed by serial associations. The serial idea is not the important thing, it is the regularity of payment or receipts brought about by compelling each member to live up to his agreement.

"Serial associations have sometimes been called 'the little serial associations,' but it has within the last few years become apparent that the serial plan has in it as much possibility of enlargement as has the so-called permanent plan. In the State of New Jersey where, within the last few years, associations have been increasing greatly in number of associations, in membership, in shares in force, and in assets, nine-tenths of the associations are conducted on the strict serial plan and of the seventy-five associations having assets of more than a million dollars only a few are conducted on the permanent plan. The permanent association often grows to a large size, but does not tend to increase in number of associations. There is one permanent plan association in New Jersey with seven million dollars of assets and another with assets of six million dollars, which amount has in each case been accumulated in the space of about thirty years, but on the other hand, there is a serial association in the same city that was organized only three years ago and has already assets of much more than a million dollars, it being apparent that building and loan associations grow to a large size largely because of the enthusiasm and capable management of the officers and directors.

Another Way of Stating the Case.

"Another way of stating the case. The serial association is not as some would make it appear, an imperfect idea, but is the development of the system begun in Frankford, in 1831, by men who were familiar with the methods of the building societies of Great Britain. Admission fees, periodical payments enforced by fines, the apportionment of some part of these profits upon withdrawals prior to maturity of series, are, all of them, important factors and each of them a special safeguard. Premiums might be considered a part of the serial system, but it is not desirable that they be of a large percentage. It would require an enormous misappropriation of funds by some person to bring to ruin a New Jersey serial association conducted on the ordinary plan with the same payments and rules for borrowers as for non-borrowers, and there is hardly any danger of a serial association having a disastrous run for the reason that the apportioned profits are in very large proportion to the dues paid in, and as withdrawals are made the retention of some part of the apportioned profits makes an actual financial gain to the association. This retaining of profits would discourage members in large numbers from withdrawing in time of stress

or panicky feeling and the provision for fines would have persuasive force in inducing other members to continue their monthly payments.

"These safeguards have been discarded by the so-called Dayton Plan associations and many of the so-called Permanent Plan associations.

"In the Dayton Plan associations the mortgages are reduced every six months by the dues and profit credit of the borrowing member. No admission fees are charged and no fines, and the withdrawing member not only receives all of his profits apportioned, which are credited on his passbook, but he can at any time withdraw these profits, still retaining his passbook and dues credit. In these associations members are by constitution permitted to increase or decrease at will their monthly payments and there is a provision also that the borrower can, in addition to having his interest payment reduced, have his dues payments reduced, with the effect, if carried to the extreme, that his mortgage would never be paid off.

Under the name Permanent Plan association might be grouped all of the associations that do not issue shares in series. While they permit members to increase and decrease their payments at will, the general practice on the part of the member is to pay as regularly as if he were in a serial association and, therefore, being conducted side by side, the general public sees very little difference in the meetings of the associations and the collection of dues. The fact that the arrears and advances of dues are not shown on the books of the Dayton Plan associations and on the Permanent Plan associations' books is important, as this is an important means of discovering misappropriations by financial officers of building and loan associations, and there have been several instances during the past year in which defaulting officers were discovered by reason of the arrears. In examining a building and loan association conducted on the serial plan a test can be made of the amount of money which should have been collected for dues and interest according to the number of shares in force and in that way in connection with amount of arrears and advances at the beginning of any period a proof is obtained, but in associations conducted under the Permanent Plan or the Dayton Plan there is no such method or test of proof.

"In several states what has been called Short Term Plan associations have been introduced, in which the shares are brought to full value by double or treble payments. The borrower in such an association where the shares have maturity value of $200, borrowers

paying $1.00 per month or 25c per week for dues and non-borrowers paying $2.00 per month with the result that the borrower matures his shares in eleven or eleven and one-half years, while the non-borrower comes to a full value in about seven years. There would be no objection to short term plan building and loan associations if the borrower paid the same amount per share for dues monthly as the non-borrowing or investing member, and when these associations were first proposed it was supposed that that would be the plan. The Dayton Plan of making credits on mortgages, the Permanent Plan of receiving odd amounts of deposits, and the Short Term Plan are contrary to the perfect Serial Plan. Decisions of the courts have plainly stated, that the borrowing member in a building and loan association does not exactly borrow on mortgage, but that he gets an advancement of his shares secured by a mortgage, the idea being that the non-borrowing member, as well as the borrowing member, agrees that he will pay an equal amount per share until such time as all the shares that started at one time have come to a certain value per share. After he has, by double payments, or treble payments, or in any other way (the non-borrowing member) brought his value to the maturing sum at a time earlier than the time of maturing of the member who has borrowed the money of the investing member, it follows that this investing member cannot be paid off excepting by moneys of succeeding series, and that not only the borrowing members, but the members of the succeeding series will assume the risk of the mortgagee in which the dues payments of the non-borrowing member were invested. It is understood that in the State of Illinois the short-term plan associations collect the same amount per share for dues from borrowers and non-borrowers and that by this method borrowers as well as non-borrowers mature in seven years, but it is harder on the borrower than in the ordinary associations. In the full-term serial building and loan association where the interest received on mortgages is 6% per annum, the percentage of profits apportioned and unapportioned remaining in the association is generally, almost always, twenty to thirty per cent of all other liabilities and nineteen per cent or over to all assets, but in the so-called short-term double payment association, where the non-borrowing member is permitted to withdraw or mature his shares in a period of seven years, or less, the proportion of profits remaining in the association becomes very much reduced, to assets generally not more than about ten per cent. The advantages to the non-borrowing member is just as great if he makes the same payments per share on dues monthly as the borrowing member, but

with the provision that after the expiration of seven or eight years he shall be allowed to withdraw with all or nearly all of his profits. This full profit withdrawal being voluntary instead of compulsory on maturity, not many take advantage of it, with the result that the profits remain in the association. In an association where full profits were allowed after six years it was found that the proportion of profits to other liabilities was twenty-four per cent, showing that not more than one-fifth of the members take advantage of the right to withdraw with full profits. Where a member wishes to pay $10 a month into a building and loan association under the double payment plan he would pay $2.00 per month per share on five shares and at the end of about seven years would have his five shares mature, $1,000 in all. Under the voluntary plan as in the full term association, he would pay $1.00 per month on ten shares and in about seven years would have $1,000 to his credit, which he could withdraw, but as his shares would at that time have just begun to earn large profits in four cases out of five the member would continue his shares until maturity and in four or four and one-half years more would receive $2,000 instead of $1,000."

The Permanent Plan.

As the building association idea became better understood, and grew in strength, numbers and popularity, a necessity arose for some plan or form of control, more pliable and flexible than either the terminating or the serial form. To supply this need a modification of type then appeared, now styled *"The Permanent Plan."* This had its origin in the State of Ohio, and from its introduction has been received with great favor, and has resulted in the association adopting it having unprecedented growth. Under this plan associations in Ohio are granted perpetual charters, the amount of their capital stock being fixed at a certain sum, and as continued growth makes it necessary, this authorized capital is increased, in the manner provided by law.

As the whole building association system has been one of evolution and development, from the first type shown

in the terminating plan, to the more highly developed and practical serial system, so this permanent plan has gone through a system of change and evolution until it has developed into a type differing in many features from the plan when first adopted. It is deemed unnecessary to record here the various steps and changes disclosed in the evolution of the permanent plan, so we shall briefly describe its methods as now practiced by the most progressive and successful associations.

In a permanent association the shares are fixed usually with a par value of $100.00, $250.00 or $500.00. The regular dues usually are fixed at twenty-five cents per week, or one dollar per month, on each share. In many associations operating under this plan payments of fifty cents and one dollar per share per week are required. A member may subscribe for one or more shares, no limit being placed upon the number a member may own. The share may either be paid up in installments, or in full at the time of subscription, and issued as paid-up shares. The installment shares, or *"Running Stock,"* as it is sometimes called, are evidenced by a pass-book, in which all payments and dividends are credited, and in which all withdrawals are charged.

While the by-laws usually specify what the regular periodical payments on installment stock shall be, as a matter of practice, the associations pay little or no attention to the regularity of these payments. The owner of installment stock is permitted to make payments at any time, in any amounts, according to his circumstances. One of the striking features of this plan is that no fines or penalties are assessed or charged against the holder of installment stock for failure to make regular payments. He is given perfect liberty to pay more or less than the regularly required dues, or to suspend payment altogether, if he chooses to do so. The opinion is some-

times expressed that unless regular payments were enforced by the infliction of a fine, that members will not pay, and that the revenues of the association would dwindle and disappear. Practical experience, however, has shown that there is no ground for fears of this sort, and the success of hundreds of associations that have abolished fines entirely, and, having done so, found their receipts actually greater than when fines were inflicted, seems ample proof that the system of fining delinquents can be abolished, and by doing so the associations enjoy greater prosperity.

Under the permanent plan, a member is at liberty to subscribe for stock and join the association at any time, without being required to pay back dues, and he participates in the profits of the association from the date he became a member to the extent of his dues payments.

The practical experience of associations operating on this plan has demonstrated that one great reason for its popularity and success is the fact that under this plan of saving money the association is enabled to fill the varying needs of each of its members. At the time a member joins the association, his circumstances may be such that the regular payment on the number of shares for which he subscribed may be the maximum limit of the sum he may be able to save. It frequently happens that as time goes by, he is able to save larger sums than he thought he could. Under this plan he can readily increase his payments and deposit the larger sum which he has at command, and receives his reward for his increased payments by the larger dividends which are credited to him at each distribution. On the other hand, in case he has over-estimated his ability to save money, and finds himself unable to carry the full number of shares for which he has subscribed, and desires to make smaller payments, or, under some circumstances, to suspend payment altogether for a time, he can do so without loss, and when improved circumstances permit, he can again resume his payments.

Paid-Up Stock.

Perhaps no feature of the permanent plan has been more severely criticized by the adherents of the older type of association, than the feature which permits permanent associations to issue certificates of paid-up stock. The membership of the early associations, as has been related, was confined to the people in humble circumstances, who had limited sums of money at command. The class of members that affiliated with these early associations could not command money in sums sufficient to purchase paid-up stock, and many people formed the opinion that no other class of people should be permitted to obtain membership in these associations.

This opinion may have been well founded in the early days of the association's development, when loans were made at a high rate of interest, commanding large premiums, resulting in unusually large dividends to investors. It may have been proper to oppose the movement to open the doors of such associations to investors of large capital, giving them the opportunity to receive excessive dividends, paid by the borrowers, who were carrying a burden of excessively high interest on their loans. But under the development of the permanent plan, the rate of interest on loans has continuously declined, until now, under this plan, a building association loan does not draw a higher rate of interest than does a loan made on similar property through other agencies. At the same time, the rate of dividends paid, and the profit received by the investing members, under the permanent plan, have met with a like decline. While building associations in prac-

tically every community pay a higher rate of dividend on their stock than is received by depositors in other financial institutions in that community, yet this rate is so moderate as not to be especially attractive to holders of large sums of capital, since by investing in the ordinary channels of commerce and trade, and in industrial institutions, large capital usually receives more generous returns than are paid by building associations. Many members holding installment shares are glad to receive paid-up stock at maturity which helps materially to increase the available loaning funds. Members who invest in paid-up stock in these permanent associations are usually more concerned over the safety of their investment than over the rate of dividend which it will return, and it is this feature of safety, rather than large profit, which attracts investors in the paid-up stock of permanent associations.

The Fundamental Principles of Building Associations.

There is another feature to this question which should be given due consideration. In growing, prosperous communities there is usually a greater demand for loans with which to finance home-building than ordinary resources of the association can supply, and this brings us to an examination of the question: "What are the fundamental principles on which the building association is founded?" There is a widespread tendency among building association men to consider as fundamental principles many of the practices of building associations which at the last analysis are found to be merely means and methods with which to work out into practical realization the fundamentals for which building associations exist. In the last analysis there are just two great fundamental aims and purposes which the building associations

are organized to accomplish: *First,* teaching and encouraging the practice of thrift; *second,* aiding and stimulating the building of homes. Add as a vital factor the idea that these two aims and purposes shall be worked out and accomplished through the medium of a mutual, cooperative institution, and you have all the elements of a building association that are vital and fundamental.

In this analysis we have placed the practice of thrift and saving as the first object of a building association, and the building of homes as a second, for the reason that someone must save before anyone can build. In the early associations, when the membership was composed wholly of persons with comparatively limited resources, the funds of the association were very seldom sufficient to supply all the demands. To settle the question as to which of the several members who desired loans should be first accommodated, the right to receive first loan was determined by competitive bidding of premiums on the part of members. This naturally resulted in making these loans expensive to the borrower. It is evident that an association from which a member can obtain a loan at a lower rate of interest is much more useful than one in which the aggregate interest and premium is high. An abundant supply of money in the association treasury tends to cheapen the cost of loans and lightens the burden of debt on the borrower. It must also be remembered that a member holding free shares and saving money by periodical installments is practicing the virtue of saving and thrift, and when he changes his relation to the association and becomes a borrower, the contribution he thereafter pays on his loan is merely a continuance of his practice of saving, so that the contributing members and the borrowing members alike are engaged in the exercise of the habits of saving and thrift, the one accumulating funds to his credit in the association, and the other ac-

cumulating property in the shape of a home. The funds of the saving members and the homes of the borrowing members being merely different forms of wealth which this saving helps in creating.

When a member desires to procure a home through the aid of a loan from a building association, it is immaterial to him whether the funds which he borrows have been accumulated in small sums by a large number of members, or whether it represents a lump sum paid into the association treasury by a single member; neither should it make any difference to an association whether the profits derived from the loan which it has made are distributed among a large number of members, each with a small sum to his credit, or whether it is turned over to a few members who have large sums to their credit, so long as the principle of mutuality is observed, and that the holders of large sums receive no greater rate of return for their investment than do the holders of the smaller sums.

A building association holds itself out to render service to its community in aiding home-building and in order that it may fulfill its mission and render an adequate service, the ideal type of association should be prepared to supply all approved applications for aid of this character which are presented to it. If, in order to render this service and obtain funds with which to supply these desired applications for loans, it becomes necessary to accept offers to invest large sums of money in the association, instead of relying wholly on the small sums received in the usual course, there can be no logical reason why the associations should not do so. To meet these conditions and to enable the association to render this service and supply these demands for home-building loans, the issuing of certificates of paid-up stock and the

acceptance of large sums of money finds its ample justification.

Fines for Delinquents.

In terminating and serial associations, while the members are treated as a group and not as individuals, when the distribution of profits is based on shares rather than on share values, the charging of fines for delinquency is perhaps a necessity. No other plan has yet been devised for equalizing the values of the shares. Under a plan where each share receives the same amount of dividends, whether regular dues have been paid or not, it is perhaps a necessity that fines should be imposed on the delinquents, for otherwise the delinquent member would have a distinct advantage over the member who has paid regularly and promptly.

Under the permanent plan, this reason for imposing a fine does not exist, since the distribution of profits is not based on the number of shares issued, but is computed on the sum actually paid in by the several members on their shares. The member who is neglectful in making payments on his building association account finds, when dividend day arrives, that his share of the profits is not so large as that which is awarded to his co-members who have been more thrifty and saved a larger amount. This method of rewarding each member with a dividend in exact proportion to the money he has saved and laid by in the association, is justified by every principle of fairness, justice and equity, and is far more satisfactory and less complicated than the plan by which each share is given the same amount of dividends and then a deduction made from the delinquent shares in order to equalize his account with that of the member who has paid regularly. There is something repelling and ob-

noxious to the average American mind toward the idea of being fined. There is a sort of "compulsory" flavor to the word which is repellent to him, and the principle involved makes the matter far more objectionable than the amount of money which the fine costs him. In most associations operating under the permanent plan the idea of fining members for delinquency in making their payments has been wholly abandoned.

This practice of eliminating the collection of fines has been a matter of growth under the permanent plan. In 1891, when the permanent plan was in the early stages of development in the State of Ohio, many of the associations of that State collected fines, but in late years the custom has become almost obsolete. The tendency to eliminate fines makes itself manifest also in the progress of associations operating under the permanent plan in other States.

Maturity of Shares.

The original terminating associations were organized on the theory that each member would at some time become a borrower from the association, and at the termination of the life of the association, each member would have his loan cancelled. The serial plan was an improvement in this idea, and recognized the fact which soon became apparent, that only a portion of the members of a series would become borrowers and that the non-borrowers would receive at the termination of the life of the series, the value of their shares in cash.

Both of these plans, however, are based on the idea that all the stockholders interested would terminate their relations with the association, at least, so far as that series was concerned, and retire from membership; or, if the stockholders in the series just closed should desire to continue their relation with the association, it would have to

be through assuming a new relation, by affiliating with a new series. In practical experience it was soon demonstrated that at the time a series matured not all the members of the association desired their money, or had immediate use for it. It was also disclosed that a great many shareholders had use for their savings long before the series matured. It is a common experience of serial associations that the shareholders who carry their shares to maturity are only a small fraction of the number which have been members during the life of the series. Those shareholders who withdrew before the maturity of their shares were required to forfeit and leave with the association a greater or less portion of the profit which their shares had actually earned prior to withdrawal.

The foregoing facts are recognized in the permanent plan. The operation of the association is adjusted to meet the individual needs of the several members. There is no time fixed at which the share issued to any member shall mature or at which he is required to withdraw and sever his connection with the association. In this way there is no fixed time at which a large amount of withdrawals must be met. But each member is at liberty to withdraw all or any part of his credit with the association, whenever he may have need for the same. This feature of the permanent plan is one of the chief factors which has developed the growth of the associations operating on this plan, and is the chief reason for their growth to such unusual size and large resources.

The real value and usefulness of an individual to his community can not be measured by his resources, for there are so many ways by which an individual can be useful and helpful through his personal influence and the value of his example apart from the use of money. The value and usefulness of a financial institution, however, such as a bank or a building association, which

operates only through its resources and its capital, can be very accurately measured by the amount of money which it has at command. The value of such an institution is dependent on the volume of business done, and this in turn is wholly dependent on the volume of its resources. Such an institution of large size is certainly of greater usefulness than it could be if its resources were small and trifling.

Under the serial plan, at the maturity of a series, many of the shareholders who have no immediate use for this money and would prefer to leave it in the care of the association, are, by the rules under which the association is operated, required to accept their savings and seek other investments for it, while at the same time other would-be borrowers are impatiently waiting to have the association fill their application for loans by which they may buy or build a home.

This permanent plan adapts the operation of a building association to the actual needs, conditions and possible emergencies of each individual associated with it. The introduction of this plan marks the beginning of a much greater general popularity of building associations. Since its introduction they have sprung up in large numbers in all sections. Many thousands of associations have been organized and launched on this plan, and hundreds of serial associations have adopted that plan and changed to the permanent type. The uniform success, rapid growth and great popularity attained by this type seems to indicate that it will become the general standard form which building and loan associations will adopt. The simplicity of the plan makes it very easy to be understood by the average member. One of the greatest factors in its popularity is the extreme simplicity and freedom from unnecessary work and labor in the system of book-keeping and accounting which this type of asso-

ciation makes possible. Doubtless future experience will develop many further marked changes and improvements in this plan.

Arguments Favoring the Permanent Plan.

In an address in favor of the permanent plan, before the United States League, Mr. K. V. Haymaker made the following arguments. After discussing the features of the terminating plan, Mr. Haymaker said:

"It was soon discovered that at intervals during the progress of the association, outsiders would be glad to subscribe for shares and enjoy the profits and benefits afforded by this equitable form of co-operation. This terminating association, however, offered but one equitable plan on which new shares could be subscribed during the progress of the association; that was for the new members at the time of subscribing for shares to pay in a sum equal to all the dues on the share subscribed for the full time elapsed since the date of organization, and an additional sum equal to a pro rata share of the accumulated earnings of the association up to the date of his subscription.

It frequently happened that persons thus desirous of taking shares found themselves unable to pay the back dues and accumulated profits, although they could easily afford to begin at that date, and thereafter pay the regular dues. The older the association grew, the more difficult and expensive it became for new members to take stock; the result being that this feature of associations on this plan, necessarily and inevitably limited the growth and usefulness of the association to the members who joined at the commencement or shortly thereafter. The inflexible plan of the association on one hand and the poverty of prospective members on the other, kept such associations weak, puny and short-lived.

There was but one method under this plan by which an outside party could enjoy the benefits of the building association scheme; that was to gather together a number of individuals in the same situation as himself and organize a new association. It was a very natural and logical step in the line of progress, and required but very little change in the plan to invent the 'serial' system of prolonging the life and extending the influence of the terminating association. The officers, managers, directors and all the necessary machinery for the conduct of a new association were already organized,

and in working order managing the affairs of the old one. Without greatly increasing their labors the same officers could readily manage two or more associations; and so it came about that when an association had reached the age that made it difficult and expensive for new members to join it, it became the natural and logical step for the officers of the association to heed the demand of their neighbors for additional accommodations in this line, and organize a new association to be conducted by them precisely as the original association had been run; and this in time to be supplemented by a third, and so on. The serial plan being in brief, a confederation of terminating associations.

By thus prolonging the life of an association and extending its influence and increasing its membership, a vast widening of usefulness was accomplished; the introduction of the serial plan marks a distinct epoch in the evolution of the building and loan system.

This serial plan was the natural outgrowth demanded by the evils and inconvenient features of the original terminating plan. Among these objectionable features which seriously interfered with the usefulness of these institutions and hedged their growth within narrow limits, was the fact that this scheme contemplated uniform payments among all the membership in proportion to the shares they respectively held.

In case the stockholder should later on find himself in a position where he could easily make greater contributions, or carry a greater number of shares, the rigid, inflexible plan of the association made it extremely difficult for him to avail himself of such privilege. Or, on the other hand, in case he found that he had overestimated his ability to carry shares and that he had assumed a greater burden than he could sustain, it became still more inconvenient and difficult to adjust his payments to his reduced circumstances without serious loss. In short, this plan offered no inducement to a member to save more money than his agreement contemplated, and at the same time made it compulsory for him to keep up his required payments even though he found later on that it would be an intolerable burden for him to do so.

Another serious objection to this terminating plan was the fact that it contemplated that each stockholder should at some time become a borrower from the association; and, of course, none but stockholders could be borrowers. It frequently occurred that in such associations many of the members did not require loans; and if such members happened to be numerous the funds of the association would accumulate and lie idle, after those desiring loans had

been accommodated, because none of the membership had use for the money. To obviate this difficulty such associations usually determined by lot, which of the non-borrowing members should be required to withdraw their shares and receive their money, even though such member preferred not to do so. Thus the association would find its assets reduced by the shares thus forced to withdraw and by the funds thus paid over to a member who did not desire his money at the time; while in the community there were doubtless many persons not members who would have been glad of the opportunity of borrowing the funds, but were debarred from doing so by the burdensome conditions with which they were required to comply before they could become stockholders of the association and be entitled to the privilege of borrowing. In some cases shares thus forced out were not given their entire pro rata portion of the profits already accumulated, but were allowed an arbitrary bonus somewhat less than a pro rata share of the profits. In other cases the idle funds were disposed of by offering a bonus above the pro rata share of earnings as an inducement to members to withdraw voluntarily. The result in each case was equally unsatisfactory; the first plan being unjust to the withdrawing members, and the other being unjust to the remaining members.

The serial plan does not abolish or obviate these difficulties, but merely mitigates them in a degree, and renders them slightly less objectionable. Most serial associations have adopted a feature which is a great improvement on the terminating plan, viz: in serial associations it is now usual to distribute the profits and credit them up to the shares either annually or semi-annually instead of keeping them undistributed until the series terminates. Each series of stock runs independent of the others and each has its own time of maturing. New members are only required to pay back dues from the date of the issue of the series which he joins, and all the shares of a series are thus kept of equal value. The serial plan, however, retains one objectionable feature of the terminating association which necessarily limits the growth and narrows the field which they occupy.

Under this plan each member becomes one of a class with whom he must keep even step during the life of the series to which his stock belongs. He must not pay more than his regular dues, for that would disturb the equal value of the shares, and he must not become delinquent for the same reason. He must gauge his payments, not by his own circumstances and ability to pay, but by what his co-members in his series are paying. He must simply keep step

with the procession; being neither allowed to quicken his pace nor lag behind.

All the shares of each series mature at the same time, and at maturity the association is expected to pay off all the shares in the series at their par value. This brings us to one of the most perplexing problems which confront the managers of the serial association. Whenever you find a meeting of the building association men gathered together, if their companies are organized on the serial plan, you will find a great portion of their time spent in discussing the various plans by which they can liquidate and pay off the matured series with the least trouble, annoyance and loss. To such associations it is doubtless a problem of sufficient gravity to deserve all the time and attention which is devoted to it. It is easy to understand the gravity of the situation when officers of the building associations are looking forward to a date in the near future when a series of stock is approaching maturity, aggregating, say, three or four hundred shares with a par value of thirty or forty thousand dollars, and contemplate the fact that this amount of cash must be in the treasury at the appointed time. The mere question of raising and accumulating this large fund is a problem not always easy of solution, and aside from this, there are other phases of the question which add to the complication. For weeks, perhaps months ahead, funds must be retained in the treasury instead of being used to fill pending applications for loans. This idle money earns nothing. The association is deprived of the profits which this fund might otherwise earn during the weeks and months it is being accumulated. Or, suppose an association borrows the funds to meet a matured series instead of hoarding its receipts for the purpose. In such case the result is alike, unprofitable. The borrowed money draws interest which the association must pay. In any aspect of the case the certainty of being required to pay so large an amount of money at a time certainly presents most disagreeable and perplexing problems to a building association.

All these objections and difficulties and problems which are so annoying and perplexing and which so limit and circumscribe the business of the terminating and serial associations fade away and disappear or at least lose all their terrors in associations issuing stock on a permanent plan.

In conducting the building association under this plan, persons are permitted to subscribe stock at any time. Each stockholder's shares are treated as a separate series, and an account it kept with each member of the dues paid in by him on his stock and of the

dividends to which he is entitled at each annual or semi-annual distribution of profits. In the development and conduct of associations under this plan in Ohio, building association managers have learned that the more liberally and equitably an association can treat its membership, and the more privileges are extended to them, the more popular and successful the association proves to be. Under this plan of liberal treatment and the extension of privileges to members, many of the old practices and customs which were supposed to be essential to building association management have entirely disappeared. Among these may be mentioned the fact that few associations in Ohio exact any membership or initiation fee from persons subscribing for stock. The charge of a nominal sum, usually twenty-five cents for a pass-book, is the only remnant of the old practice of demanding an initiation fee of so much per share. Then again, the practice of compelling non-borrowing members to keep up their regular dues by imposing a fine for each delinquency is fast disappearing. A large and increasing number of our associations have entirely abolished the practice of imposing fines upon delinquent depositing members. These stockholders are permitted to regulate their payments by their own convenience and the circumstances in which they may find themselves. They are permitted to pay in excess of their regular dues or to pay less or to cease paying altogether if they so desire. We have found that it is a fixed principle in human nature, that when an individual is driven to a certain course of procedure through a fear of punishment, even though that punishment be merely the assessment of a fine by a building and loan association, his duty will be done grudgingly, unwillingly and with a bad grace.

The American people dislike to be driven, and the feeling that membership in a building association will compel a man to maintain his payments regularly will result in keeping more men out of membership entirely, and will result in greater loss in business to an association than all it can possibly gain from a rigid enforcement of fines upon delinquent members. Hence the idea has taken root, and is rapidly spreading among our permanent associations of permitting the widest liberties to stockholders, in the matter of the amount and times of their payments. In distributing the dividends to stockholders the basis on which it is figured and credited up to the individual members is the sum which the several members have actually paid in and which remains to their credit. Stockholders very soon learn that their share of the dividends depends upon the amount of their payments and the result is that in those associations

which are thus liberal to their members, the majority of them pay their shares far in advance, and the delinquent depositor is the exception rather than the rule.

The borrowers are treated in a manner almost equally liberal. The minimum payments which borrowers are required to pay are fixed at a small sum, usually twenty-five cents per week on each one hundred dollars of loan. This payment covers interest, premium, and a portion to apply on their stock. This required minimum payment gives the borrower from ten to twelve years in which to pay off his loan.

He is, however, at liberty to pay at any time any additional sums in excess of this required payment, which his circumstances and inclination may enable him to pay. The field is left open for each borrower to do the very best he can, and discharge his entire indebtedness, or any part of it, whenever it suits his convenience. The payment of this minimum amount by the borrower is enforced by the assessment of a small fee for delinquency. Any extra sum paid in excess of the required minimum payment is credited to him as payments in advance, and he is not treated as delinquent until the time has elapsed for which these extra sums paid the dues in advance.

These provisions prove a great incentive to the average borrower to pay more than his regular dues, and pay off his loans as rapidly as his circumstances will permit. Of course, it is understood that the borrower participates in the dividend the same as the non-borrower, the basis on which his dividend is figured being the sum of his payment, less the amount deducted therefrom from interest, premium, fines, etc.

These associations also accumulate and maintain a reserve fund for the payment of contingent losses. This is now made compulsory on all permanent associations by the statutes of Ohio, which require that at least five per cent. of the net earnings of each year be set aside for the fund of contingent losses, until such fund shall equal at least five per cent of the *outstanding loans*. The balance of the earnings, after paying the expenses, are distributed among the stockholders *pro rata* in proportion to the amount paid in on their stock.

The fact that the permanent plan of building associations deals with each stockholder individually, and not with a number of stockholders as a group, permits such associations to deal with the greatest liberality with their membership in the matter of withdrawals. The stockholder is not only permitted to suit his own convenience in regard to the time and amount of his deposits or stock payments,

but he is also allowed the same discretion and liberal treatment in regard to the withdrawal of the payments he has made on his stock. He is permitted to continue his payments until his stock has matured, and even then, if he so desired, he can permit his money to remain in the association, until such time as he may have need for it. In case, however, he should at any time desire to withdraw a portion of his stock payment, or all of it, he is permitted to do so, usually upon demand. Associations protect themselves, however, by a provision in their by-laws, which is in substance as follows:

> "Members may withdraw all or any part of the money paid upon stock subscriptions at any time by giving notice to the secretary, and liability to make further payments on the stock and right to further dividends shall cease with such notice. When such withdrawal is totaled the withdrawing member shall be entitled to receive all payments made upon the stock withdrawn, and all dividends declared thereon up to the date of notice; provided, that if the applications for withdrawal at any time exceed the weekly receipts, such applications shall be filed in the order in which they are received and paid in the order in which they are filed, as fast as the weekly receipts will pay them."

This permanent plan, which permits a stockholder to deposit his money at such times and in such amounts as may suit his convenience or ability, which, also, permits him to withdraw his payments and accumulated profits whenever he desires to do so; together with that feature of the plan which permits new members to subscribe for stock at any time, produces this result: it frees these associations entirely from that dreaded experience of serial associations; that of having to pay off an entire series of stock at one time. The applications for withdrawal come in at irregular intervals, some perhaps every week. The usual experience is, however, that these applications can easily and conveniently be paid from the regular weekly receipts and still leave over a margin which the association can loan out. If it should occasionally happen, as it is almost sure to do, that the applications for withdrawal exceed the weekly receipts, the difficulty is easily and smoothly remedied by suspending the making of loans for a short period, until the application withdrawals are satisfied.

It would seem to require no argument to prove that an association will be most prosperous where the receipt and disbursement of

funds continues in a steady, regular flow, without spasmodic intervals where enormous sums must be met at one time. Such events interrupt the regular course of business and cannot be beneficial. Of course, under the permanent plan large sums in the aggregate may be demanded on withdrawal applications, but the plan of requiring such applications to be filed and paid in regular order from the receipts of the association, forfeiting all share of the earnings from the date of such notice, enables the association to meet such contingencies without loss.

It is a disagreeable state of affairs to have the application for withdrawal exceed the weekly receipts. So very undesirable is such a contingency that to us it seems almost folly to embody in the plan itself features which make it absolutely certain that at frequent intervals the association will be required to meet demands largely in excess of the ordinary receipts.

Permanent associations usually provide in their by-laws that stock withdrawn between dividend days receives no part of the earnings accumulated since the last dividend was declared. Since this is usually a larger sum of money than the money would earn for the association during the time they are accumulating money to meet withdrawals, the association realizes a profit on funds thus withdrawn, instead of suffering a loss such as serial associations are required to stand while accumulating funds to meet the withdrawal of a whole series.

The entire plan of this permanent building and loan system is simple, logical and reasonable. It makes each stockholder practically independent of his fellows. If, in a group of stockholders, one should prove more successful, more enterprising, or more economical than his fellows, and should evidence these traits by larger payments upon his stock subscription, he receives his reward in a larger portion of the profits each dividend day and is not restricted and hampered by his less enterprising or more extravagant neighbor and co-member, who may prefer to waste his substance in riotous living rather than accumulating in a building and loan association. Each member is rewarded in the exact proportion to the economy and self-denial which he practices and the faithfulness with which he keeps up his required payments or the enterprise with which he pays more than the required sum. When a member fails or ceases to pay he is not punished for the default; his dividends do not increase; they remain at the same figure each dividend day until he again resumes his payments.

Reference has been made only to some of the leading features which seem to make the permanent plan of issuing stock in a building and loan association far superior to any other plan that has yet been devised. The friends of this system do not claim that it has reached perfection, or that it is without faults, but they do claim that it possesses many points of excellence, which render it far superior to the serial plan. There is one test, however, which should decide the contest, and from which there seems to be no appeal, and that is the test of experience. To this test the friends of the permanent plan gladly submit the question for decision.

The friends of this system of issuing stock confidently commend it to building and loan associations everywhere, believing that the introduction of this system will widen the field, extend the influence, and render more popular the building and loan system of accumulating and investing money, and believe that the extension of the building and loan system will have a beneficial effect in many ways, and will tend in great measure to solve happily many vexed problems which now disturb society, and even threaten the life of our government itself."

"*Guarantee*," "*Permanent*" *or* "*Reserve Fund*" *Stock Plan.*

In some States building associations are permitted to issue a class of stock known as "Guarantee," "Permanent" or "Reserve Fund" Stock. Just where it originated is uncertain, but in one form or another it has been known for a number of years.

One of the New York City loan associations invented a plan of guarantee in 1897 by an agreement known as the "Shareholders' Agreement of Guarantee," whereby certain stockholders pledged their shares for the purpose of guaranteeing and assuring subsequent shareholders of extraordinary security — a security far in excess of that which the law requires. The agreement provided that in case a loss should occur, which might be otherwise chargeable against the shareholders whose investment is guaranteed, it should be charged against the guarantors instead; also, if the earnings apportionable to shares upon which a fixed rate of dividends

are guaranteed were insufficient to pay same, then the earnings otherwise apportionable to the guarantors' shares for the same dividend period would be applied to make good any dividend deficiency on the "Guaranteed" shares.

The assets underlying the shares pledged through the "Agreement of Guaranty" are grouped separately; for identification and for convenience of bookkeeping they are classed as Series One, quite as though they constituted a separate Guarantee Company underlying capital.

The following is the provision of the Kansas statute on this subject:

"Any such corporation may issue permanent stock, for which full par value shall be paid at time of issue, or in monthly installments of $5.00 per share, at the option of the purchaser, and on which permanent stock a full dividend or a definite dividend may be paid, which dividend shall in no case exceed the per cent per annum yielded by any other class or series of stock at the time such dividend is declared. The balance of profit, if any, and the principal paid on said stock, shall not be paid to the holders of the same until all lawful claims of every other class of stock in its series, as expressed in the certificates of such other classes, and all other liabilities of such corporation shall have been fully liquidated and paid."

In the State of Washington stock of this character is called *Reserve Fund Stock,* and the by-laws of any association may provide for the issue of reserve fund stock, up to 5 per cent. of its paid-in capital, and further provided:

"Such reserve fund stock may participate in all earnings equitably with the general stock, and be chargeable with real estate taken under foreclosure or otherwise in the adjustment of delinquent loans, together with all direct losses of whatever nature sustained by the association in the general course of business, and in consideration of such guarantee against loss, and when provided in the by-laws, such stock may receive additional dividends and such stock shall not be subject to withdrawal until all other liabilities and all other classes of stock of the association shall have been liquidated, and an association may agree to mature its other classes of stock at a fixed time, provided any deficiency arising therefrom shall be chargeable only to such reserve fund stock."

In California the Guarantee Stock Plan has been most popular, and it probably originated in that State. Many reasons are advanced in favor of it by those advocating its use.

The following excerpts from a report on the workings of the California Guarantee Stock Plan, prepared by R. Holtby Myers, of Los Angeles, Cal., explains its operation:

"This class of stock is defined under section 633 (d) of the Civil Code of California:

633 (d). 'Guarantee stock shall be stock provided for in the by-laws to be set apart and sold as a fixed, permanent or guarantee capital. When any such stock has been once so set apart and sold and issued, it shall thereafter remain as a fixed, permanent and guarantee capital, and shall be subject to all the conditions and liabilities attaching to the paid-in capital stock of other classes of corporations. Such guarantee stock shall protect and guarantee all other stockholders and creditors against any loss, and when once paid it must be kept unimpaired.

633 (e). Every corporation specified in this title issuing installment or full paid investment certificates, or both, shall at all times have issued and fully paid for, either an amount of guarantee capital stock, or permanent non-withdrawable capital stock, or both such guarantee capital stock, and permanent non-withdrawal capital stock, or a reserve fund equal to ten per cent of the aggregate amount of its liability on its said installment investment certificates and full paid-up investment certificates. . . . .

A further provision of the California law, section 637 of the Civil Code, reads as follows:

. . . . It shall be unlawful for any building and loan association, corporation or society operating under the provisions of this title to loan any of its funds upon any of its own guarantee stock or upon its permanent non-withdrawable capital stock as security.

In considering the operation of this law, many factors must be considered.

California is different. In climate, customs, laws and conditions, it has no parallel. It is both cosmopolitan and composite, having

drawn its population from all lands, having attracted the American-born in large numbers from every State in the Union. Many men of varied experiences have contributed to its legal and business standards.

The unfortunate record of some large serial associations which were forced into liquidation about fifteen years ago, and the methods of a few operating on the 'National' plan, left an impress of doubt upon the building and loan movement, which is not entirely removed in some communities to this day and in some measure accounts for present laws.

A glance at the sections of the Civil Code discloses the fact that we are able to organize building and loan associations in California on either the 'serial,' 'permanent' (Dayton) or the 'capital stock' plans.

We have one type of the latter which eliminates all suggestion of mutuality, there being no 'stock' or 'shares' except the guarantee stock, while others are either 'serial,' 'permanent' or combinations of either the 'serial' or 'permanent' with the guarantee stock.

In other words, we have associations which issue:

(*a*) Serial membership shares.
(*b*) Permanent membership shares.
(*c*) Guarantee stock and investment certificates.
(*d*) Guarantee stock, membership 'serial' shares and investment certificates.
(*e*) Guarantee stock, membership 'permanent' shares and investment certificates.

Indeed, these five classifications may not include all the possible types permissible under the law, but it will be sufficiently confusing to the Eastern mind accustomed to a building and loan law which developed under more normal and settled conditions than those which have directed the currents of California law and practice.

Under California law, the 'guarantee *stock*' is a fixed, permanent investment of money which cannot be withdrawn nor *impaired*. It cannot be pledged with the association as security for a loan—for that would impair. It guarantees the fulfillment of all contracts with saving members, either 'serial' or 'permanent,' and with borrowers. If loss occurs, either by reason of excessive overhead expense, loans with insufficient security, defaultation, or other cause, the loss must be made good by the guarantee stockholders. In consequence it is generally provided by the articles of incorporation that the majority of the directors shall always be selected from the guarantee stockholders. In practice it is customary to select all of the

directors from those who by their subscription for this class of stock have assumed the responsibilities involved. The 'serial' or 'permanent' membership shareholders have a status somewhat akin to 'preferred' stockholders as to profits, and carrying with this an extremely remote and secondary shareholders' liability.

Some of us who have dictated the basis of organization are careful to distinguish at all times in the use of the words 'stockholders' and 'shareholders,' the word *'stock'* being applied only to guarantee stock, while *'shares'* are held by the 'serial' or 'permanent' members. Unfortunately, the statute is not always consistent in the use of these words.

Building and Loan Certificates.—In the use of the guarantee stock as a basis for organization, the stockholders assume liabilities and responsibilities which are similar to those assumed by the stockholders of a savings bank, and by reason thereof associations thus organized are granted the right to issue 'investment certificates,' which in effect are equivalent to the term certificates of a savings bank, and the volume of such issue is regulated in the same ratio as is the receipt of deposits by the savings banks. See Section 634, Section E.

These certificates are called in the statute 'investment certificates,' but are generally of two distinct types, viz.: Full paid investment certificates and installment investment certificates. Unfortunately, they may be designated by any name acceptable to the organizer. Hence, we have different associations issuing the *'full paid'* under such names as 'investment,' 'coupon,' 'guarantee income,' 'full paid,' etc. They are generally issued on a one-to-five or one-to-seven period, earning six per cent per annum, which is paid semi-annually. They are generally printed or engraved or more or less expensively prepared certificates, some with coupons, others without.

The *installment investment certificates* are issued under such names as 'transient account,' 'thrift account' or 'installment,' and might in many cases be better termed 'pass-book,' being a simple form of certificate printed in the back of a regular bank pass-book. Such accounts (or subscriptions for certificates) are opened by depositing one dollar, with the privilege of depositing further sums, in any amount, at any time, and subject to withdrawal upon giving the statutory written notice of thirty days (which is generally waived). These 'accounts' are generally credited with 2½ per cent interest semi-annually or 5 per cent annually, according to the by-laws adopted.

CHAPTER VII.

We have in California at least two associations which issue only guarantee stock and certificates. They are properly organized under our building and loan law, but in fact they differ but little from savings banks in obtaining their money, but loan on the amortization plan. About thirty others are organized with guarantee stock (generally subscribed and paid in by the *founders)*, and these issue either 'serial' or 'permanent' membership shares, usually on a definite and guaranteed contract, such as upon paying in 50 cents per month for 132 or 136 months (or some other definite number), the shares will mature. The 'estimated' time of maturity is eliminated. Likewise, in making loans, many of these guarantee stock associations loan upon a definite contract plan, *i. e.,* by paying a stipulated number of payments (say $12.30) for a definite term (120 months) a loan of $1,000.00 will be repaid.

In other words, the result for both saving and borrowing members is fixed, definite and guaranteed. In return therefor the guarantee stock not only receives, in effect, the regular net interest return earned, but also the 'reserve' and surplus profits, if there are any.

Of the twenty-seven associations having assets in excess of $500,000.00 there were fourteen with a guarantee stock, and of the twelve largest there were seven operating on this basis.

Summarized briefly, the guarantee stock plan seems to fit into Western conditions, because it offers:

(*a*) An assurance of financial backing and permanence.

(*b*) Selection of directors of financial worth, local experience and leadership.

(*c*) A stabilizing fund at commencement which insures a continuing interest and support by the founders.

(*d*) The adoption of fixed policies and generally definite guaranteed contracts for saving and borrowing members.

About one-third of the California associations have adopted it, and we expect a majority of the new associations to be organized thereunder.

The advantages of the guarantee stock plan are best appreciated and understood in the West, where people are strange and strangers; in territory where few men of capital and leadership seem to have time and inclination to promote a form of co-operative financial institution which promises little reward in either cash or appreciation.

The directors of all types of California building and loan associations are debarred from becoming borrowers, directly or indirectly, and hence they are denied any home-buying or home-building benefits.

Furthermore, the building and loan movement in the West has a strong competitor in the speculative builder (both corporate and individual), who (at a good profit) offers homes for sale to the stranger upon easy terms of payment—much easier initial terms than can be had through borrowing from a building and loan association. The buyer pays a large price and a generous profit for the easy terms, but most of these buyers are but poorly informed regarding building costs in a new environment, and fail to realize what a price they are paying for 'easy terms.'

The Western banks are directed by efficient managers and bank directors of experience; they are equipped with splendid buildings, equipment, and leave no stones unturned to attract depositors. The State Banking Act denied to building and loan associations the use of such words as 'savings,' 'deposits,' 'interest,' etc.

Publicity must be bought and paid for at regular rates. Competent secretaries are not to be had for trivial salaries; confidence is not so easy to gain where men are strangers.

For these and other reasons it is not easy to interest directors of leadership in the organization of small local building and loan associations.

It takes money, experience and enthusiasm to win under such conditions.

Those who do not know conditions may criticise. To many some of our associations seem irregular and unorthodox. But any institution which teaches thrift and loans its money to promote home-getting is justified, provided it operates upon ethical standards.

We need clear and unbiased study and thought by all men engaged in the building and loan movement, who are capable of thought, 'for in the multitude of the wise is the welfare of the world'."

In States which provide for the issue of this permanent or guarantee stock, associations are usually permitted to specify at the time of issuing the rate of dividend which other stock shall receive, and after paying this specified rate to the other classes of stock, the residue of the profits may be distributed as a dividend on this guarantee stock.

CHAPTER VII.

The National Loan Association Plan Now Defunct.

In the year 1887 there sprang up in Minneapolis, Minnesota, a system known as National Loan Associations, offering to make loans anywhere and establishing local branches in any city, town or hamlet that proved receptive to the proposition. These companies, incorporated for fabulous sums of alleged capital stock, followed the general outline of the local building and loan associations, adopting the name of "building and loan" or "savings and loan" in a majority of instances, but adding features in the way of entrance and withdrawal fees, liberal expense fund deductions from capital dues as paid in, and in some cases exorbitant bonuses for the privilege of securing loans. This, added to an average loan rate of twelve per cent. per annum, with no adequate supervision of the local risk, naturally brought these companies the least desirable class of loans, which had been rejected by the banks and the local building and loan associations.

These concerns spread rapidly to every part of the country, invading the large and medium-class cities of the East, South and Middle West, and portions of the Pacific Coast, until there were three hundred such companies in operation. The largest of the companies grew apace at Knoxville, Tennessee, its resources, inclusive of a gross premium of fifty per cent. in its loans, approximating at one time $5,000,000. This, the big Southern Building and Loan Company of Knoxville was the first large company to apply for a receivership. This was in 1897 and the last of the National group went out of active business in 1899.

Their exorbitant expense funds and tremendous losses in poor loans and agency expenses, naturally proved their undoing — first, by inviting adverse criticism from every other financial institution and, second, by bringing about

hostile legislation (or what the companies considered hostile) as it seriously interfered with their plans of operation as inter-state concerns and indeed barred them from transacting business in many states by restrictions and prohibitive cash deposits.

As usual with spread-eagle financial movements, they elicited, in the beginning, the active support of many big men and men of national reputation. The nature of the movement and the personnel of many of the executives, brought them, for a time, a vast degree of popularity, but their false methods tended ere long to depopularize them quite as forcibly and summarily. Without prejudice, it may be safely said that these companies were irresponsible and their contracts impossible of fulfillment.

3% and 4% Contract Loan Companies.

Owing to the fact, that the so-called 3% and 4% Contract Loan Companies stress the assertion that they are home-building institutions in the sense of building and loan associations, it is necessary to devote space to them in this book. While in their titles they often use terms, such as "Housing and Building Co.," "Co-operative Loan Co.," or qualify their title with "An Unusual Building and Loan," they have nothing in common with the Building Association Movement of the United States. Theirs is not a Building Association Plan. A building association is co-operative. A 3% and 4% Contract Loan company is speculative.

The 3% and 4% Contract Loan companies have sprung up in many of the states, especially in the West, and are generally recommended by men high in authority, of business integrity and financial responsibility. The promoters of such companies, mostly high-pressure financial salesmen, take good care of this feature, which, together with

the very plausible argument presented, attracts many unsophisticated persons to the companies. The irrepressible ambition for speculation possessed by so very many people, is another point utilized by the high-pressure salesmen, because, if a speculation is masked under the guise of investment it becomes doubly attractive. It is not our purpose to disparage these loan companies. We only explain the general working plan of them, and give to the public the very simple advice: "Before you invest, investigate."

The 3% and 4% Contract Loan companies are private commercial enterprises, organized under the common law and for profit. There is no mutuality and the certificate or shareholders have no voice in the directorate, this being entirely supplied by the promoters and their chosen executives. They are "co-operative" in appearance only, are rarely incorporated and seldom have any stock capital. The certificate holders provide all the funds necessary for the promotion, business expense and loan funds of the company at a loss to themselves.

Naturally the activities of the high-pressure salesmen of these companies drew the attention of the State authorities in charge of financial institutions and became subject to investigation. In some States, for instance Arkansas, they were refused license to operate. In others, like California, the requirements of the State Departments were made very rigid and curbed the activities of the companies materially. In still other States, they are under the supervision of the Building and Loan inspectors, and the rigid surveillance by these officers offer some protection to the certificate holders.

The greatest foothold the 3% and 4% Contract Loan companies have gained in the State of Missouri. In Missouri the statutes permitted unincorporated concerns to engage in what might be termed a combination building

and loan, banking and insurance business without putting up securities with the State for the protection of depositors. At this writing (1923) there are about fifty such organizations in Missouri, the face value of their certificates sold amounting to about $150,000,000. The law under which these companies have been doing business in Missouri has been repealed by the legislature. This will probably end their activities in this State.

The operation of the loan companies is very similar everywhere, the following description covers the average. The promoters form a "Fiscal Agency," or "The Operating Company," which constitutes the selling end of the association proper. The "Loan Funds" of the association are in charge of "The Trustees," who are mostly identical with the "Fiscal Agency." The Fiscal Agency sells the certificates to the loan company or association in denominations of $1,000 to $10,000 or more, to mature in 120 months at their face value. An investor pays $7.50 each month per $1,000 on each certificate. Thus, the holder of a $1,000 certificate carried through the ten years to maturity, will have paid 120 times $7.50, of $900.00, when he becomes entitled to $1,000.

It is, however, not the banking prospect of $100.00 interest earned at the end of ten years (less than 2½ per cent. if compounded annually) that enables the salesmen to place certificates. The attraction is the prospect of obtaining a home with 4 per cent. money. Certificates are numbered as they are applied for. The exact time of application is recorded and in the order of purchase, the owners of the certificates are entitled to loans at 4 per cent. up to their face value *when, as* and *if* sufficient money has accumulated in the trust or reserve fund. Loans must be secured by first mortgage on real estate or its equivalent in safety and approved by the fiscal agency and the trustees. Loans shall not exceed 80 per cent. of

the real value of the security, they are made for fifteen years and are repayable $7.50 per $1,000 principal and interest monthly.

In event of a depositor's death his estate becomes immediately eligible for a loan on his certificate. Certificates have no surrender value until five or more payments have been made. After twelve payments they may be used as security for temporary loans up to about 80 per cent. of their surrender value.

As we have already stated, "The Fiscal Agency" is the selling end of the organization, and is the recipient of the "Expense Fund," a profitable but private affair. The "Trustees" are the custodians of the trust fund, out of which the loans are made. The interests of these two are, however, always practically identical. The Fiscal Agency takes for the Expense Fund the first four, five or six full payments on the certificates and from 25 to 50 cents out of each subsequent $7.50 payment.

For our comparisons we shall take one of the best of these companies, whose statements and arguments are before us. This company takes the first four payments in full, and 25 cents on each subsequent payment. This means, that if the payments on the certificate are continued until maturity, the Fiscal Agents receive $59.00 out of each $900.00 paid in. This leaves $841.00 for the Trust Fund, which covenants to pay $1,000 to the certificate holder at maturity.

The basic principle of the Contract Loan companies is to obtain money at the very lowest rate of interest possible, to enable the company to loan this money at 4 per cent. to its certificate holders. The certificate holders are the only source providing all monies for the Expense Fund as well as for the Loan Fund.

Certificate holders bank their money with the Contract Loan company at such low interest because they expect a

loan at 4 per cent. within a certain time. Selling agents generally *promise* such a loan in about thirty-six months. There is no guarantee to this because it can not be guaranteed. Of 1,000 men assuming with this hope the partial payment obligations today, two-thirds or more must have dropped from their places in the line — unless new money is brought in, in order that the remaining one-third may proceed with the building of their dream homes.

This is the essence of the "law of averages," that embracing abstraction to which so many lending companies look for success. The companies profess to regret and discourage lapses. But they regard them inevitable and thus boldly capitalize human weakness to reap for themselves an enormous return without a cent of investment. Promoters receive their returns whether the "law of averages" operates or fails. Depositors receive their anticipated profits only if the law operates and if two-thirds or more of their fellow-investors pay with broken hopes and financial losses.

There is only one route other than by receiving a loan at 4 per cent., by which a certificate holder may profit. If he carries his contract through to maturity he is generally promised a share in the earnings of the Loan Fund — not the Fiscal Agency or the Operating Company — up to half the face value of his contract.

But — Loan Fund earnings would come largely through surplus interest charges, fines for delinquent payments and fees for transfers. Profits are not guaranteed, their amount is conjectural, in fact, most companies will do well if they escape without a deficit. Here again the doctrine of the "survival of the fittest" has been capitalized, since the loan companies estimate that 15 per cent. (150 out of 1,000) is the maximum number of certificate holders, who will stick it out to maturity. Of those who quit sooner (850 out of 1,000) a few have been

fortunate in obtaining a loan, and the others have dropped out through the dismal route of a direct loss.

Another source of profit exploited by the certificate sellers, is, that the certificate holder who is lucky enough to obtain a loan, which he himself can not or will not use, can sell the same at a premium to the highest bidder. To demonstrate this phase of the scheme, generally big figures are used. Supposing a person holds a certificate in a 4% Loan Company for $10,000. He is lucky and at the end of the third year his turn for a loan comes in. He has paid on the certificate the sum of $2,700. The withdrawal value of this sum after the loan is $2,495. A loan of $10,000 at 4 per cent. for fifteen years, commands a premium of $200 per $1,000. The certificate holder sells his loan privilege at a premium of $2,000. The "Trustees" are right on the job and claim a commission of 10 per cent. or $200 on this transfer. Thus the certificate holder receives:

Surrender value of certificate	$2,495
Premium on loan sold, less commission	1,800
Total,	$4,295

This certainly looks like a very attractive "investment." But it is not an investment, it is a gamble. It happens so seldom, about seven chances in a thousand.

On the other hand many of the Contract Loan companies (or rather the Fiscal Agency or the Trustees) sell their 4 per cent. loans at a premium to outsiders without regard to the certificate holders, who are told, that they will participate in the profits at maturity of their certificates. The promoters always take at once what they consider to be right, and the depositors get part of what is left, always providing that there is anything left, and that they keep on furnishing cheap money until maturity of their certificates. Up to the time of this writing no cer-

tificate in a Contract Loan company has ever reached maturity, because these companies are not yet old enough for that. Therefore the promise of a 50 per cent. share in the profits to certificate holders who continue till maturity, is based upon hopes, and must be considered speculative, until the companies have operated long enough to prove the fulfillment of the promise by actual experience.

On the other hand many such companies have failed long before maturity, leaving their certificate holders to hold the bag. The assets of the companies, supposed to protect the certificate holders, are at best 4 per cent. mortgages — always at a discount. This is because financial rules work both ways. If a $1,000 four per cent. loan privilege will command a premium of $200 then it is also true, that a $1,000 mortgage, bearing 4 per cent. interest, can at best be sold only at a discount of from $200 to $300.

Therefore, if a 4 per cent. Contract Loan Company is through some circumstance or the other, forced into liquidation, or if it decides to go out of business, the depositor has these pleasing alternatives (if the courts or the "Trustees" give him voice at all): Either of waiting ten to fifteen years for the repayment of the loans held as assets before his money is returned; or of selling the loans in the market at a discount of 25 to 50 cents on the dollar.

We have entered into this discussion of these Contract Loan companies only for the purpose of showing that they have absolutely nothing in common with the Building Association Movement, and we repeat again: Theirs is not a building association plan. Many of these companies stress in their advertising matter and through their "salesmen" the "advantages" of Depositors and Borrowers in their companies over those in building associations.

CHAPTER VII.

To compare the cost of a loan from a 4% Contract Loan Company with a loan to the same amount from a building association is practically impossible. Dealing with a Contract Loan company, the would-be borrower never knows when he will receive the loan or whether he will ever receive it. That makes the scheme practically valueless for the party wishing to build a house. In the building association these problems adjust themselves. You can borrow any amount on the day you need it. Repayments can be adjusted according to the resources and requirements of the borrower. One may pay off a loan in a shorter or longer term of years most convenient to himself.

For example, a loan of $1,000 at 4 per cent from a Contract Loan company takes 15 years for repayment, and costs in interest for that time $348.80.

From a building association working on the rebate permanent plan a loan of $1,000 at 6 per cent. can be conveniently paid off in 9 years and 21 weeks, the net interest for that time amounting to $338.08.

At the present time money is worth, in the open market, from 6 to 7 per cent., in many places much more. If you want to borrow money at a lower rate, you must expect that there are strings attached to it.

In justice to State authorities it must be said that they exert every effort to curb the work of the 4% Loan Companies by drastic requirements. In the light of experience it has been shown that these concerns do not thrive in expurgated form. The tendency of State authorities is to force the promoters of such companies to play the game fairly, and especially to remove all camouflage from their selling methods and printed matter, so that there can be no misunderstanding on the part of prospective investors.

PLANS AND METHODS OF ASSOCIATIONS.

Standardization of the Building and Loan Institution.

The building and loan associations in the United States are of a very diversified character. As a general rule, the foundation on which the individual organizations are built are everywhere the same. The structures built upon the foundation, however, are widely different. There are various names, plans, practices and methods.

As an illustration we present the following:

PLANS —		PROFIT DISTRIBUTION
Terminating	Premium for loans... Gross prem. deducted	
Serial	Premium for loans...	Quarterly
	Gross premium.....	Semi-annually
	Weekly payments....	Annually
	Semi — monthly payments	
	Monthly payments...	
Permanent	Straight loans	Quarterly
	Weekly payments ...	Semi-annually
	Semi-monthly paym's	Annually
	Monthly payments ..	
	Payments at any time	

TITLES OF ASSOCIATIONS —

Building Associations,
Building and Loan Associations,
Savings and Loan Associations,
Homestead,
Co-operative Banks,
Building Society,
Co-operative Savings and Loan Associations,
Guarantee Associations,
and other variations from the above.

CHAPTER VII.

The reason for this condition is easily understood. Primarily, building associations were strictly private undertakings. The desire to create a medium for systematic savings for the purpose of home-building was ever the essential purpose of these associations. As the idea spread to many communities and then to many States, the fundamental principle always remained the same. Other names, plans, practices and methods came to the surface, often brought about by the natural desire to improve upon the old. As the associations became still more numerous, as they became economic factors in communities and States, it was necessary to throw legal safeguards and protective measures around them. In the different States the Legislatures created varying protective measures, although all of them had the same purpose.

Today, building associations, under whatever name they may be known, have acquired the dignity of a National Institution of vast economic importance. In all tax measures, affecting corporations, introduced into the Congress of the United States, they have been recognized and the Government has extended to them proper protection. This fact indicates that at no distant day we may expect the appearance of Federal Legislation, making it obligatory on the part of the Institution to shape its affairs along definite lines. In other words, there will be a call for a standardization of plans and methods of building associations as a nation-wide proposition.

Standardization is sometimes erroneously described as a process of equalizing. It is much more than that. Standardization calls, first of all, for the elimination of the cumbersome and the inefficient. Standardizing aims at the achievement of an ideal condition, or as near perfection as may be obtained in the particular field to be standardized. We live in an age of constant changes, demanding improvements in all lines of human activi-

ties, whether they are of a political, economic or social character. The Building Association Movement cannot escape this trend of the times. Not so long ago, the proposition of bringing this about with the Building Association Movement was considered as utopian and absolutely impractical. Still, when the subject was later approached in an editorial in the *American Building Association News,* in February, 1922, it became at once a matter of discussion in quite a number of State Leagues. In fact, one of the States already is making a definite move for the unification of the methods and practices of the associations in that State.

Naturally, the question arises as to the proper authority, capable and trustworthy of fixing the so-called "Standard." Logically, carrying on the final development of this work should be placed under the direction of the United States League of Building and Loan Associations. This is an organization speaking with authority for the majority of the building associations now operating in this country under any name, plan or method.

The United States League, as well as the various State Leagues, have carefully refrained from giving advice as to how building and loan associations should be operated. Such a policy would have been considered presumptuous and destined to failure, and defied the various purposes of the different State Leagues, as these were primarily organized to advance and encourage the fundamental principle of saving and home-building inherent in all of their constituent associations.

But now a new era in all economic endeavors is dawning and it behooves the building and loan associations of the United States to properly meet the new conditions, to become nationally recognized as the most serviceable of the slow-credit financial institutions of the masses. To meet this problem deserves the careful consideration

of all interested parties. Naturally, there are many building association officials who are determined that their own particular style of association should be the dominating one. But after all, these officials are also governed by an altruistic spirit in their work.

Although the laws in all States are by no means uniform, it is a fact, that the establishment of State Inspection of building associations brought about a better and more uniform system of practices and methods. Also, the compulsory filing of reports tends towards standardization. But by far the greater number of the problems must be solved by mutual understanding and agreement of the interested parties who should be open to conviction.

One of the most important features of the problem seems to be the standardization of the title of the institution. At present, building associations are known in different localities by many different names, as already enumerated. This, of course, detracts from the strength of each association and the institution as a whole. If these associations were known all over the United States by the same name, this would at once acquire the prominence of a trade-mark, recognized by the masses everywhere. A person could go from one place to another, and desiring to do business with an association, would not be confused by the title. He would at once know that he is doing business with the same type of institution as he has previously known and done business with.

The banking interests afford a splendid example in this respect. In New York, Los Angeles, Tacoma, Kansas City, or at any other point in the United States, one may enter a bank and find the same title and business methods in usage. The benefits arising from the establishment of a uniform name for all building associations cannot be overestimated. If this reform was adopted, it would at once place this type of institution in a class by itself;

handling the mortgage loan business of the masses in a proper manner, demanding and receiving the necessary protection by national or State legislation.

Those having charge of the destiny of the movement in the United States, especially the leaders of the United States League, and the various State Leagues, must, in the course of time, assume the responsibility for the proper consideration of constructive work in this direction.

If the new associations that are to be organized in the future, could be induced to accept uniform systems, there is no doubt but that in the end this would have influence on those who were not interested and would hasten the modification of the present plan of doing business.

Co-operation is the greatest medium through which success may be attained. An institution or a nation lacking co-operation within itself cannot long endure. The individual or group of individuals directing attention to the furthering of financial co-operation, perform a valuable service.

Annuities and Other New Features.

Sound economics teach us that the provident person will make every effort to create an "income" for the days when "wages" and "salaries" stop. It is true, that continued saving in a building association will eventually create such an "income." In fact, this argument is quite effectively used in the work of soliciting new members. This feature of Building Association work has suggested the development of a plan for the issuance of regular annuities. It cannot be denied that such a plan offers wonderful opportunities, but also great obstacles. At present it appears that the United States laws governing building associations, as interpreted by judges and Inter-

nal Revenue Commissioners, prevent these associations from entering into any activity which is usually the province of banks and insurance companies. The same applies to the writing of life insurance policies for borrowing members, assuring to the family the unencumbered possession of the home, in case of the death of the borrowing member during the time in which the mortgage is still in force. It is well to give all such new features careful consideration, but also to carefully avoid to imperil the first purposes of the associations and their favored position under the laws.

Withdrawal Rules.

The withdrawal rules adopted by building associations present many differences and varieties. In terminating and serial associations it frequently occurs that members withdrawing within two years after joining shall receive the money which they have paid in, without any share of the profits; withdrawals during the third year to receive 10 per cent. of the profits; fourth year, 20 per cent., and so on, under which rules a withdrawing member would not receive the full share of profits his money had earned after the eighth year. Very strong reasons are advanced for this deduction. The loans in which the money has been invested still have several years to run, and losses may occur, of which the withdrawing member would be relieved, and the entire burden of the loss would fall upon the remaining shareholders; hence it seems proper that the withdrawing stockholder should be required to leave some part of the earnings of his stock, as a protection to the remaining stockholders against such contingent losses.

The practical application of this rule, however, demonstrated that usually the sum deducted was more than that

required to cover the losses which actually occurred, and, as a result, the profits from this source enabled the association to pay to the continuing stockholders at the maturity of their series a rate of profit or dividend greater than the rate of interest drawn on the association's mortgage loans. This explains why associations on that plan frequently state that their borrowers pay 6 per cent. interest, and their investors get 6½ per cent. or 7 per cent. dividends. This statement only means that the persistent, continuing stockholders who remain until the maturity of the series receive dividends at that rate, and that the large number in every series who withdraw prior to maturity, in fact receive a much lower rate of profit on their investment.

In permanent associations, the withdrawal rules usually provide that a holder of unpledged shares may withdraw all or any part of the credit on his shares at any time, without notice; but it provides also that the association may require notice of withdrawal at any time, which notices shall be filed in the order in which they are given, and paid in the order in which they are filed, as fast as fifty per cent. of the receipts of the association will pay them. They further provide that the directors may use a larger portion of the receipts at any time to pay withdrawals. A member who withdraws his entire account shall receive the entire sum to his credit, including payments made and dividends declared, less his pro-rata share of the losses of the association in excess of the reserve accounts and undivided profits of the association.

Under this rule, each member receives all the net profit which his investment has earned. This seems just and equitable, since it would be manifestly unfair to deprive any member of the full profit which his investment has earned, and use it to swell the profits of other members whose investments did not earn it.

During the past decade building and loan associations have paid all withdrawals on demand. This has added greatly to their popularity. If the association should be short of funds, it usually borrows from some financial institution sufficient money to meet requirements.

Reserve Fund.

The creation of a reserve fund, or a contingent fund to protect the association from losses which might be sustained, is a comparatively modern development, and did not exist in the early associations. Indeed, under the early plan upon which associations were operated, such a separate fund was not needed, since in the early days all the profits were kept together and not distributed until the termination of the association or the maturity of the series; and any losses were charged as they occurred against the aggregate profits.

When, in the evolution of the plan, serial associations began the practice of making periodic distribution of earnings, many of them adopted the plan of creating a reserve fund, as protection against losses, and this practice is still observed by many serial associations.

The creation and maintenance of a reserve fund is a very essential feature in the permanent plan. In most of the States, where the permanent plan prevails, the creation of a reserve fund for contingent losses, is made compulsory by statute. The Ohio statute provides that permanent associations shall either annually or semi-annually set aside at least 5 per cent. of the net profits to a fund for contingent losses, and that this fund can not be used for any other purpose than the payment of such losses.

The existence of a reserve fund does much to regulate and stabilize the operation of a building association and to keep its rate of dividend constant and uniform. It

becomes a sort of insurance to guarantee the safety of investors and to assure them of the regularity of their dividends. However careful and conservative a board of directors may be in conducting the affairs of an association, it is almost certain that at some time during its career it will suffer losses, and it seems to be a wise provision to accumulate a reserve fund in moderate amounts from time to time through the life of the association, from which these losses may be paid, rather than that the entire burden should fall upon the members belonging at the time the loss is ascertained.

It is a well-established principle that this reserve fund is for the protection of the entire membership of the association, and that withdrawing members and holders of matured stock are not entitled to demand any part thereof when they sever their relations and withdraw from the association.

The question is sometimes asked: "What disposition will be made of this reserve fund when the association liquidates and goes out of business?" The answer to this query is that so long as an association is successful and prosperous there is no reason why it should liquidate and go out of business. It is doubtful if any serial or permanent association has ever liquidated and gone out of business while it was yet successful and prosperous. The only reason for such a step would be found in the fact that the association had met with losses and become insolvent and for that reason was wound up. When that condition exists the reserve fund, would of course be applied to meet the losses and when the time of liquidation arrived there would be no reserve fund left, over which to quarrel. Even if no losses occurred, the cost of liquidation would exhaust the reserve, as the amount accumulated in this fund will generally parallel the volume of loans accumulated.

The amount of a reserve fund which an association is permitted or required to accumulate is a problem worthy of consideration. In some States the statutes fix a minimum, and require the accumulation of a reserve fund by regular periodic additions thereto until this minimum amount is reached. In other States the statutes fix a maximum, and forbid the association accumulating a reserve fund above that amount. The Ohio law has fixed the minimum at 5 per cent. of the total assets. The Illinois statute provides that no less than 1 per cent. or more than 5 per cent. of the net profits shall at each periodic apportionment be set aside as a guarantee or contingent fund, until such fund amounts to 5 per cent. of the dues capital, and it shall thereafter be maintained at no less than 5 per cent. nor more than 10 per cent. of the dues capital.

The amount set aside to this reserve fund should, of course, not exceed the maximum stipulated in the statute and where no such maximum is fixed, it would be unwise for an association to accumulate a reserve fund unreasonable in amount, or to apply for that purpose so large a portion of the earnings as would materially interfere with the regular rate of dividend; and while a case has never been decided in any court, it is probable that a court of equity would interfere with any unreasonable accumulation of a reserve fund and decree a distribution of so much thereof as would reduce it to a reasonable figure.

The principles involved in this question are quite ably discussed and fully decided in the case of Greff vs. the Equitable Life Assurance Society, 160th New York, 16, 73d American State Report 659, in which case the court decided that common business prudence required the accumulation of a reserve fund to meet possible losses, and so long as this reserve fund was not unreasonable in amount, the retiring member was not entitled to have it

distributed. In that case the court decided that the reserve which the Equitable had accumulated was not unreasonable and denied the right of the retiring policyholder to demand and receive a portion thereof.

Premiums.

In the early development of the building association plan, the premium was a very important factor in its practical operation. The funds of the association were accumulated in small amounts and by slow degrees and it was only at infrequent intervals that a sum was large enough for loan purposes. An association that had funds with which to make a loan usually had numerous members who desired to borrow, greatly in excess of the funds on hand. It was the usual practice to put this money up for sale to the member who would bid the highest premium. This competitive bidding frequently resulted in associations receiving very high premiums on their loans. For example, suppose an association had $1,000 in its treasury. It was a frequent occurrence for members to bid as high as $200 premium for the privilege of borrowing this money. In such cases the borrower would give his mortgage for $1,000 and the premium bid would be deducted from his loan, and he would receive $800 in cash, and the $200 premium being at once passed to the profit and loss accounts of the association. These high premiums resulted in extremely high profits to the association, but as time passed by and the termination of the association approached, or the series to which the money belonged drew near its maturity, the time for which the borrower could have the use of the money was correspondingly shortened, making the loan less desirable and attractive. The rate of premium bid became largely reduced, until near the end of the asso-

ciation or the maturity of the series there would be no demand at all for the money. The natural result of this system was that the association following *the gross premium plan,* as this was called, made exorbitant profits in the early period of its operation, which gradually became reduced until as it approached its end the current profits rapidly dwindled away.

The gross premium plan was then supplanted by *the installment premium plan.* Under this plan each borrower would bid the amount of premium which he was willing to pay with each installment in addition to his interest and dues. This was a great improvement over the gross premium plan. It tended greatly to stabilize the operation of the association, and to render the profits more constant and regular.

It is believed that the gross premium plan was never used or followed by associations operated on the permanent plan. Many of them adopted the installment plan of premiums, but the rate of premium charged has been rapidly reduced and in a large majority of permanent associations has been abolished entirely and the cost of loans to borrowers reduced to the regular interest rate prevailing in the community where they operate.

The combined sums paid by the borrowers as interest and premium in the early days of the association development, frequently amounted to a rate in excess of the legal rate of interest in the State in which they were operating. Most of these States provided that these charges should not be considered usury, in view of the fact that the borrower who paid these excesses participated in the resulting profits, and for this reason exempted building associations from the provisions of their statutes against usury.

Loans Without Premiums.

With the development and growth of the building association movement and the resulting decrease in the interest paid and premiums bid, the cost of building association loans in most communities does not now exceed the legal rate of interest in the States in which they operate. The item of premiums on loans is disappearing rapidly in all associations in all States of the Union and in a short while will be only a memory.

The Charging of Fees.

The charging of fees of various kinds has always been a marked feature of building associations. These have been imposed under various forms and pretexts, such as *a membership fee,* charged against each member and frequently against each share for which he subscribed; *a transfer fee,* charged when stock was transferred from one member to another; *a cancellation* or *withdrawal fee,* charged against withdrawing or maturing stock. These several fees collected by the association produced an addition to their profits derived from interest on loans which aided them very materially in defraying the expenses of organization and operation of the institution.

In some associations a brokerage fee of 1 or 2 per cent. is charged on building loans to cover the extra work and services rendered. Directors sometimes fail to fairly consider the increased cost of doing business, and those who charge this extra 1 or 2 per cent. fee, believe it is fully justified because of the general advance in all costs.

Cancellation or Withdrawal Fees.

In one of the Western States, where the law is more liberal, a very successful association has adopted the plan of abolishing all fees and fines, except that of a can-

cellation or withdrawal fee of $1.00 per share, which is retained by the association from every member's stock when he severs his connection with the association, either by withdrawing or by the maturity and payment of his shares. Under this plan all the money paid in by the member remains to his credit, participating in regular dividends, so long as he retains his membership. For example, a member subscribes for ten shares of the association's stock, payable in installments of $10 per month. When he retires from the association, $10 of his credit is retained by the association as a cancellation fee. This, however, need not be a loss to the member, since he is given a *cancellation certificate* for the amount thus retained, and if, at any time within a fixed period, usually one year, he rejoins the association, and subscribes for another ten shares of the stock the association will receive this certificate as a cash payment and again place it to his credit drawing interest as before. While this deduction is called a cancellation or withdrawal fee, as a matter of practice the first $10 which the member pays in on his stock is carried to the profit and loss account and is available at once for use by the association as an item of profit.

In the association referred to, the revenue from this source has been of such volume as to pay practically all the running expenses of the association and has enabled them to employ one or more solicitors, devoting their time to procuring new members and subscriptions to the stock of the association, for which they receive a portion of the cancellation or withdrawal fee. The success of this association has been remarkable, since it has accumulated almost five million dollars of assets in about six years' existence; and seems to demonstrate the very high value of personal solicitation as a means for advertising and calling the attention of the public to the merits of building associations.

All kinds of advertising is of value, but no kind of advertising is so effective and produces such immediate and satisfactory results as personal solicitation. The spoken word, man to man, has greater weight and is far more convincing than any use of the printed page.

On the other hand a well-written letter, circular or booklet, can reach and convince many thousands of prospects in a few days, while the personal solicitor can see and talk to but a few.

Special Deposits.

In every community will be found many people who are prejudiced against the idea of purchasing stock and assuming a stockholder's liability. The character of an investment in a building and loan association is so different in its nature from that of stock in an ordinary corporation that it is unfortunate that there is not in the English language some word other than "stock" which might be applied to a building association investment.

In California, under the Capital Guarantee Stock Plan (explained in previous pages), the statute distinguishes the withdrawable member's investment as membership "*shares*" and there is a clear distinction between the underlying "Capital Guarantee *Stock*" and the "Installment Membership *Shares*." Nevertheless, in the same statute reference is made to paid-up "stock"—a confusing use of terms.

No other name, however, has thus far been suggested, and investments in building associations are universally termed "subscriptions for stock." The prejudice against stock investments has undoubtedly kept multitudes of individuals from membership in a building association who would have become members had they thoroughly understood the real nature of the rights, duties and obli-

gations of building association members. This condition has been met in some States by a provision of the law which enables building associations to receive "Special Deposits." The owner of a special deposit account does not become a stockholder in the building association. He assumes no stockholder's liability, does not participate in the dividends declared by an association, but receives a specified rate of interest on the money he entrusts to its care.

Special deposit accounts or investment certificates are a preferred claim against all the assets of the association and in case the association should become financially embarrassed, these accounts must be paid in full before the stockholders are paid. The rate of interest paid on such accounts is usually less than the rate of dividends paid on stock or shares. Associations that have large sums of such accounts, sometimes exceeding their stock deposits, are able to pay larger stock dividends, because of the profit from the use of these deposits drawing a lower rate of interest, and loaned out at the usual rate on mortgage loans. There are only a few States which permit building associations to accept deposits of this character.

Farm Loans or Rural Credit.

One of the most significant developments of the building association movement in recent years is its application to the making of farm loans. For many years these institutions restricted their loaning operations to loans repayable by weekly or monthly payments. This practice had become so firmly established that the idea became quite generally accepted that the weekly or monthly payment was one of the essential features of building association business.

Farming conditions in most communities are such that few farmers can make weekly or monthly payments. Farmers must usually depend on their annual crops or the sale of live stock for their income, and these are generally marketed only once or twice a year. Many prosperous, well-to-do farmers find it impossible to make monthly or weekly payments on a loan, but could easily pay the aggregate dues annually or semi-annually. So long as building associations insist on weekly or monthly payments, from all of their borrowers, they are practically barred from making loans to farmers.

An amortized loan on the building association plan is one paid off by periodical installments, covering the accrued interest and an additional sum for a sinking fund with which to meet the debt, or as is sometimes done, to be applied directly in reduction of the debt. It so happened that in the early days of building associations most of the members drew their wages monthly and to meet the convenience of the members the periodic payments were adjusted to coincide with their monthly pay days. In other communities, where wages were paid weekly, building associations adjusted their plan to meet that condition, and received their contributions from their members weekly instead of monthly.

Under the elastic and flexible plan on which the permanent associations are conducted, the contracts with each individual borrower can be arranged and adjusted to suit his convenience. Where his income is received weekly, his contributions to the association may be made weekly. Where he receives his wages monthly, his contract provides for monthly payments: and a farmer who receives his income once or twice a year can, under this plan, make a loan payable semi-annually or annually, as may best suit his convenience. All these varying contracts

are the same in principle; namely, paying off the loan in periodic payments to suit the convenience of the borrower.

The extension of the building and loan system to the making of farm loans payable in semi-annual or annual payments has opened to the building association movement a field of tremendous magnitude.

While the extension of building and loan associations in reference to the field of farm loans is comparatively recent, it has already assumed quite large proportions, and is growing at a very rapid rate. The Ohio building associations are now carrying many millions of dollars of farm loans on the building association plan, and in the States of Indiana, Kansas, Nebraska, and others, this line of business is being rapidly extended.

How to Organize

Necessary Conditions.

The plans and methods of organizing a building association have undergone great changes in the last few decades. In the early days of building association development they were confined to thickly settled communities, and their membership was exclusively made up of wage-earners, receiving their pay monthly. Industrial conditions have greatly changed since that time. The payment of wages, semi-monthly or weekly, has become almost universal in American industry. Keeping step with this change, building associations very quickly adjusted their plan, and instead of requiring payments on association stock and loans to be made monthly, as originally provided, semi-monthly or weekly payments were soon provided by building associations, to correspond with the members' pay-days. It was also found that in every community there were individuals whose income was irregular in amount and uncertain as to the time to which it was received; that these individuals would be glad to avail themselves of the benefits and advantages that a building association offered, but could not comply with the rigid rules requiring regular payments of specified amounts. This was especially true in small towns in agricultural communities, where the regular wage-earners were not sufficient in number to justify the organization of a building association for their exclusive use; where farmers in the surrounding country would not avail themselves of the advantages of building associa-

tion membership if regular, periodic payments were insisted on.

The elastic, flexible plan offered by the permanent type of building and loan association has been found admirably adapted to communities of this character, and has opened up a wide and fruitful field in which to plant and cultivate the building association idea.

While it is no longer necessary that the membership in building associations should be restricted to individuals drawing regular wages at regular intervals, it is highly desirable that the community in which a building association is organized should have a considerable portion of its citizens thus engaged. There should be a community of wage-earners, containing a considerable number of persons with small incomes, and the local industries from which the incomes of these members of the community are derived should have the element of permanency; that is, the products of the local industry should be of staple articles which would probably always find a ready market. Or it should be a community interested in market-gardening, or other lines of agriculture, or engaged in numerous industrial enterprises. It should be constantly borne in mind that the funds of the association are to be chiefly invested in the building of homes by the members of the association; hence the community in which a building association is established should have a variety of industries and numerous concerns in which wage-earners could find employment.

Establishing the Necessity for an Association.

Building associations have so increased in number in some cities that there is serious competition among them. Where numerous associations already exist, the question should be carefully considered as to whether there is a

real need or demand for another. It sometimes occurs that associations are organized not so much to supply the actual needs of the people who are induced to become members as in response to the efforts of some individual or individuals who have their own private ends in view. Sometimes persons engaged in trade may desire to organize an association and have it meet at their place of business or in their vicinity, for the purpose of drawing custom for them. Some attorney may take an active part in the organization of an association in order to increase his clientage. It quite frequently occurs that someone interested in a real estate subdivision may organize an association in order to find a market for his lots. These motives are not objectionable in themselves, provided there is back of them a real need for an association on the part of the members themselves, who are to compose it. In many communities where building associations are very numerous it would seem more proper to consider the question of combining and consolidating some of the smaller associations, reducing the overhead expenses of management, rather than to increase the number of them by organizing new associations.

Industries and Building Associations.

The home as a factor for social and industrial stability is of fundamental importance and strength. And yet, building associations as well as industries have, for a long time, overlooked or underrated this fact. Our industrial institutions, that is, our shops and factories, represent by far the largest source of money-producing possibilities. For this reason the building and loan associations should seek to take greater advantage of the fertility of the factory field. There are few workmen who do not wish for their own home. The saver is the man who builds his home, and queerly enough, when he is ready to build he

looks to the building association to finance his home for him, but previously failed to patronize the associations in a way to give them funds with which to make loans. For this condition the building associations are just as much at fault as the workmen. Very few of them employ sufficient publicity to attract new members at large. By getting in touch with factory workers many new members can be secured.

Many large industrial concerns recognize the importance of this work and cheerfully lend their co-operation. Again, many large industrial concerns have taken the initiative and started building associations within the ranks of their employes, often paying the secretary's salary as a proper expense item. Such associations are generally managed by a Board of Directors elected by the shareholders who are all employes of the company in question.

Preliminary Steps.

Very great care should be given to the first steps taken toward the organization of an association. Unless a good foundation is laid in the beginning, the enterprise cannot be assured of success. Take, for example, the organization of an association in a town which has none. If it is a live, prosperous community with a fair proportion of working men earning regular wages in firmly established and permanent industrial concerns, of which there should be several; a community furthermore, surrounded by a prosperous agricultural community, commanding a mercantile trade of reasonable volume, this would be a very proper one in which to organize and operate a building association.

Great care must be taken to have only trustworthy men connected with the organization of such an association.

When the proper persons have been interested in the movement, it is usual for them to attach their names to an agreement to share equally in the liabilities for the preliminary expenses, such as advertising, rent for place of meeting, blank books, forms and supplies. A public meeting should then be called for in some convenient and respectable place. At this meeting temporary officers should be chosen. These consist usually of a chairman, a treasurer, a secretary, and an attorney. These should be persons of position and influence in the community, who have had some experience conducting public meetings. Someone should be present at such a meeting who is able and prepared to make a clear explanation of the plans, purposes, and workings of a building association. In case no one in the community is available who has had sufficient experience to properly present the subject, it would be highly desirable to secure the services of an expert from some other community who could properly present this subject.

The Building Association as a Community Proposition.

It should be made plain that such an association is not an individual enterprise, but is a community proposition, in which every member of the community has a vital interest. It is not organized to advance the personal interests of any individual or group of individuals or of any special line of business in the city, but is to be an institution for aiding every individual who cares to become a member in forming and practicing habits of thrift and saving, and increasing his personal prosperity; and for the further purpose of improving and upbuilding the community and adding to the community wealth by the building of homes for those who need them. Even before such a meeting is held, it would be advisable for the

promoters to have personal interviews with the managers of the leading industries and business concerns of the community, and their attention clearly called to the advantages and benefits which such an institution would supply to the community, and indirectly, to every line of business in the community.

Supply Concerns Should Co-operate.

Dealers in lumber and other building materials are especially interested in such an institution. Each new house which a building association makes possible, means more business for the dealer in this class of material. The hardware dealer can readily be shown how he is interested in the success of such an enterprise. Every new house must be furnished, and this is an interesting subject to every dealer in furniture, carpets, and curtains, and all the other items that go to furnishing a home. Every new home that is built supplies work for all the various building trades, the carpenters, the bricklayers, the plasterers, the painter, the decorator.

Labor Unions Should Assist.

All the labor unions engaged in the building line have a vital interest in the success of the building association. Every new home must be heated, so that the activities of an enterprise, which devotes its energies to the building of new homes, becomes at once of deepest interest to the dealer in coal or other fuel. This list might be indefinitely extended to show that every business man engaged in every line of business has a vital, personal business interest in the organization and successful operation of a building association in his community, and when these facts are properly presented it should be an easy

matter to secure the helpful co-operation of every far-seeing business man in the community, and to secure his aid in making the organization and management of such an association a success.

Foreign Language Associations.

The great foreign language element of the United States is generally thrifty and saving, and the building association makes a strong appeal to them. Consequently there are in the large cities many associations whose proceedings are conducted in foreign languages, such as German, Italian, French, Polish, Scandinavian, Bohemian, etc. There are even separate Leagues of such organizations in existence, and all of them ought to be encouraged. Wherever there is a numerically strong foreign element, and no separate organization in that particular language, these foreigners should be encouraged to join strictly American associations. That is the best of Americanization work.

Colored People Organize Associations.

In late years associations consisting entirely of colored people have sprung up and are making good headway. Local leagues should give these organizations special attention and lend a helping hand whenever opportunity offers.

Secure Co-operation of Organizations.

It may not be possible at the first meeting to determine finally as to the advisability of attempting to organize an association. The meeting may decide to appoint solicitors to make a preliminary canvass so as to discover the possibility of securing a sufficient number of members

to justify the attempt. For this or other satisfactory reasons it may be necessary to hold several preliminary meetings before attempting a permanent organization. Care should be exerted in keeping the preliminary expenses as low as possible. In many communities the Board of Trade, Chamber of Commerce, Rotary Club, Lions' Club, Knights of Columbus, Y. M. C. A., Y. W. C. A., Y. M. H. A., or other similar organization of business men, and sometimes a combination of these, interest themselves in the organization of such an association and supply the funds to pay the expenses of the preliminary organization, and the procurement of the books and supplies for the association, so that it may begin business without requiring expenses of this character to be paid for out of association funds.

Choice of Name.

When the organization of a building association has been finally decided, one of the first things to be done is to choose a name for the institution. In making this choice the following matters must be borne in mind:

First: The name must, in its form, correspond to the requirements of the statute under which the association is organized.

Second: It must not be connected with or bear a close and misleading resemblance to the name of any other similar organization in the place where organized.

Third: It must not be of such general descriptive character that the association can not, by using it, acquire exclusive rights in it.

Fourth: The name must not be improperly or prejudicially assumed, and must not be misleading in its form or character.

Capital Stock or Membership Shares.

At an early stage of the proceedings it will be necessary to determine upon the amount of authorized capital stock of the proposed association and the number and par value of the shares. The authorized capital and the number and par value of the shares should be determined largely by local conditions. In some States the fee for obtaining a charter or articles of incorporation is based upon the amount of authorized capital. In some States this charter fee is so large and excessive as to be quite burdensome. In other States the statute provisions recognize the practical charter of a building association and make the charter fee merely a nominal one. In Ohio a building association charter fee is $10, regardless of the amount of authorized capital, while in other States the charter fee, which must be paid is as high as fifty cents on each thousand dollars of authorized capital.

This charter fee is, perhaps, not excessive for ordinary corporations where the subscribed capital must be paid in cash at the time of organization; but for a building association in which a subscription to $1,000 of the capital stock is paid by the subscriber in installments of, say $10 per month, a charter fee of that size is exorbitant and excessive. In ordinary corporations the amount of capital stock usually forms but a small fraction of its assets, while in a building association the authorized capital is always largely in excess of its assets. Ordinary corporations are usually operated with the aim of securing large profits for a small group of stockholders, in some line of business dealing with the general public. It might be operated successfully and profitably for the stockholders without creating a single dollar's worth of taxable community wealth. A building association, however, is a quasi-public institution, in which every citizen has the

opportunity of acquiring membership and sharing in its benefits and at the same time is constantly creating permanent additions to the tax-paying wealth of the community. These considerations should be adequate reason why the organization of building associations should be encouraged and stimulated by permitting them to be organized at the least possible cost and expense.

Amount of Capital Stock.

In communities where conditions indicate that an association would quickly and rapidly grow to a large size, the initial authorized capital is usually placed at from five hundred thousand to five million dollars, the par value of the shares ranging from one hundred to five hundred dollars each. In small towns, where building association development would be naturally more limited and restricted, the initial authorized capital varies from fifty thousand to one million dollars. The regular dues or periodic payments on installment stock or membership shares are usually fixed at twenty cents to fifty cents per week, or one dollar to two dollars per month.

The number of shares which one man may hold is sometimes limited, so that the association cannot be controlled by a few large shareholders. The same results are frequently attained in other ways. For example, in some States the statute provides that each shareholder shall be entitled to cast one vote only, regardless of the number of shares he may own. In other States, the law provides that a shareholder may cast one vote for each share of stock which he owns, provided that the total number of votes which he may cast in his own right shall not exceed twenty. Another plan for preventing the control of the association falling into a few hands is adopted by some associations providing in their by-laws that each

member shall be entitled to cast one vote for each $100 paid in on his stock or membership shares, and a proportionate fraction of a vote for all sums so credited thereon less than $100, and at the same time limiting the total number of votes which any shareholder may cast.

The name of the association and the amount of the authorized capital and par value of the stock are, of course, essential features in the articles of incorporation, and in the constitution to be adopted. The whole subject of capital stock, which is of great importance, is fully discussed in its appropriate place in another part of this book.

The Constitution.

One of the most important factors connected with the organization of an association is the framing of the rules or articles under which it is to be operated. This task should be placed in the most competent and experienced hands, and their work should be carefully revised and scrutinized before adoption. In some States the essential fundamental plan of the association, that is to say, its constitution, is a part of the articles of incorporation to be approved by the State authorities, and forms the charter under which it is authorized to operate. In other States the charter or articles of incorporation is merely an authority issued by the State, permitting the association to organize and conduct its business. But in nearly every State the charter or articles of incorporation, the constitution and the by-laws, are subject to inspection, revision and approval of some State authority. As this constitution, or articles of incorporation, where the law so requires, becomes the fundamental law, it should be framed and drafted with a view to permanency, and changes therein should only be permitted through imperative

necessity and requiring a large majority approaching unanimity of the shareholders to change it. For this reason it should be drafted on broad lines, including only the fundamental plan, principles and regulations upon which the association is to be operated. It should be expressed in plain language, avoiding all clouded and doubtful phrasing. All minor regulations covering the detailed operation of the association should be omitted from the constitution or articles of incorporation and reserved for the by-laws and rules of business.

The constitution should not only have the greatest care and forethought on the part of those drafting and adopting it, but it should, if possible, be based and formulated upon some model which has stood the test of experience. Much the largest part of the litigation that has arisen in the different States in connection with building association affairs grows out of the crude, careless and informal manner in which constitutions and by-laws have been framed. Courts have made much complaint about the negligence and carelessness displayed in the wording of these important documents. It is not uncommon, indeed, to find contradictory provisions in the same constitution, relating to important matters. The constitution being the fundamental organic law under which the association operates, should be adopted by and subject to change only by the membership, and as stated before, it should require a large majority of the membership to adopt or change this organic instrument.

By-Laws.

After the constitution has been adopted, a set of by-laws should be prepared, governing the minute details of the operation of the association, and these also, should be in accordance with the State laws and with the constitution adopted, and should follow generally accepted

parliamentary usage. Some associations make the mistake of including all these detailed rules covering the minute operation and procedure of their associations, in the constitution. The by-laws are not of an organic character, but are simply an expressed agreement among the members as to how the different details of the association work should be carried on. These should, therefore, be kept separate from the constitution, so that they may be changed and modified from time to time, as experience may show would make the operation of the institution more simple, convenient and efficient. Many associations provide that the board of directors of the association shall have authority to amend, repeal or modify the by-laws, or enact additional by-laws, because when such changes become necessary the board of directors can act more quickly and promptly than the entire membership. In some States, however, the statute provides that by-laws can be adopted or changed only by the membership and, of course, where such statute exists, that plan must be followed.

The by-laws must conform to the constitution of the association, to its articles of incorporation, and the statutes of the State, and to the general principle of common justice and equity, and must be reasonable in their requirements. No by-laws can be enforced that infringe on the common rights or the rights established by contract with any member. In like manner, if a by-law is repealed and thereby injustice is done to any member whose rights were protected by the by-law, such action is void. The adoption of new by-laws cannot add additional burdens or requirements to contracts in existence before their adoption. By-laws must not be adopted, which from their nature, can not be enforced or which are evidently of a "nugatory and oppressive" character, nor can any by-laws be enforced which have the effect of de-

priving or restricting any member from his legal rights and remedies.*

Incorporation.

The procedure by which corporations are created varies in the different States. In some States they are created by a special act of Legislature. In others they are created in accordance with the general corporation law, which applies to all forms of corporations alike. In some States they may become incorporated by voluntary association; in others by an order or decree of court, and in some by letters patent from the executive or some other designated State officer. In a number of States, special provision is made for the incorporation of building associations, treating them as a special class, with special powers. The steps by which a building association is incorporated should follow strictly the statute provisions of the State under which it is organized. After the constitution has been adopted, or sometimes even before this has been done, articles of incorporation should be prepared and forwarded to the proper authority for acceptance and record. In many of the States the incorporating authorities furnish blank forms and detailed instructions as to the proper steps to pursue in securing a charter or articles of incorporation. The statutes of most of the States require that a certain amount of stock must be subscribed before the association can be incorporated. The drafting and securing of articles of incorporation should be placed in the hands of competent attorneys. Forms of incorporation papers in common use in Ohio are given in another place.**

* In the appendix will be found a specimen for constitution and by-laws.

** See Chapter on "Forms."

Officers.

The constitution generally designates the titles of the officers of the association and the time and method of their election. As soon as articles of incorporation have been received and the constitution and by-laws have been adopted, it will be necessary to complete the permanent organization of the association, by the election of prescribed officers, according to the methods laid down in the constitution. The same care must be exercised here as in all other steps incident to the formation of the association. The officers are to occupy very responsible positions, and should be men possessing integrity and popularity. Practically they will have full control of the affairs of the association. Its success depends very largely upon the attention which they give to its business. The success of the institution and the interests of the shareholders will be promoted or injured, according to the degree of faithfulness and ability with which the officers of the association discharge their duties.

Representative Men in Directorate.

In selecting members to serve on the board of directors, care should be taken that these members should be representative of as many different interests of the community as possible. In some places there are groups of foreigners of different nationalities. Special effort should be made to have a representative leader of each of these nationalities on the board of directors, and effort should be made to induce as many as possible of these foreign residents to become members of the building association. If this is done, the association may become a potent factor in Americanizing these foreign groups, in making them familiar with American ideals and customs, and inducing them to become home-owners and permanent citizens, and teaching them a higher appreciation of the advantages

of American citizenship. In this way the building association becomes a practical "melting pot" in which all the different nationalities of the community may be fused and amalgamated into real Americans, eliminating the dross of foreign ideals, hatreds and antipathies, and substituting therefor, the mutual friendship and helpfulness of a united American citizenship.

Headquarters.

Before beginning the practical operation, an association should establish a permanent office or headquarters. Great care should be exercised in selecting the location for conducting the business of an association. It should be centrally located, easy and convenient of access, clean and respectable. While care should be taken not to locate in an office that will be too expensive, on the other hand, the mistake should not be made of selecting a location that is inconvenient and not readily accessible. Many an association has failed to reach the degree of usefulness which it might attain, because of making a mistake in locating its office. The headquarters should be fitted up with furniture suitable for the business, but this need not be very costly. There should be a high desk, such as book-keepers commonly use, with a wire or metal grille across the top, containing wickets through which business is to be transacted. There should be desks, tables and seats sufficient for the transaction of the business of the association. Each association should have a safe for the proper protection of its books, papers and such sums of money as may be temporarily in the hands of its officers. The officers being responsible for the safety of the property of the association, are compelled to give bond for its security. They should be provided with a safe place of deposit for everything for which they are held responsible.

After the headquarters have once been established, it should be understood that this is the regular business office of the association, and all communications, notices, etc., intended for the association should be addressed to this office, where they will receive prompt attention.

It is quite a common practice to locate the headquarters of a new association in a portion of an office occupied by some other line of business, often in the office occupied by the party elected as secretary, who, at the outset, looks after the business of the building association as a side line to his regular business. By this plan the initial expenses of the association in the early days of its development can be materially lessened.

It is highly desirable, however, that every reasonable effort should be made to build up the membership of the association as rapidly as possible, and to have it attain a volume which will justify the sole attention of a secretary devoting himself exclusively to the business of the association. In most communities where the organization of an association is justifiable, this can be done with proper effort more quickly than might be thought possible.

In many of the States associations are erecting their own office buildings, fully equipping the same with office fixtures, vaults and other facilities necessary for a modern financial institution. Their uniform success would seem to justify such an investment as necessary to command respect and approval.

Recruiting Members.

After the organization of the association is completed, its books, blanks and supplies have been procured, and an office established, the next step, and the one vital above all others, is the building up of its membership. This should be made, so far as possible, a community task, not confined wholly to the efforts of the secretary and

officers and board of directors, but every business interest in the community should be enlisted at the outset in popularizing the association and securing for it the largest possible membership. In this work no plan is so effective as personal solicitation. The association should have prepared a neat, attractive leaflet, briefly setting forth the plan on which it is organized, and the advantages to be derived from membership. Applications for membership should be printed on cards, to be signed by the applicant. If proper steps have been taken to enlist the interest of business organizations and business men in the enterprise, and if the plan and purposes of the association have been so greatly explained as to be thoroughly understood, it is not usually a difficult matter to induce a large number of business men and members of business organizations of the community, such as Chambers of Commerce, Board of Trade, Rotary Clubs, Trade Unions, Y. M. C. A., Lions' Club, Knights of Columbus, Y. W. C. A., Y. M. H. A., and other similar social and business organizations, to take a personal interest and make a personal effort to secure members for the building association. School teachers should also be interested, as they have a large opportunity in spreading the building and loan idea.

Support of the Press Needed.

Another powerful assistant, whose aid should be secured in promoting the organization, is the local newspapers. These will be found almost without exception, to be interested in any movement of this kind for the general good of the community. See that the reporters and editorial writers of the local papers get a clear conception of the benefits building associations confer upon the community. Their comment on the subject and the

reports of the progress of the work from day to day will be found extremely helpful.

Co-operation With Banks Desirable.

Another powerful interest, which should be enlisted in this work, is that of the local banks. Some men entertain the idea that building associations and commercial banks are rivals in business and competitors in trade; that the success of a building association curtails the growth and restricts the business of the commercial bank in that community. Experience shows that this is not the case. Commercial banks are most prosperous when business in the community is brisk and lively; when money is flowing rapidly and freely through the channels of trade.

A building association has no treasure vault of its own where it locks up funds, leaving them idle and out of the reach of the business interests of the community; but all the funds which a building association receives is at once deposited in some bank and goes to swell the resources of the bank in which it is deposited. Much the larger part of the money deposited in building associations is received from members who never had a bank account, and which would never reach the bank's vaults, except from the hands of the building association. When such an association pays out money, it is not taken out of the community, and shipped to some distant point, but is loaned out to build homes and create additional wealth in the local community. It is at once paid out to lumbermen, the painter, the hardware man, the plasterer, the plumber, the brick-mason, and in all the various lines of labor and merchandising which are numbered among the most highly prized customers of the commercial bank, to whose vaults this money quickly finds its way again. There is no more potent, effective factor for stimulating

business activity. The work of such an institution creates a business condition which is helpful to the commercial banks.

Building Associations Mobilize Idle Funds.

It is easily understood that a commercial bank might not favor the organization and operation of an institution in its community if the funds collected are sent out of the community and invested in some distant place, thus reducing the volume of money circulating in the neighborhood; but a building association does none of these things. It mobilizes the idle funds of a community, deposits them in bulk in the local bank, and disburses them through the channels of local trade, stimulating local business and enhancing local prosperity.

These facts are well understood by the big men in the banking business, and the banker of broad views is invariably found promoting and encouraging building associations. In the larger cities, where the employes in the large banks are numbered by the hundreds, an increasing number of them are urging and encouraging their employes to organize a building association among themselves, and associations of this kind are found in great number.

Another very common practice is to suggest to each new member who joins the association that he take a supply of leaflets and membership cards to distribute among his friends, urging them also to join the association. An attractive sign should be displayed at the office, advertising the association. A neatly-lettered sign upon the window of the association office should not be overlooked. Many an association has received new members through the display of an attractive sign. Newspaper advertising, to a reasonable extent, is valuable.

Directors should not be over-economical in this connection. Money judiciously expended in advertising an association will bring desirable returns, but it should always be remembered that no form of publicity or advertising is so quickly effective as personal solicitation.

Wherever it can possibly be done, arrangement should be made to have the office of the association open on all business days during business hours. Circumstances sometimes make this arrangement inconvenient or impossible. In such cases it is usual to select some day in the week or some evening in the week as the regular time for receiving payments. The regular meetings of the board of directors for the transaction of their business should be held at least weekly. In some communities the practice still prevails of having the entire board of directors attend the meetings of the association and supervise and assist the receipt of money, and making of entries of the same on the pass-books, books and records of the association. This practice, however, is changing. In practice it has been found that a single official can really handle the business of the association more rapidly and accurately than can be done when the system requires a number of officers to handle each transaction. However, these minor details can be easily adjusted by each association and handled in such way as may be found most convenient and efficient.

New Regulations.

The suggestions of this chapter are necessarily of a general character. In each State they must be carried out according to the local State statutes. Many laws are being enacted that require occasional changes in the details of the organization and the practical work of associations from time to time.

CHAPTER IX.

Stock and Stockholders.

Different Definitions of "Capital Stock."

The stock of a corporation is defined by Webster as "The capital of an incorporated company, in transferable shares of a specified amount." Attention has been called in a previous chapter of this book to an important distinction between the capital stock of a building association and stock in an ordinary corporation. The stock in an ordinary corporation is a fixed, permanent, non-withdrawable investment. As stated in the definition above quoted, ordinary corporation stock is transferable, but is not subject to withdrawal. The ordinary corporation is not permitted to traffic in its own stock. The holder cannot present ordinary corporation stock to the office of the company and demand a return of his money, while stock in a building association may be paid off by the association under the rules and by-laws which it has adopted for its government.

At the organization of a building association a certain amount of capital is fixed and specified in its charter or articles of incorporation, an amount that it is the aim of the association to accumulate. This common fund or authorized capital is divided into equal shares. The number and value of shares into which this stock is divided is fixed by the general statute and the charter of the association. A person subscribing for or otherwise becoming the owner of one or more of these shares is known as a shareholder, or stockholder. This subscription specifies the manner in which he agrees to pay into the association the sum represented by the stock which he owns, and is sometimes to be paid in regular,

periodic installments; sometimes in irregular payments, as he may find convenient; and sometimes to be paid in full in a lump sum.

In some States the statute limits the number of shares that may be held by any one person; in other States the State law limits the amount of stock which any one person may hold; in still other cases, no limit is fixed to the number of shares that may be held, the provision being that only a limited number of shares shall be voted by the holder. The minimum amount of stock to be taken, that is to say, the number of shares for which subscriptions must be made before an association can begin operation is generally determined by the State Laws and the rules of the association.

Increase of Stock.

The maximum capital stock of an association is fixed in the articles of incorporation and by the constitution. But in most States it is competent for the association, by virtue of authority given it for that purpose in the charter, to increase the stock within the limits established by the statute, and in the manner required to legalize such change. This increase of stock should be made only when all other stock is taken by *bona fide* subscription, since its issue involves additional expense. An increase of stock must always be made in strict accordance with the legal provisions and should therefore be undertaken only under competent legal advice. There can be no uniform rule laid down concerning increase of stock. Such increase depends upon the nature of the association, the rules it has adopted, and the provisions of the statutes under which it operates. In *terminating associations,* for instance, there can be no arrangement for increase of stock as the term is generally understood.

CHAPTER IX.

Stock Is Property.

The ownership of a share or shares of stock in a building association does not give the holder a proprietary right in the property of the association. It simply gives him the right to share in the surplus profits obtained from the use and investment of the revenues of the association. The funds of the association may, for instance, be invested largely in real estate. The shares are nevertheless merely personal property and do not entitle the holder to any individual proprietorship in the real estate belonging to the association.

Shares Transferable.

Shares or stock in a building association may, like other personal property, be transferred, from one owner to another. The transfer is made "by assignment and delivery." The method of transfer should always be specified in the constitution or by-laws of an association. Of course no transfer of shares can be made when such transfer trespasses in any way upon the corporate rights of the association. A member who is in arrears cannot transfer his shares until he makes settlement to date. On the other hand the association cannot resist such transfer where the holder of the stock has complied with all the necessary conditions. Usually a fee, called the transfer fee, is charged to the person to whom a transfer is made. This is an equivalent to the admission fee charged to new members.

Stock Payments or Dues.

A member of an association is the holder of some part of its capital stock. The par or paid-up value of a share is fixed in the constitution at such amount as may be decided upon, generally from $100 to $500. This par

value of a share is its *expected* value. Its *actual* value is a very different thing, especially during the first years of a shareholder's membership. A subscriber for a share of stock of the par value of $500 has simply made an agreement to pay into the association a regular weekly or monthly installment of a certain amount, which periodical payments are to be continued until the accumulated payments, together with the accrued dividends thereon, shall amount to the sum stipulated as the full value of the share. These periodical installments are called stock-payments, or dues. It is seen, therefore, that the actual value of a share at any time is determined solely by the amount paid in and the profits accumulated up to that date and not at all by its face value. The regular payment of these periodical contributions by members is the prime dependence of the association for its success as an enterprise. The constitution and by-laws of every association, therefore, must prescribe carefully the time and manner of making these payments. The fixing of penalties for default of payment may also be necessary. This subject is discussed further in its appropriate place in another chapter.*

Paid-Up Stock.

In some associations provision is made for members to pay in the full maturity or par value of their shares at any time, and a certificate of paid-up stock is then issued. The owners thereof are entitled to receive in cash the amount of all dividends declared thereon, subject to such conditions or limitations as the board of directors of each particular association may have adopted. In some instances these shares participate as fully in the profits as the regular installment shares; but in other cases only a

*See Chapters VII and XII.

fixed rate of interest is allowed, while the holders of the shares assign to the association all rights to profits above that amount. In some cases the holders of regular installment shares that have arrived at maturity value, do not desire to draw their money, but prefer to leave it with the association as an investment. In associations where this practice is followed, the holders of matured shares receive certificates for the same, which are usually governed by the same conditions as are attached to paid-up shares.

It was formerly the custom (still followed to some extent) to pay off shares as they matured in the regular course of the association. In a *terminating association* this, of course, must be done. In the *serial associations,* where all the stock of each series matures at one time, it is necessary that there be a large accumulation of funds toward the end of the series to meet the stock payments which will then become due. The disadvantages arising from such a necessity are readily understood. In the *permanent or perpetual associations,* where shares are maturing in small numbers from time to time, this large accumulation of funds to pay them off is not a matter of so much consequence. In fact the majority of associations leave the amounts to the credit of members, merely increasing the number of shares or issue certificates of paid-up stock. The constant addition of new members supplies the necessary funds to meet the withdrawal of the maturing shares.

It is always a question worth considering as to whether the funds should be withdrawn from the association when shares mature. On the one hand the association may be able to use the money to good advantage and may be hampered in its operations by its withdrawal. This is especially true in the case of a *serial association,* for it is necessary that the association hoard its money quite a

while in advance and then to part with the large amount thus saved up. Of course, this must limit its operations. On the other hand, unless the owner of the stock has some specific use for it, as in the purchase of property or paying off a mortgage, or something of that nature, it may be better for him and he may prefer to leave it invested in the association than to draw it out. The possession of so much money immediately in hand brings with it the temptation to spend it needlessly, or to risk it in some speculative enterprise. In the case of a *serial association* the placing of so much ready capital in the hands of so many persons whose stock has matured may result in the needless expenditure of a large part of the money which might have been reserved for better uses.

Certificates of Paid-Up Stock With Coupons.

New features have recently been introduced in some associations in connection with the issuance of paid-up stock certificates. Under the old rule the certificates are redeemable only by special action of the board of directors. The change consists in the attachment of a series of coupons to the certificates. This plan is possible in associations which have an assured prospect of having money to sell or loan for some time ahead. The coupons specify the rate of interest. A copy of these coupons will be found in the chapter on Forms. The use of the coupons saves the secretary the trouble of issuing special vouchers for dividends on paid-up stock. In some cases these coupons are accepted as cash for the amount of dividend. It is evident that it is only under certain circumstances that these features can be adopted and followed. The rate of guaranteed dividend must be so low as to justify the directors in adopting the plan, and there must be some positive assurance that it can be continued.

The rules of an association in reference to paid-up stock should be most carefully drawn so as to cover all contingencies or emergencies.

Any member whose stock has matured should consider very carefully whether or not it will be best for him to draw out his money or take a paid-up stock certificate and leave the money in the association as an investment.

Other Facts Concerning Stock.

Various other questions relating to stock have been determined by general usage or passed upon by the courts. Associations have the right of lien upon shares, which extends to all liabilities of shareholders, for dues, fines and other lawful charges. An association, in extreme cases, may collect by suit the dues of delinquent members who are endeavoring to work injury to the association. In cases where the shareholder has borrowed money from the association his regular dues are not to be credited upon his loan but are to be applied upon his stock account just as the dues of any other member. He may, however, at any time have its accumulated stock-payments applied upon his debt; or, if the association holds a lien upon his shares for security of his indebtedness, the association may, in case of his default of obligations, apply his accumulated stock-payments to cancel his indebtedness as far as they will reach. In such cases defaulting members have the benefit only of the aggregate of their paid-up subscriptions. But if a member voluntarily repays the money thus applied, there is added the declared portion of the profits of the association up to the time of the repayment, provided he has not assigned his shares to a third party.

An assignee or executor of a member may exercise the same rights in the control of stock as the shareholder himself. Stock may be assigned to an associa-

tion by a borrowing member as collateral security for his loan, and it is the usual practice of associations to require this assignment. Where the stock is assigned to an association as collateral security and real estate is at the same time mortgaged, the liability falls first upon the stock. If this fails to extinguish the indebtedness then the real estate or other collateral security becomes liable.

In order that no question may arise in reference to any of these miscellaneous matters they should all be covered as nearly as possible by explicit rules in the constitution and by-laws of the association. The practice in connection with many features of work is not at all uniform in associations. Hence the necessity that each association carefully define in its rules the course which it will adopt in connection with all matters concerning which differences of opinion might arise in the absence of rules specially governing them.

Certificates of Deposit.

In a number of the States where special deposits are received from those who do not care to become members of the association and who do not care to assume any liability as to membership, persons may deposit the money with the association along the same lines as it is deposited in regular savings banks, trust companies and similar institutions. The board of directors usually fix a certain rate of interest to be paid thereon, payable semi-annually or annually, as the case may be, and prescribe certain conditions relating to these deposits.

Many large associations have been developed in a few years where the law permits the issuance of such certificates of deposit. In some States, particularly in California, they are known as Investment Certificates, Coupon Certificates, or Guaranteed Income Certificates.

CHAPTER X.

Definition of Stock and Stockholders

Difference Defined.

The difference between a stockholder in a building, loan and savings association and that in an ordinary corporation, for usual business purposes, lies in the fact that in the latter the member or stockholder buys his stock and pays for it at once, and usually is not called upon for any further payment. His profits, or the results of his investments in such stock, are derived through dividends, the value of the shares depending upon the successful operation of the business. They often go above par when the corporation is doing a profitable business, and the value often drops far below par when disaster comes.

In the building, loan and savings association, on the contrary, the stockholder or member pays a stipulated minimum sum, say $1.00, when he takes his membership and buys a share of stock. He then continues to pay a small sum each week or month until the aggregate of sums paid, augmented by the profits, amounts to the maturing value of the stock, usually from one to five hundred dollars. At this time the stockholder is entitled to the full maturing value of the share, and he surrenders the same. Or he may receive a certificate of paid-up stock, if he chooses to leave the money with the association.

It is clearly seen, then, that the capital of a building, loan and savings association consists of the combined savings of its members, paid to the association upon shares of stock, increased by the interest and premium which the association has received on loans made by it

from the savings of its members thus paid to the association, and from all other sources of income. The amount of capital of the association, therefore, increases from month to month and year to year.

Serial Associations.

In the serial associations, shares are usually issued in series. When the second series is issued, the issue of the stock of the prior series ceases. Profits are distributed and losses apportioned before a new series is issued. The term during which a series is opened for subscription differs, but it usually extends for three or six months, and sometimes a year. Prior to the maturing of a share, it has two values. One is called *the holding or book value,* and the other the *withdrawal value.* The former is ascertained by adding all the dues that have been paid to the profits that have accrued; that is to say, the holding value is the actual value of a share at any particular time.

The withdrawal value on the contrary is that amount which the association is willing to pay to a shareholder who desires to sever his connection with the association prior to the date at which his share will mature. Every association has full regulations prescribed in its constitution and by-laws on all such matters, as well as on matters pertaining to expenses, notice of withdrawal and all the methods and processes necessary for the safe conduct of the business.

The purchase of a share binds the shareholder to the necessity of keeping up his dues and thus secures to him all the benefits of his savings. This accomplishes the first feature of the motive of a building, loan and savings association. The second is that of enabling a person to borrow money for building or other purposes.

Borrowing Members.

Ordinarily a shareholder who desires to build a house and has secured a lot for the purpose makes application to borrow money from the association of which he is a member. Suppose a person who has secured a lot wishes to borrow $1,000 for the erection of a home. He must be the holder of five shares in the association, each share having as its maturing value, say $200.00. His five shares, therefore, when matured, will be worth $1,000, the amount of money which he wishes to borrow. The process by which he can borrow this money differs from that of borrowing money from savings, trust or other financial institutions.

In a building, loan and savings association the money was formerly put up at auction, usually in open meeting on the night or at the time of the payment of the dues. Those who desired to borrow, bid a premium above the regular rate of interest charged, and the one bidding the highest premium was awarded the loan. There has been a decided change in this direction. Premiums on loans are being eliminated very rapidly, and the association aims to furnish its borrowers money at as low a rate of interest as possible. The persons desiring to make a loan now make application for the same, which is filed in numerical order, and then taken up at the meeting of the board of directors. The person who wishes to build his home, therefore, and desires to borrow $1,000, must have subscribed for five shares of stock of $200.00 each in the association, and after the directors have passed upon the application, the $1,000 will be loaned to him, if acted upon favorably. A borrower need not be a member for any length of time before he applies for a loan. The making of the loan and subscribing for the shares may all be done at

the same time as parts of the same transaction. To secure this $1,000 the person gives the association a mortgage on the property, and pledges his five shares of stock. To cancel this debt he is constantly paying his monthly, semi-monthly or weekly dues, until such time as the payment of dues, plus the accumulation of profits, matures the shares at $200 each. At this time, then, the shares are surrendered and the debt on the property canceled. The question as to whether this method of obtaining money for the building of homes or for other purposes, is more or less economical from that of obtaining it from the ordinary savings banks, trust companies or other financial institutions has been discussed in another chapter.

Definite Contract Loans.

In some associations the borrower contracts for a certain definite fixed number of payments and upon completing these his note and mortgage are cancelled. One of the progressive California associations, organized on the Guarantee Capital Stock plan, which is authorized in that State, loans on the definite Contract plan and also guarantees the maturity of its membership shares. Upon making a definite number of payments, i. e., 120 payments of $12.30 each, a loan of $1,000 is paid off. Its loans are made on a basic rate of 8.4 per cent. per annum, on the decreasing monthly balance, $476.00 being the total interest charge on a ten-year $1,000 loan. The debt is evidenced by an installment promissory note secured by mortgage or deed of trust. All borrowers are required to carry membership shares on which they pay 50 cents per share per month, for 134 months. On 10 shares the borrower will earn in 134 months, $330 in dividends (7 per cent. compounded annually). In all, the borrower

pays $12.30 monthly on the loan for 120 months, a total of $1,476, and $5.00 monthly on membership shares for 134 months, a total of $670, or on both contracts $2,146, receiving $1,000 on making the loan and another $1,000 at the end of 134 months.

Safety of These Associations.

It will be seen at once that the investment in a building, loan and savings association is as nearly absolutely safe as it can be, for the paid-in dues and the accumulated profits, which give the active capital of the association, are loaned as fast as they accumulate. They are usually loaned immediately upon real estate or upon the stock of the association itself. The opportunities for embezzling or for the shrinking of securities are reduced to the minimum, and almost absolute safety of the investment is secured. In referring to the enormous amount of money handled by the building, loan and savings associations of the United States, the Hon. Carroll D. Wright, Commissioner of Labor, in his most excellent report, published in 1893, from which extracts are given, states the following:

"A business represented by an annual income of, at that time stated $450,667,594, conducted quietly with little or no advertising and, as stated, without the experienced banker in charge, shows that the common people in their own ways are quite competent to take care of their savings, especially when it is known that but 35 of the associations then in existence showed a net loss at the end of their last fiscal year, and that this loss amounted to only $23,332.20. Of course associations disband for the want of business or from some other cause, but when they disband, loss does not occur, because the whole business of the association consists of its loans, and these loans are to its own shareholders, as a rule, who hold the securities in their associated forms. A disbanded association, therefore, simply returns to its own members their own property."

Insurance.

Insurance Features.

The matter of various forms of insurance that can be successfully introduced in connection with this work has been given great consideration by the leaders of the movement. When we consider the line of credit extended to the wage-earner, it is no more than proper that these credits should be protected. To meet this demand various forms of insurance have been devised.

Health, Accident and Disability Insurance.

The protection afforded not only to the member but to the association is of importance. Prominent insurance companies have given this matter careful consideration, and have submitted propositions covering this idea. In case a member meets with an accident, or becomes sick, or disabled, these companies will pay him a regular indemnity as provided in his policy. In many cases the homes of borrowers would have been saved to the families had these precautions been taken.

The payments covering this insurance are made at regular stated intervals, to the secretary or some other person designated for this purpose, so that the members are not put to any inconvenience in the matter. We are of the opinion that while this may be a difficult practice for associations to adopt in a general way, still the idea could be inaugurated on all new business that is written. In fact, when an application for a loan is made to the association, it is just as proper to ask the applying member if he has made these provisions as it is to ask if he has a

fire insurance on his house. Statistics have proven that the loss of homes through fire is but a small percentage as compared with the number of members who become sick or meet with accidents.

Tornado Insurance.

This subject should be carefully taken into consideration by associations making loans on property, as nearly every month in the year some damage is caused to some member through the force of windstorms, cyclones, tornadoes, etc. It, therefore, becomes necessary for those having charge of the association's interests to see that each borrower has his property protected by a proper tornado policy in some responsible company.

Life Insurance.

For the purpose of investment and as a security for loans, some associations issue in connection therewith, so-called life, protected or *endowment stock.* This stock is issued for the benefit of such members as may desire to protect their investments from the consequences of death before the maturity of their stock, and especially for the benefit of borrowing members. Arrangements are made by such associations with a responsible life insurance company in which the latter guarantees the payment of life insurance in case of death for the full face value of endowment stock, held by the member at the time of his death. Members who wish to avail themselves of such advantages must submit to the usual medical examination.

In addition to their regular dues, an insurance premium must be paid, graduated according to age. At the 1909 convention of the United States League, Dr. Pranard, of Paris, France, had the following interesting suggestion to make along these lines:

"I speak of insurance in building associations. I expressed, in the conclusion of my book on 'American Building Associations,' the hope of seeing American people adhere to the plan of life insurance policy as an additional security. All the ideas expressed by Mr. Brackett I support strongly, and am pleased to state that they are emphasized upon by Belgian and French specialists. Nothing more can be said after Mr. Brackett's remarks about the advantages of the plan, both for the society and for the borrower himself and his family. But I should like to tell, in a few words, the difficulties it encounters, and how, according to the Belgian practice, they are met with.

The system prevailing amongst us is that of the so-called 'reducing term policy,' under which 'the amount of the insurance is reduced each year, as the amount required for a discharge of the mortgage of the borrower is reduced by his monthly payments, his premiums being each year correspondingly reduced.'

From this excellent definition of the plan it follows that the premium of the first year, destined to face the most important risk, is the highest, and the premiums of the subsequent years decrease with the risk till the mortgage is paid off.

There are three ways of paying premiums: 1st, yearly, and then the amount of the premiums decreases with the risk; 2d, in gross, at first, for the whole time of the contract; 3d, by yearly equal installments whose amount is determined by the premium of the first year, and which, consequently, are paid during a part of the insurance period only.

The three systems present the same inconveniences; they necessitate, at the beginning, the greatest sacrifices from the borrower. The desirable solution would be the averaging of the premiums on the basis of the premium paid in the middle of the period; but such a solution is not possible for the insurance company, for the company would receive, during the first half of the contract, less than the price of the risk; there would be what is called a 'negative reserve.'

The difficulty is happily solved by the interference of the building society. The society advances the amount of the premium to the borrowers and incorporates it in the loan, combining the annuities so that they are equal; the portion representing the paying off is, during the first years, less important, while the portion of the insurance is higher; but the first one goes on increasing as the second one is diminishing. With this interference all interests are safeguarded; the insurance company receives the premium as is required for its security, and the borrower pays in, quarterly or monthly, the same averaged amount as long as his mortgage is not discharged."

CHAPTER XII.

Duties and Rights of Members.

Membership.

Membership in a building association is acquired by becoming a holder of its stock. All persons or corporations legally capable of making contracts may become members of an association. In some States, by special legislation, membership is permitted to minors and married women, who under the general law in those States would be debarred. As a rule one association, however, may not become a member in another.

There are two classes of members — savers and borrowers. Generally the membership is sought for the purpose of making a safe deposit of the small surplus earnings of persons, who otherwise would have to keep this surplus at home where it is unsafe and liable to be expended. These are called *saving members.* Persons may likewise become members for the purpose of obtaining a loan, and these are called *borrowing members.*

Subscribers for stock are sometimes required to pay a special admission fee and also purchase a pass-book. Dues on stock begin from the time of subscription. In associations as now conducted on *the permanent plan,* payment of back dues is not required, all stock dating from day of actual issue. But dues may be paid in advance, in part or in full. When paid in advance by the partial method in some associations they draw dividends. When paid in advance in full, certificates of paid-up stock should be issued.

A pass-book is *prima-facie* and generally sufficient evidence of membership. An association cannot deny membership to any person from whom it continues to accept dues. A person who, as a member, receives the benefits arising from membership, is estopped from denying his membership. Membership is terminated by death, by transfer of shares, by forfeiture, by voluntary withdrawal, by the dissolution of the association, or by the expiration of the series in which the member's stock stands. Where a member becomes a borrower, his membership may cease by special contract with the association.

Duties of Members.

A person who becomes a subscriber for the stock of a building association thereby enters into a contract with the association, all the terms of which he is legally bound to fulfill. Moreover, by subscribing to the constitution and by-laws, or, indeed, even if this formality be omitted, he, as a shareholder, must give his obedience to the rules of the association. A member must pay his dues, unless he becomes unable to do so, when he should give proper notice of withdrawal. A member should give the association his personal services to a reasonable extent by attendance upon the meetings and by the faithful discharge of the functions of such offices as he may be elected or appointed to fill. Each member of an association must bear his proportionate share of its expenses. In case of loss he must also share in this. A member of an association cannot withdraw in order to evade his liability for expenses and losses. His liability to contribute to the expenses ceases only with his membership.

CHAPTER XII.

Fines and Forfeitures.

There has been a great change of ideas relative to the fines and forfeitures to be imposed on the members of the associations. In fact, this item is gradually disappearing from the reports of well regulated associations. It has been customary to insert into the constitution and by-laws provisions relative to the imposition of these fines. Directors of associations generally possess discretionary powers in regard to the remission of fines. It is thought best to have these, so that if a borrowing member becomes delinquent, these fines may be imposed so as to provide for the associations a revenue in case they are compelled to foreclose. The delinquent member is thus made to share the expense occasioned by legal action.

To the fair-minded director a fine often suggests something of injustice or inequity. While it represents a source of profit to the association, it may add to the burden of an already overburdened member. The delinquency may arise, indeed, through some misfortune which will appeal strongly to the sympathies of the officers and other members. At such a time of adversity the addition of these fines serves to build up a barrier between the member of the association and the organization itself, and to defeat the delinquent's only hope of escape.

On this account it has been deemed advisable to discard the whole system of fines. All will agree that the imposition of extortionate fines is an evil. Directors should be given discretion in regard to the remission of fines, and should inquire carefully into the circumstances of delinquents and always remit a fine when it seems to them just and right so to do. If the member is a borrower and has become a delinquent through misfortune or causes for which he is not responsible, his case should be inquired into carefully, and he should be aided in any

way possible by the association. In such cases the directors frequently permit borrowers to pay interest only for a specified time. This is only a part of the spirit of co-operation and mutual interest, upon which such societies are founded. Such care and leniency on the part of directors may go far towards popularizing an association and thus add to its prosperity and usefulness.

Of course, what is said above does not apply to cases of mere negligence or carelessness. Such a shareholder should be stirred up to a sense of his duty by a prompt fine. But delinquencies on account of carelessness are not likely to be continued for any great period of time, as a month or three months. When a shareholder continues delinquent for such a period there should be an inquiry into the circumstances and a just disposition of the matter made.

In drafting the rules of an association too much care cannot be exercised in order that they may be not only legal but equitable. The constitution and by-laws should be so explicit and unequivocal that every member may understand the obligations he takes upon himself and the penalties to which he lays himself liable when he becomes a stockholder.

Directors should also have the right to demand and enforce the resignation of a member for any gross impropriety of conduct which would make his further connection with the association unwise or undesirable.

Rights of Members.

Members may occupy three relations toward an association. Certain rights are vested in them as members of the corporation, or corporations. When a member is only an investor in the association, he is possessed of certain special rights; and in like manner if a member

becomes a borrower he secures certain other special rights.

Corporate Rights of Members.

Every stockholder has the right to attend all the corporate meetings of the association, whether they be the regular annual or semi-annual meetings, or special meetings called for some particular purpose. He has the right to be duly notified of the time and place of all meetings and to take part in their proceedings.

In some States and in some associations a member has but one vote whatever number of shares he may hold. In other associations he has one vote for each share he holds. In still others, in the election of officers he casts one vote for each share he holds, while on matters of general business he has but one vote. In some States the law provides that a member can hold as many shares as he desires, but may not vote more than twenty. These qualifications should be clearly and definitely stated in the constitution. The constitution should also declare plainly for or against the right of a member to be represented and to vote by proxy, and if the right is allowed, should define the mode in which it shall be exercised. In some States this matter is determined by the statutes.

A member has the right to have access to the books of the association at such times and to such extent as will not interfere with the business of the association and the work of its officers. Owing to the inconvenience, confusion and annoyance which may arise from a large number of members having frequent access to the books in their efforts to examine them intelligently, it is well for members to forego this privilege as far as possible, and to refer all matters requiring examination to the auditing committee, or other authority empowered to

examine into and to report upon the business of the association.

A member has the right to hold office if elected or appointed in the prescribed form. A member may bring suit against an association upon the same conditions upon which a person not a member could bring suit. A member may, in behalf of himself and his fellow-members, institute legal proceedings against unfaithful officers to compel lawful action on their part or to restrain them from unlawful action. This right should, of course, never be used except when such action is based upon the most convincing evidence. Under certain circumstances a member may bring action in court to have an association dissolved. At the termination of an association each member has the right to his equitable share of the profits.

Rights as Investors.

A person who invests his money in the stock of a building association has a right to share in the profits of the undertaking in such a way as is provided by the statutes and the rules under which it operates. He also has the right to withdraw his funds and membership at such times as suit his convenience. But the chief and most important privilege of a shareholder or investor is that of receiving loans or advances from the association. It is this privilege which makes membership in an association attractive and popular among that class of persons for whose benefit building associations are organized and fostered by appropriate legislation.

Dividends.

The statutes, as a rule, authorize associations to declare and pay dividends out of the profits of their busi-

ness, annually or otherwise. These profits are calculated at the termination of each fiscal year or half-year, and in some associations quarterly. The profits, when declared, are distributed among the members pro rata, according to the amount standing to the credit of each member at the beginning of the term, and to the amount each has paid in during the term, and to the length of time it has been in. The rules and practice in reference to dividends vary in different associations. On this account it is not possible to lay down general rules governing this matter.

The rules of every association should be explicit in reference to the matter of dividends, for profit-sharing is one of the main features which recommend associations to popular favor. This rule must be so drawn that each member shall share equitably in the profits. In the organization of a new association the plan upon which it shall operate in reference to dividends should be carefully considered, for this may have much to do with its prosperity and success.

Right of Withdrawal.

A member who is simply an investor and not a borrower has the right to withdraw from an association without being subject to any forfeiture of the money already paid in. For the protection of the business of the association this right must be exercised under proper restrictions. The rules of every association should prescribe in detail the method of withdrawal. The modern association pays those intending to withdraw a portion or all of their credits on application. The ideal state to be attained, of course, is that the association pays interest on every dollar paid in and exacts no forfeiture from any withdrawing member. Formerly, a member was required to give formal notice in writing to the secretary of his

intention to withdraw. This notice was kept in a book for that purpose, and the attention of the directors immediately called to it. In Massachusetts, associations are compelled by statute to keep a book for the special purpose of recording notices of withdrawal, which is called the "Withdrawal Book." Members desiring to withdraw enter their notices in this book in regular order, including the date of entry. The applications for withdrawal are then acted upon in regular order.

While the State laws or the by-laws usually protect the association against unreasonable withdrawals by requiring thirty days' written notice, yet most associations as a matter of practice pay withdrawals on demand. Prompt payment inspires confidence.

While the primary idea of the building and loan association, as already stated and as popularly understood, is to enable members to become owners of homes, yet it is not the province of an association to inquire into the purpose for which a member desires to accumulate money. A member may therefore use an association not only for the purpose of securing a home, but as he would a savings bank for a variety of purposes. He may desire, (1) to accumulate a fund for the purpose of embarking in some business enterprise, or, (2) for the purpose of meeting some approaching obligation, or, (3) simply of securing a safe depository for his funds, or, (4) of securing a good rate of interest on his funds while deposited. It would defeat the purposes of some of the members if there were no proper provisions made for the withdrawal of their money and membership at such times as suits their plans and convenience. Hence it is that provision for withdrawals must be made in the rules of the associations.

CHAPTER XII.

The Equity of a Withdrawing Member.

The question has been debated as to what share in the profits of an association a withdrawing member is entitled. It has been held in some cases by the courts that a withdrawing member does not possess the right to claim a share of the undeclared profits of an association. Such member receives the amount he has paid in and his share of the profits credited and undrawn at the time of the last preceding declaration of dividends, after there has been deducted from this total amount any fines or other charges still owing by him. If the association has suffered a loss, it is the rule to deduct from the amount which a withdrawing member has paid in, an equitable portion as the directors may deem necessary for the protection of the remaining shareholders. In the case of a prospective loss, the settlement of which may be in the hands of an arbitrator or receiver, or may be pending in court, it is usual to withhold some portion of a withdrawing member's money until adjudication, when he is entitled to receive any and all residues of such money withheld, which equitably belong to him.

A member's privileges in the association cease as soon as he gives notice in proper form of his intention to withdraw. After that time he cannot transfer his stock. A withdrawing member is a creditor of the association until his money is paid him. As such he may bring action to collect the amount due if the association does not pay him in his turn and when the money is in the treasury.

The rules of an association should confer some discretionary power upon the directors in reference to withdrawals to be exercised in certain classes of cases.

Inheritance Tax Laws.

In recent years many of the States have enacted laws levying tax on inheritances. In some States these laws require that financial institutions having charge of funds, investments, securities or other property of a deceased person, shall not pay out or disburse any of these possessions except under orders or by permission of certain public officials. There is such a wide difference in the provisions of the different States regarding these matters that it is not advisable to attempt any analysis or description of them in this work. It is proper to say, however, that officers of building associations should familiarize themselves with the statute provisions regarding this feature in the State in which they are operating. In handling and disposing of funds or property belonging to decedents, legal advice should be sought as to the proper procedure.

Rights of Borrowers.

As already explained the primary purpose of a building and loan association is to lend money to its members. It follows, therefore, that every member of an association who complies with its rules has a right to become a borrower from it. The amount of money which a member is entitled to borrow is usually regulated by the constitution of the association.

A member who is a borrower from an association, even though in addition to other security he pledges his stock as security for the loan, continues a member in every sense and must discharge all the duties and may enjoy all the rights and privileges of his original membership, except the right of withdrawal and such other rights as may be abridged by the special provisions in the contract for the loan.

A borrower has the right at such times as are stated in the rules to return to the association, in the aggregate, the sum of money for the payment of which in installments his obligation calls. This must, of course, include accrued interest and other lawful charges. He can in this way, by complying with the constitutional provisions and restrictions governing such matters, release his stock, or redeem property which he may have mortgaged to the association. After such repayment the stockholder continues his membership upon the original conditions and may now exercise the right of withdrawal.

The exact amount of money to be paid by a borrower in the aggregate to discharge his obligation must be determined by the rules, and settlement should be made from the books of the association. This is another matter which should be carefully guarded and provided for in the rules and the contracts, since it has been a prolific cause of litigation.

The executor or administrator of the estate of a deceased member may continue the membership if he complies with the necessary conditions and regulations. But if he does not find it possible or desirable to do this, it has been held that the estate is entitled to the same privileges and allowances as if the borrower had voluntarily paid off the loan.

A borrowing member who does not keep up his payments is not entitled to the benefits received by those who meet their obligations. His only offset against the claims of the association is the actual payments he has already made in the way of regular dues and of interest upon his loans. Such members are also liable for their proportionate share of the expenses and losses of the association. A borrowing member, when sued by the association, does

not forfeit his rights of membership, and is still liable for his regular dues.

An association must, even after suit is brought, accept the payment of a loan with accrued interest and costs and other lawful charges if tendered. Such offer is regarded as a legal tender. If the offer is rejected the borrower is entitled to cease paying interest upon his debt and to the remedy of an adjudication by court.

Duties of Borrowers.

The duties of a borrower are sufficiently indicated in the preceding sections. He must not only keep up his original obligations as a member but must meet his contracts for the payment of premiums and interest and must look after the character and sufficiency of his security. Not only is his own welfare and good name dependent upon his faithfulness, but the prosperity of the association and the interests of his fellow-members are involved also in his obligation. All of these things put a heavy responsibility upon the borrower, which by every honorable consideration he must faithfully discharge.

CHAPTER XIII.

Loans and Securities.

Nature of a Loan.

The loaning or advancement of money to members is one of the peculiar and distinguishing functions of building and loan associations. This advancement of loans can be made to members, and the by-laws should so fully describe the methods of procedure that mistakes may be avoided.

In making or carrying into effect the rules relating to the loaning of money to stockholders, it should be borne in mind that the borrower continues an active member of the association and, as a partner in its affairs, is interested in the enforcement of the contract against himself as a borrower, and, that, in a contract between an association and a borrowing member, whatever goes outside of the statutory and constitutional provisions is invalid.

Mortgages.

The ordinary security given by a member for loans and advancements made to him is in the form of a mortgage, or in some States a trust deed, upon real or leasehold estate which he already holds or which he purchases with the money advanced to him. The taking of these mortgages is one of the most common incidents in the work of an association in fulfilling the functions for which it is established. A member may give a mort-

gage upon freehold or leasehold property for which he can show a clear legal title. He may give a mortgage upon the real estate of another person who in due form submits his property for this purpose.

Mortgages must be drawn directly in accordance with the statutes under which an association operates and with its own constitution and rules. Since the statutes under which associations are established differ in the several States, and since constitutions and rules governing this matter vary in different associations, there are many forms of mortgages in use. To enter into a full discussion of these forms would be foreign to the purpose of this work. Two forms in common use are printed in another part of this book,* an examination of which will assist in arranging for this feature of the work of an association. It is sufficient to insist here that the rules be so carefully drawn in reference to this subject that mistakes will not be possible. The mortgage itself should contain the terms and conditions upon which it shall be foreclosed, and should specify the disposition to be made of the funds realized from the sale of the property. In case of foreclosure, where the sum realized is insufficient to liquidate the entire amount of the debt, the member is still liable for the balance.

Premiums.

A premium is a bonus which a borrowing member agrees to pay for the privilege of having money advanced to him. It is, in effect, the difference between the par value of his stock and the actual amount advanced to him. It represents the amount he is willing to sacrifice in order to anticipate the ultimate value of his stock by obtaining the immediate use of the money which the stock will be worth to him at its accumulated value.

*See Chapter on Forms.

The meaning of the term, premium, may perhaps be better understood if the process in the sale of money is reversed. Let us suppose that when an association has accumulated a sum of money which is to be loaned to members, instead of the announcement of a sale of money to the highest bidder, the announcement be that the association will purchase shares of members at the lowest offer. A member has, say, five shares, which will be worth at maturity $500 each, or a total of $2,500. On these shares he has agreed to pay his regular weekly installments until they are paid up. He now offers to sell the prospective value of these shares to the association for a certain net sum of money, the shares to be assigned to the association immediately and a note or bond be given for the continued regular payment of the weekly dues, this obligation to be secured by a mortgage on the real estate purchased with the money advanced, or on other real estate, or by some other satisfactory security. The difference between the par value of the member's stock at the maturity and the net amount he receives for it when thus sold to the association again represents the premium which he pays for the immediate use of the money thus secured.

It has been held by the courts that boards of directors cannot establish fixed rates of premium without statutory authority. In some States the law specifically authorizes them to do so.

The custom of charging premiums for loans is fast disappearing in the administration of the associations of the United States. This is in line with the objects of the work of these co-operative institutions—to furnish money to the borrowers at as low a rate of interest as is consistent with their own welfare.

Other Securities.

Money may be advanced to members upon national, state, county, or city bonds as collateral security, when such action is authorized by the statutes and the rules. The acceptance of such collateral security is in the discretion of the directors. The borrower must give his note for the amount received and the interest to be paid thereon, and transfer his stock to the association. The note should give the name, number, amount, and par value of the bond or bonds given as collateral security, and should name the conditions upon which the security becomes forfeited to the association. Forfeitures usually become operative if the borrower shall fail to pay up his regular dues and the interest for a certain term, say three months, at most not longer than six months. The directors may, after notifying him, declare his security forfeited and may proceed to dispose of the bonds in the most profitable manner for the purpose of liquidating his obligation. The borrower may be allowed to renew his note from time to time at the discretion of the directors.

Assignment of Stock.

When a member's stock is assigned to an association as collateral security for a loan the assignment is usually required to be made in absolute form. But nevertheless the association cannot use or dispose of the stock except for the purpose for which the assignment is made. The stock is to be held by the association until it is paid up by the member. The association then cancels the stock and returns the note to the member.

But if the member fails to keep up his payments on the assigned stock, the association may declare the stock forfeited, and apply what he has already paid in toward

the liquidation of his debt, and may transfer the shares to some new applicant or applicants for membership. In case of delinquency on the part of the borrower who has assigned his stock to the association as collateral security, the association first avails itself of the amount he has paid in on the stock, and then proceeds in an effort to realize the balance of his debt from the sale of his mortgaged property and any bonds or other collateral security he may have furnished.

Sale of Securities; Disposition of Proceeds.

Directors of associations are bound to dispose of property on foreclosure of mortgages or of forfeited securities on the most advantageous terms. This is necessary both for the protection of the association and in justice to the delinquent borrower. The proceeds derived from the sale of securities must be applied as follows: (1) To payment of dues; (2) to payment of interest; (3) to payment of premiums; (4) to payment of fines; and (5) to payment of costs. If any balance remains it must be paid over to the owner and his receipt taken in full. The rules should be explicit in reference to the forfeiture and sale of securities, for this step involves the highest interests of an association and of its members.

Loans and Securities; Application for Loan.

A member desiring a loan from a building association should be required to fill out and sign a formal application on a printed form supplied by the association. This application should contain such data and information as will give the officers of the association full and accurate information regarding the borrower and the property offered as security. It should give the full name of the applicant; his address where mail will reach him; the

fact whether he is married or not, and if married, the full name of wife or husband; the amount of the loan desired, and the use to which the borrowed money is to be applied, whether for buying, building, repairing the mortgaged property, discharging existing liens and debts, or for other purposes.

In States where certificates of title are used to show title, it is good practice to have the certificate of title accompany the application in order to avoid errors in making up the necessary papers, to expedite the continuance of the certificate of title and to avoid delays.

The application should contain also a full and accurate description of the property offered as security, which description may be copied into the mortgage or deed of trust, given to secure the loan. This description should be quite full. Where the property consists of a town or city lot it should give the number of the lot, the block, subdivision and ward in which it is located, the street on which it fronts and between what streets it is located; whether the street is improved by paving, sewerage, sidewalks, water, gas and electric light. The dimensions of the lot in front feet and in depth must be stated together with a full description of the character of the building and improvements thereon. Information must be given in the blank regarding the size of the building, the material of which it is built, and the purpose for which it is being used (whether for residence or business purposes); the number of stories in the building and the number of rooms on each floor; whether or not it has a basement. The application should show, further, whether the house is piped for gas and wired for electricity, and the number of openings for each; whether the house is provided with water and connected with the sewer system, and equipped with bath, toilet and stationary laundry tubs, also the system of heating employed; whether by hot air furnace,

hot water, steam or stoves. It should show the outbuildings, if any, on the lot, such as barn, garage, etc.; the owner's valuation of the property and its value as assessed for taxation.

It should also contain personal information in regard to the borrower; his age, occupation; where employed, how long in that employment, and the wages or compensation earned, or average monthly income, other property or real estate which he owns, amount of indebtedness that he is carrying, amount of fire or other insurance on the buildings offered as security, and amount of life insurance he is carrying.

The Necessity of a Plat.

The applicant should also have a plat drawn on which the location of the property can be definitely indicated, so that from this plat and the description of the property, the officers can readily locate the premises on the city map. If the loan is for building a new house, the plans and specifications should be filed. It is quite important, also, that this application should affirm that the statements and the answers given to the questions thereon are made by the applicant for the purpose of establishing his credit, and obtaining a loan from the association, and that the statements and answers given by the applicant are true. This should be signed by the applicant and attested by the officer of the association who receives it.

There should be a blank on this application for the appraisement committee or committee on securities, to make their report, after viewing the property and also a blank for the report by the attorney of the association as to the condition in which he finds the title, after examining the abstract of certificate of title which the applicant furnished. These formal applications may be made

out at any time and filed with the secretary. They are usually numbered in consecutive order, and presented by the secretary to the Board of Directors at their next regular meeting.

If it appears from the facts disclosed by the application that the loan would not be desirable for any reason, the Board may summarily reject the application. If the loan appears to be one which the association might find desirable it is referred to the appraising committee or committee on securities, with directions to inspect and appraise the property and report their conclusions thereon at the next meeting of the Board of Directors.

Appraisement of Real Estate.

More responsibility for the success or failure of a building association rests upon the men who appraise the real estate offered for loans than upon any other factor of the organization. Indeed, the success of an association is almost wholly dependent upon its loans being made upon adequate security. For this reason, the officers whose duty it is to appraise this security should be chosen with great care. The practice in this regard is very different in this country from that followed in England. In Great Britain there are real estate valuators. These men form a regular profession, as well-defined as that of practicing law or medicine, or dentistry. This feature of professional life is just beginning to be introduced in this country, and in a few of the larger cities the real estate boards are more and more availing themselves of the services of professional valuators. In this country, however, this profession has not yet grown to a position where its services are available in very many communities. As a result of this condition, building associations almost universally depend on the judgment of a committee of its board of directors for fixing the ap-

praisement and estimating the value of property which is offered as security for loans. In selecting these committees, the members should be men of intelligence and experience. They should be familiar with property values in the community and at least one of the members should be a practical builder, with experience in estimating the cost and values of construction work.

Appraising the value of a piece of property should not be a matter of guesswork but should be based upon the facts which the condition of the property presents. At a recent meeting of the Ohio Building Association League, Mr. C. C. Knox, of Youngstown, Ohio, who is appraiser for one of the most successful associations in the State, gave a description of the plan he follows in arriving at the value of real estate. His paper contains so many practical ideas of real value upon this subject that we quote the following paragraphs:*

"After the application for a loan has been made, I take the application blank, note the street and number, look up the lot number on atlas before I start out, draw a diagram showing how many lots from intersecting corner.

Upon reaching the house and being permitted to enter, I start in the cellar and proceed to the attic and write on pad the principal parts of the house, such as the material in the cellar wall, heating system, if the cellar is cemented or not, the finish, if wired for electric lights, or piped for gas, bath complete or plumbing roughed in, china closet, grate or mantel or brick fireplace, number of bedrooms, finished or floored attic, the kind of roof and siding, about the number of years old, etc. Later I copy these on application blank, also drawing diagram of the size and height of house. To obtain the height I estimate from the bottom of cellar to attic floor and one-half the height from attic floor to top of roof. If a house had 18 ft. studding, 7 ft. cellar and 10 ft. from attic floor to top of roof, it would be 30 feet high.

The main point in going through a house is to give it a rating, as I appraise by so many cents per cubic foot. For example, take a 24 ft. by 28 ft. by 30 ft. high, 20,160 cubic feet, at 15 cents per

* Prices in the description are pre-war figures.

cubic foot is $3,000. I have a card index with the cubic feet of all building figured out, just the same as your interest tables, and I can see at a glance the number of cubic feet of any size building.

A house with all improvements, about ten years old, in good repair, I give about 12½c. rating; 20 years old, 11c. per foot rating; not in good repair, 7½c. or 8c. rating, etc.

If it is a new house, and has tile and cement block cellar, wall under all of house, cellar floor cemented, furnace, pine-floored attic, slate roof and lap siding, a 14c. per cubic foot rating. Oak and pine finish, 14½c. rating; oak and pine finish and hardwood floor in two rooms, 15c. rating; grate and mantel, 16½c. rating; brick fireplace and book case, 15½c. rating; finished attic, 18½c. rating; brick veneer, 20c. rating; tile roof, 22c. rating; hot water heat, 25c. rating; fancy tile bath room with shower, 27c. rating, etc.

Most buildings run from 5c. to 27c. per cubic foot. Anything under 5c. per cubic foot I recommend the loan declined.

Also, I size up the neighborhood, whether it is good, fair or poor neighborhood, and if the houses are uniform.

This system eliminates guesswork. The way most institutions appraise is to have three of their board of directors look at the property, each make an estimate and average up these amounts and appraise accordingly. I know of one case in a neighboring city where this committee appraised a residence. They never got out of their automobile, reported to the association that they appraised the house at $3,000. The owner explained to the secretary that there must be some mistake, as he had a tile bathroom with shower bath, and plumbing fixtures that cost $800, hot water heat costing $600, mahogany finish, etc. The result was that this same committee re-appraised the house, and they went from cellar to attic, and decided that it was a $6,000 house. The point that I wish to make is that in order to appraise any building you must go through that building from attic to basement. I also think that our tax appraisers would make a better and fairer appraisement if they would go through the building and not size it up from the outside.

The next thing is land value. In land value there are a number of things that should be taken into consideration: last sale, improvements, location in reference to business or residence districts, streets, street cars, schools, churches, amount that it is on the tax duplicate for, and distance from center of city.

New plats I start at $5 to $6 per foot front, and add $1 per foot front for curb, $1 per foot front for gutter, $2 per foot front for sidewalks, $3 per foot front for sewer, $1 per foot front for gas,

$2 per foot front for water, $5 per foot front for paving, then as the street builds up and is improved with good houses and lawns, such as are on high-class streets, I appraise at $25, $30, $35 or $40 or $50 per foot front, etc.

My company gave me a city atlas. I copied the values taken from the tax duplicate and mark in green ink every square, then I place alongside in every square our value in red ink, so that the next time I have a loan in that same square I give it the same land value. Corner lots I give a higher value than in-lots, by adding 20 per cent if lot is more than one hundred feet deep. In case something should happen to me, my successor could use this atlas to good advantage. An appraiser must have confidence in himself. Be sure he is right, then go ahead. He will find that he can always learn something new on every house he appraises. He must also keep up to date with prices of materials and labor, as at the present time they are going up very fast. There are some institutions that get their values exclusively from the selling price of properties and appraise accordingly. This, I think, is an error, for I know of one instance where there were two houses exactly alike, side by side, same size lot, one sold for $3,000 and the other for $2,600. I know some instances where the owner and purchaser have agreed on false selling price in order to get a larger loan; also the contractor and owner have signed up a false agreement for the same reason. I recall one instance when an agreement for a common 16x28 house was signed up by both parties and witnessed for $2,300, when the house cost only $1,400 to build.

In construction loans, when the plans are given me to estimate, I always note on the application blanks the size of building and on the first inspection I measure the building, compare it with the size on the blank, and often I have found the house smaller than the plans called for, in which case our board cuts down the loan.

The main point in appraisement for a financial institution is what would be a fair, conservative and safe value to loan money on and not what its selling price is, although the selling price should be considered. The location should be considered. I found out from the contractor, who was one of our best contractors, that a brick house I appraised in a poor district cost $5,000 to build, but I appraised it for $4,000, taking into consideration that if it ever fell into our hands we could not realize more than $4,000, but if that same house were built on some of our better streets, I would have valued it at $5,000.

Nor can you always depend on the contract price, as I know of $800 difference between the highest and lowest bidder of a $6,000 house.

Another suggestion I would like to make is that the office force is familiar with the receipts or the way the money comes in, but are not familiar with the way it is disbursed, or paid out. I think it would be time well spent if each of the office force would accompany the appraiser one or two days each year on his trips and see how and where the money is loaned.

We should be exceedingly careful if we loan money outside our county. I know of one case where a party purchased a house and lot for $2,300 and obtained a loan of $2,600 from an out-of-town association. I think that a very good and safe way to appraise property is for the appraiser to value the property as if he were going to loan his own money, and I dare say if that was done the value would not be very much out of the way.

I have been informed that most all of the insurance companies, architects, contractors and engineers have adopted a system similar to this one for estimating."

Expert Appraisers.

In many of the large associations the board of directors find it inconvenient to investigate individually the property offered as security, and the matter of investigation of loans and all the details in connection therewith are referred to an expert on the value of real estate and buildings, whose duty it is to make a careful investigation as to value, improvements, and physical risk of the loan. This report, with an affidavit of the expert, is filed with the secretary of the association, who thereupon brings the application before the regular meeting of the board, so that they may investigate the details. In some cases the report is referred to a special committee on loans, which meets at the call of the secretary, and is empowered to grant loans immediately to the borrower. This action then is brought before the regular meeting of the board and formally ratified in accordance with the provisions of the constitution and by-laws.

CHAPTER XIII.

Mechanics' Liens.

Since a large ratio of the loans made by building associations is for the purpose of building new homes, the subject of Mechanics' Liens becomes of prime importance in conducting these associations. A Mechanics' Lien is created by statute, and confers upon parties furnishing material or performing labor, in the construction of a building, the right to obtain a lien against the premises for the value of the material furnished or labor done. These statutes usually provide that the entire unpaid claim for material furnished or labor done shall attach as of the date at which the first material was furnished, or labor done by the party claiming the lien. There is such wide difference in the provisions of these Mechanics' Lien Laws in the different States, and they are subject to such frequent changes and amendments in each of the States, that no attempt will be made in this work to analyze these statutes or describe plans and methods by which a building association making construction loans may protect themselves against these liens. It is suggested, however, that the attorneys for building associations should make a careful study of the Mechanics' Lien Laws and that great care should always be taken in making construction loans to see that the mortgage of the association is prior in time and superior in equity to any lien which material men or workmen employed thereon may place upon the property.

Straight Mortgage Loans.

Another departure from the old method of making loans has been that of making so-called straight mortgage loans to persons. The application for money is handled in the same manner as stated, but the borrower, instead of repaying the amount in regular stated payments,

makes a loan that is for a definite number of years, at whatever amount is stipulated in the contract with the association. There is an increased demand on the part of the public for loans of this character.

In Pennsylvania, some associations make what is termed a "split loan," a portion being on a straight mortgage and the balance on installment stock payments.

State Supervision.

The early form of building association was more in the nature of a neighborhood club, the membership made up of individuals personally acquainted.

As the system developed and expanded, and especially after the adoption of the serial and later of the permanent feature by which its life was extended and the possibilities for membership greatly enlarged, the importance of the system began to be more fully appreciated by the general public. It became a sort of quasi-public institution in which practically every member of the community had an opportunity to secure membership. It developed from a neighborhood club into an important type of financial institution. It became popular and largely patronized as a depository for savings.

When the system had reached this point of development it became apparent that an institution of this character should be subject to some sort of State or government supervision. It is an established policy in this country that no institution should be permitted to hold itself out as a repository for public savings without being to some extent subject to supervision by State authority. It should be required to conform its plans and methods in established and approved lines, and its treatment of its members should be fair, just and equitable.

In carrying out this policy, practically every State in the Union has enacted laws requiring building associations operating within its borders to make regular reports to some State authority, in such form and disclosing such facts in relation to its business and financial condition as the State authority may prescribe.

Most of these statutes also provide that the State authority to whom the reports are made shall have power to make an inspection and examination of the books of the associations. In most of the States this examination is made compulsory.

This system of State supervision and examination, of course, involves some expense to the State, and therefore, it is generally provided that the association shall pay a stipulated fee upon the filing of its annual report. In some cases a charge for the examination is made by the State authority. This, of course, places an added burden and involves additional expense to the association. For this reason when the plan of State supervision and examination was first proposed, it met with some opposition from the building associations. In other States these provisions for State supervision and examination were enacted by the legislature at the suggestion and upon the request of the building association league.

The effect of this State supervision has been very helpful and beneficial to the movement. It has resulted in wiping out and abolishing many harmful features and practices in which some associations indulged. In many States it has brought from the supervising authority many wise and helpful suggestions as to improved plans and methods for simplifying the operation, and making more accurate the system of accounting and bookkeeping, thereby gradually standardizing the plans and methods of building association operation.

Doubtless the most helpful and beneficial result of this State supervision has been the added prestige given to the building association movement. It has increased public confidence in the safety and stability of these institutions, and has placed building associations on a distinctly higher plane in public estimation.

In practically every State the supervising authority and the examiners and inspectors in their employ have been men of high character and ability, and actuated by the most friendly motives toward the associations with which they were dealing. As a general proposition it may be said that the result of these State inspections has been extremely helpful and stimulating to the building association movement. But results have been attained when the administration and supervising powers of these associations have been vested in a separate State department or Bureau.

The value which the association derives from the supervision and inspection by the State far outweighs the cost and expense which it usually imposes on the association. It may be in place to add that the object and purpose of requiring these fees and costs to be paid by the association is to relieve the State from the burden which it creates. In fixing the amount of fees and costs which the association should pay for this purpose, the aim should be not to make it a source of revenue to the State, but simply to cover the actual cost of the State supervision. In most of the States this idea has been kept in mind, in fixing amounts of these fees and costs.

CHAPTER XIV.

Corporate Management.

The Corporate Meeting.

A corporate meeting is one composed of the members of an association regularly assembled. Meetings may be general or special. The members thus assembled in a corporate meeting constitute the supreme power of the association. But in their action they are nevertheless subject to restrictions. If the association is organized and incorporated under general or special laws of the State, the corporate meeting must confine its actions within the limits laid down in the charter and the statutes under which it acts. The corporate meeting fixes its own constitution and by-laws in accordance with statutory limitations. But after these are once fixed it has no power to change them except in accordance with the rules which it has established. Where associations are not organized and incorporated under special charters they are, of course, subject to the general statutes and rules of equity like other incorporated companies.

The entire association is bound by the acts of a majority of its members when those acts are legal and in due form. In the absence of special provision in the rules of the association a question may arise as to what is meant by a majority. It has been held that an association is bound by the acts of a majority of those present at a regular meeting, whether they constitute a majority of the members or not. It has been held further that a majority does not necessarily constitute a majority of all

members present, but of all the members present and voting. But it is better that the rules of the association should state definitely what proportion of the membership shall constitute a quorum for the transaction of business. Then if this number is not present a meeting can transact no business except to adjourn to some other date. Where the statutes or the rules of the association do not fix the quorum the rule is that a majority of all those present and entitled to vote at a duly called meeting shall constitute a quorum.

Where the statutes do not determine the right of a member to be represented by proxy the question should be settled specifically in the constitution and by-laws.

General Meetings.

The general sessions of associations are those corporate meetings which occur at the stated times fixed by the constitution or by-laws. The shareholders should meet at least once each year, generally on the first meeting night in the month following the close of the fiscal year. The meetings are held at the place designated by the board of directors. Each member must be advised of the time and place of the meeting, either by individual notification by letter or otherwise, or by advertisement in some paper of general circulation regularly issued in the vicinity. The usual business of such meetings is the election of officers and the determining of the general policy and management of the association. The desires of the members may be expressed through the election of certain persons to fill the offices who are pledged to a certain line of conduct in the management of the affairs of the association.

The business of the general or corporate meeting should be conducted according to the order of business

laid down in the rules. The reports of officers is a prominent feature of these meetings. These reports, when represented in proper form, give the members a clear idea of the business of the association, and enables them to determine intelligently the policy for its future management.

Special Meetings.

Provision should be made in the constitution and by-laws for the calling of special meetings. These ought to be so drawn that the officers whose duty it is to call them have no discretion in the matter, but should be compelled to act upon the request of a certain number of members. There ought to be also a rule that in the calling of special meetings all the members must be notified in proper manner, and that otherwise the proceedings of the meetings shall be invalid. Such provisions are necessary in order to protect properly the rights of members. In the absence of these rules, it has been held under the general laws that each member must have personal notice, that a reasonable time must be given, and that the call must be issued by authority competent to call a meeting. But if all persons entitled to vote unanimously consent, notice of meetings may be waived and the proceedings will be valid. Special meetings can transact no other business than that named in the call.

An adjourned meeting may transact any business that may be lawfully transacted at the original meeting. The acts of a meeting irregularly convened are not binding.

Management of Corporate Meetings.

A few suggestions in regard to the management of corporate meetings will not be out of place. Under our democratic form of civil government, citizens,

through the influence of our ordinary political methods, become educated to the habit of delegating their authority to others. The result is that many good citizens neglect and ignore their duty as such and leave public affairs to be directed by others. This custom is too often carried into building associations and other corporate bodies. This ought not to be. Every member of an association should keep himself thoroughly informed with reference to its business and management at all times. He should not fail to be present in person at every corporate meeting.

At any corporate meeting it should be the business of someone, usually the president or the secretary, to make a clear statement of the purpose of the meeting, and to present all the facts in connection with the work of the association which bear upon the matter to be considered. It is well, also, from time to time in such meetings, both for officers and members, to review the provisions of their charter, that they may be sure that their operations are all kept within the proper legal and constitutional bounds.

Members should also bear in mind that no association is of any worth or power, simply from the fact that it is an association. Its power and efficiency is only the joint power and efficiency of the men and women who compose it. If they do not attend its meetings, if they neglect its business, or go to meetings and simply hold up their hands and vote like machines, and give no active thought to its business through the whole course of the year, they are an incumbrance, rather than a help to it.

The officers and directors should have evidence of the never-lagging interest of the membership. This will not only put a proper check upon them in their management of the association's affairs, but it will also spur them to continued diligence and efficiency. Any officer or member of an association who satisfies himself with the mere

perfunctory discharge of the routine duties of his position makes a serious mistake. His active and intelligent participation and interest in the association's affairs at all times are necessary to its highest success.

Officers: Their Election and General Powers.

As stated before, one of the principal functions of the corporate meeting is the election of officers. This must take place in the manner and at the time required by the constitution and by-laws. If these prescribe no particular form for elections, then it has been held that no election conducted in good faith will be set aside. Some associations provide by constitutional rule that a double or larger number of candidates for each office shall be nominated, from whom the members are to elect. But it has been held, in some States, that a member receiving a majority or plurality of votes, as the case may be, is duly elected and entitled to hold the office, even if his name is not on the list of those nominated. When candidates are properly nominated, and the election is held in due form and at the proper time and place, those candidates receiving a majority of the votes cast are elected. This is true even though the majority of the entire association may refrain from voting, except in case the constitution makes a provision to the contrary.

If from any cause the election is not held at the proper time set in the constitution, the association nevertheless continues, and the old officers are in authority until their successors shall be duly elected and qualified.

The casting of improper votes at an election does not vitiate it unless it can be shown that the result would have been different had they not been received. On the other hand, if it can be shown that legal votes have been rejected and their reception would have changed the re-

sult of the election, the election is vitiated and a new one must be held. Ballots containing the names of a less number of directors than are provided for must be received, but those containing a greater number must be rejected. An inspector or judge of an election may also be a candidate, unless forbidden in the by-laws.

The acts of *de facto* officers are binding upon a corporation, especially so far as these acts affect third parties, even though it may afterwards be decided that the officers were ineligible.

CHAPTER XV.

Election and Duties of Officers.

Officers Required.

The officers of a building association are the same as of any other corporation or business body. They consist usually of a president, a vice-president, a secretary, assistant secretaries, a treasurer, an attorney and a board of directors.

In some of the associations that have been in existence for many years where one person has been extremely active in its success and desires to withdraw from real hard service, a new office, known as "Chairman of the Board," has been created for this purpose.

Elections.

The constitution provides for the time, place, and manner of elections. Since the officers are the actual managers of the business of the association the provisions for their election should be so plain and explicit as to leave no room for doubtful or uncertain action. The officers are to be clothed with legal powers. There should be no question as to their legal qualifications.

Attention has been called already to the necessity, in the organization of an association, of selecting as officers those persons who by character, ability and experience are best qualified to serve in that capacity. The bearing of the officers, their intelligence, and their business ability and sagacity, will have much to do with an association's popularity and success. They must be polite to all the members and other persons visiting the headquarters of the association or calling upon them privately; they must be ready to respond intelligently to all proper inquiries

relating to the business of the association; they must require that all moneys in which the association is interested are properly and promptly accounted for; they must be quick to seize upon every advantage that can be used to further the interests of the association; they must carefully guard all investments or loans of the association; and must, in general, be as watchful and careful of all matters pertaining to the association as any successful business man must be of his own interests and business. Officers, by faithfulness, may build up an association and make it very strong, while by indifference and irregularity of proceedings, they may destroy its popularity and usefulness, and even its existence.

As the usual elections recur year after year the question of re-election of certain persons to certain offices will arise. There is one rule which should always prevail at elections, and that is to seek the greatest good for the association. This can be accomplished in two ways: by the re-election of faithful and efficient officers, and by the introduction of new blood, new energy, and new influences into the management. In connection with the re-election of officers it should be borne in mind that no one member should be overburdened with the work of an association. On the other hand an association should secure the benefit as far as possible of the knowledge of its affairs and workings possessed by its experienced officers. A good rule is — other things being equal — to re-elect the salaried officers as long as their work is satisfactory and no special reason arises for making a change. Their knowledge of the details of the business is very valuable. It is best to re-elect some of the other officers, especially directors, at each election. It is only on rare occasions where there is to be some radical change in the management of an association, that an entirely new board of directors should be chosen.

CHAPTER XV.

Where there is no necessity for making a change, it is best to re-elect a strong representation from the old board. Indeed, in order to avoid sudden and unfortunate changes in the board and to secure opportunity at the same time for desirable rotation in office, some associations adopt a rule to the effect that at the first election one-third of the directors shall be elected for a one-year term, one-third for two years, and one-third for three years. Then at each subsequent election one-third of the whole number of the board is chosen for the full three-year term.

Duties of President and Vice-President.

In general terms the duties of the president and the vice-president, as indeed of all the officers of an association, are, in the absence of special provisions and limitations, the same as belong to similar officers in other like bodies. Thus, unless there be special provision to the contrary in the constitution or by-laws of an association, it is the duty of the president, or, in his absence, of the vice-president, or of one of the vice-presidents (who act in their numerical order), to call meetings of the association, and to preside and preserve proper order at the same, to sign the contracts of the association, to execute other official documents, to sign warrants drawn upon the treasurer, to keep the seal of the association, and, with the board of directors, to make provisional arrangements to meet all the various unprovided-for emergencies and necessities of the business of the association. The president appoints all committees for the appointment of which no other provision is made. For the relief of the president and other officers from uncertainty and unnecessary and irksome responsibility, the constitution and by-laws should specify as fully and clearly as possible the duties imposed upon each of them.

ELECTION AND DUTIES OF OFFICERS.

Duties of Secretary.

The office of secretary is in many respects the most important in the association. He is the custodian of its business and records, and the source of information concerning its affairs; he keeps the minutes of all the official proceedings of the association and its board of directors; he conducts the correspondence; he keeps the financial accounts, and is, in general, the agent, and to a large extent, the acting manager of the entire business of the association. He attests the signature of the president on all the official documents.

He should submit quarterly, semi-annual, and annual reports to the association, as may be required by the rules. These reports should always be written out plainly, neatly ruled, and should present a full account and summary of the business for the preceding term. They should include a complete balance sheet, giving a detailed exhibit of the profit and loss accounts, and a statement of all assets and liabilities of the association. Usually the directors authorize the secretary to have these reports printed for distribution among the members.*

The secretary possesses unusual powers and carries heavy responsibilities. The constitution and by-laws should give him clear and specific instructions in regard to his duties and liabilities. No mistake should be made in the selection of the secretary, and when once chosen he should have the cordial support and co-operation of all the shareholders.

Assistant Secretaries.

The business of some associations is so large, or the secretary is so occupied with other business, that the

* See Chapter on Forms.

employment of assistant secretaries is necessary. They are usually employed by the directors. Their duties are clerical, and they work under the direction of the secretary.

Duties of Treasurer.

The treasurer is the custodian of the association's funds. Unlike the president and secretary, he possesses no discretionary powers. His duties are entirely ministerial. He must give his receipt for all money placed in his hands, and is responsible for all the funds of the association he thus holds. He may not pay out any money except upon warrants drawn in due form in the manner provided by the rules of the association. He must keep correct accounts of all receipts and payments. He is not liable for the payment of warrants duly drawn by the proper officers of the association, even though the money is wrongfully applied by them.

He cannot hold the association responsible for money which he may advance for legitimate purposes without a warrant. As a general rule the treasurer should not be allowed to make his own selection of the bank or place of deposit for the funds of the association, unless the question is fixed by the statutes. If, however, the board of directors select the place of deposit, he is not liable for loss of the association's funds by the robbery or failure of the bank which they have selected. When the treasurer himself selects the bank of deposit he is not liable for loss by robbery or failure, provided that he can show that his action has been free from fraud or negligence. It is becoming quite common for associations to combine the offices of secretary and treasurer and have but one officer designated as secretary-treasurer. Where the funds of the association are deposited in a bank and

withdrawn and disbursed by check, the books and records of the treasurer are largely mere duplications of the records made by the secretary and make needless work.

General Manager.

In the larger associations it is now the custom to select what is known as the general manager of the institution. This official has under his control the active management of the affairs of the association. He is selected by a board of directors and holds his office at the pleasure of the board. In some associations a member of the board of directors is selected, and in others someone outside the board of directors is chosen. All business transactions relating to the affairs of the association are carefully kept on regular forms, and must be submitted to the board of directors at its next regular meeting for approval.

Duties of Directors.

The board of directors are the responsible managers of the association. In them is vested the power to order and transact all business for the association, and their acts are the acts of the association. Their powers and limitations must be defined by the constitution and by-laws. If they fail of the full discharge of their duties as thus defined, they are responsible to the members of the association. If, on the other hand, they transcend these powers of the association, they themselves become personally liable to the parties interested.

It may be said in general terms that the directors of an association have charge of the disposition of the funds, the making of loans, the acceptance of securities, the filling of vacancies in the offices, and the providing of proper compensation for services when this is not other-

wise fixed. They are subject to the control of the corporate meeting, but not of individual members. A member may, however, on behalf of himself and others, proceed by law against the directors for illegal acts.

The number of meetings of the board of directors is usually fixed by the constitution, but the time and place may be determined by the directors themselves. When the association has an office, or regular place of business, it is best that the directors' meeting be held there. The time of the regular meetings of the directors should be fixed and made known to the members of the association. The directors may call special meetings, both of the members in general, or of their own body. All directors must have notice of such meetings, and acts of meetings irregularly called or convened are invalid, so far as the interests of a third and innocent party may suffer. The rules of an association should specify carefully what number of directors shall constitute a quorum for the transaction of business. Except by special provision, a director cannot delegate his powers to another person; but the full board may delegate some portion of its work to a committee appointed to attend to it. They should keep full and accurate minutes of their transactions.

A director, as an individual, may make a contract with the association, provided he secures no special advantage not common to other members. A director becomes personally liable to the stockholders for losses when they are occasioned by reason of fraud or connivance at fraud upon the association. Directors are liable for embezzlement, willful misconduct, breach of trust, or gross inattention and negligence. They are not liable for mistakes of judgment, provided they are honest and within the scope of their powers and discretion. A director who is a party to a fraud upon an association is barred from sharing in its benefits.

Duties of Trustees.

The duty of trustees, where such officers are appointed, is to hold and convey titles for the association under the order of the board of directors. Very few associations now have trustees, this being regarded as useless, unnecessary, and cumbersome. In some States where loans are secured by deeds of trust instead of mortgages, a trustee is one of the essential officers.

The Attorney: His Appointment, Duties, and Compensation.

Every association must have a duly authorized legal adviser. He should be a regular officer of the association. He usually is designated officially as attorney, though he is sometimes termed solicitor, or counselor. The manner of his appointment differs. In some associations he is elected at the same time, and in the same manner, and for the same term, as the other officers. But more frequently—and this seems much the better way—he is selected and employed by the board of directors. In making this appointment the directors cannot be too careful. His position is one in which he may do great good or harm to the association. There are emergencies in which the welfare and even the continued existence of the association will depend almost entirely upon his intelligence, honesty, and faithfulness.

He should be a man of good standing in his profession. He should have a moderate independent practice, not so much as to absorb his time and thought to the exclusion of the care of the affairs of the association, nor, on the other hand, so moderate as to induce him to undertake arbitrarily to make business out of the association. Many an attorney, who has the real interests of his association at heart, is the most active and efficient agent in securing desirable members in its organization, and in so increas-

ing its list of shareholders from time to time as to put it upon a permanent working basis. The attorney should be a man of such character as will give the directors some degree of pride in placing his name upon their reports and documents. In England the attorney must be appointed and commissioned under the official seal of the society.

Whatever may be the method of his appointment it is the duty of the attorney to act as the legal adviser of the association upon all legal matters connected with its business. He advises the other officers and the directors in regard to their functions and duties and the proper disposition of the business of the association. He examines and passes upon all titles of property offered as security for mortgage loans and prepares all papers in connection with the making of such loans by the association. He prepares or passes upon the forms and blanks to be used by the association, and gives his advice in the execution of all official documents.

If the attorney does not receive a stated salary, the directors should fix a system of fees to be paid him for the examination of titles and other services. Some associations have a graded system of fees for the examination of titles. If a member borrows one share, he is taxed a certain amount for the examination of his title to the property he mortgages. If he borrows more than one share, he is taxed a proportionate amount for each additional share. Since the examination of titles requires care and involves responsibility, an attorney should have a good, reasonable fee.

For instituting and defending suits, and any other unusual legal business, special fees should be fixed by the directors.

Bonds of Officers.

It is customary to require bonds from certain officers of associations. Where the statutes give no direction in this matter it should be fixed by the association itself in its constitution and by-laws. The particular object of a bond is, to enforce responsibility, especially with those officers who have the handling and custody of the funds, or of any officer whose trust exposes him to temptation and the association to the possibility of loss. The by-laws or rules should specify which officers shall give bond and the amount of bond required in each case. The approval of bonds usually rests with the directors. A bondsman is liable only to the extent of the precise terms of the bond. All officers who are required to give bond should have them ready at the first meeting after their election and hand them in at that time. Bonds should be carefully drawn so as to meet all legal requirements. Each officer who is to give bond should furnish at least two first-class sureties.

The directors of a building association must never forget, that under the law it is incumbent upon them to see that all bonds of officers are correct as to form and sufficient as to amount. In the early years of the institution it was comparatively easy to comply with this and the bonds of the different officers and committees were almost always a settled fixture. With the growth of the association this has become much more difficult. The amount of the bond is now usually determined by the directors and varies with the size of the association and with the opportunities the officer would have to misappropriate funds. On the other hand modern methods make defalcations less likely than in the past. But constant watchfulness is still required. Care should be taken that no misstatement of fact is made in the application for the bond, or in the observance of conditions imposed by its terms upon

the association, as a failure to do this may bar a recovery. All moneys received by the officer for the association, whether authorized or not, must be covered by the bond, as the association may be held liable for all moneys received, whether the officer is expressly authorized or not.

Surety Bonds.

With the change brought about by the organization of companies formed for the purpose of offering surety to clients, the modern method has been to have the officials of building associations bonded in a responsible bonding or surety company. These companies issue bonds covering the association's loss through embezzlement of funds of any of its officials, at a stated regular annual premium. The expense for these bonds is paid by the association, and the form of bonds issued by these companies should have careful investigation by the attorney of the association to see that they are in proper legal form, and for the protection of the association.

In some of the States these bonds must be filed with the State officials, after they have been given, to keep them on file for the inspection of the public and for their protection. In States where this is not provided for, the bonds of the officers are usually kept in custody of the secretary, who places them with the other papers of the association, excepting his own bond, which is usually held by the president of the association. In some States the State authority having supervision of building associations is by statute made the custodian of all bonds given by the officers of an association.

Responsibilities of Officers.

No person should be selected as an officer of a building association who, for any cause, is unqualified for a

faithful discharge of the functions of his office. Whoever accepts a position as an officer must faithfully and conscientiously discharge the duties imposed upon him. Hence, by agreement among the members of an association, certain provisions are usually made in the constitution or by-laws for the punishment of such lapses from duty on the part of officers as are not of a criminal character.

Thus it is often provided that the officers shall be subject to fines for certain classes of offenses or to removal for certain other offenses. The rules may be so drawn as to apply to cases where the offense is not directly against the interests of the association or its members, but may simply affect the moral character of the officer and his standing in the community, thus rendering him unpopular and unfit for a position of trust in the association.

An officer who becomes delinquent in his position as a member of the association, may be considered as unfit to occupy a place as an officer. The power of fixing penalties, such as fines or removal from office, may be vested in the board of directors, or may rest in the association at large. The criminal liability of officers of a building association is the same as that of officers of other corporations or of individuals generally. No man, whatever his position, is permitted to appropriate for his individual use or advantage that which is not his own or to which he has not obtained a legal right.

Remuneration of Officers.

What officers shall receive compensation is determined by the provisions of the constitution and by-laws. It is the general custom to leave the amount of compensation to be paid to the different officers to the discretion of the directors who fix the amount by special contract with the

respective officers. When the salary is fixed by the constitution or by-laws the officer may claim the full amount upon the strength of that record alone. If his duties become enlarged, and the salary is then inadequate he cannot claim additional compensation. His only remedy lies in securing a change in the rules or in resigning his position.

At any rate, the amount of salary to be paid an officer must be fixed at the time of election. Unless done at that time the officer or director cannot recover for his services. If no such fixation of remuneration precedes the services, no presumption of payment therefore arises from their performance and the association is then not liable.

A salaried officer cannot claim extra compensation for work done in the line of his duty. Officers must look only to the funds of the association for their remuneration, and cannot recover the amount of their salaries from individual members or directors.

Salary of Directors.

It has been the almost universal custom that directors should serve without remuneration. Lately the question of allowing them pay for their services is being seriously considered. Indeed, in some associations directors are paid for their services either directly or indirectly. Some of the considerations urged in favor of the payment of directors may be mentioned. Their services are indispensable to the operations of an association. It is wholly impracticable for all the members of an association to come together at each meeting and attend to the receiving of money and all its routine business operations. Even if they could so come together, it would be impracticable for such a body to do such work. Many of them do not know how to do it, and so many coming together they

would simply be in one another's way. "What is everybody's business is nobody's business."

On account of these circumstances associations are compelled to delegate authority to certain selected members to attend to the prosecution of their business. These selected members are called directors. Because certain stockholders are selected to serve in the capacity of directors does not make it any more possible or convenient for them to attend the regular meetings to look after the business than it would be for any other stockholder not so selected. They must lose their time and comfort, and thus interfere to a greater or less extent with the prosecution of their own private business and interests. Again, those stockholders selected to act as directors are so selected because they have that intelligence and knowledge that fit them to attend to such business. Intelligence, knowledge, and experience are valuable. Hence, other things being equal, a director's time is likely to be of even more value than that of the average stockholder.

The directors being charged with the actual management and disposition of the business of the association, carry a greater responsibility than the other stockholders. The directors are the official representatives of an association. As such they must not only execute its routine business but must represent it in all incidental matters and in emergencies. They are the sources of information to the stockholders and to outsiders. Their work on committees involves them in many duties outside of the regular meetings. They must account faithfully for all moneys coming into the possession of the association; they must keep up the collections and act promptly in case of delinquents; they must make deposits and investments; they must decide upon and declare dividends; they must pass upon premium and interest rates; they must accept or reject borrowers and

mortgages and other securities; they are compelled to keep full records of all their doings in the minute and account books. That every matter shall have due attention they are compelled to bind themselves to a certain order and routine in what they do. Finally, they are required to keep their members informed officially by regular reports of all their transactions, and of the condition of the affairs of the association in full detail.

Many members of the association, not having had experience as directors, and not being close observers or very thoughtful about the matter, do not appreciate the amount and quality of service required. Indeed, some are inclined to look upon the position as a sinecure, a place of honor, and to be sought after on that account.

Although directors are put to all the inconvenience and labor indicated above, they have no more share in the benefits arising therefrom than have the other stockholders. It is argued that an association is a business enterprise. The men and women who compose the membership of the association do not work for their own employers except for wages. They do not give their own services without pay. On the other hand they are the employers of the directors of their association. Should they require their own employes to serve without pay?

But if directors are to be paid it must be decided how much, and upon what basis. This is answered in a general way by saying that it must be only for services actually rendered. In the operations of an association each officer, each director, has an assignment of actual duties to perform, and if paid at all he should be paid in proportion to the amount, the character, and the responsibility of his work. In certain private corporations it has become the custom to pay each director a certain stated sum for each meeting he attends. When absent from a meeting he receives no pay. It is argued that the intro-

duction of this system into the operations of a building association would have a good effect in two ways. First, it would secure the regular attendance of directors; second, it would secure better service from directors; for, by regular attendance upon the meetings and participation in the business, each director will have a better understanding of all the plans and details, and hence, his services will be more valuable.

There are three things to consider in fixing the amount of remuneration, if it should be decided that directors shall be paid. The pay must be somewhat in proportion to the number of meetings, the amount of business transacted, and the number of directors. Three propositions have been made in this connection: (1) That each director be paid a stated sum for each meeting he attends; (2) That the directors be paid a certain per cent. upon the amount of business transacted; (3) That each director be paid a stated salary per year or per term of service.

This opens up a large field for discussion which it would be inappropriate to attempt to explicate here. This one practical suggestion may be made, to wit:— Let the number of directors be adapted to the actual needs in the transaction of the business of the association just as in any other business enterprise. Let the number of meetings also be adjusted so as best to meet the requirements of the association. Then upon some basis let the directors be paid for actual services rendered. It will certainly happen that the agitation of this question will lead to the introduction of better business methods in the management of associations, and it may tend to lessen their number, to concentrate the business into fewer hands, to fix responsibility more closely, and possibly to the establishment of regular offices open during all business hours, as well as on certain evenings for the transaction of business,

the same as in banks or private corporations, and already practiced in some building associations.

A danger of paying salaries to directors is found in the abuse that may follow the custom. Few associations can afford to pay them the real value of their services, and therefore the compensation is generally nominal. When officers receive compensation for their services, they are held to a higher degree of responsibility, than when their services are gratuitous. Insignificant payments to directors attending meetings, however, do not amount to compensation, and do not change the measure of their duty and liability.

Salary of Secretary.

What is said above does not apply to the salary of the secretary. The salary of this officer should not be based upon the work done at meetings. His duties, even in this respect, are very exacting. He must attend all meetings, keep the accounts of receipts and disbursements, and also the minutes of the proceedings. But much the greater proportion of his work is outside of the meetings, in posting his books, calculating dividends, and attending to the innumerable details connected with his office. It is very essential that a secretary should be competent and faithful, and such a secretary should be liberally paid for his work. In some States the active executive officer of an association is designated as "secretary." In Massachusetts it is the "treasurer," and in other places he is designated as "manager." But, whatever the title may be, experience has shown that it is best to have competent, well-paid men in these positions in order to put the association in a position to demand prompt, proper and efficient attention to their duties. On the efficiency of these officers generally depends the welfare of the association.

Powers and Liabilities.

General Powers.

A building association, being in the nature of a joint-stock corporation, possesses the general powers belonging to corporations of that class. These are usually laid down in the statutes of the different States about as follows:

1. To have perpetual succession;
2. To have a corporate seal;
3. To make contracts and to hold real estate in a corporate capacity;
4. To sue and to be sued; and
5. To make rules for their own government.

An association may not go beyond its statutory limitations and privileges and assume functions and prerogatives not granted in its charter. Such action would jeopardize the continuance of the charter itself and tend to render all acts of the association invalid.

Perpetual Succession.

The right of perpetual succession is essential to the purpose of the association, for, though the membership and the officers of the association may be changed more or less from time to time, the association itself must maintain an organic existence until it has completed its course. Otherwise it would be impossible for such an organization to carry out its mission. While the association exists, it remains in the eye of the law an entity, notwithstanding any changes that may take place from time to time in its elements.

CHAPTER XVI.

The Corporate Seal.

The seal of an association is the official stamp by which the papers executed as a part of its official business are to be identified and verified. The seal must be in the form of a stamp which will make an impression into wax or paper. Its custody and the manner of its use should be prescribed in the rules of the association. The affixing of the seal to an instrument should be accompanied by the official signatures of the president and the secretary. Some associations require the signature of other officers also. There has been much litigation in reference to the use of corporate seals, and the rule has been established: "Wherever the law requires a natural person to attach a seal to the instrument executed by him, in like cases only would it be necessary for the corporation to execute a like instrument by a corporate seal." The mistake should not be made that an association is not liable for contracts that are not verified by its seal. On the contrary it is liable for all undertakings that are expressed or implied by its acts.

It must not be understood that every association is required to possess a seal. The possession of a seal is essential only when required by the statutes or the constitution of the association. As a matter of fact a large proportion of the associations in operation do not use seals.

Contracts and Agents.

An association may make contracts and purchases and sales directly through its corporate meeting. But, like other corporations, it usually acts through officers and agents, as heretofore explained in the discussion of the duties of officers. It is necessary that the rules provide fully for the proper execution of all contracts, that they designate the manner in which they are to be made, and

the officers who are empowered to act for the association. When officers are once appointed with power to make contracts then the general laws relating to the subject of agency apply to associations, their agents, and third parties.

Concerning appointments of agents, it has been held that an agent may act without written authority, or any authentication by the corporate seal of an association if a seal is used, provided his appointment is regular in other respects; that any person, even a minor, may by due appointment become an agent of an association; and that, in certain cases, a member of an association as its agent may deal with himself or with himself as the agent of a third party, provided no special advantage is secured on either side through the arrangement.

Since the appointment of the officers of an association is a matter of public record, third parties in dealing with them must satisfy themselves of their authority to act as agents. So long as agents of associations act within the limits of the authority conferred upon them the association is bound by their acts. If an agent makes contracts in excess of his authority, they may afterwards be ratified and accepted by the association or its board of directors.

In order to make his contracts in due form and binding, an agent must specify in the papers which he executes that the writing is done by the hand of an agent. Notice properly served upon an agent is a notice to the principal in the transactions for which he is employed. A notice conveyed through one director to the board at a regular meeting is a notice to the association. Or a notice conveyed to any director while engaged in the business of the association is a notice to the association, but is not a legal notice if given to him when not so engaged.

A notice published in a newspaper is not a legal notice unless it relates to matters required to be so published. Private knowledge on the part of a director or officer, obtained from rumor or in any other accidental way, cannot be regarded as an official notice to the association. A new board of directors is presumed to know all the facts and circumstances known by or communicated to the previous board. An officer or agent of an association cannot delegate his authority to another person, except where some special provision is made to that end.

Suits.

As a necessary result of its power to make contracts an association has the right to enforce such contracts by suit if necessary. On the other hand as a party to these contracts, the association itself is liable to legal process for the violation of any of its obligations. An association may bring suit against individuals or corporations to enforce its legal and equitable rights; and may in like manner bring suit against its own delinquent officers and members. On the other hand it is liable to be sued by outsiders or by its own officers and members for any actionable neglect or delinquency on its own part.

No general rule can be given for the issuing of processes for and against building associations, since the requirements vary under the laws of the different States. These legal requirements must, of course, in all such cases be carefully observed. Such matters should be attended to by the attorneys of associations. To enter upon a general specification and discussion of the grounds upon which suits may be brought by or against associations would be an undertaking too elaborate and foreign to the purpose of this work. These matters are well defined under the general and special legislation of the different States.

Rules.

Two general principles may be laid down concerning the adoption of rules for the government of an association. The first is that the rules must conform to the constitution and laws of the United States, and also of the State in which the association exists. And the second is that they must conform to the purposes for which the association is organized. Forms for constitution and by-laws are printed in the appendix.

Special Powers.

Associations, as a rule, in the different States are clothed with certain special powers. What these powers may be for any particular association in any particular State must be learned from an examination of the statutes in that particular State and of the charter of that particular association. When the statutes are silent upon any particular power, neither permitting nor prohibiting it, or if doubt exists, the legal rights of an association in the premises may be determined by application to the attorney general, or by bringing action before the courts.

Among the special powers which an association may or may not possess under the statutes and its charter, or independent of these, are the rights to borrow money, to acquire and to hold real estate, to build houses, etc. But some special powers are conferred upon associations generally, such as the authority to impose and collect fines. To determine the special powers of any association is a matter for legal inquiry, and in all cases should be referred to the proper legal authorities.

Dissolution.

In the case of *a terminating association* it becomes dissolved as a matter of course at the expiration of the time for which it was incorporated and its charter

granted, or when its stock matures. In some states the period of existence is fixed by the statutes. If the members of an association, or an essential portion of them should die, it would terminate its existence. The members may, by unanimous agreement, surrender the charter of an association and its franchises.

It has been held that, where there is no express provision on the subject, a majority of the members may, by resolution, surrender the charter and dissolve the association. But they cannot do this against the resistance of the minority. An association is not dissolved by mere neglect or indifference on the part of the members which leads them to fail in the discharge of their duties.

The insolvency of an association, or the refusal of members to keep up their stock-payments, or the omission to elect officers, does not work a dissolution of the association. Associations may be dissolved by act of the legislature or decree of court, where such dissolution does not impair the obligation of contracts. Such dissolution is usually brought about by the State itself, caused by the non-use or the mis-use of the franchises of the association.

In all cases when the grant of the charter is found to have been defective in any material part, or when it has been granted to persons imperfectly qualified to receive it, or upon improper representations, it is competent for the State to rescind its action and to dissolve the association. In case of the mismanagement of the affairs of an association, or where the system of the operation is such as to involve losses, the courts may, upon proper application, appoint a receiver to take charge of its affairs and, if necessary, to wind it up. In the dissolution of an association, or the winding up of its affairs, many questions of equity and of law are involved, which must be anticipated in the rules, or be submitted at the time of dissolution to proper judicial or legal authority.

If, in case of the insolvency of a building and loan association, the appointment of a receiver for the same is applied for and granted, this results in the practical dissolution of the organization. The business of a building and loan association cannot be carried on by a receiver, and nothing remains for him to do but to wind up its affairs in such a manner as to do equity to the creditors and between the members themselves.

CHAPTER XVII.

Practical Questions Answered.

EXPLANATORY NOTE.—There are numerous questions which continually arise in reference to the practical workings of associations which require specific answers. A number of the more important of these are grouped together and answered in this chapter. In this same connection various practical suggestions are made which will be found of value in the transaction of the actual business of associations.

Borrowing Money.

Who may borrow? It is generally understood that none but members may borrow money from an association. This is true, but it sometimes leads to a misunderstanding. While it is a fact that only members may borrow, it is also true that any person may become a member at any time with but trifling cost, and may immediately become a borrower. The constitution and by-laws of an association contain the terms and conditions upon which its money is loaned, and are, in a sense, a portion of the contract or agreement between the borrower and the association. Hence the necessity of every borrower becoming a member and affixing his signature to the constitution and by-laws or to a special card for that purpose. With this understanding of the matter, the answer may be given that anybody may borrow money from an association.

For what purpose may money be borrowed? As indicated in a previous chapter.* many persons suppose that money cannot be borrowed from a building association except for building purposes. As there explained, an association has nothing to do with the purpose for which

*See Chapter XIII.

money is borrowed. The sole duty of the association is to see that in making the loan, it is protected by ample security. A member therefore, may borrow money for any purpose whatever.

What amount may be borrowed? The financial transactions of an association with its members are always based upon shares. Shares are for different amounts, and members are allowed to own different numbers of shares in different associations. But the question may be answered in a general way by saying that a member may borrow the full amount of the paid-up value of the shares he holds, or any part thereof, provided the security he offers is satisfactory. Thus, if the shares of an association are $500 each, and a member is a subscriber for three shares, he may borrow $1,500 or any part thereof. But in order to avoid complications in accounts, most associations have the rule that money must be borrowed in even hundreds of dollars.

What must be the character and amount of security? This is determined by the rules of associations. Generally, however, the security required is first mortgage on real estate in the county where the association operates, or an assignment of the stock of the association on which there has been paid in more than the amount of the loan. The rule is to make no loans on property already encumbered, no matter how valuable the property or small the encumbrance. But the money borrowed may be used to raise an encumbrance on the property offered as security. Some associations accept as collateral security, government and corporation bonds, first mortgage notes, etc.

An association will usually loan money to the amount of about two-thirds of the value of the property offered as security. The value of the property is determined by an appraising committee, composed of members of the board of directors of the association.

What is the cost of a loan? The cost of a loan is made up of the incidental expenses, the interest, and the premium, if any is charged. The incidental expenses consist of fees for appraising property, attorney's fees for examining the title and preparing and recording the mortgage, traveling expenses if there should be any, and other such incidental matters. The rate of interest is fixed in the rules of the association, and is generally at so many cents per week or month on each share or part thereof loaned. The premium is the amount which the borrower bids when money is sold for the privilege of borrowing. The premium is in the form of so many cents per week on each share or part thereof borrowed, in addition to the rate of interest fixed by the rules of the association. The payment of one cent per week on $100 is equivalent to about one-half per cent. per annum interest. With this as a basis, there will be but little difficulty in calculating the cost of a loan when interest and premium are combined.

Some associations have a rule to the effect that borrowers are not required to draw out the entire loan at first but may draw it in installments as needed, and that, in such cases, interest will be charged only from the time that the money is actually received. This arrangement is an especial convenience to persons who are building and who desire to make payments as the work progresses. It is also convenient to persons who have obligations to meet at stated periods as, for instance, notes in bank falling due at intervals. They can in this way use their money in installments without risk or waste. But the more general rule is that the full amount of interest and premium is charged up from the time the loan is made and the security is given, whether all the money is drawn out at that time or not, provided of course, that the money is on hand and ready to be paid to the borrower.

Other organizations require the deposit with them of the difference between the loan and the contract price, and pay all bills generally by issuing joint checks to each material concern and to the contractor only for labor as the work progresses.

How are loans repaid? As stated before, loans are generally based upon shares. A borrower must keep up his regular weekly (or monthly) payments of dues, and in addition to this, the regular weekly (or monthly) installments of interest and premium as they fall due. We will suppose that a member has secured a loan of $1,000, that the regular dues are $1.00 per week on each share of $500, that the regular interest is 12 cents per week per $100, and that the premium which he agreed to pay is at the rate of 2 cents per week per $100. His regular weekly payments therefore would be: dues $2.00, interest $1.20, and premium 20 cents; total $3.40. If payments should be made monthly instead of weekly, there would, of course, be a proportionate increase. The amount to be paid regularly, however, will vary from time to time according to such arrangements as the borrower may make. In some associations he may pay more or less than the regular amount of dues per week. He may prefer to pay interest and premiums in advance. When this rule holds, the amount he pays in goes to his credit upon his shares and begins to draw dividends, which are usually compounded semi-annually the same as all other deposits. The greater the amount he deposits in installments the more quickly of course will his credits and dividends together amount to the $1,000 which is necessary to pay off his loan.

How much time is required to pay up a loan? This will depend upon four things: (1) the rate of interest; (2) the amount of regular weekly (or monthly) pay-

ments; (3) the amount of premium; (4) the amount of dividends earned by the association.

Where the rate of interest, amount of premium, and the earnings of an association are nearly uniform, then of course the length of time will depend simply upon the amount of the payments.

Advantages of a Building Association Loan. With many a person it is easy to pay off a loan in installments where it would be impossible to meet the entire indebtedness at once. Money borrowed from private persons or corporations is usually loaned on mortgage for one or more years. At the end of the term it must either be paid or a new loan must be negotiated which involves a repetition of all the original trouble, expense and anxiety. The time when a note is coming due which is secured by a mortgage on one's home is not a pleasant day to which to look forward. It so often happens that the money which the borrower thought he would have saved up against the evil day is not forthcoming. Indeed, not infrequently the borrower finds difficulty in paying even the interest. In borrowing from a building association all this periodical uneasiness and the renewal expense is avoided. Each week or month takes care of itself, the burden is evenly distributed, and one can readily regulate his habits and manner of life to conform to his necessities. The regular installments are paid, almost without feeling them, and the loan, which would otherwise be a hardship if paid in one sum, is carried and ultimately paid off with ease.

In borrowing from an association a member should make such arrangements for his payments as are not likely to become burdensome. It is better to arrange to make them as low as is consistent with safety. Then if, from time to time, the borrower finds that he can pay more than the agreed amount, let him do so. And the amount thus paid in advance will not only stand to his

credit but, in many associations, will draw dividends in his favor. Moreover, by thus getting ahead with his payments, in case of sickness, loss of work, or some other misfortune, he may cease making payments for a time without falling in arrears or being in danger of losing his property.

If a borrower unexpectedly finds himself able at any time to pay off all, or a considerable portion of his loan, it is better for him to do so. He not only relieves himself of an obligation and stops the charge for interest, but he puts himself in such position that he may begin to accumulate money for himself which may be profitably invested in the association or in some other way.

Contingent or Reserve Fund.

Provisions for a reserve fund are fixed by statute in nearly all of the States. The amount usually prescribed by law is five per cent. of the net profits of the association, set aside annually until it reaches at least five per cent. of the outstanding loans or assets of the association. Many of the leading authorities are of the opinion that this should be increased to ten per cent. The good results secured from the establishment of a reserve fund are seen in the practical operation of this idea in the State of Ohio. In 1891 a law was passed specifically providing for this fund. Five per cent. was to be set aside annually of the net profits, until the amount of five per cent. of the loans had been reached. The money placed in this fund is loaned out, as are the other funds of the association, so that the members have an adequate protection, and at the same time receive an income from this source. In many of these associations a sufficient income is derived therefrom to cover the operating expenses.

Undivided Profits.

In the periodical apportionment of the profits of the association there is nearly always a little residue left over from the fact that it is a very laborious undertaking to calculate and divide the gains down to a very small fractional part. The custom is to fix the dividend at such a rate as approximates closely to the gains of the association, but which may be expressed either by a whole number or a mixed number in which the fraction is of a convenient denomination to use in calculations. To illustrate: The actual gains of an association might be $5^{59}/_{100}$ per cent. Assuming that ½ of one per cent. is placed to the credit of the contingent fund, this would leave $5^{9}/_{100}$ per cent. To calculate the dividends of each member at this rate would put upon the secretary a large amount of very laborious figuring and involve no little liability to error. To avoid this the rate of the dividend would probably be fixed at 5 per cent. This leaves $^{9}/_{100}$ of one per cent. of the profits for that term which are undivided. Also in the calculations there will be some small undivided profits.

Some associations pass these fractional portions of undivided profits to the credit of the contingent fund; others place them in what is called the undivided profit account. When these are carried in the latter way the amounts left over from period to period should be added to the gains for each closing period before the dividends are declared. Where the undivided profits are passed to the credit of the contingent fund, they, of course, become liable to all the conditions covering that fund.

The Ohio law provides for the establishment of an undivided profit account which has been of great service to the associations. It cannot, however, exceed three per cent. of the outstanding loans.

Quick Assets.

Among the innovations practiced by building, loan and savings associations is that institutions have been compelled to modernize to meet the demands of their membership. With the growth of these associations, the necessity of having available securities at times of industrial depression or other causes, securities which would be found marketable, the desire has been to invest a certain portion of the assets in so-called "quick assets," such as government or municipal bonds. In some States legislation has been passed permitting the associations to invest a certain percentage of their total assets in such securities. This naturally means that the income yield from this line of investments will be less than that made upon the real estate holdings which are more productive.

The experience of associations investing in high-grade bonds as a quick asset has not been as satisfactory as was anticipated. In the last two or three financial crises which have been experienced in this country, it was found that even the highest grade of security of this character could not be negotiated on any acceptable terms. Other types of financial institutions with heavy investments in high-grade bonds, which are usually considered a quick asset, discovered that in an acute financial crisis, ready money disappeared from the market, and no buyers could be found for even the highest grade of government or municipal bonds. Another very interesting fact was disclosed in these times of financial depression, and that is, that no type of financial institution suffered as little inconvenience or interruption to its regular business on account of the depression as did the building associations. As a rule these institutions have gone through crises of this character with less loss and less inconvenience and interruption to their business than any other type of finan-

cial institution. Indeed it may develop that associations will invest some of their funds in the investment certificates of other associations where the demand for loans is greater than the supply of money on hand.

Since the establishment of the Federal Reserve Banking system in this country, the possibility of financial panics or business depression from financial causes has been largely eliminated. During the progress of the great World War many building associations invested large sums in Government bond issues, but this was done for the double motive of patriotism, a desire to aid the government, and as a business proposition to find a safe investment for funds not required by borrowing members during a period when home building was largely suspended. The object of holding these securities as a quick asset had very little weight or influence with the associations making these investments.

Mortgages: Custody, Recording, Etc.

Mortgages should be placed upon the records of the county in which the mortgaged property is located. This should be done immediately after their execution in order to secure the proper priority of lien. One of the officers of the association (president, secretary, or treasurer) should be entrusted with this duty. It is advisable to provide this officer with a book containing certificates of record to be signed by the recorder, clerk, or prothonotary, with whom the mortgage is left for recording. The blank for these certificates should be about as follows:

Received for record.....192.... at ....o'clock.... minutes....M. from The.....Building and Loan Association, a mortgage given by.....to said association, dated.....192....

.....

.....of.....County.....

When a mortgage has been fully satisfied it should be discharged forthwith by a certificate of satisfaction by the president, or president and secretary, as the rule may be, for entry upon the county records. If this certificate is indorsed upon the back of the mortgage it may be in this form:

The foregoing and within mortgage has been fully paid and satisfied and the recorder (clerk, or prothonotary, as the case may be) is hereby authorized to cancel the same off of the records of .....County, ...

The.....Building and Loan Association,

By....., President

....., Secretary.

If the certificate of satisfaction is upon a separate sheet it must contain an accurate description of the mortgage designated for cancellation with the number of the mortgage book and the page where the same is recorded and must be witnessed and acknowledged with the same formalities required in executing the mortgage. Some State laws require that the release of a mortgage shall be made in this manner.

The mortgages held by an association should not be left in the possession of any one of the officers, since this places a needless and irksome responsibility upon such officer, and since, in such custody, they might be liable to be lost or mislaid. They should be placed in the fireproof safe of the association if it has one. If it has none they ought to be deposited in the safe of some bank or in a safe-deposit vault, even if a small expense be incurred thereby. The mortgages as filed away should be properly arranged, either alphabetically according to the names of the mortgagors, or in numerical order corresponding with the pass-book number of the members or shareholders executing them, so that any particular mortgage may be found readily.

If a fire insurance policy is held as collateral to the mortgage, the policy should be filed with the mortgage, a band or string holding the two papers together or both being enclosed in an envelope.

In some of the Western States the Deed of Trust is used instead of a mortgage, but the manner and the effect is about the same, as when the mortgage is used to secure payment of the debt. Custom and local practice will govern.

Insurance Policies as Collateral Security.

In all cases where there are buildings upon the land which are included in the mortgage, fire-insurance policies on these buildings should be required. These policies should be assigned to the association and kept on file with the association until the loan has been paid off.

It should be made the duty of the secretary or of some other officer to keep a record of all the fire policies held as collateral security. This record should include the name and address of the company or of the agent issuing the policy and a sufficient description of the policy itself to make it easily recognizable. The record should be indexed with the names or numbers of the shareholders assigning the policies so that reference may be made to each readily. The record of policies should also be arranged in monthly groups showing when the policies expire. It is recommended that this expiration record be kept in card index form.

The month before the expiration of a policy the officer having charge of this matter should notify the mortgagor and the agent issuing the policy, of the approaching expiration of his policy and request that it be renewed on or before the meeting day next preceding its expiration. At this meeting the certificate of entry of renewal duly signed by the agent or representative of the insurance company

must be furnished to said officer of the association. When an entry on the policy by the representative of the insurance company is required, the policy should be delivered to the mortgagor for that purpose to be returned at the meeting as before stated.

When the association surrenders a fire policy the interest of the association therein should be released. This may be done in these words.

.....192....

The interest in this policy which has been held by The .....Building and Loan Association is hereby relinquished.

....., President.

....., Secretary.

The.....Building and Loan Association.

When a special blank is used it must give the number and the date of the policy and the name of the insurance company issuing it, in addition to the words signifying relinquishment.

If a loan is secured by mortgage on a terminating leasehold the policy of insurance should be held as collateral until the final satisfaction of the mortgage. Then the policy with the mortgage should be surrendered with the proper certificate of satisfaction as above.

Leaseholds.

When a leasehold is mortgaged to an association the secretary or other officer whose duty it may be should enter in a book kept for that purpose a copy of the forfeiture clause of the lease; likewise the dates when ground rents become due, arranged in monthly groups as indicated above for the insurance policies. Receipts for the payment of the rental, taxes, and assessments, if any, should be presented, at the latest, at the meeting preceding the expiration of the term of forfeitures and the entry

that such receipts have been produced should be made on the book of the proper officer.

Taxes and Assessments.

Mortgagors should be required, subject to penalties fixed by the rules, to present to the proper officers of the association their tax or assessment receipts one week prior to the expiration of the time limit for payment. An entry should be made in a book kept for that purpose to the effect that such a receipt was duly produced.

Payment of Dividends.

It is the practice in some associations for the members to draw out their dividends at the end of each term. This is probably a bad rule. Associations are organized for the purpose of enabling and encouraging their members to save money. If the members draw out their dividends regularly they are apt to expend this money which they might otherwise save. Unless a member absolutely needs his dividends it is better for him to allow them to stand to his credit. In associations where the dividends are not drawn out they usually are compounded from term to term and thus assist materially in increasing a member's income. It is an advantage to the association also for the dividends to be left in the treasury. In an average association doing a prosperous business, the semi-annual dividends will amount to a considerable sum which can be profitably loaned or invested by the association.

But where the dividends are paid at the end of each term the directors must make special provision to have the money on hand with which to pay them. If dividends are not forthcoming when expected, suspicions may arise and there may be a loss of confidence among the members.

In paying dividends* it is convenient to have each member's money or check placed in an envelope beforehand so that on the meeting night it can be handed to him without any delay. The envelope may be printed about as follows:

Book No.....
.....Dividend of
The .....
Building and Loan Association for term ending.....
.....192....
Name.....
Amount $.....

As these envelopes containing the dividends are distributed to the members each member should sign a receipt in the following form:

.....192....
Received of The.....
Building and Loan Association the sum of.....
.....dollars in full for dividend for term ending
.....192....
.....
Book No.....

These receipts may be loose, or bound in book form. If loose, after they have been signed, they should be filed either in the numerical order of the members' pass-books, or in the alphabetical order of the members' names, so that they can be referred to readily.

Some associations pay dividends by issuing warrants upon the Treasurer who cashes them on presentation. These warrants are in the following form:

*For methods of calculating dividends and dividend tables see Chapter XXII.

No.....

.....192....

Treasurer of

The.....Building and Loan Association:

Pay to the order of.....the sum of

.....dollars, dividend in full for term

ending.....192....

$.....

.....Secretary.

In some States the statutes, and in many associations the rules, require that all moneys shall be deposited in bank and paid by check. When so paid the check becomes the receipt and none other is necessary.

Dues, Deposit Slips, Etc.

At the appointed time for the payment of dues the tables should be cleared and conveniently arranged. The secretary and his assistants and the finance committee should take proper position. The dues book should lie open in the most convenient place for use by the secretary or other person receiving the payments, and for reference by his assistants and the members of the finance committee. Regular money boxes should be provided for assorting and depositing the money as received.

It will greatly facilitate business if associations will use deposit slips or deposit envelopes. These are also of great advantage and convenience in checking up for any errors which may arise.

Business Details in Large Associations.

The foregoing parapraphs apply to small associations that have one meeting night only per week, for the receipt of money and transaction of business. When an association grows to larger size and the volume of business is such that it must be kept open every business day,

during business hours, the plan above outlined cannot be followed. These larger associations during all business hours have someone present, usually the secretary, or his assistant, to receive money, applications for loans, to pay withdrawals or transact any other routine business which may arise. Some associations require that all payments made shall be accompanied by a deposit slip, made out by the member, which he hands in with his pass-book and cash or check. The sum deposited is then entered by the party receiving it, in the member's pass-book. It is no longer customary to divide this payment into several parts, of dues, interest, premium and fines, requiring the entry of three or four separate sums on the pass-books, but the total payment made by the member is credited on his pass-book in one lump sum. This practice simplifies the operation and materially shortens the work.

In associations that do not require the use of deposit slips the officers receiving the deposits at the same time enter the payment in the "Cash Received" book of the association. This book should be especially ruled and printed for the purpose. It should have columns for name of the member making the payment, date, a column for his stock number and followed by a number of unit ruled cash columns, the first cash column being headed "Total," and the succeeding columns being headed "Loans," "Running Stock" or "Installment Stock," "Paid-Up Stock," "Deposits," "Temporary Loans," and such other printed headings as will indicate all the various purposes for which money may be received. In each proper column should be entered the date, name of the member, number of his pass-book; and in the "Total" column should be entered the full amount which he pays. This amount should also be carried out to the column indicating the purpose for which the payment is made. If it is made by a borrower, it should be entered under

"Loans." If it is a savings deposit on shares, it should be entered under "Running Stock." If the payment is for the purchase of paid-up stock, the entry should be put in the column thus headed, and in the column in which the pass-book numbers are placed should be entered the number of the Paid-Up Stock Certificate which is issued to him. In the column headed "Deposits" should be entered the payments made by persons who are not stockholders, but are making payments on a special deposit account.

Where deposit slips are used they are usually placed on a spindle and afterward posted to the "Cash Received" book, as above described. Some large associations have their "Cash Received" book in loose-leaf form, so that in rush hours where large numbers of persons are requiring attention, two or more officers or employes of the association can receive deposits through separate windows or wickets. This loose-leaf form of cash book is not recommended where deposit slips are used.

At regular intervals, usually at the end of each week the "Cash Received" book is balanced, the several columns footed and these footings carried to the appropriate account in the General Ledger.

The individual account with each member should be kept either in a loose-leaf Ledger system or in a Ledger Card Index system. In each case a separate ledger sheet or ledger card is opened for each member and depositor, and these should be numbered and kept in the ledger or card index in numerical order. These ledger sheets or ledger cards should be especially ruled and printed, with proper columns and headings for keeping the individual accounts. The several items in the "Cash Received" book should be posted at frequent intervals, either daily or weekly, to the individual accounts in the loose-leaf ledger or card-index ledger.

Branch Offices.

The development of very large associations has induced many of them to establish branch offices in different parts of the city or county in which they do business. In the first place, such branch offices may be considered as accommodations for the membership, making more convenient the deposits of money. But, in fact, they are most efficient in creating new members and thus accumulate additional funds for the purposes of the association maintaining them. These branch offices confine themselves not only to the receipt of dues, but also give all information asked for by prospective members, distribute advertising matter, etc.

Disbursements.

It should be a fixed rule of every association that all cash received be deposited in the bank designated by the Board of Directors, and only disbursed by check drawn on this bank and signed by the authorized officer or officers.

Most associations have these checks printed with stubs, and bound in a large book, from three to five checks on a page. Where the association has ample funds on hand, it is usual for the secretary to issue checks to withdrawing members at any time, upon request, and presentation of their pass-book or certificate, against which the withdrawal is made. No withdrawal should be permitted unless the pass-book against which it is to be made is presented and the withdrawal entered therein. Stubs of each check issued should show the date, the party to whom paid, the number of the account to which the disbursement is to be charged, whether a pass-book account, mortgage loan, temporary loan, paid-up stock, expenses, or other purposes.

The stubs of these checks should be kept posted to the "Cash Disbursed" book. This book should be ruled and printed similarly to the "Cash Received" book, with columns showing the date, number of the check, name of the party to whom the check issues, the stock number, to which the disbursement is to be charged, and a number of unit-ruled columns, the first having the printed heading of "Total," and the succeeding columns printed headings, "Loans," "Book Withdrawals," "Paid-Up Stock," "Withdrawals," "Deposit Withdrawals," "Dividends," "Temporary Loans," "Expenses," "Salaries," and such others as will indicate the several purposes for which money may be paid out by an association. The stubs of these checks should be posted daily to this "Cash Disbursed" book in regular numerical order.

The amount of the check is to be entered in the "Total" column and also carried out to the proper column indicating the purpose for which the disbursements were made.

At frequent intervals, at least weekly, the "Cash Disbursed" book should be balanced, all the columns footed, and the footings posted to the proper accounts in the General Ledger.

Paid-Up Stock Ledger.

It is important to keep a separate ledger in which to enter the certificates of paid-up stock and the dividends paid thereon. This should be especially ruled and printed, with columns for entering the date, the name of party to whom the certificate was issued, the number of the certificate, the amount for which it was issued, followed by a column in which to enter the date and check number by which the certificate is cancelled. The balance of the folio pages should be ruled and printed for dividend

columns. Each dividend column properly consists of two parts: one in which to enter the amount of the dividend and another space in which to enter the date and number of the check by which the dividend was paid. At the head of each dividend space should be entered the date of the dividend entered in that column.

Semi-Annual Settlements in Permanent Associations.

The practice of making semi-annual settlements and declaring semi-annual dividends is almost universal, although a few associations make settlements and declare dividends quarterly. On these settlement days the accounts of each borrower are charged with the interest on his loan for the current fiscal period. The amount of this interest, together with the premium, and fines, if any, taxes and insurance paid by the association for the borrower, if any, are deducted from the total payment made by the borrower, during that fiscal period, and the balance of his payment is placed to the credit of his stock, or, as is now becoming quite common in associations, this balance is deducted from the amount of his loan, making a new balance of indebtedness on which the interest is computed for the following fiscal period. The dividends earned by the several members are credited to their several accounts. At this settlement time all pass-books should be called in for audit, compared with the books of the association and dividends credited thereon. The borrower's pass-books should show the amount of interest and other charges for the current term.

When dividends are credited on the pass-books, they become a part of the savings account. Should the owner of the pass-book desire to withdraw this dividend, he is permitted to do so, but it is not treated as a payment of

dividend, but as a withdrawal from his account, and is so entered on the "Cash Disbursed" book.

General Remarks.

The foregoing is an outline description of the principal features of practical work and accounting under the permanent plan. Its full details can not well be explained without the use of diagrams and bookkeeping forms, which can not be conveniently displayed in a book of this character.

Paying Off Shares.

Before the directors pay up shares in full or relinquish mortgages, they should consider carefully the association's liabilities so that they may know —

1. What losses are liable to occur;
2. What mortgages (if any) are likely to prove bad;
3. What other creditors the association has;
4. Whether or not the existing reserve fund is sufficient to cover all such liabilities.

Thus the directors may protect the association from any possible shortage. In case of withdrawal at any time when losses are pending, the shares withdrawn should be debited with their equitable proportion of the impending liability. If this is not made the rule, knowing members, when the association may be under threatened temporary embarrassment, would withdraw their shares and escape without losses, while the faithful and unsuspicious members remaining would be compelled to meet the emergency.

It must not be imagined that this prudence is unnecessary because of the fact that, generally speaking, building associations conducted on the permanent plan are prosperous and run along smoothly from year to year

without embarrassment. Unexpected circumstances may arise in the affairs of an association just as in any other business enterprise. The officers, through inexperience or carelessness, may make mistakes. A neighboring association may declare large dividends. Then the officers think that their own association can do as well, and will increase their own dividends and pay out for profits more than the association has earned.

Any increase in dividends has a very pleasing and quieting effect upon members. As a result the members themselves, under such circumstances, become more careless, and, in consequence without any evil intent on the part of either officers or members, unexpected embarrassment may arise. It is well to anticipate all such emergencies, and thus to be prepared for them. It is easy to under-estimate an association's liabilities to borrowing members on the one hand, and to over-estimate the value of mortgages on advanced shares on the other.

Another serious mistake which has often been made, principally in associations conducting their business on the gross premium plan, is to divide the profits at the end of the fiscal year. If this is done a member coming in during the second term would afterwards have no share of certain profits to which in the course of time he would be justly entitled. In some reports unearned premiums and unearned interest will be found reckoned as assets. This is certainly a mistake since in each new term these assets must be reduced by the amount which must be placed to the credit of profits for that term.

In some instances we have found reported as assets the entire outstanding re-payments having an unexpired term, without any reduction or discount being made for the time that must elapse before they shall be paid.

Associations which still use the gross premium plan should only count as profits for any fiscal term, the pro

rata share of the gross premium earned during that term; and the gross premium should be distributed over the entire term that the loan is to run.

It should be understood that an association which has a reserve fund or contingent fund, is supposed to rely on that fund to cover losses that may occur, and deductions from a withdrawing member's account to cover losses, should not be made unless it is clearly evident that the losses will exceed in amount the sum in the reserve or contingent fund.

The reader's attention is directed to Chapter X of "Selling the Building and Loan Idea," by R. Holtby Myers, where a number of probable questions or objections by prospective members are answered.

Auditing: Its Necessity and Object.

State Examinations.

In many of the States the provisions of the law require that examinations be made at specified times. While the auditing done by the State authorities has been of untold benefit to the movement, we are of the opinion that the associations themselves should pay the greatest attention to this important detail of the management of these associations. When we consider the vast number of associations, embracing a membership of millions of people who make weekly, semi-monthly and monthly deposits, running into the millions, the total aggregate savings are tremendous. This vast sum of money represents the hard-earned savings of thrifty and frugal citizens, whom circumstances compel to begin at the bottom of the ladder in the competition for material progress. They are of the class of people who can least afford to run any risk or suffer any loss. The money they are thus accumulating, they are compelled to earn by the sweat of their brows. It is not interest, rent or incomes from accumulated capital or investments. It is in most cases their dependence for the future, as well as the home itself, and for the necessities and comforts of life. If there is such a thing as sacred money anywhere, it is in the treasuries of the building, loan and savings associations.

Many a time a person who has lost some of these savings has been discouraged from ever again attempting a similar effort. As a result, this burden must be assumed by others. The proper guardianship and protection of

these funds is, therefore, a matter of the highest importance. It should have the best wisdom of the association and of the State for its practical direction. In a report of the Bureau of Statistics of Labor and Industry in New Jersey, the part devoted to building and loan associations makes the following comment in regard to auditing:

"In theory, the co-operators are neighbors and acquaintances, present at every periodical meeting and watching and auditing the modest business transactions themselves. And probably that was, in the early history of the association, also largely carried out in practice. It is more or less so in the smaller concerns. In the comparatively large enterprises, and especially those where the number of membership reaches several hundred or even thousands, and the assets approximate a quarter of a million, such a course is hardly practical. The examinations of accounts and investments is usually left to auditors who often know little about auditing, and even when competent, are inclined to neglect making a thorough investigation which requires valuable time."

Since this was written many associations in the United States have acquired a membership running into the thousands, with assets aggregating many millions of dollars, and the number of associations having over a million dollars assets is increasing continually. Thus it will be seen that the volume of business has grown phenomenally, especially in well conducted associations where they have made it a business to work along progressive lines.

The grave importance of the subject of auditing is indicated in the extract quoted, and in some of the figures given. This matter should receive the greatest consideration in association circles. In fact, a single association that has trouble in any part of the United States will cause uneasiness at some other point, and it therefore behooves those having the management of associations in charge to see that the very best auditing obtainable is secured for their respective institutions.

An ordinary business enterprise is usually carried on by an individual, a firm or a private corporation. In such cases the actual managers of the business, as a rule, carry a large part of the risk. It is their own money that is invested in the business. They invest this according to their own judgment, and handle the business at their own discretion. In consequence they are naturally watchful and painstaking in all they do, their time and thought being devoted to the business. If the business prospers, well and good. But if they find that it is not prospering, they may, without consulting anyone, proceed to close it up.

In the management of a building association the conditions are different. The directors and officers have some financial interest in it, but their interest is likely to be of minor importance as compared with their other and outside individual interests, and it is also unimportant as compared with the aggregate interest of the association. The case is different in the management of any private individual enterprise, or of the business of any regular business firm or corporation. In a private enterprise the managers give to the business their whole time and thought. In the management of the business of a building association it is only incidentally that time and thought are given to it.

Let the officers of an association be ever so conscientious, ever so much interested, nevertheless the opportunities for error are greater in an associated than in a private enterprise. An association's business is open to many more risks of the misuse or non-use of powers on the part of managers than in the case where proprietary interests are involved and the management is embodied in one or a few men whose duty and interest it is to make it their sole occupation to watch over and administer their own affairs.

These facts give rise to a special necessity for the systematic and regular auditing of the accounts of every co-operative enterprise. This necessity is of a dual and reciprocal nature. It is necessary on the one hand for the protection of the society's interests and the individual interests of the members. On the other hand it is essential for the protection and proper endorsement of the officers in the discharge of their duties.

Indirectly also, another important reason exists for the careful administration and auditing of the affairs of every building association. It is only by such systematic watchfulness that the best success and prosperity of an association can be secured and assured. Any failure of an association, be it complete or partial, is very unfortunate, not only for the individual shareholders but also for the community. Such an occurrence goes far towards creating a distrust of this method of co-operation. Such a distrust once aroused is likely to continue for one or two generations. Persons who lose money in a building association will be very slow to risk their earnings in another such institution, and their families, neighbors, and friends will be influenced strongly by their opinion and attitude. Such a failure not only causes embarrassment to associations already in operation, but prevents the establishment of other associations in that immediate vicinity. The influence goes farther, for those who have suffered by it, removing into new neighborhoods and communities, even at a great distance, carry with them the story of their unfortunate experience, and this may be sufficient to prevent the establishment of such societies elsewhere. Upon this ground alone it behooves all persons who are interested in the welfare of this form of co-operation, and who are convinced of the good that it is accomplishing, and of the great future that awaits it, to insist upon the regular and responsible auditing of the

accounts of the association with which they are connected.

Many other considerations of like general character, showing the necessity of the regular and thorough auditing of the accounts of building associations, will suggest themselves to the intelligent reader, and need not be mentioned here. Many large associations are carefully audited by chartered public accountants and when the business of an association is of sufficient size to warrant it, this course is recommended.

Purposes of Auditing.

The wholesome effect of official supervision and compulsory auditing on part of the State is now generally recognized, and the indications are that its sphere will be extended and perfected in the future. That this system of co-operative saving shall have continued popularity it must hold the confidence of the people. This can be accomplished only by throwing about it such wise safeguards as experience has shown to be necessary in order to make and keep it worthy of such confidence.

Auditing is supervision practically applied. It means not only testing the accuracy and the trustworthiness of the accounts, and the honesty and efficiency of officers, but it includes also the testing and the perfecting of methods, and the securing of practical economy. It involves the proving of the conduct of an association by the fundamental principles upon which this form of co-operation is based on the one hand, and also by external checks and testimony on the other. A proper audit reviews both the plan and the methods of the society, and also its practical operations.

An association, properly organized and properly operated, is like a complicated piece of machinery, in which each part is nicely adjusted to fit into its cor-

responding parts, so that all work together in a perfect co-ordination, with the least friction, and with economy of power, and reach the highest productive or executive possibility. Only a regular systematic audit will keep the machinery of an association in good form and perfect running order. If an audit has no other effect than to cause an association to keep up proper appearances, it fulfills an important function. The audit takes the affairs of the society as it finds them and compares them with what they would be if ideally perfect, and thus furnishes a test of the actual status of the organization and a corresponding gauge of its usefulness and its title to confidence.

Formulated somewhat specifically, the principal reasons why the accounts of an association should be audited regularly and carefully are as follows:

1. For the protection of the business of the association as a corporate body.

2. For the protection of the individual members, both creditors and borrowers.

3. To determine that the business is conducted according to statutory requirements, and also in harmony with the provisions of the constitution of the association.

4. For the purpose of determining whether the business of the association is conducted economically and according to the most approved and best labor-saving systems.

5. For the purpose of having available at all times and for any purpose a verified and reliable statement of the association's affairs.

6. To elevate and maintain the standing of the association as one of the competitive financial institutions of the community, and to supply the necessary evidence of its safety and prosperity to all persons who would make desirable members.

Protection of Corporate Interests.

Practically an association is a business partnership. Each member commits his capital to it as he pays in his regular installments. This capital, in its aggregate interest, is risked in the transactions of the association. It must be guarded, not only from thieves who would break through and steal, but from speculative risks and embezzlement. It must be directed into the channels for which it is intended. It must be so handled as to make it productive in the highest possible legitimate degree. It must have all the care, and the same kind of care necessary in the management of any purely individual or private interest.

The association's prosperity is dependent upon the confidence and the co-operation of its own members. It deals only with members. The officers must not only be capable and trustworthy, but must so keep the records and accounts that the actual financial condition of the association and the results of its business operations may be at any time readily and correctly ascertained. When the accounts are kept correctly and stand the test of a careful audit, the members are enabled to judge as to the safety and the profit of their investments. Any irregularity of management will be discovered before it reaches such proportions as to jeopardize the stability or the solvency of the association.

Protection of Members.

Members of an association entrust their surplus earnings to it in order to save them. If it were not for this purpose of saving they would have no use for the association. When a properly verified balance sheet is presented, showing that the money actually saved is safe, and is, moreover, so invested that it is earning some-

thing, and that there are no actual or prospective losses, deficiencies, bad debts, defalcations, etc., then the members know that they have taken all necessary precautions to protect and to conserve their interests. They know also that by the methods the officers have adopted and by the system of auditing which has been inaugurated, they are able to discover any leakage before it reaches such proportions as to endanger their money.

As remarked in another place, a practical system of auditing is indispensable when the affairs of an association are prosperous. It is all the more necessary when this is not the case. Any lack of prosperity is thus discovered promptly, and immediate steps may be taken to improve the situation, if this be possible. If this cannot be done, members will know what to expect, and will not be disappointed at low dividends or no dividends. If the situation is so bad as to make it necessary, arrangements may be made to wind up the affairs of the association before they reach such a condition as to involve seriously the interests of the members.

Occasionally, an association is allowed to drag along feebly after it has become apparent that it is not prospering, until it reaches a condition when it is impossible to wind it up without serious loss. Such a case may arise from outside circumstances, local or otherwise, as well as from mismanagement or inattention on the part of the officers. Many circumstances, such as the removal of factories, the depreciation of real estate, and similar causes, may change the conditions under which an association was established. It is always best to know the worst at once and to act accordingly. When losses accumulate until a crash comes, it is nearly always found that the assets are less in value than they are supposed to be. In addition, the cost of winding up is so greatly increased that this of itself very materially reduces the

assets. This is a condition that should never be permitted to arise, and one that is practically impossible under any proper system of auditing.

Statutory and Constitutional Requirements.

The business of building associations has grown to such proportions that it has become one of the important factors in the financial transactions of the country. In few other connections are the personal property interests of a larger number of citizens involved. There is this other consideration also, that the number of citizens who entrust their saving to the care of associations is likely to continue to increase at a rapid rate. Very properly, therefore, the legislatures in the different States give the subject attention from time to time, and provide by statute the limitations and the methods to be observed by the associations.

These corporations, under the statutes of the State, establish for their own guidance certain rules and regulations, which they embody in their constitutions and by-laws. These rules determine the methods and the restrictions of their operations. Upon the faithful observance of these depend the safety and the prosperity of the associations and the protection of the deposits made by shareholders.

In a sense, therefore, it is the business of an auditor to inspect as well as to audit. Not only should he compare and check items, verify entries and footings, etc., and test all the details of the accounting and the bookkeeping, but he should inspect the methods upon which the system of accounting is based, and the ends it aims at. He should furthermore, satisfy himself that both the accounting and the operations of the association are in accordance with the constitution and the by-laws; and in

addition to this, that the rules of the association are in harmony with the statutes of the State. He should also see that all securities belonging to the association are carefully checked. It is only by this system of far-reaching and thorough auditing that an auditor can render a faithful report to those who have trusted their interests for the time being to his guardianship.

Economical, Labor-Saving, and Simple Methods.

People desire economy and simplicity in the management of their business. They do not want an unnecessary expenditure of money, nor a cumbersome system which they cannot understand. They like to see economical and labor-saving methods adopted in the management of the business of their association, and all superfluous work and intricate books dispensed with. They like to have accounts in such form that they themselves can readily understand them and thus perceive how they are kept. Experience has shown that the weakness of many associations which have failed has been just here. There was a waste of money in the manner in which the business was conducted. Much unnecessary work was required, and the system followed was so intricate and cumbersome that it was not readily understood, and it did not give a plain showing of the affairs of the association. Consequently, an association would become involved before its real condition was discovered.

Proper auditing by those experts in such matters would quickly detect any such condition as this and put an end to it.

The Balance Sheet.

The best method of improving the condition is to have thoroughly efficient auditors, appointed by the State, or appointed by and responsible to the stockholders and

directors of the association, to examine the records, and to report to the association the manner in which accounts have been kept; to verify the balance sheet, and to be able to state that in this the secretary and the directors have shown correctly the business for the period covered; and that it is a true exhibit of the condition of the association upon the date of its issue. Such a statement thus verified enables the members to act with intelligence and confidence, and also gives to outsiders who may wish to become members, or who may have some other interest, full and trustworthy information. If an association is prosperous a correct balance sheet is its best advertisement. If it is not prosperous the balance sheet will demonstrate the fact and the members will be fully warned.

In this connection it may be remarked in passing that such methods of book-keeping have now been devised for associations that the secretary's accounts may exhibit a continuous balance sheet, showing at any moment the exact condition of the association's business.

The Auditor, the Representative of the Members.

The first point to emphasize is that an auditor does his work in the interest of the members as contra-distinguished from the officers of an association, and that he is their representative. He knows nothing of and cares nothing, for the time being, about the officers whose accounts he is examining. He is appointed for the purpose of ascertaining on behalf of the stockholders that their money has been properly accounted for; that such of the funds as have been expended have been applied in the manner intended and as indicated in the accounts; and that the unexpended portion is invested or held as intended, and that this is shown in the report and the balance sheet.

In a general way he is to give to the co-partners or shareholders his assurance that the transactions of the officers and the directors in the management of the business of the association has been wise and discreet, and according to the rules and the purposes of the association; that the report and the statement which they present correctly and accurately represent the actual transactions and condition of the association; that it may be relied upon as showing the real result of their management, and, that the balance sheet presents the actual receipts and expenditures, costs and gains, and liabilities and assets, for the term it covers.

For the time being the auditor is the critic, the judge, of the officers — their friend and ally if their accounts are correct and their conduct right, their uncompromising antagonist if they are guilty of any shortcoming or wrongdoing.

The Selection of an Auditing Committee.

Determining who shall be the auditor or auditing committee is a very important matter. In most associations, that is to say in associations that have not long been organized, the auditors are usually three or five members selected by the membership at large, or by the directors, for this purpose. In the older associations, and in not a few of the younger ones, a single auditor is chosen who, as a rule, is a professional accountant, and may or may not be a member. Other things being equal, it is better that he should not be a member of the association, since thus he may be supposed to be wholly disinterested. It will be for each association to determine for itself, whether the auditing shall be by a committee of members or by the employment of a special auditor or professional accountant.

Qualifications for Auditing.

Whether the audit be by single individual, or by a committee, the qualifications must be the same. If by an individual, he must possess all the qualifications himself; if by a committee, one member may be versed in one part of their work, and another skilled in some other department. For convenience in presenting the subject, and in order to make it a little more pointed and specific, we will treat the auditor in the singular number, and will speak of the qualifications necessary to any individual who would be regarded as competent for such a task.

The auditor's duties begin immediately with the cash on hand, securities, books and accounts of an association. The books must be placed in his hands, posted and balanced up to date, including the last meeting for the term over which his duty is to extend. The mistake should not be made that he is to take the books and accounts of an association and put them into proper shape, if he does not find them so. He has nothing to do with this, unless he is employed to correct as well as to audit the books. He is to take them just as he finds them and to report upon them as they are.

While an auditor must be a bookkeeper, auditing is not bookkeeping. Frequently it happens that an auditing committee sets to work to straighten up the books and the accounts of an association preliminary to their auditing and checking. Keeping the accounts belong wholly to the officers of the association, and it is the business of the auditor to report upon things exactly as he finds them without amending or altering them in any way. He is the representative of the shareholders and membership at large, and not an assistant of the secretary or other officers. It is his business to criticise and find fault — if criticism is warranted — with the work of the secretary

and the officers as shown in their books and reports, and not to correct and cover up their faults and shortcomings.

Not only must an auditor have a thorough knowledge of accounts generally, but he must be an expert in association accounts. The first principles of accounting are the same always and everywhere; but in each particular line of business the application of these principles must vary. Consequently, one may be an expert bank accountant but not posted in insurance accounting, or in manufacturing or in merchandising. Building association accounts have their own distinct peculiarities, and present certain features of accounting not found in other lines of business. The best auditor of building association accounts therefore must be a specialist in this particular line.

Again, there is progress in the science and art of accounting as in all other sciences and arts. Methods formerly in general use are now discarded for those which are better. In every line of business labor-saving systems have been introduced which not only make economy in time and expense possible, but also greatly simplify the plans and make the results more readily attainable and comprehensible. There are many devices now in common use which facilitate and expedite the work of an accountant. An auditor should not be an old fogy. He should be up with the times and have full knowledge of modern methods and improvements and all labor and time-saving devices. He should have a quick grasp of things, so that he can see at once the correlation of all the affairs of the association, and also the relations which each separate account or item bears to the whole.

Not only must he be an expert accountant, but he must understand the philosophy and the principles of the line of business with which he is dealing. A building association is the application of the principles of co-operation to

business matters. The business of an association differs from that of an individual, or of an ordinary business firm, in the fact that the private interests of so many more individuals are involved. This introduces the elements of principles of co-operation. In order to see that these are correctly applied and carried out it is necessary that the auditor shall himself be well informed in regard to the principles which underlie co-operation in general, and co-operation in this special direction in particular.

It hardly seems necessary to say that an auditor must be honest and incorruptible. His intentions and purposes must be absolutely correct on the one hand, and on the other he must not be susceptible to any kind of influence that might lead him away from such purposes. Any such influence as deliberate attempts at bribery are hardly to be expected in such an institution as a building association, but there might be the influence of friendship, or sympathy, or something of that kind, which would tend to swerve an auditor from a straight line. These must be guarded against, not only on the part of the members in the selection of the auditor, but on the part of the auditor himself in the prosecution of his work.

An auditor must be courageous and firm. He may find himself antagonized and opposed. He may find opposition where he expected co-operation. He may find weakness where he expected strength. He may be placed under a variety of circumstances which make it difficult for him faithfully to prosecute his work. His courage and firmness must never fail.

He must be a discreet man, one capable of keeping his own counsel, going his own way, minding his own business, and reaching his own conclusions.

He must be a man of tact and courtesy, having the faculty of finding out what he wants to know, of winning the esteem and confidence of those with whom he is

brought into contact, and of commanding the respect even of those whose shortcomings or faults he may be called upon to expose.

Withal he must be a man of moderation and forbearance, not hasty to reach conclusions, not disposed to take any improper advantage of his position or knowledge, and not inclined to be dictatorial or overbearing in his manners in any respect.

Disqualification of Auditors.

That a proper system of auditing does much to establish confidence in an association has been proven beyond doubt. The shareholders should bear in mind that it lies in their power to increase the advantages of auditing to the maximum by a judicious selection of auditors and the adoption of the best methods as to the time, manner, frequency, etc., of making the audits. A man may be a good penman or copyist, or may be reliable in the addition of columns of figures or in multiplication, etc., he may be successful as a mechanical or routine bookkeeper, and still be wholly incompetent as an auditor. To be capable of making an audit, he must have a thorough comprehension of what the figures and the items he has to inspect mean, and must understand their philosophical, as well as their mathematical relations. A scheming official might easily keep a bookkeeper's clerk or assistant in a good humor with himself by giving him plenty of mechanical work to do, checking this and that, adding and subtracting here, and multiplying there, all of which would lead to nothing at all, but would leave the auditor (?) with the impression that he was making a very thorough audit. By thus flattering his vanity, and enabling him to make a great show of his work, he could be effectually thrown off any dangerous scent, and, while industriously calling off and checking items and details,

the footprints of fraud could be entirely covered up. Indeed, he might in this way handle the very item which covers or omits fraudulent transactions. He would be so taken up with the mechanical part of his work that he would never discover anything.

Assistance from Officials.

An auditor who cannot audit without the assistance of the secretary is not the man for the place. It is not an uncommon occurrence to see a secretary busily engaged in assisting an auditor by reading out from pencil memoranda in his ledger the amounts which are to be checked in the pass-books, and then these pencil figures on the ledger are erased before the ledger is presented to the auditor for other purposes. An auditor who must be assisted is one to be avoided.

After the books have been placed in his hands and explanations have been made of the system which is followed, and matters have thus been formally turned over to him, an auditor should take full charge and set about his work without the presence of any of the officials unless he shall summon them to answer questions, or to make necessary explanations. If he finds new features in bookkeeping in vogue with which he is not familiar he should frankly say so, and ask questions freely until he understands the system. He cannot make his audit without having this knowledge, and it is due to the officials, to the shareholders whose interest he represents, and to himself, that he secure the information. This having been secured, he is then able to understand everything clearly, and to report upon it correctly, and should proceed to do his own work in his own way.

The auditor may well be compared with a pilot who takes command of a ship in order to bring it into port. The autocratic powers of the captain and other officers

cease in all matters pertaining to navigation. The responsibility for a safe entrance and conclusion of the voyage passes from the captain to the pilot, who, temporarily, takes command and is in full charge. Such change of authority should be recognized by the Secretary and other officers of an association.

Change of Auditors.

It may be desirable, as a precaution, or for other reasons, to make a change of auditors from time to time; but no change should be made for the mere sake of a change. An auditor who has once gone over the accounts of an association has acquired a familiarity with them, that is to say a special knowledge of them, which would be valuable to him in making a second audit. If he is efficient and satisfactory, and there is no special reason for making a change, it will be desirable to continue him in the position. If the books are audited by a committee it will be easy to keep an old hand in the lead with new assistants from time to time. There is often a risk in placing the matter of auditing in new hands from the fact that it may not be possible to know with certainty that the new hands are competent ones. On this account it is best never to place an audit in wholly untried hands, if it can be avoided. There may be natural incapacity or lack of training, which will make the work unreliable and unsatisfactory.

Compensation of Auditors.

There is no more important work to be done for an association than the auditor's. In order that it may be done properly the best talent available should be obtained for it. It is very poor policy for shareholders to seek the cheapest auditors.

Auditing: Its Methods

Uniformity Impossible.

In the preceding chapter the subject of auditing has been discussed in relation to its general principles and features. But, in order that the suggestions of this work may be made of as much practical value as possible, it is necessary to indicate, as far as may be, how these principles are to be applied in practice. Every one will understand that it is impossible to lay down a set of specific rules which will apply in all cases. It is only the application of the principles of auditing in a general way that can be pointed out here. These must be adapted to circumstances as they may be found to exist wherever they come to be specifically applied. Even in any one particular association, circumstances differ from time to time as new contingencies arise. Consequently there must be more or less variation in the application of any set of rules. While the rules and suggestions which follow are given in outline, the endeavor has been made to make them sufficiently comprehensive to cover almost any set of circumstances that may arise in the practical operations of an association.

Care of Books.

An auditor should notice whether or not the books of an association are well cared for. He should see where they are kept and how they are handled, should notice whether or not they are in good condition and clean.

He, himself, in turn should handle them carefully, keeping them neat and clean, and placing upon them only the necessary check marks, and should make these as small and as neat as possible. Auditors will find that books which are neat and clean in appearance, in which the entries are tastefully made, balances properly ruled off, etc., will, as a rule, contain accounts that are correctly kept. Where the condition of the books is such as to indicate carelessness in their handling, an auditor may well expect to find carelessness in the accounts themselves, for, careless in one thing careless in all things, may be expected to be the rule. If the secretary or other officer is neglectful of his duties, or has erasures and finger marks all through his books, he is likely to have errors, both of omission and commission, in his entries.

Special Hints.

A list of the books in use having been furnished to the auditor he should make it his first business to see that it is complete, and that all the books named in it are in his hands. He should next turn his attention to the general features and conditions of the books themselves. He should see whether they constitute a perfect system without any breaks; that is, whether the books are like the different parts of a machine, each wheel fitting properly into the others, and no wheel missing. He should examine each book and note all the particulars concerning it. For instance, he should see if the books are machine-paged, since this is one of the most efficient safeguards against tampering such as cutting out or pasting together of leaves, and so on, and is a most important feature in the tracing of entries.

All books which in any way have connection with financial transactions in the receipt or expenditure of money should be numbered in consecutive pages by a

machine. They should begin with page 1, and should continue in regular numerical order. It sometimes happens that books become very large, and the page numbers become too large for convenience in practical work. Various expedients may be resorted to in such cases. The first series of pages may run up to 1,000. Then a new series may begin which will be called A, as A 1, A 2, A 3, and so on, while a third series may be B 1, B 2, B 3, and so on.

Attention should be given next to the clerical work in the books to see whether all entries have been made, whether they are clear and legible, and whether the extensions and footings have been carried out. If omissions are discovered the attention of the officers should be called to them, and the officers themselves should fill them up. If entries are found which are not in due form, but are in the nature of memoranda, this should be noted, and, if necessary the officials should be called upon to complete their work. If any entries are made in pencil, or footings appear in pencil, the pencil work should not be accepted, because after the audit is completed, such entries could be easily changed. The original rulings of the books, and also all rulings made in the course of the accounts should be noted. If these rulings do not fulfill their purpose distinctly, the fact should be noted and the matter properly cleared up.

These preliminary matters having been noted, the auditor should next turn his attention to the particular accounts. He should first notice the method, or *modus operandi,* upon which the accounts are kept. He then should test the different accounts by taking certain items and tracing them from book to book so as to obtain a clear knowledge of the process by which the accounts are made up.

CHAPTER XIX.

As the auditor proceeds with his work various incidental matters will continually arise to claim his attention. He must be prepared by intelligence and experience to look out for these himself. They can not be specifically scheduled. A few such matters may be mentioned particularly by way of suggestion.

He should familiarize himself with the laws governing building and loan organizations and their operation and carefully read the by-laws.

He should see that no dividends have been declared out of the capital, or out of earnings which have not yet been realized.

He should see whether or not any capital has been invested in securities that are illegal or improper, and false assets shown in this way.

He should inquire as to whether the constitution and the rules have been followed in all matters relating to the accounts, and, if the directors are empowered with authority to use their discretion in any official transactions, whether or not their resolutions and instructions have been carried out to the letter.

He should see that rebates in interest are allowed correctly, and all incidental items are properly entered and considered.

He should examine carefully the profit and loss account, inspecting and verifying each item. He should see, for instance, that any provision in the rules permitting allowance for depreciation in the value of fixtures, stationery, etc., has been followed, and that such entries are properly made.

Every auditor should have a system of check marks of his own. These should be made with ink or an ink pencil. They may be in different colors and in different forms as he may find necessary for the perfection of his work. By putting his proper check on each item as he passes upon it

he will not fall into confusion, and each item will tell its own story as soon as he looks at it. He will also know in this way when his work is completed, and his check marks will remain for the information and guidance of himself or others in making future audits.

False Accounts.

It is the auditor's business to detect mistakes and misrepresentations. Mistakes occur through inefficiency or carelessness. Misrepresentations arise from an intention to deceive. Mistakes may be rectified; misrepresentations must be exposed. Therefore, in case the secretary or the board of directors have intentionally prepared and submitted a false statement, the auditor may have a more or less unpleasant and some times difficult task before him. If he is efficient, he will soon be able to detect the fact that the account is incorrect. If it has been made so intentionally, he will soon discover this also. Being properly put upon his guard by his discovery, he will need to summon all his tact and firmness, and settle down to a faithful and thorough investigation.

He must now prepare himself not only to point out the errors in the account but also to expose the purpose and method of the errors. It will always be well for an auditor under such circumstances to be cool, deliberate, and close-mouthed. He should not be hasty to betray his suspicions. There should be nothing in his manner, or speech, or actions, to indicate that suspicions have been aroused, until the proper time comes for him to take decisive action. He should fortify himself with all the evidence available, so that his position may be impregnable, and that, when exposure comes, it may be thorough and complete, and the guilty officials brought to judgment and restitution made.

Errors of Omission.

It is difficult to lay down any rule by which errors of this kind can be detected with absolute certainty. Everything will depend upon the intelligence, the experience, and the determination of the auditor. An audit may be thorough and correct as far as direct cash transactions are concerned, but may be incomplete in the statement of assets and liabilities. To guard against errors of omission in any part of the accounts, each item should be checked as far as possible from original entries or sources in order to see that the association has been charged with all the cash received and liabilities incurred. The same course must be pursued on the other hand with reference to all cash expenditures and to all credits. It sometimes happens that the affairs of associations become complicated and the interests of stockholders seriously endangered without warning, because officials have been careless in their accounts in these respects, and auditors have been incompetent or negligent. It should always be borne in mind that an auditor is one who audits, and if he fails in any particular then he is not entitled to the official name which he bears.

1. Check all extensions and footings in the original books.

2. Compare each entry in No. 1, Members' Pass-Book, with No. 2, Contribution Book, and No. 4, Members' Ledger.

3. Compare each entry in No. 3, Disbursement Book, with No. 4, Members' Ledger.

4. Compare each entry in No. 2, Contribution Book, with No. 4, Members' Ledger.

5. Compare each entry in No. 2, Contribution Book, and No. 3, Disbursement Book, with No. 5, Cash Book.

6. Compare No. 7, Treasurer's Receipt Book, with No. 2, Contribution Book, and also with No. 8, Treasurer's Cash Book, and with No. 3, Disbursement Book.

7. Compare totals of No. 5, Cash Book, with totals in No. 6, General Ledger.

General Outline.

The accompanying diagram illustrates the posting of different items from book to book until each reaches its final account. In this graphic way the entire system of building association accounts is illustrated at a glance. Since an auditor must follow these postings the diagram will be valuable as a guide.

Share Contributions.

A few suggestions may be made as to the proper method of checking up the dues paid in by the shareholders:

1. The members' pass-books should be examined to see that each has been issued only after the member has complied with the rules for admission, whatever they may be, paid all necessary fees, etc.

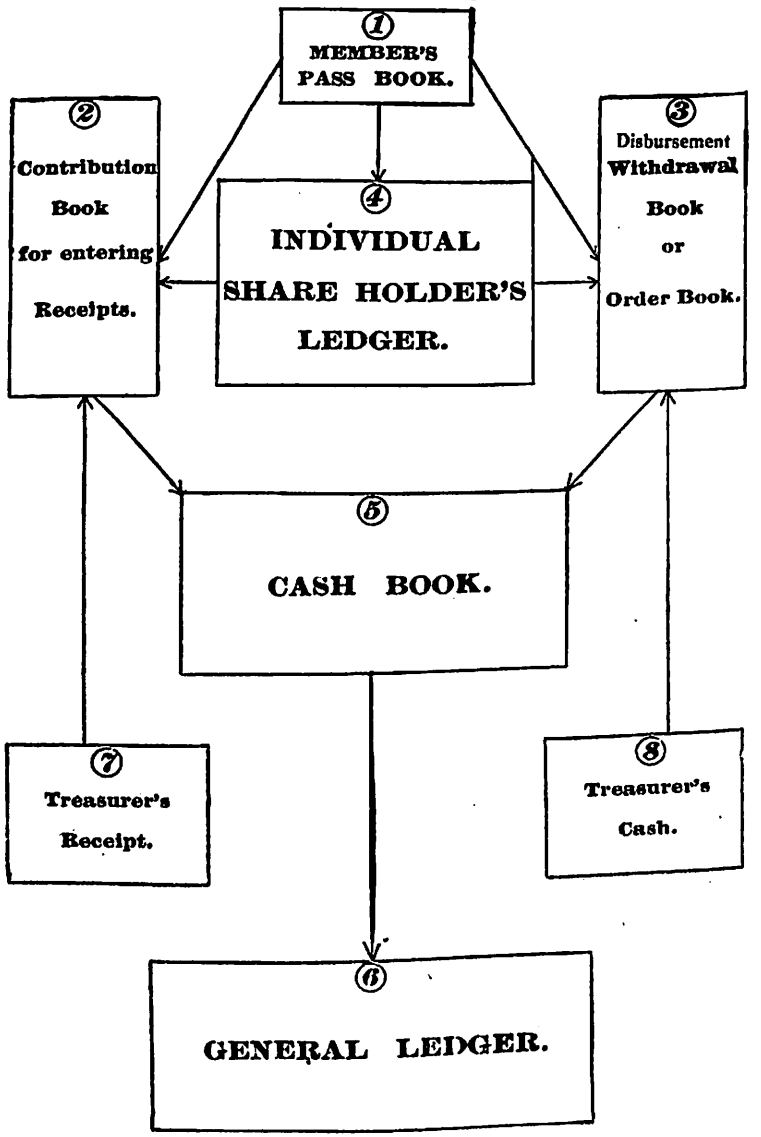
2. Pass-book entries of dues, fines, etc., should be checked up as to amounts and dates.

3. The accounts in the Members' Ledger should be checked against the pass-book entries to see that all items have been properly posted.

4. The contributions of each deposit account in the Contribution Book should be added across, and the totals should be compared with the corresponding entries in the Cash Book.

There is such a variety of methods under which dues are received and recorded that it is difficult to make specific suggestions that will cover all cases. What is

DIAGRAM 1.



said above will be sufficient to put an intelligent auditor upon the right track.

Proving a Cash Balance.

The cash balance as shown in the cash book and verified by the bank book of the association, with a proper certificate from the bank and the auditing committee, should go to their respective depositories for an actual verification of this account. In those cases where moneys of the association are involved, outside of the bank account, this should be verified by the cash being produced and counted. In case the audit does not take place until some time after the end of the term, the cash on hand at the date of the audit should be counted.

A statement should be prepared showing receipts and expenditures since the close of the term. By having arrangements for the audit previous to the close of the term, this last expedient will not be necessary, and an element of uncertainty will be removed, for if any fraud were being planned, it would be possible to manipulate the cash account at the close of the term and previous to the date of the audit, so as to show a false balance when the term closed.

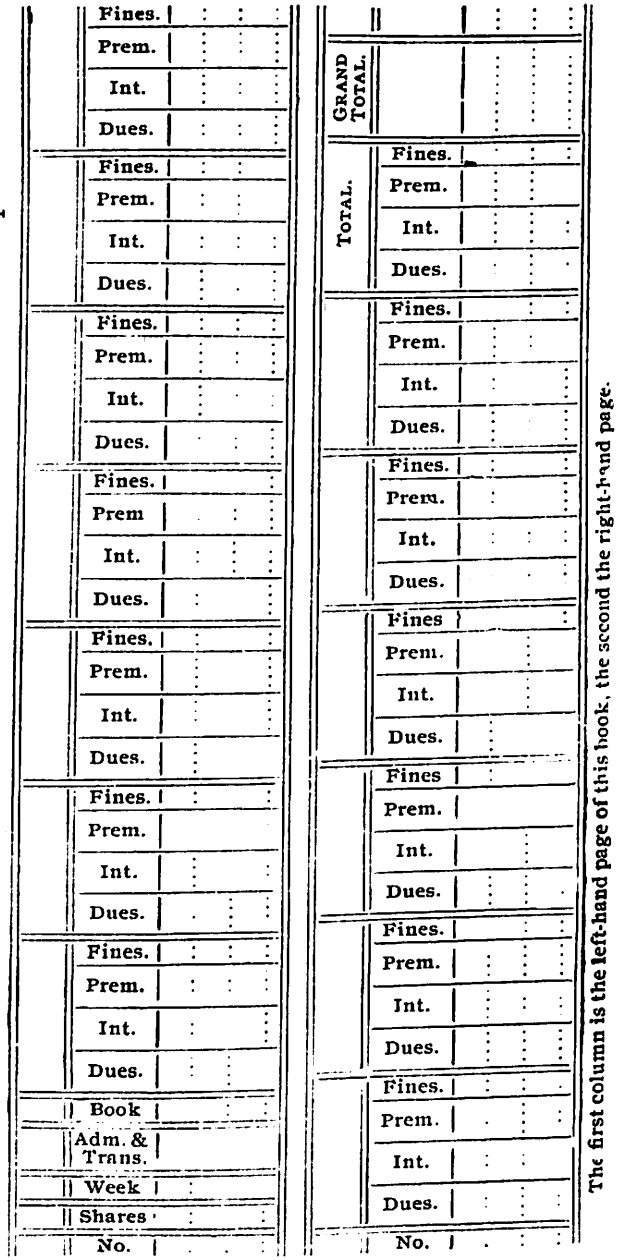
Secretary's Book.

It is our purpose to give illustrations of only a few forms that are applicable to the average-sized association in operation. Those doing a large business and collecting dues from day to day require an altogether different system for their work. We will not attempt to show their styles and methods, but rather the method of the average association in operation in the United States.

The following diagram shows a form for rulings, entries, footings and postings for those associations that

Secretay's Book.

This diagram shows a form for rulings, entries, footings, and postings, for what is called a 13-week Dues Book. The weekly deposits are entered in their proper columns, then footed across at the end of each 13 weeks or quarter, and are then posted.



collect weekly dues — the quarterly or thirteen weeks secretary's book. The detailed description and use of this form is given here that it may accompany the form, not because it has anything to do with auditing.

The sheets are ruled for fifty numbers on a double page, or folio, and are numbered consecutively from 1 to 50 (the same on both the left and right-hand page) and from 51 to 100 or 00 on the next double page, both left and right, and this numbering from 1 to 100 is continued throughout the book. For the second and subsequent hundred numbers the secretary simply places 20 before the first nine numbers and then 2 before all the balance of the second hundred, and this is repeated by placing in a similar manner 3, 4, and 5 before the figures for the subsequent third, fourth and fifth hundred numbers corresponding to the number of pass-books issued.

The space at the top of each series of columns (dues, interest, premiums, fines) is used for inserting the dates of each weekly meeting. The weekly deposits are entered in their proper column and at the close of each meeting, when receipts are all in, these columns are footed separately, on each page and then the separate totals for all the pages are added to ascertain the totals of dues, interest and fines and these totals again added to ascertain the total receipts for the secretary. If the grand total balances with the cash received, which it must do, the secretary then spreads this statement of receipts, duly itemized, upon his minutes, and subsequently posts the items to the proper columns, suitably arranged, in his cash book.

At the end of the quarter (or 13 weeks) each number or account is footed across the double page into the "Total" column, and these totals are posted to the individual ledger accounts.

The footings of these total columns may then be added for as many pages as are used, and then verify cash book totals with them.

The space at the top of each series of columns is also used by some secretaries for inserting a number for each meeting, besides the date.

When the association becomes a few years old this consecutive numbering of the meetings is very useful in ascertaining quickly the amount of dues any member should have paid.

For instance: a borrower starts on the fifteenth meeting, paying $2.00 per week, and the secretary wishes to know on the 150th meeting how much this borrower should have paid. He simply subtracts fourteen, the number before the one on which he began, from the 150 and gets 136, and this multiplied by $2.00 gives the total payment of dues, $272.00, which should be to his credit. If the credit does not show this amount, then whatever amount is short, indicates the amount in arrears.

In order to check up any borrower's payments and to avoid looking back over a number of old contribution books, when the account has become one of long standing, it is only necessary to place the number of the meeting on which the borrower started on his page in the individual ledger at same time you make entry of his name and date of opening his account.

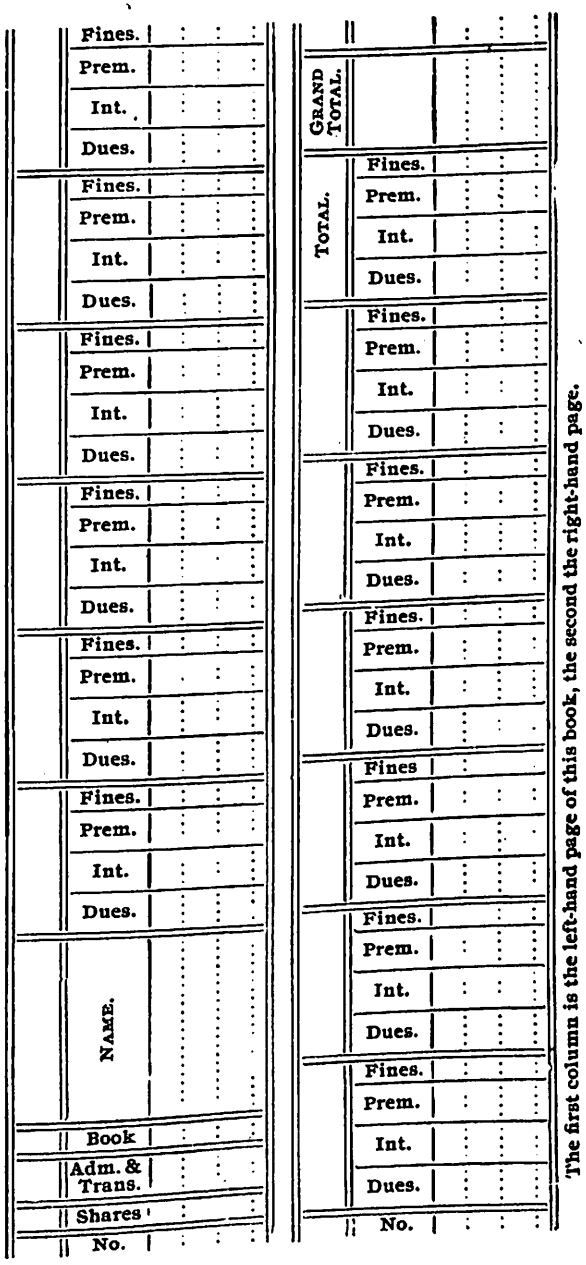
This number, minus one, deducted from the number of present meeting, will always give you total number of payments due. This is not an important matter in regard to non-borrowers and so far as they are concerned may be omitted.

Monthly Secretary's Book.

The following diagram shows a form for those associations that collect dues monthly:

MONTHLY SECRETARY'S BOOK.

This diagram shows a form for rulings, entries, footings, and postings, for what is called a 12-month Secretary's Book. In this form dues are paid monthly instead of weekly, and at the end of the year are footed across in each account and then posted.



The first column is the left-hand page of this book, the second the right-hand page.

CHAPTER XIX.

The form of rulings, entries, footings and postings comprise what is called the secretary's book arranged for twelve months or one year.

The explanation just previously given for the detailed use of the 13 weeks book will apply to this monthly book only modified to suit the difference in the times of payment.

Secretary's Cash Book.

An association must have some way of bringing all its accounts together, so that they may be properly summarized and balanced, showing total receipt from dues, interest, premiums, fines and other sundry items. This is done through the columnar Cash Book, sometimes called the Itemized Cash Book, or Secretary's Cash Book.

The rule of debit what you receive and credit what you pay out, holds good with cash, as in all other transactions. The bulk receipts are entered in their respective columns of the Cash Book, debiting cash, while the disbursements are entered in their respective columns, crediting cash.

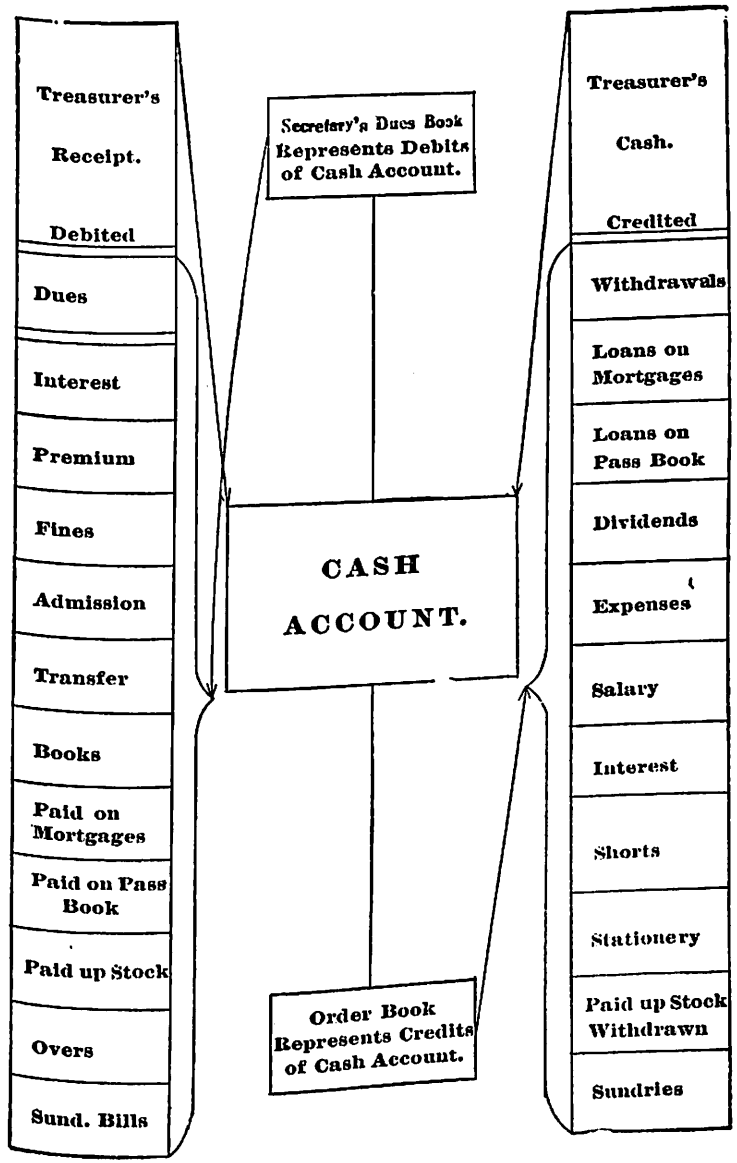
The method of checking the Cash Book is illustrated in the diagram on the following page.

Treasurer's Cash Book.

The treasurer keeps this book for his own convenience. In it he enters the gross receipts of each meeting and all disbursements. If kept posted properly it shows at all times the exact amount of cash on hand. This book should be checked against the Treasurer's Receipt Book, the Warrant Book, and the Bank Book, an appropriate check sign being placed opposite the last entries in each.

Members' Ledger.

In checking this book attention must be given to the following points:



1. The account of each shareholder in the Ledger must be checked by comparison with the entries in his Pass Book. A sign indicating that this has been done should be placed against the Ledger entries, and also opposite the last Pass Book entry.

2. Items posted from the Secretary's Book should be checked by amount, date, and folio, and another appropriate check sign should be placed against the last entries.

3. Withdrawal items should be checked against the Members' Pass Book, and Warrant Book.

4. The Dividend account must be examined to see that all dividends due to each member have been properly credited, and, if drawn, the items must be checked against the Warrant Book.

5. All miscellaneous items, such as assessments, rebates, and everything of that character, must be checked carefully against original entries.

Withdrawals.

Auditors should see to it that the files contain properly signed vouchers from withdrawing members, showing the exact amount which has been received. The signatures to these vouchers should be compared with those entered in the Constitution Signature Book, if such a book is kept; if not, he must verify the signature to his own satisfaction in some other way.

In checking up withdrawals, he should note —

1. That applications for money have been entered in the Withdrawal Book in regular chronological order, and that they have been acted upon in this order by the Directors when not paid immediately, as is now usually done.

2. That all warrants for the payment of withdrawals correspond with the dates and amounts in Cash Book.

3. That partial withdrawals are properly noted in the Member's Pass-Book; and, if the withdrawal is complete and absolute, that the Pass Book has been surrendered, and the fact of withdrawal entered therein.

4. That amounts paid out on withdrawal have been charged against their proper accounts in the Members' Ledger.

General Ledger.

This is a very important book in connection with the accounts of the association. In it are summarized the details of all the other books. By it the correctness of all the other accounts is to be finally tested. From it the Balance Sheet is made up. It tests the actual condition of the association's business, indicating the assets and the liabilities, the profits and the losses. As implied in its name, the accounts of this Ledger are the opposite of the individual accounts in the Members' Ledger. Herein is applied the double entry principle in bookkeeping. Every debit must have a credit, and *vice versa.*

The old system of journalizing is now generally discarded, since it involves a great deal of unnecessary labor. Under the later methods each item is entered immediately in its appropriate account, or posted from the books of original entry, without passing through the Journal.

Even the General Ledger is now dispensed with by many secretaries, by adopting a columnar Cash Book, described on a previous page.

Building association accounts differ from mercantile accounts in that the transactions are wholly financial, and are uniform. This makes possible more simple methods of bookkeeping in certain respects, though the accounts are very intricate on account of the character and multiplicity of the items. But the same principles of debit and credit must still lie at the foundation of the system, and

the ultimate result of bookkeeping must show the total assets and liabilities, and the profits and losses correctly. If the summarized items under these heads fail to balance, then there is something wrong with the accounts.

The general accounts necessary are as a rule as they appear in the secretary's balance sheet on a subsequent page.

Assets and Liabilities.

The assets and liabilities may have some such classification as follows — also shown in secretary's balance sheet:

ASSETS.	LIABILITIES.
Cash on hand,	Running stock and dividends,
Loans on mortgage security,	Credits on mortgage loans,
Loans on stock, certificates or pass-book security,	Credits on other loans,
Loans on all other security,	Credits on real estate sold on contract,
Furniture and fixtures,	Paid-up stock and dividends,
Real estate,	Permanent (non-withdrawable) stock,
Real estate sold on contract,	Deposits and accrued interest,
Real estate—office building,	Deposits secured by collateral,
Due from borrowers for insurance and taxes,	Reserve fund,
Bonds,	Undivided profit fund,
Deposits in other building and loan associations,	Borrowed money and accrued interest,
Deposits in other financial institutions,	Contingent profit on real estate sold on contract,
Other assets in detail.	Due borrowers on unfinished buildings,
	Deposits from other building and loan associations,
	Deposits from other financial institutions,
	Other liabilities in detail.
TOTAL,	TOTAL,
Interest due and uncollected.	Interest due and uncollected.

The schedule must be sufficiently comprehensive in its details to include everything, and the audit must be so conducted as to trace every item into this schedule so that each summary may be fully verified.

The amount by which the assets may exceed the liabilities is usually called the Reserve Fund and Undivided Profit Account.

The amount by which the liabilities may exceed the assets is usually called Shortage or Deficiency.

Auditor's Report on Special Matters.

Where everything is found correct and in good form the auditor's regular certificate is usually about all that he need file in the way of a report. In some cases, although he may sign the regular certificate, there may be some matters to which he may deem it necessary to call the attention of the shareholders. In deciding as to whether or not he should make any report on such special matters, or should make any incidental suggestions, he must be guided by what may seem to him to be necessary for the welfare of the association. A few illustrations may be suggestive:

The auditor may differ with the secretary or the directors upon some matter which may be of importance to the interests of the association. If so, he should state the matter plainly so that it may be clearly understood, being careful, however, not to be too elaborate and therefore tedious, and should give illustration when possible.

He might find that the secretary or other officer was underpaid or overworked, and might think it better for the association if this were corrected.

He might discover that the officers were not afforded proper facilities for transacting the association's business and that its interests were in consequence crippled or jeopardized, and could make some recommendation.

He might find that the system for filing and caring for mortgages, insurance policies, notes, and other papers, was not a good or safe one.

Many other such incidental matters might claim his attention.

In making special reports on any miscellaneous matters an auditor should act deliberately. He should be careful not to do anything which might be used to the disadvantage of the association or its officers by some disgruntled or unwise member, or some officious or antagonistic outsider.

In any case where he finds that the accounts and records are grossly inaccurate and incomplete, either through carelessness, incompetency, or a purpose to deceive on the part of the officers, his duty is plain. He must not only withhold his certificate but must report facts as he finds them to the association.

Auditor's Certificate.

When the auditor has completed his task, if he has found everything correct, he should prepare and sign a certificate in some such form as follows:

To the Shareholders of the.....
Building and Loan Association.

I have carefully examined the books, vouchers, cash and accounts of your Association, and find the same to correspond with the Balance Sheet as presented under date of.....
I also find the present conditions of the Association to be correctly presented in said Balance Sheet.

Respectfully,

....., *Auditor.*

Safety Insured.

The suggestions here made are sufficient to put an inexperienced auditor on his guard, and also to indicate to members something of what is involved in an audit,

and to show the character of person that should be appointed as auditor.

If auditing were always faithful and efficient it would save much trouble, anxiety, and loss to members. Even if the account is correct, or if there are unintentional errors in it, it is only regular and competent auditing that will insure permanent confidence in the association on the part of members and of the public. There always are apt to be a few members at least, and not a few outsiders, who look upon an association with more or less distrust. If such as these see that the affairs of an association are regularly and systematically investigated, then their confidence sooner or later becomes established. Under such a system officials would soon learn that it was impossible to secure the auditor's certificate to unreliable and incorrect accounts and statements, and shareholders would understand that the practice of any fraud upon them would be impossible.

By the adoption of some such system of auditing as is here presented, shareholders make such provisions and take such precautions as will render mistakes well nigh impossible. They have delegated authority to two representative bodies, each of which acts as a check upon the other. The board of directors is an administrative body; the auditor or auditors constitute a supervising and reviewing department.

The directors and secretary are compelled to be watchful, for they know all their work will be under critical review.

The auditor must prove himself competent and do his work faithfully, or his inefficiency will be apparent in the course of time.

State supervision, so far as it has yet been developed, does not remove the necessity for private auditing. Indeed, it enforces this necessity, and this is its object.

CHAPTER XIX.

A State supervising official does not take the place of the regular auditor. While it is made the duty of the State officials to make personal examination of the business of associations, not alone at regular stated periods but also at irregular and unexpected times, still it remains for the management of the associations to see that proper auditing goes hand in hand with the examinations that are now made by State officials.

It is to be hoped that the various officers of the different States having in charge this work will organize a permanent organization among themselves, so that with closer communication and exchange of ideas the efficiency of these departments can be greatly enhanced.

CHAPTER XX.

Reports.

Their Necessity.

One of the chief arguments in favor of the building association as a saving society is the fact that it is managed by the members themselves, and that they may therefore at all times know exactly the status of their own money, and also the condition of the association. Members can gain this knowledge only through the regular periodical publication of reports. The issuing of such reports, therefore, is one of the most important duties of the officers of an association. Consequently, the importance of preparing and publishing correct reports of the business transactions — with itemized exhibits of all receipts and disbursements, together with all information as to the details of its affairs — cannot be too strongly urged upon the officers of an association.

In order that a report shall be of the highest value it is necessary that not only it shall be accurate, but that it shall be published at sufficiently short intervals to enable the members to keep the run of the business in their minds, and also to give them opportunity to take steps, when necessary, to correct any evils that may be found to exist. Such reports should be rendered at least once every six months, and a copy should be placed in the hands of each member.

If an association is properly conducted and its business in a prosperous condition, not only will the circulation of reports give satisfaction to its members, but they may be used for advertising purposes. In this way additional

members may be brought in and the prosperity and usefulness of the association increased. The knowledge that reports must be printed and circulated at stated periods tends to put both officers and members upon their mettle, and thus insures better management for the association. Every one connected with an association feels a just pride in their ability to present so favorable a report.

On the other hand, if an association is not prosperous, the sooner and the more completely this fact is made known to its members, the better it is for all concerned. If the evils found to exist are curable, they may be remedied promptly, and the association be put upon a better basis. If they are incurable, steps may be taken to wind up the association before its affairs become seriously involved. Under such circumstances, moreover, the public would be warned by the publication of an accurate report, and outsiders thus would not become involved by becoming members.

Legal Requirements.

So important is this matter of reports that many of the States have enacted statutes requiring that such reports shall be made, and outlining their form and character. To quote in full the statutory provisions of the different States which relate to this subject, and to enter into a comparison and discussion of them, would be foreign to the purpose of this work.

Preparation and Publication of Reports.

Whether the statutes require periodical reports to be made or not, such reports are provided for in the constitution, by-laws, and rules of the associations themselves. In these provisions the form of the report is outlined in a

general or specific way, and also the method of its publication. The exact form in which the report of any association shall be presented and the method of its publication must therefore be determined by the statutory requirements and by its own rules. It should be so comprehensive in scope and elaborate in detail as to make it self-explanatory. It is also very desirable that reports be printed, so that they may be readily available for examination by all members and other persons interested.

The chief part of the work in the preparation of a report usually devolves upon *the secretary*. Promptly, at the close of each fiscal term, the secretary should present a properly formulated and tabulated report of the business of the entire term to the directors. The directors should refer it to the auditing committee for examination and verification. When the directors and officers are satisfied that the report is correct, the secretary, or the secretary and the president if so required, should make oath or affirmation to its correctness. It is advisable that the report when completed be published in the newspapers or printed in convenient form before the meeting of the stockholders at which it is to be presented, so that each member may have full opportunity to examine it and to learn the exact standing of the association and the condition of its business.

Secretary's Balance Sheet.

An examination of the reports of numerous associations shows that the accounts most generally carried by secretaries are as illustrated in the following balance sheets which are printed here as a suggestive guide for the officers of new associations — the first one being that of a serial association and the second one that of a permanent association:

CHAPTER XX.

SPECIMEN REPORT—SERIAL PLAN ASSOCIATION.

TWENTY-SEVENTH ANNUAL STATEMENT

OF THE

..... Savings, Loan and Building Ass'n

For the year ending December 31, 1922.

RECEIPTS.

Installments (dues)	$ 55,827 00
Interest	18,379 80
Fines	242 90
Membership fees	158 60
Transfer fees	10 50
Matured stock	10,300 00
Rents	394 40
Loans repaid and matured	64,750 00
Sale of real estate	6,720 72
Bills payable	4,472 35
Bills receivable	3,000 00
Outstanding orders	1,000 00
From Treasurer	3,707 35
Total	$168,963 62

DISBURSEMENTS.

By balance of last statement	$ 3,791 49
Loans on real estate and shares	79,200 00
Installments withdrawn and matured	48,769 00
Interest on stock withdrawn and matured	13,987 72
Expenses	2,647 85
Taxes, insurance and repairs	341 30
Real estate sold on contract	385 00
Real estate	606 41
Bills payable	7,734 85
Bills receivable	3,000 00
Matured stock	8,500 00
Total	$168,963 62

ASSETS.

Loans to stockholders	$303,250 00
Installments unpaid	1,755 50
Interest unpaid	921 00
Fines unpaid	35 95
Real estate	7,200 00
Real estate sold on contract	3,385 00
Furniture and stationery	200 00
Total	$316,747 45

LIABILITIES.

Installments paid on stock	$217,543 50
Ad. Pay. dues $923.50—inter. $53.75	977 25
Installments due	1,755 50
Matured stock	33,000 00
Bills Payable	2,692 35
Due Treasurer	3,707 35
Outstanding orders	1,000 00
Contingent fund	11,660 00
Profit	44,411 50
Total	$316,747 45

SERIES OF STOCKS, VALUES, ETC.

Series	Time in Mos.	Shares in Force	Shares Loaned on	Dues Paid Per Share	Profit Per Share	Value Per Share
17	132	266	74½	$66 00	$22 94	$88 94
B	128	35	34½	64 00	21 40	85 40
C	124	10	10	62 00	20 08	82 08
18	120	385	47	60 00	19 79	78 79
B	116	9	8½	58 00	17 57	75 57
19	108	339	36½	54 00	15 23	69 23
B	104	132	22	52 00	14 12	66 12
C	100	7	6½	50 00	13 06	63 06
20	96	324	24	48 00	12 03	60 03
B	92	19	8½	46 00	11 05	57 05
C	88	90	10	44 00	10 11	54 11
21	84	400	22	42 00	9 21	51 21
B	80	37	36½	40 00	8 36	48 36
C	76	165	120	38 00	7 54	45 54

Series	Time in Mos.	Shares in Force	Shares Loaned on	Dues Paid Per Share	Profit Per Share	Value Per Share
22	72	478	66½	$36 00	$6 77	$42 77
B	68	123	123	34 00	6 04	40 04
C	64	48	48	32 00	5 35	37 35
23	60	513	50	30 00	4 70	34 70
B	56	145	142	28 00	4 09	32 09
C	52	92	90½	26 00	3 53	29 53
24	48	556	104	24 00	3 00	27 00
B	44	188	187½	22 00	2 52	24 52
C	40	147	146½	20 00	2 09	22 09
25	36	635	135½	18 00	1 69	19 69
B	32	193	192½	16 00	1 33	17 33
C	28	89	88½	14 00	1 02	15 02
26	24	991	211	12 00	75	12 75
B	20	290	289½	10 00	52	10 52
C	16	102	102	8 00	33	8 33
27	12	1094	119½	6 00	19	6 19
B	8	310	307	4 00	08	4 08
C	4	210	208	2 00	02	2 02

SUMMARY

OF THE

BUSINESS OF THE ASSOCIATION

For the past twenty-seven years.

RECEIPTS.

From dues	$1,219,846 25
From interest	329,931 80
From premium	56,842 47
From fines	6,089 40
From membership fees	3,961 60
From transfer fees	367 75
From loans repaid and matured	1,206,675 00
From rents	10,503 33
From taxes and insurance repaid	1,018 69
From safe	130 00
From sale of real estate	56,128 47
From real estate contracts	3,295 00
From bills payable	41,850 95
From bills receivable	3,740 00
From matured stock	45,200 00
Balance due Treasurer	4,707 35
Total	$2,989,788 06

DISBURSEMENTS.

For loans to stockholders	$1,509,925 00
For stock withdrawn and matured	1,001,314 50
For interest and profit on stock withdrawn and matured	286,738 89
For fixtures, furniture, etc.	324 82
For expenses	57,099 27
For taxes and insurance advanced	2,732 76
For real estate and cert. of purchase	45,516 62
For real estate sold on contract	24,682 00
For taxes, insurance and repairs	6,050 60
For bills payable	89,158 60
For bills receivable	3,740 00
Matured stock	12,500 00
Total	$2,989,788 06

State of ....., County of ....., ss.

....., Secretary of the ..... Savings, Loan and Building Association, being first duly sworn upon his oath, deposes and says that the foregoing statement is a full, complete and true statement and report in all particulars of the ..... Savings, Loan and Building Association for the fiscal year ending December 31, 1922, and that the answers to the questions herein are true to the best of his knowledge and belief. .....

Subscribed and sworn to before me this 31st day of December, A. D. 1922.

[SEAL] ..... Notary Public.

We, the undersigned stockholders but not officers of the..... Savings, Loan and Building Association, hereby certify that the foregoing statement is true in all particulars, to the best of our knowledge and belief.

AUDITING COMMITTEE.

Dated at ....., this 31st day of December, A. D. 1922.

CHAPTER XX.

FINANCIAL STATEMENT

OF THE

.....

of .....

For the Fiscal Year Ending....., 19....

ASSETS.		LIABILITIES.	
Cash on hand	$.....	Running stock and dividends	$.....
Loans on mortgage security	.....	Credits on mortgage loans	.....
Loans on stock, certificates or pass-book security	.....	Credits on other loans	.....
Loans on all other security	.....	Credits on real estate sold on contract	.....
Furniture and fixtures	.....	Paid-up stock and dividends	.....
Real estate	.....	Permanent (non-withdrawable) stock	.....
Real estate sold on contract	.....	Deposits and accrued interest	.....
Real estate—office building	.....	Deposits secured by collateral	.....
Due from borrower for insurance and taxes	.....	Reserve fund	.....
Bonds	.....	Undivided profit fund	.....
Deposits in other building and loan associations	.....	Borrowed money and accrued interest	.....
Deposits in other financial institutions	.....	Contingent profit on real estate sold on contract	.....
Other assets in detail	.....	Due borrowers on unfinished buildings	.....
		Deposits from other building and loan associations	.....
		Deposits from other financial institutions	.....
		Other liabilities in detail	.....
Total	$.....	Total	$.....
Interest due and uncollected	$.....	Interest due and uncollected	$.....

RECEIPTS.		DISBURSEMENTS.	
Dues on running stock	$.....	Loans on mortgage security	$.....
Paid-up stock	.....	Loans on stock, certificates or pass-book security	.....
Deposits	.....	Loans on all other security	.....
Credits on mortgage loans	.....	Unfinished building account	.....
Loans on mortgage security repaid	.....	Withdrawals of running stock and dividends	.....
Loans on stock, certificates or pass-book security repaid	.....	Withdrawals of paid-up stock	.....
Loans on all other security repaid	.....	Withdrawals of deposits	.....
Unfinished building account	.....	Borrowed money	.....
Borrowed money	.....	Deposits in other building and loan associations	.....
Deposits from other building and loan associations	.....	Deposits in other financial institutions	.....
Deposits from other financial institutions	.....	Insurance and taxes paid for borrowers	.....
Real estate sold	.....	Real estate (purchase price)	.....
Real estate sold on contract	.....	Real estate on contract	.....
Insurance and taxes refunded by borrowers	.....	Dividends on paid-up stock	.....
Interest	.....	Interest on deposits	.....
Premium	.....	Interest on borrowed money	.....
Fines	.....	Repairs on company's real estate	.....
Transfer fees	.....	Taxes	.....
Pass-books and initiation fees	.....	Salaries of officers and directors	.....
Rents from company's real estate	.....	Office help, rent and legal services	.....
Deposits in other building and loan associations withdrawn	.....	All other expenses	.....
Deposits in other financial institutions withdrawn	.....	Deposits by other building and loan associations withdrawn	.....
Sale of bonds	.....	Deposits by other financial institutions withdrawn	.....
Other receipts in detail	.....	Bonds purchased	.....
		Mortgage credits transferred to repay loans	.....
		Purchase of furniture and fixtures	.....
Total	$.....	Total	$.....
Cash on hand at close of last fiscal year	.....	Cash on hand	.....
Total	$.....	Total	$.....

EARNINGS.		DISTRIBUTION.	
Interest	$.....	Dividends on running stock	$...
Premium	.....	Dividends on mortgage loan credits	.....
Fines	.....	Dividends on paid-up stock	.....
Transfer fees	.....	Reserve fund credit	.....
Pass-books and initiation fees	.....	Undivided profit credit	.....
Rents from company's real estate	.....	Interest on deposits	.....
Transferred from undivided profit fund	.....	Interest on borrowed money	.....
		Salaries of officers and directors	.....
		Office help, rent and legal services	.....
		All other expenses	.....
		Taxes	.....
		Repairs on company's real estate	.....
		Furniture and fixtures	.....
Total	$.....	Total	$.....

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.....
} Auditing Committee.

SPECIMEN REPORT—PERMANENT PLAN ASSOCIATION.

ASSETS.

Cash on hand	$ 45,267 65
Loans on mortgage security	1,986,904 82
Loans on stock certificates or pass-book security	2,880 00
Loans on all other security	2,610 00
Dues from borrowers for insurance and taxes	224 94
Bonds	14,650 00
Deposits in other building and loan associations	5,000 00
Total	$2,057,537 41
Interest due and uncollected	$ 2,612 11

LIABILITIES.

Paid-up stock and dividends	$ 262,500 00
Deposits and accrued interest	1,359,720 18
Reserve fund	150,000 00
Undivided profit fund	40,596 80
Due borrowers on unfinished buildings	149,720 43
Deposits from other building and loan associations	70,000 00
Deposits from other financial institutions	25,000 00
Total	$2,057,537 41
Interest due and uncollected	$ 2,612 11

RECEIPTS.

Deposits	$1,360,674 02
Loans on mortgage security repaid	601,180 68
Loans on stock certificates or pass-book security	1,285 00
Loans on all other security repaid	16,329 86
Deposits from other building and loan associations	62,000 00
Insurance and taxes refunded by borrowers	8,283 14
Interest	135,540 39
Safety deposit boxes	180 00
Excise tax refunded	303 98
Deposits in other building and loan associations withdrawn	10,000 00
Sale of bonds	172,350 00
Total	$2,363,126 57
Cash on hand at close of last fiscal year	203,377 50
Total	$2,566,504 07

DISBURSEMENTS.

Loans on mortgage security	$ 711,385 74
Loans on stock certificates or pass-book security	1,650 00
Loans on all other security	4,600 00
Withdrawals of deposits	1,447,235 08
Deposits in other building and loan associations	5,000 00
Insurance and taxes paid for borrowers	3,152 97
Dividends on paid-up stock	27,500 00
Interest on deposits	22,804 86
Salaries of officers and directors	12,060 00
Office help, rent and legal services	10,250 00
All other expenses	5,598 27
Deposits by other building and loan associations withdrawn	73,000 00
Deposits by other financial institutions withdrawn	10,000 00
Bonds purchased	187,000 00
Total	$2,521,236 42
Cash on hand	45,267 65
Total	$2,566,504 07

PROFIT AND LOSS.

EARNINGS.

Interest	$ 135,540 39
Safety deposit boxes	180 00
Excise tax refunded	303 98
Total	$ 136,024 37

DISTRIBUTION.

Dividends on paid-up stock	$ 25,000 00
Undivided profit credit.	23,530 20
Interest on deposits	59,685 90
Salaries of officers and directors	12,060 00
Office help, rent and legal services	10,250 00
All other expenses	5,598 27
Total	$ 136,024 37

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} Auditing Committee.

Specimen Reports.

These are not given as models, but simply as illustrations of the forms in which reports are presented. The reports given possess some very commendable features.

While the particular form which a report shall take is governed chiefly by the requirements of the statutes and the rules of the association, yet the taste and judgment of the secretary and the directors, custom, and the circumstances of the association at the time the report is made, give it special features of interest. As will be seen, the reports printed are mostly all tabulated matter. Every report should include, in addition to tabulated and summarized statements of this character, such miscellaneous statements and information as are of special interest to the members and friends of the association. Many secretaries make their reports of great interest and value, and in this way add much to the popularity and success of their associations.

As already said, an association, to attract membership and business, must be advertised in a community, and the best method for doing this is by the general circulation of well-prepared reports, giving full and explicit information in reference to its business and methods. Secretaries and directors, in the preparation and publication of reports, should bear this advertising feature in mind, and should arrange reports so as to be used in this way.

Additional data may be given, such as the number of loans in force; the average balance due on same; the average value of security to secure such loans; the largest loan balance; the smallest number of members and investors, etc.

One of the most successful associations in the State of Illinois publishes in detail the number of pass-book and holdings of each member and mails this regularly to all concerned.

CHAPTER XXI.

Rebate and Compound Interest Tables.

TABLE No. 1.—REBATE PERMANENT PLAN.

Showing the Course and Results of a Loan of Two Shares of $500.00 Each, or $1,000.00.

Prepared by W. H. JONES, Public Accountant, Cincinnati, O.

Payments of dues, 50c. per share; $1.00 per week; $26.00 every 6 months.
Payments of interest, 60c. per share; $1.20 per week; $31.20 every 6 months.
Payments of $52.00 each year is credited on the mortgage, reducing the interest at 6% per annum, or 6c. per week, or $1.56 each 6 months—$3.12 each year.
The average value of the 2 shares first 6 months in each year is $13.00.
The average value of the 2 shares second 6 months in each year is $39.00.
2½% dividends on these average values is 32c. and 97c. respectively.

Years	Time	Dues paid in	2½% Div. each 6 mos.	Total paid on loan each year	Bal. due on Mortg. end each year	Interest paid each 6 months
	End of 26 weeks	$26 00	32			$31 20
1st	" 52 "	52 00	97	$52 00	$948 00	31 20
	" 26 "	26 00	32			29 64
2d	" 52 "	52 00	97	52 00	896 00	29 64
	" 26 "	26 00	32			28 08
3d	" 52 "	52 00	97	52 00	844 00	28 08
	" 26 "	26 00	32			26 52
4th	" 52 "	52 00	97	52 00	792 00	26 52
	" 26 "	26 00	32			24 96
5th	" 52 "	52 00	97	52 00	740 00	24 96
	" 26 "	26 00	32			23 40
6th	" 52 "	52 00	97	52 00	688 00	23 40
	" 26 "	26 00	32			21 84
7th	" 52 "	52 00	97	52 00	636 00	21 84
	" 26 "	26 00	32			20 28
8th	" 52 "	52 00	97	52 00	584 00	20 28
	" 26 "	26 00	32			18 72
9th	" 52 "	52 00	97	52 00	532 00	18 72
	" 26 "	26 00	32			17 16
10th ...	" 52 "	52 00	97	52 00	480 00	17 16
	" 26 "	26 00	32			15 60
11th ...	" 52 "	52 00	97	52 00	428 00	15 60
	" 26 "	26 00	32			14 04
12th ...	" 52 "	52 00	97	52 00	376 00	14 04
	" 26 "	26 00	32			12 48
13th ...	" 52 "	52 00	97	52 00	324 00	12 48
	" 26 "	26 00	32			10 92
			17 09			578 76
14th ...	" 52 "	52 00	97	52 00	272 00	10 92
	" 26 "	26 00	32			9 36
15th ...	" 52 "	52 00	97	52 00	220 00	9 36
	" 26 "	26 00	32			7 80
16th ...	" 52 "	52 00	97	52 00	168 00	7 80
	" 26 "	26 00	32			6 24
17th ...	" 52 "	52 00	97	52 00	116 00	6 24
	" 26 "	26 00	32			4 68
18th ...	" 52 "	52 00	97	52 00	64 00	4 68
	" 26 "	26 00	32			3 12
19th ...	" 41 "	41 00		41 00	23 00	2 46
			$23 54	$977 00		$651 42

EXPLANATION AND REMARKS.

Total length of time, 18 years, 9 months and two weeks, or 977 weeks.

Total amount paid as dues	$ 977 00
Total amount of dividends	23 54
Total amount of credits	$1,000 54
Less amount dues already applied on mortgage	977 00
	$ 23 54
Less amount of dividends transferred to mortgage	23 00
	$ 54

The company will now pay the borrower 54 cents and return his canceled mortgage in full settlement.

Now, how about the interest account, the rebates and the cost of the loan? There has been considerable confusion and misunderstanding—as well as misstatements on these points. If the borrower had taken a straight loan on the basis of the interest charged in the above table it would have cost him in interest 977 times $1.20, or $1,172 40

But he actually paid according to the table only	651 42
Leaving an amount which represents his rebates of	$ 520 98
In addition to the above he was credited with current dividends of	23 54
Making a total earning on the money he saved of	544 52
The interest he actually paid on his loan was	$ 651 42
The interest he earned on the money he saved was	544 52
The actual difference in interest is the gross earnings to the company	$ 106 90

This $106.90 is not what the loan of $1,000.00 from the building association cost the borrower, but rather the difference in cost between what he paid them for $1,000.00 and what they paid or allowed him on the $1,000.00 he saved and returned to them in installments. In other words, his money simply was not worth quite so much in interest as the interest he paid the association on its money.

CHAPTER XXI.

You must bear in mind that, when the borrower began the loan, there was only $1,000.00 involved, but when the transaction was consummated and the money repaid, the building association not only received its $1,000.00 back, but he then had $1,000.00 in his home that he didn't have when he started. We have $2,000.00 at the end of the term, where we only had $1,000.00 at the beginning.

Probably another statement of the case will make it clearer.

Suppose that A deposits $1,000.00 with an association which agrees to pay him 5% per annum, or $50.00 interest, and that it then loans this money to B at $1.20 per week, or for $62.40 for the year. The association then makes the difference, or an earning of $12.40 on the transaction.

Now if you will imagine A and B to be one and the same person, you will see that what a borrower actually does in a building association is simply to pay a little higher rate of interest on the money he borrows in consideration for obtaining it in a lump sum in advance, than he is compelled to accept on money he has to loan, or which he is obliged to save and repay to the association in installments.

The actual cost of a loan from any building association, or from any other institution for that matter, is the actual rate of interest that it charges, and not simply the difference between the rate you pay it and what it pays you on exchange transactions.

All the explanations and tables that ever came to the writer's attention heretofore have assumed that the borrower's money was not worth any interest to him, and that what he received as interest was merely a gift or gratuity from the association, and therefore should apply as a credit against what interest he had to pay the association, and to that extent would reduce the cost of the loan, when, as a matter of fact, and justice and correct interpretation of the transactions, the difference between the interest, premium, etc., paid the association and the dividends, rebates, etc., allowed the borrowers, shows the gross earnings to the association, and not the net cost of the loan. It also shows how much more interest, etc., a borrower has to pay for a loan from the building association than he can obtain on his own money when dealing with such an institution.

TABLE No. 2.—REBATE PERMANENT PLAN.

Same as Table No. 1, Except the Dues Are $1.00 Per Share or $2.00 Per Week—$52.00 Every Six Months.

Interest $1.20 per week, $31.20 every six months.

Prepared by W. H. JONES, Public Accountant, Cincinnati, O.

Average value of shares for 6 months, $26.00; second 6 months, $78.00. 2½% dividends on these average values is 65c. and $1.95 respectively. Rebate, 12c. each week, end of each year; $3.12 for 6 months; $6.24 for year.

Years	Time	Dues paid in	2½% Div. each 6 mos.	Total paid on loan each year	Bal. due on Mortg. end each year	Interest paid each 6 months
1st	End of 26 weeks	$52 00	$0 65			$31 20
	" 52 "	104 00	1 95	$104 00	$896 00	31 20
2d	" 26 "	52 00	65			28 08
	" 52 "	104 00	1 95	104 00	792 00	28 08
3d	" 26 "	52 00	65			24 96
	" 52 "	104 00	1 95	104 00	688 00	24 96
4th	" 26 "	52 00	65			21 84
	" 52 "	104 00	1 95	104 00	584 00	21 84
5th	" 26 "	52 00	65			18 72
	" 52 "	104 00	1 95	104 00	480 00	18 72
6th	" 26 "	52 00	65			15 60
	" 52 "	104 00	1 95	104 00	376 00	15 60
7th	" 26 "	52 00	65			12 48
	" 52 "	104 00	1 95	104 00	272 00	12 48
8th	" 26 "	52 00	65			9 36
	" 52 "	104 00	1 95	104 00	168 00	9 36
9th	" 26 "	52 00	65			6 24
	" 52 "	104 00	1 95	104 00	64 00	6 24
10th ...	" 21 "	42 00		42 00	22 00	2 52
			$23 40	$978 00		$339 48

Total length of time, 9 years and 21 weeks, or 489 weeks.

Total amount paid as dues		$ 978 00
Total amount of dividends		23 40
Total amount of credits		$1,001 40
Less amount already applied on mortgage		936 00
		$ 65 40
Less amount paid during 21 weeks		42 00
		$ 23 40
Less amount transferred from dividends to pay balance due		22 00
		$ 1 40

The company now pays the borrower this $1.40 and returns mortgage duly cancelled in full settlement.

If the borrower had taken a straight loan on the basis of interest charged in the above table it would have cost 489 times $1.20, or	$ 586 80
But he actually paid according to table	339 48
This leaves amount of rebates actually credited	$ 247 32
Current dividends credited	23 40
Making total earned on money he saved and repaid of	$ 270 72
The interest he actually paid on loan was	$ 339 48
The gross earnings on his savings were	270 72
Actual net earnings of the building association	$ 68 76

CHAPTER XXI.

TABLE No. 3.—COMPOUND INTEREST PERMANENT PLAN.

Showing the Course and Results of a Loan of $1,000.00.

Prepared by W. H. JONES, Public Accountant, Cincinnati, O.

Payments, $1.00 per week. Interest, $1.20 per week continuously. Dividends, 5%—2½% semi-annually—on accumulated dues compounded; in other words, dividends are added to the principal, at the end of each six months, and draw dividends.

Current average value each 6 months is $13.00 plus the credits beginning each term. As the current payments of dues are $26.00 each 6 months, and average value only $13.00, there is always $13.00 more to be added at end of each term to make the total credits for beginning the next term.

Years	Dues paid to end of each 6 months		Value of dues and dividends beginning of each 6 months		Average value current 6 months to be added		Total average value for dividends current 6 months		2½% dividends current term to be added to previous credits		Add other half of average value to make total credit		Total value of dues and dividends at end of each 6 months		Total interest paid each 6 months	
1st	$26	00			$13	00 =	$13	00 +	$ 0	32 +	$13	00 =	$26	32	$31	20
	52	00	$26	32 +	13	00 =	39	32 +		97 +	13	00 =	53	29	31	20
2d	78	00	53	29 +	13	00 =	66	29 +	1	65 +	13	00 =	80	94	31	20
	104	00	80	94 +	13	00 =	93	94 +	2	34 +	13	00 =	109	28	31	20
3d	130	00	109	28 +	13	00 =	122	28 +	3	05 +	13	00 =	138	33	31	20
	156	00	138	33 +	13	00 =	151	33 +	3	78 +	13	00 =	168	11	31	20
4th	182	00	168	11 +	13	00 =	181	11 +	4	52 +	13	00 =	198	63	31	20
	208	00	198	63 +	13	00 =	211	63 +	5	29 +	13	00 =	229	92	31	20
5th	234	00	229	92 +	13	00 =	242	92 +	6	07 +	13	00 =	261	99	31	20
	260	00	261	99 +	13	00 =	274	99 +	6	87 +	13	00 =	294	86	31	20
6th	286	00	294	86 +	13	00 =	307	86 +	7	69 +	13	00 =	328	55	31	20
	312	00	328	55 +	13	00 =	341	55 +	8	54 +	13	00 =	363	09	31	20
7th	338	00	363	09 +	13	00 =	376	09 +	9	40 +	13	00 =	398	49	31	20
	364	00	398	49 +	13	00 =	411	49 +	10	28 +	13	00 =	434	77	31	20
8th	390	00	434	77 +	13	00 =	447	77 +	11	19 +	13	00 =	471	96	31	20
	416	00	471	96 +	13	00 =	484	96 +	12	12 +	13	00 =	510	08	31	20
9th	442	00	510	08 +	13	00 =	523	08 +	13	07 +	13	00 =	549	15	31	20
	468	00	549	15 +	13	00 =	562	15 +	14	05 +	13	00 =	589	20	31	20
10th	494	00	589	20 +	13	00 =	602	20 +	15	05 +	13	00 =	630	25	31	20
	520	00	630	25 +	13	00 =	643	25 +	16	08 +	13	00 =	672	33	31	20
11th	546	00	672	33 +	13	00 =	685	33 +	17	13 +	13	00 =	715	46	31	20
	572	00	715	46 +	13	00 =	728	46 +	18	21 +	13	00 =	759	67	31	20
12th	598	00	759	67 +	13	00 =	772	67 +	19	31 +	13	00 =	804	98	31	20
	624	00	804	98 +	13	00 =	817	98 +	20	45 +	13	00 =	851	43	31	20
13th	650	00	851	43 +	13	00 =	864	43 +	21	61 +	13	00 =	899	04	31	20
	676	00	899	04 +	13	00 =	912	04 +	22	80 +	13	00 =	947	84	31	20
14th	702	00	947	84 +	13	00 =	960	84 +	24	02 +	13	00 =	997	86	31	20
	2	14											2	14		
	704	14							295	86			$1,000	00	842	40
									704	14					295	86
									$1,000	00					$546	54

REBATE AND COMPOUND INTEREST TABLES.

EXPLANATION AND REMARKS.

Columns with plus signs between them are added together on each line to make the total appearing in the next column to the right.

Totals in next to last column (dues and dividends at end of term) are brought over into third column (but on next line below) for dues and dividends at beginning of term.

Total length of time 13½ years or 702 weeks.

On account of there being a balance of so small an amount as $2.14 due to close the account with the last meeting in the six months' term it is, for obvious reasons, assumed that the borrower just paid this $2.14 with the last payment in the term, and notified the secretary that his credits, including the last six months' dividend, to which he would be entitled at the next meeting, would cancel his mortgage, which he would request be done, at the next or a subsequent meeting. This saves splitting hairs about small fractions of interest and loss of dividends, and somewhat simplifies the calculations.

It will be observed that the borrower paid according to this table, dues amounting to	$ 704 14
And had dividends to his credit of	295 86
Total to balance loan	$1,000 00
The company received in interest a total of	$ 842 40
The company allowed and credited interest amounting to	295 86
The company received more than they allowed	$ 546 54

The remarkable thing in connection with this table as compared with the results in Table No. 1 is the time in which the loan was paid off as compared with the time loan has to run in Table No. 1, considering the fact that the weekly dues paid were the same in both instances.

There are several reasons for this; one is the fact that the dividends were allowed on the accumulated dues, and the second is that they were compounded. A third is, though a logical necessity of compound interest, that the dividends were retained by the company to the credit of the borrower, which is quite a different proposition when considering the time a loan has to run.

In working out these tables the writer was himself surprised at the results, for he has been under the impression for a long time that the rebate plan would be shorter in time and probably less expensive, owing to the fact that the rebates are on the basis of the interest rate that is paid, or at least 6% in place of 5%, as are the dividends.

A comparison of the loan under Table No. 3 with loan in Table No. 1 at the same period of time for both, to-wit: 13½ years (the closing period for Table No. 3) will show some interesting and probably, to most readers, some new facts relating to the operations of compound interest as compared with simple interest, rebated even at 6%. See Remarks under Table No. 4.

CHAPTER XXI.

TABLE No. 4.

Comparing Rebate with Compound Interest Permanent Plans.

Prepared by W. H. JONES, Public Accountant, Cincinnati, O.

Table No. 1, with its dividends and 6% rebates, down to the thirteenth and a half year, which is the full period of Table No. 3 at 5% compound dividends, are here carefully and in detail compared.

	Compound Interest Plan Table No. 3	Rebate Plan Table No. 1	Totals by Year	Difference in Favor of Comp'd Int.	Difference in Favor of Rebate Plan
End 1st year.....	$ 1 29	Div. $ 1 29	$ 1 29		
		Rebate 3 12			
" 2d year.....	3 99	Div. 1 29	4 41		$0 42
		Rebate 6 24			
" 3d year.....	6 88	Div. 1 29	7 53		70
		Rebate 9 36			
" 4th year.....	9 81	Div. 1 29	10 65		84
		Rebate 12 48			
" 5th year.....	12 94	Div. 1 29	13 77		83
		Rebate 15 60			
" 6th year.....	16 23	Div. 1 29	16 89		66
		Rebate 18 72			
" 7th year.....	19 68	Div. 1 29	20 01		83
		Rebate 21 84			
" 8th year.....	23 31	Div. 1 29	23 13	$ 0 18	
		Rebate 24 96			
" 9th year.....	27 12	Div. 1 29	26 25	87	
		Rebate 28 08			
" 10th year.....	31 13	Div. 1 29	29 37	1 76	
		Rebate 31 20			
" 11th year.....	35 34	Div. 1 29	32 49	2 85	
		Rebate 34 32			
" 12th year.....	39 76	Div. 1 29	35 61	4 15	
		Rebate 37 44			
" 13th year.....	44 41	Div. 1 29	38 73	5 68	
		Rebate 20 28			
" 13½ years.....	24 02	Div. 32	20 60	3 42	
	$295 86		$280 73	$18 91	$3 78
	280 73			3 78	
	$ 15 13			$15 13	

The first column in above Table No. 4 shows the full year periods.

The second column shows compound dividend taken from 2½% dividend column in Table No. 3, where they are shown in amounts for each six months, but are combined for the year in above table because rebates are only made at end of the year.

The third column shows dividends and rebates taken from Table No. 1. The dividends are combined for the year thus, 32+97=1.29. The rebates are obtained as follows from Table No. 1:

The full interest for first year is twice $31.20 or.....$62 40
The full rebate is twice $1.56 or..... 3 12

This amount equals 2×$29.64, the interest for 6 months for second year, or.....$59 28

The rebate the next year is $3.12 from $59.28, but this is equal to twice $3.12 from $62.40, a full year's interest, so the rebates of interest for the second year amounts to $3.12 and for the third year $6.24 and the fourth year $9.36 and $3.12 added for each succeeding year. Notice that they are only taken down to the 13½-year term.

The dividends and rebates are then added and extended into totals for each year in column to the right.

The difference between these totals and the totals in the second column show the difference between amounts credited to borrower under separate plans.

The first year the dividend credits are the same in both. The second year the difference between $4.41 rebate plan and $3.99 compound interest plan is 42 cents in favor of rebate plan, and then follows other differences as shown in last column.

In the eighth year it changes to 18 cents difference in favor of compound interest plan as shown in second last column, and continues on the increase until close of term. You can see that this is verified by taking the difference between the totals of compound dividends of $295.86 and totals of rebate plan $280.73, and also difference between the columns of difference of $18.91 and $3.78.

This shows that the compound interest plan overtook and began to run ahead of the rebate plan in the eighth year.

The difference in the two tables, Nos. 1 and 3, also show that while the borrower in Table No. 3, under the compound interest plan, was prepared to cancel his loan in the fourteenth year (13½ years) simply because he allowed his dividends to accumulate as a credit, the borrower in No. 1 had paid exactly the same amount of

dues ($702.00) at the end of this period under the other plan, but would have to continue his payments for over five years longer, according to No. 1 Table.

The statement of each at this point is, according to the tables, as follows:

TABLE No. 3—Dues paid		$ 704 14
Dividends credited		295 86
Total		$1,000 00
TABLE No. 1—At 13½ years dues paid 13x52+26=$702 00		
Dividends to credit	17 09	
Total credits	$719 09	
Amount of mortgage		$1,000 00
Less credits		719 09
Amount still due		$ 280 91

Requiring according to Table No. 1 over 5½ years longer.

They had both paid to the same date as follows:

BORROWER, TABLE No. 1—Paid dues		$ 702 00
Paid interest	$578 76	
Less dividends credited	17 09	561 67
Total paid 13½ years		$1,263.67
BORROWER, TABLE No. 3—Paid dues	$ 704 14	
Paid interest	842 40	
Total	$1,546 54	
Less dividend credits	295 86	
Net total paid 13½ y'rs,	$1,250 68	$1,250 68
An am't less than rebate borrower		$ 12 99

While the compound plan borrower is ready to cancel his loan at this point, being $12.99 ahead of the other rebate borrower, the latter has still $280.91 to pay with additional interest during the five years or more.

This certainly ought to be convincing as to the desirability, economy and superiority of the compound interest plan over the rebate plan.

TABLE No. 5.—COMPOUND INTEREST PERMANENT PLAN.

Showing Course and Results of a Loan of $1,000.00.

Prepared by W. H. JONES, Public Accountant, Cincinnati, O.

Payments, $2.00 per week as dues, interest $1.20 per week continuously. Dividends 5%=2½% semi-annual—on accumulated dues compounded. Current average value each 6 months is $26.00 plus credits beginning terms.

Years	Dues paid to end of each 6 months	Value of dues and dividends beginning of each 6 months	Average value current 6 months to be added	Total average value for dividends current 6 months	2½% dividends current term to be added to previous credits	Add other half of average value for total credit	Total value of dues and dividends at end of each 6 months	Total interest paid each 6 months
1st	$52 00		$26 00 =	$26 00 +	$ 0 65 +	$26 00 =	$52 65	$31 20
	104 00	$52 65 +	26 00 =	78 65 +	1 95 +	26 00 =	106 60	31 20
2d	156 00	106 60 +	26 00 =	132 60 +	3 30 +	26 00 =	161 90	31 20
	208 00	161 90 +	26 00 =	187 90 +	4 69 +	26 00 =	218 59	31 20
3d	260 00	218 59 +	26 00 =	244 59 +	6 10 +	26 00 =	276 69	31 20
	312 00	276 69 +	26 00 =	302 69 +	7 55 +	26 00 =	336 24	31 20
4th	364 00	336 24 +	26 00 =	362 24 +	9 05 +	26 00 =	397 29	31 20
	416 00	397 29 +	26 00 =	423 29 +	10 57 +	26 00 =	459 86	31 20
5th	468 00	459 86 +	26 00 =	485 86 +	12 12 +	26 00 =	523 98	31 20
	520 00	523 98 +	26 00 =	549 98 +	13 75 +	26 00 =	589 73	31 20
6th	572 00	589 73 +	26 00 =	615 73 +	15 37 +	26 00 =	657 10	31 20
	624 00	657 10 +	26 00 =	683 10 +	17 07 +	26 00 =	726 17	31 20
7th	676 00	726 17 +	26 00 =	752 17 +	18 80 +	26 00 =	796 97	31 20
	728 00	796 97 +	26 00 =	822 97 +	20 55 +	26 00 =	869 52	31 20
8th	780 00	869 52 +	26 00 =	895 52 +	22 37 +	26 00 =	943 89	31 20
	832 00	943 89 +	26 00 =	969 89 +	24 22 +	26 00 =	1020 11	31 20
	$832 00				$188 11		$1020 11	$499 20
								188 11
								$311 09

EXPLANATION AND REMARKS.

It will be observed that this loan was allowed to run for the full eight years, and credits amounted to $20.11 more than face of loan.

It was necessary to do this in order to obtain the last six months' dividend of $24.22, which really produced the overpayment, or excess credit.

The borrower paid in dues as above	$ 832 00
Dividends credited	188 11
Total credits	$1,020 11
Less amount of mortgage	1,000 00
	$ 20 11

The company will now return $20.11 and the cancelled mortgage,

The company receives in interest	$ 499 20
The company allowed dividends	188 11
The company received more than allowed	$ 311 09
The borrower paid in dues	$ 832 00
The borrower paid in interest	499 20
Total paid in eight years	$1,331 20
Less amount of dividends	188 11
	$1,143 09
Actual amount paid in dues	832 00
Net interest earnings of building association	$ 311 09

CHAPTER XXI.

TABLE No. 6.—PERPETUAL CALENDAR—FOR QUICK REFERENCE FOR AVERAGE VALUE OF SHARES.

Prepared by W. H. Jones, Public Accountant, Cincinnati, O.

| LEAP YEAR. | | | | | | | | 1 SHARE AT 50c. | | | 1 SHARE AT $1.00 | | | | | | | |

the meeting at the time calculation is to be made, and number of meeting at date of starting, or as in this case, 23—4=19 weeks.

But suppose now that you wanted to know how many weeks a dues payer had paid, beginning on the fourth meeting and paying up to and including the twenty-third meeting, the number would now be 23—3=20 weeks dues paid. The reason for this is that both the first and the last meeting must now be included.

The first case is a question of lapsed time, while the second is a question of number of meetings. Get this difference fixed in your mind.

This point may possibly be made a little clearer by narrowing it down to the first and second week. If a depositor put in $50.00 the first week and drew it out the second week, how many weeks' interest would he be entitled to? Why, one week, of course. If a dues payer paid for two weeks, how many weeks' dues should he have to his credit? Why, two, of course.

Every secretary should consider the time the old term has to run—up to the end of the last week, or to the first week in the new term.

Why? Because the secretary cannot declare dividends until after the business is closed for the twenty-sixth or last meeting in the term and has ascertained the full earnings and made the proper distributions and balanced and closed all the loss and gain accounts.

He could not pay a member any part of the new dividend on the last meeting in a term for the reason that the member has not yet been credited with his share of the new dividend. In fact the dividend fund has not yet been credited with any part of this new dividend. This is done only after the closing meeting of the term. Hence, if a member cannot draw any of his new dividend until the first meeting of the new term (it is seldom that they can get it even then), his dividend should be calculated up to that time.

One who has made a deposit of $100.00 on March 8, the tenth meeting in the term (see Table No. 6) and allowed it to remain over to the next term. His interest, as all other depositors' interest, should be calculated up to the first meeting in the next term, for remember that this is now to be the pivotal point of starting all calculations for interest on his deposit in the next term. The first meeting in the next term being really the twenty-seventh meeting, the time that should be allowed this depositor would be 27—10=17 weeks, and the interest on $100.00 for 17 weeks per Table No. 7 would be $1.30 at 4 per cent.

This is how all interest on deposits should be calculated at the end of the year to ascertain the interest accrued and unpaid and to be credited.

Suppose now that this depositor wished to draw out his money and interest on the first meeting in the new term. All he would receive would be the amount to his credit, and no additional interest would be allowed for the time of 1 week between the two terms. He would not be entitled to any.

Suppose now that instead of drawing it all out on the first meeting he had simply drawn the interest, and later, say on the tenth meeting in the new term, he wished to draw $50.00. The difference between the tenth and the first would be 9 weeks, on which he would be entitled to interest, amounting, at 4%, per Table No. 7, to one-half of 69c. or 34c. on $50.00. Where a partial withdrawal of a deposit is made, interest is calculated on the amount withdrawn only. The remainder will be credited with interest at the end of the term, or at any time previous that it may be withdrawn. We repeat that you must remember the pivotal point of starting all interest calculations is to be the first meeting in each term and ending with the first meeting of the next term, or on date of withdrawal, if drawn previous to the full term.

If dividend and interest calculations are invariably made upon this basis there can never be any discussion or disputes as to its accuracy.

This, in the opinion of the writer, determines the correct value of the tables of six months' averages, to be according to those prepared and given in this work, under Permanent Plan, System II, and used in Table No. 6.

Your attention is called to the dates of December 30 and 31.

Whenever a weekly meeting falls on either of these dates you are likely to have 27 meetings in the last six months of the year. This will recur every seven years. It is occurring every year to one or more associations. Most associations keep the fiscal year concurrent with the calendar. If the term ends with the calendar, or if the twenty-sixth meeting is the last one held in December, they always have it remain so, even when the twenty-seventh meeting occurs. This they take care of by crowding it in with the other 26 meetings, usually, by making the entries for this one meeting all on one folio of the Dues Book, where the rulings do not provide for fourteen meetings every quarter.

If the fiscal year ends with the last, or any other meeting, in any other month and is retained, then it must be treated in the above manner when this twenty-seventh meeting recurs. Some associations allow this twenty-seventh meeting to change their fiscal year every time it recurs. This defers the ending of their fiscal year one week later every seven years.

It is customary, when this occurs, to treat it, so far as dividends and interest on deposits are concerned, as a part of the six months, instead of six months and one week.

When the association allows it to change its fiscal year, the question of dividends and interest on deposits needs no adjustment.

CHAPTER XXI.

TABLE No. 7.

Weekly Interest On a Deposit of $100.00 at 4%, 4½% and 5%.

Prepared by W. H. JONES, Public Accountant, Cincinnati, O.

4%	Weeks	4½%	Weeks	5%
7 9/13	1	8 17/26	1	9 8/13
15 5/13	2	16 4/13	2	19 3/13
23 1/13	3	25 26/26	3	28 11/13
30 10/13	4	34 8/13	4	38 4/13
38 6/13	5	43 7/26	5	48 1/13
46 2/13	6	51 12/13	6	57 9/13
53 11/13	7	60 15/26	7	67 4/13
61 7/13	8	69 3/13	8	76 12/13
69 3/13	9	77 23/26	9	86 7/13
76 12/13	10	86 7/13	10	96 2/13
84 8/13	11	95 5/26	11	105 10/13
92 4/13	12	103 11/13	12	115 5/13
100	13	112 1/2	13	125
107 9/13	14	121 2/13	14	134 8/13
115 5/13	15	129 21/26	15	144 3/13
123 1/13	16	138 6/13	16	153 11/13
130 10/13	17	147 3/26	17	163 6/13
138 6/13	18	155 10/13	18	173 1/13
146 2/13	19	164 11/26	19	182 9/13
153 11/13	20	173 1/13	20	192 4/13
161 7/13	21	181 19/26	21	201 12/13
169 3/13	22	190 5/13	22	211 7/13
176 12/13	23	199 1/26	23	221 2/13
184 8/13	24	207 9/13	24	230 10/13
192 4/13	25	216 9/26	25	240 5/13
200	26	225	26	250

Interest on $ 10.00 would be 1/10 above amounts.
" 20.00 " 1/5 " "
" 30.00 " 3/10 " "
" 40.00 " 2/5 " "
" 200.00 " double above amounts.
" 300.00 " 3 times " "
" 400.00 " 4 times " "

REBATE AND COMPOUND INTEREST TABLES.

Table No. 7 is very valuable for quickly and reliably arriving at the interest on deposits withdrawn during the current term at rates of either 4%, 4½% or 5%.

There are three conditions of time that deposits run that it is necessary for a secretary to determine.

1st. To ascertain the time on a deposit carried over from a previous term and withdrawn during the current term.

2d. To ascertain time a deposit has run that was made in early part of term and withdrawn later during the same term.

3d. To ascertain time a deposit has run that was made during the term and allowed to run over into the next term.

Suppose in the first case $50.00 is to be withdrawn with 4% interest on April 20th, by referring to calendar Table No. 6 you will ascertain that April 20th is 16 weeks from the first week of the year (and as all interest calculations have been made up to the first week as explained in remarks under Table No. 6) the number of weeks interest to which he would be entitled would be 16—1=15 weeks. According to the above table 15 weeks interest at 4% is $1.15 on $100 and one-half this amount on $50.00 or 57 cents.

The interest previously credited at the end of the term on this deposit may have been withdrawn, but if not it could be withdrawn at this time in addition.

Suppose, in the second case, a deposit of $50.00 is made on March 2d, or the ninth week, and is to be withdrawn May 25th, the twenty-first week. The elapsed time will be 21—9=12 weeks. According to the table, interest for twelve weeks on $100.00 at 4% is 92 cents and on $50.00 it will be one-half as much or 46 cents.

Suppose, in the third case, a deposit of $100.00 is made on March 16th, or the eleventh week from the beginning of the term, as shown in weeks' column, the elapsed time will be up to the twenty-seventh of first meeting in next term and 27—11=16 weeks. (See explanations under Table No. 6.) The interest for 16 weeks, according to table, will be $1.23.

This is a case where the second column of weeks comes in handy, as it really counts the lapsed weeks up the column from the twenty-seventh week, and always gives the exact number of weeks opposite the dates of starting deposits during the term, to-wit: opposite date of starting, March 16th, in the second column of weeks will be found sixteen, which is the correct number of weeks reached at once.

This is important because it is the greatest use that a secretary has of the table when making his calculations on deposits, in order

CHAPTER XXI.

to ascertain amount of interest accrued and unpaid at end of each term.

It is important to bear in mind the two methods of obtaining the lapsed time. In the two former cases they are alike as the first column of weeks is used, and in the last one it is different as the second column is used.'

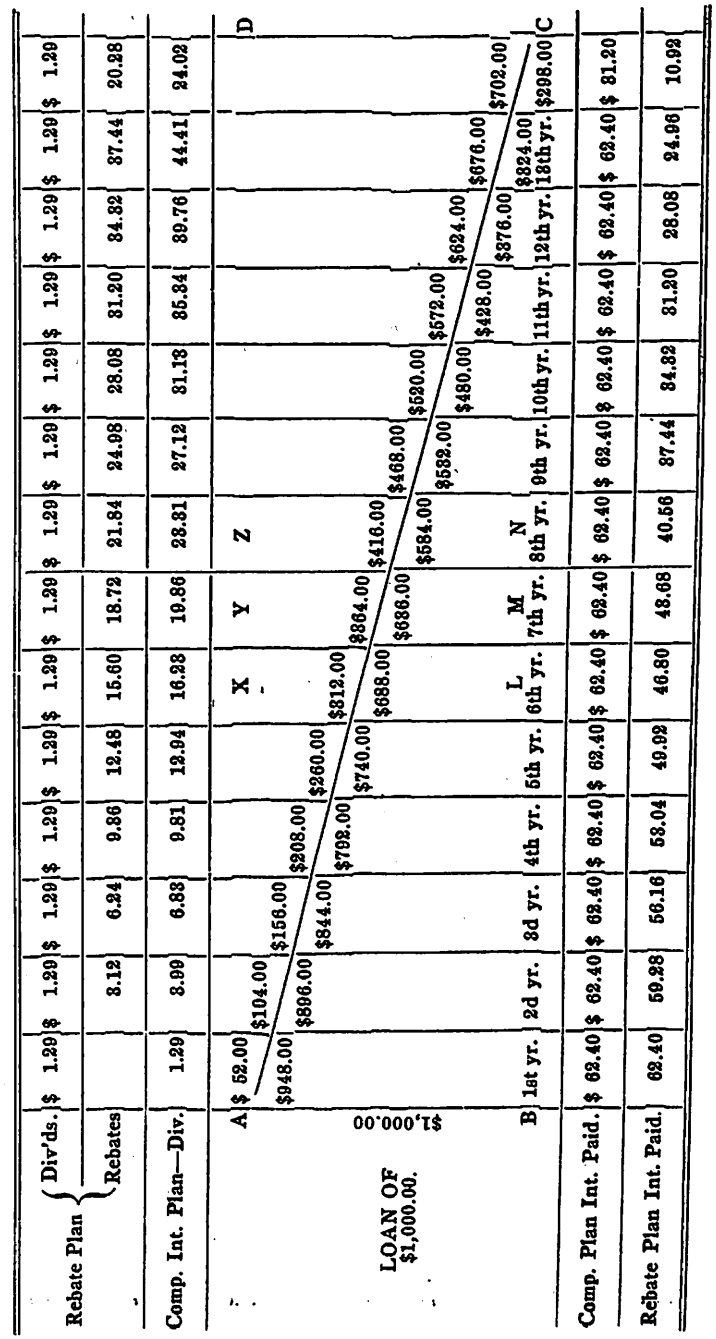
When deposits are received at different times during the term from the same party, it will be necessary to make separate calculations on each amount at the end of the term.

Any secretary who has considerable of this to do, at the end of each year, will find it to be of great advantage to make a slip with the weekly dates for the current term of 6 months running from top downward and with the numbers running up from 1 to 26 and then place the interest rate, 4%, 4½% or 5%, whichever he uses, at the side of the number, just reversing the way it runs in the table. In this way, as soon as you have ascertained the correct time in weeks on the different amounts of deposit, you will have the interest rate per $100.00 right before you.

TABLE No. 8.—FUNDAMENTAL PRINCIPLES OF BUILDING ASSOCIATIONS.

Graphically illustrated by W. H. Jones, Public Accountant, Cincinnati, O.

Rebate Plan	Div'ds.	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20	$ 1.20
	Rebates		3.12	6.24	9.36	12.48	15.60	18.72	21.84	24.96	28.08	31.20	34.32	37.44	40.56	43.68	46.80	49.92	53.04
Comp. Int. Plan—Div.		1.20	3.99	6.83	9.81	12.94	16.23	19.66	23.31	27.12	31.13	35.34	39.76	44.41	49.28	54.39	59.74	65.34	71.20
Comp. Plan Int. Paid.		$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40	$ 62.40
Rebate Plan Int. Paid.		62.40	59.28	56.16	53.04	49.92	46.80	43.68	40.56	37.44	34.32	31.20	28.08	24.96	21.84	18.72	15.60	12.48	10.92



CHAPTER XXI.

Table No. 8 shows in a most graphic and comprehensive way the relations of a borrower to a building association, and the exact financial condition of each from year to year. The triangle, A, D, C, represents the borrower, and in each trapezoid, X, Y, Z, are shown the amount of dues he has paid to end of each year: $52.00 for the first; $104.00 to the second, etc. The triangle, A, B, C, represents the building association having made a loan of $1,000.00, and how much less the loan becomes at the end of each year, as shown in the trapezoids, L, M, N, being $948.00 at the end of the first year; $896.00 end of second, etc.

It will be observed that the full amount of $1,000.00 is involved continuously throughout the period shown, but is shifted each year in its relations as to how much of the $1,000.00 is still owing the building association and how much of the $1,000.00 has been credited to the borrower. The relations they began at the end of the first year are, $52.00 to the credit of the borrower and $948.00 still owing the building association; the second year the relation is changed to $104.00 to $896.00, etc.

Another point to observe is that this diagram shows it started with a loan of $1,000.00, and it is assumed that the borrower obtained this loan for the purpose of investing in a home, or keeping it invested in some other way, for it shows that at the end of the period the building association has received all of its money, or $1,000.00, and the borrower presumably has his $1,000.00 still invested (if he did not lose it in some poor investment). Anyhow, the first $1,000.00 has now been the means of enabling the borrower to save a second $1,000.00.

The first two horizontal lines of spaces at the top shows the dividends and rebates allowed the borrower, and the last horizontal line of spaces at the bottom shows the interest paid to the building association under the same rebate plan. It will be observed that the interest paid the first year to the building association under this plan is $62.40, and that the second year the borrower gets a rebate of $3.12 and the building association only $59.28, the two amounts, $3.12+$59.28=$62.40, which is same amount of interest involved as the first year. The same amount is involved every year, only it increases as a credit to the borrower and decreases in amount paid to the building association in proportion as the credits of the borrower increases and his indebtedness decreases, as shown in the corresponding trapezoids for each year.

This rebate plan is fully illustrated and described in Table No. 1.

The third horizontal line of figures at the top and the first line at the bottom show the compound interest relations of borrower and building association, more fully illustrated and described in Table No. 3. The diagram is not extended for the full time of the rebate plan, but only far enough to make comparisons with Table No. 3, as more fully described under Table 4.

COMPARISONS OF EARNINGS.

In comparing the earnings of the company in Table No. 3 in this instance, to-wit, $546.54, with the earnings, to-wit, $106.90, as shown in Table No. 1, one cannot but wonder, at first thought, why the earnings are so much larger, apparently, in the one case than in the other.

On reflection you will note several reasons for this.

1st. All that a building association does in transacting its business is to act as a sort of clearing house for its members, and all that it can ever expect or hope to make as a profit is the difference between the rate of interest it charges on its loans and the rate of dividends it pays its members who furnish the money. In both cases above the amounts are gross earnings, and not net profits. This was illustrated by the supposed case of the association, or company, receiving $1,000.00 from A and loaning it to B, as noted in the remarks under Table No. 1.

2d. In making comparisons of any transactions between the company and borrowers the element of time the loan has run must always be taken into consideration to ascertain gross earnings.

For instance, the first year that the company makes a loan to B, a borrower, he is presumed to begin paying in installments, say, of $1.00 per week, and at the end of the year he will have paid $52.00. The company this year will receive $62.40 as interest on a loan to him of $1,000.00, while he will receive interest only on $52.00, or an average of $1.29 on the basis of a 5% dividend.

Ten years later, if payments are kept up, the amount still owing the company will be reduced to less than one-half and the interest will be approximately the same as the dividends. And at a still later period, if payments are kept up, the interest due the company will be practically nil as compared with the dividends on the dues paid by this borrower.

When the building association first makes this loan, per Table No. 8, it obtains the money from the shareholders, to whom it agrees to pay dividends thereon.

CHAPTER XXI.

Let us assume for the sake of the argument, that it is a syndicate of thirteen members, from whom the $1,000.00 is obtained. The loan is made in the usual manner, and all goes well to the end of the year.

Now let us see if we cannot ascertain the net profits to the building association for this year, and also subsequent years, going as far as the third year to show some in which rebate is allowed. Subsequent years would show same results under same treatment, assuming the dividend at 5% and interest charges $1.20 per week for the first year, and for the second and subsequent years, dividends 5%, rebate 6% and interest charges $1.20 per week.

This should figure out for the first year exactly to the difference between gross interest charge		$62 40
and 5% dividends		50 00
or a total net earning of		$12 40

The second year the clearing house or building association should show a net earning as follows: (See details on following page.)

Gross interest		$62 40
Less 6% rebate to borrower	$ 3 12	
Less 5% dividends to borrower first 6 months	32	
Less 5% dividends to borrower second 6 months	97	
Less 5% dividends to syndicate first 6 months	23 38	
Less 5% dividends to syndicate second 6 months	22 73	
Total allowances	$50 52	$50 52
Or a total net earning second year of		$11 88

The original syndicate now had returned to their clearing house during the first 6 months, $26.00, with an average value of $13.00, and this same $26.00 as it was returned was reloaned by the clearing house to some other borrower, and to this extent the syndicate's interests were transferred to some other loan, not as a matter of any record, but as a matter of fact and fiscal transaction.

Mr. Borrower received credit in dividends on his $13.00		$0 32
Mr. Syndicate got credit in dividends on $1,000—$13=$987.00		24 68
We will allow the extra half cent in dividends to the syndicate, to clear the transactions of fractions in final results.		
The next six months Mr. Borrower installed $26.00 more with an average value of $13.00, and as he did not get any rebate on the first six months installment of $26.00 he has to his credit, on which he is entitled to dividend, the sum of $26.00 plus $13.00=$39.00, dividend equals		97
Mr. Syndicate then gets credit in dividends on $1,000.00—$39.00=$961.00 and dividend equals		24 03
		$50 00

The rebate not being allowed the first year did not enter into the calculation.

Then at the end of year the financial statement would be:

Interest received		$62 40
Borrower received in dividends first 6 months	$ 0 32	
Borrower received in dividends second 6 months	97	
Syndicate received in dividends first 6 months	24 68	
Syndicate received in dividends second 6 months	24 03	
	$50 00	50 00
Total net earning to building association or clearing house		$12 40

The above demonstrates our contention.

At the beginning of the year the clearing house still had $1,000.00, but now $52.00 belongs as a credit to Mr. Borrower and only $948.00 to original syndicate capital; the $52.00 of original syndicate capital is now placed elsewhere in loans. But we must show a distribution of interest earned on $1,000.00 by the clearing house or		$62 40
In the first place Mr. Borrower now gets 6% rebate on $52.00 instead of 5% for the year, amounting to	$ 3 12	
He then gets 6 months dividend on $13.00	32	
He then gets second 6 months dividends on $39.00	97	
Syndicate then gets 6 months dividends on $948.00—$13.00=$935.00	23 38	
Syndicate then gets second 6 months dividend on $948.00—$39.00=$909.00	22 73	
	$50 52	50 52
Total net earnings end second year		$11 88
Third year, interest due clearing house		$62 40
Rebate to borrower	$ 6 24	
First 6 months' dividend	32	
Second 6 months' dividend	97	
Dividend to syndicate first 6 months on $896.00—$13.00=$883.00	22 08	
Dividend to syndicate second 6 months on $896.00—$39.00=857.00	21 43	
Total allowances	$51 04	51 04
Third year total net earning		$11 36

CHAPTER XXI.

And so the earnings will continue to decrease in proportion as the balance due the association decreases, as shown in trapezoids L, M, N.

If the annual profits on a loan of $1,000.00, as shown above, are so small, and grow smaller from year to year, the question naturally arises, where does the association gets its money to pay expenses, etc.? While the above shows what is taking place in regards to the profits on loans, it must be borne in mind that the association does not keep money idle, and that the $52.00 returned each year is immediately loaned out to some other borrower, so that the association is always receiving approximately the profit of $12.40 per thousand on outstanding mortgage loans, as shown the first year above, or simply the difference between the interest it charges, of $62.40 per thousand and the 5% dividends it allows its members for the use of its money. This shows in a most emphatic manner the mutuality and great beneficence of the building associations of this country.

SOURCES OF PROFIT.

If this, however, was the only source of profit, the associations would scarcely be able to pay their way and continue in existence. There are a number of other sources of small profits.

1st. Some associations charge initiation fees (although it is almost entirely abolished by associations in Ohio), and this is all profit.

2d. There is a small profit made on pass-books.

3d. A premium was formerly charged for the preference in obtaining a loan, or as a settled policy of the management of the association, which is another small source of profit where that practice still prevails.

4th. There is what is called, in insurance parlance, the lapse element. Members draw out their dues from week to week and get no dividends on them.

5th. A few associations levy fines of 5 or 10 cents per share for delinquency of payments, other associations limit this charge to borrowers only.

6th. Many associations now have large reserves and undivided profit funds, which, of course, are not idle, and the full earnings per year per thousand is all profit on these.

REBATE AND COMPOUND INTEREST TABLES.

DECLARING 2½% DIVIDENDS SEMI-ANNUALLY.

Prepared by W. H. JONES, Public Accountant, Cincinnati, O.

In the Report of the Ohio State Inspector of Building Associations for the year 1909, on page 12, under heading "Miscellaneous Information," will be found the following:

"Average rate of dividend declared by all associations in Ohio, 5.36%."

This indicates that the vast majority of the Ohio associations do not pay more than 5% dividends.

EXPLANATION.

The following method of declaring a 5%, or rather a semi-annual dividend of 2½%, is used by one of our leading secretaries, to-wit: 2½% reduced to a decimal is 2.5%. To remove the decimal we should have to multiply it by 10, which would then give 25% (twenty-five per cent). It is apparent and well known that 25% is one-fourth, but it is not so apparent or well known that 2.5% is one-fortieth, or the same number (4), as a divisor, with a cipher to the right (40). Now, if one wanted to know what 25% of $400.00 amounted to it would only be necessary to divide the $400.00 by 4 and the resulte obtained would be $100.00.

Suppose we take a larger amount, say $864.00, and perform the operation by this short method: $\frac{4)864}{216}$ You will note that we get the answer by placing the quotient directly under the figures which are divided by the divisor, 4. Now in order to divide by 40 to get 2½% we simply ignore the cipher and divide by 4, but place the answer one place to the right, so $\frac{40)864.00}{21.60}$ or by cancelling one cipher in each—the divisor and dividend—we get $\frac{4)86.40}{21.60}$

It will therefore be seen that after a secretary has figured out and extended the averages for each member in his dividend book (there will not be any cents in the averages, the unit dollars being the last figure on the right) it will only be necessary to begin at the top and divide each amount by 4 and carefully place the quotient one place to the right, as shown above.

By this method a page of fifty accounts may be calculated and extended in fifteen minutes after you become thoroughly familiar with it. All that is required is accuracy in dividing by 4, and care in placing the answer in the right position for dollars and cents in the "Total for Dividend" column.

CHAPTER XXI.

To verify add the total column of averages and the total dividend column. Divide the former total by 4 and you should get the latter (when correct). If they do not agree within a few cents you will find that it is because you have odd *unit* dollar figures in your averages, where you dropped a half cent in the dividends. Run your eye up the unit column of averages and count the number of them (not the sum of them) and divide this number by 2; if the answer is even you will obtain the exact difference in your footing; if you get an odd number after dividing by 2 your answer will be the exact difference within a half cent. If it does not prove in this manner you have made an error somewhere.

Take the following illustration:

The first column of figures below represents your averages entitled to dividend, the second column the amount of the dividend. Divide the former by 4 and you see the results in the latter and just how they should be placed as explained above.

Averages entitled to Div'd	Total Div'ds
$28.00	$0.70
14.00	.35
12.00	.30
27.00*	.67
86.00	2.15
95.00*	2.37
140.00	3.50
260.00	6.50
385.00*	9.62
490.00	12.25
1,000.00	25.00
36.00	.90
13.00*	.32
26.00	.65
52.00	1.30
4)$2,664.00	$66.58
66.60	

*Shows four odd unit figures in your averages. Divide 4 by 2 (½ cent difference on each one) and you get 2, which is the 2 cents difference between your total footing for dividends and your quotient after dividing total of averages by 4.

REBATE AND COMPOUND INTEREST TABLES.

PERPETUAL WEEKLY CALENDAR.

How to find the number of weeks between two given dates on the same day of the week.

1922									1923									1924								
Jan.	1	2	3	4	5	6	7	1	Jan.	31	1	2	3	4	5	6	53	Jan.	30	31	1	2	3	4	5	105
	8	9	10	11	12	13	14	2		7	8	9	10	11	12	13	54		6	7	8	9	10	11	12	106
Feb.	15	16	17	18	19	20	21	3		14	15	16	17	18	19	20	55		13	14	15	16	17	18	19	107
	22	23	24	25	26	27	28	4		21	22	23	24	25	26	27	56		20	21	22	23	24	25	26	108
	29	30	31	1	2	3	4	5	Feb.	28	29	30	31	1	2	3	57	Feb.	27	28	29	30	31	1	2	109
	5	6	7	8	9	10	11	6		4	5	6	7	8	9	10	58		3	4	5	6	7	8	9	110
Mar.	12	13	14	15	16	17	18	7		11	12	13	14	15	16	17	59		10	11	12	13	14	15	16	111
	19	20	21	22	23	24	25	8		18	19	20	21	22	23	24	60		17	18	19	20	21	22	23	112
	26	27	28	1	2	3	4	9	Mar.	25	26	27	28	1	2	3	61	Mar.	24	25	26	27	28	29	1	113
	5	6	7	8	9	10	11	10		4	5	6	7	8	9	10	62		2	3	4	5	6	7	8	114
Apr.	12	13	14	15	16	17	18	11		11	12	13	14	15	16	17	63		9	10	11	12	13	14	15	115
	19	20	21	22	23	24	25	12		18	19	20	21	22	23	24	64		16	17	18	19	20	21	22	116
	26	27	28	29	30	31	1	13		25	26	27	28	29	30	31	65		23	24	25	26	27	28	29	117
	2	3	4	5	6	7	8	14	Apr.	1	2	3	4	5	6	7	66	Apr.	30	31	1	2	3	4	5	118
	9	10	11	12	13	14	15	15		8	9	10	11	12	13	14	67		6	7	8	9	10	11	12	119
May	16	17	18	19	20	21	22	16		15	16	17	18	19	20	21	68		13	14	15	16	17	18	19	120
	23	24	25	26	27	28	29	17		22	23	24	25	26	27	28	69		20	21	22	23	24	25	26	121
	30	1	2	3	4	5	6	18	May	29	30	1	2	3	4	5	70	May	27	28	29	30	1	2	3	122
	7	8	9	10	11	12	13	19		6	7	8	9	10	11	12	71		4	5	6	7	8	9	10	123
June	14	15	16	17	18	19	20	20		13	14	15	16	17	18	19	72		11	12	13	14	15	16	17	124
	21	22	23	24	25	26	27	21		20	21	22	23	24	25	26	73		18	19	20	21	22	23	24	125
	28	29	30	31	1	2	3	22	June	27	28	29	30	31	1	2	74		25	26	27	28	29	30	31	126
	4	5	6	7	8	9	10	23		3	4	5	6	7	8	9	75	June	1	2	3	4	5	6	7	127
July	11	12	13	14	15	16	17	24		10	11	12	13	14	15	16	76		8	9	10	11	12	13	14	128
	18	19	20	21	22	23	24	25		17	18	19	20	21	22	23	77		15	16	17	18	19	20	21	129
	25	26	27	28	29	30	1	26		24	25	26	27	28	29	30	78		22	23	24	25	26	27	28	130
	2	3	4	5	6	7	8	27	July	1	2	3	4	5	6	7	79	July	29	30	1	2	3	4	5	131
	9	10	11	12	13	14	15	28		8	9	10	11	12	13	14	80		6	7	8	9	10	11	12	132
Aug.	16	17	18	19	20	21	22	29		15	16	17	18	19	20	21	81		13	14	15	16	17	18	19	133
	23	24	25	26	27	28	29	30		22	23	24	25	26	27	28	82		20	21	22	23	24	25	26	134
	30	31	1	2	3	4	5	31	Aug.	29	30	31	1	2	3	4	83	Aug.	27	28	29	30	31	1	2	135
	6	7	8	9	10	11	12	32		5	6	7	8	9	10	11	84		3	4	5	6	7	8	9	136
Sep.	13	14	15	16	17	18	19	33		12	13	14	15	16	17	18	85		10	11	12	13	14	15	16	137
	20	21	22	23	24	25	26	34		19	20	21	22	23	24	25	86		17	18	19	20	21	22	23	138
	27	28	29	30	31	1	2	35	Sep.	26	27	28	29	30	31	1	87		24	25	26	27	28	29	30	139
	3	4	5	6	7	8	9	36		2	3	4	5	6	7	8	88	Sep.	31	1	2	3	4	5	6	140
Oct.	10	11	12	13	14	15	16	37		9	10	11	12	13	14	15	89		7	8	9	10	11	12	13	141
	17	18	19	20	21	22	23	38		16	17	18	19	20	21	22	90		14	15	16	17	18	19	20	142
	24	25	26	27	28	29	30	39		23	24	25	26	27	28	29	91		21	22	23	24	25	26	27	143
	1	2	3	4	5	6	7	40	Oct.	30	1	2	3	4	5	6	92	Oct.	28	29	30	1	2	3	4	144
Nov.	8	9	10	11	12	13	14	41		7	8	9	10	11	12	13	93		5	6	7	8	9	10	11	145
	15	16	17	18	19	20	21	42		14	15	16	17	18	19	20	94		12	13	14	15	16	17	18	146
	22	23	24	25	26	27	28	43		21	22	23	24	25	26	27	95		19	20	21	22	23	24	25	147
	29	30	31	1	2	3	4	44	Nov.	28	29	30	31	1	2	3	96	Nov.	26	27	28	29	30	31	1	148
	5	6	7	8	9	10	11	45		4	5	6	7	8	9	10	97		2	3	4	5	6	7	8	149
Dec.	12	13	14	15	16	17	18	46		11	12	13	14	15	16	17	98		9	10	11	12	13	14	15	150
	19	20	21	22	23	24	25	47		18	19	20	21	22	23	24	99		16	17	18	19	20	21	22	151
	26	27	28	29	30	1	2	48	Dec.	25	26	27	28	29	30	1	100		23	24	25	26	27	28	29	152
	3	4	5	6	7	8	9	49		2	3	4	5	6	7	8	101	Dec.	30	1	2	3	4	5	6	153
	10	11	12	13	14	15	16	50		9	10	11	12	13	14	15	102		7	8	9	10	11	12	13	154
	17	18	19	20	21	22	23	51		16	17	18	19	20	21	22	103		14	15	16	17	18	19	20	155
	24	25	26	27	28	29	30	52		23	24	25	26	27	28	29	104		21	22	23	24	25	26	27	156

CHAPTER XXI.

This calendar is a sample page for three years—1922-'23-'24—showing how it may be constructed, for an indefinite number of years, to give the dates by the week, and have them numbered consecutively. If the weekly meeting starts on January 2, 1922, then the dates for each week, for 52 weeks, down to December 25th, are shown in the second column, and their numerical consecutive order in the eighth column, 1 to 52.

Each of the seven columns of dates shows, in the same way, the weekly meetings according to the different dates of starting, as shown in the first seven days of January.

If you do not wish to keep it for any other dates except the one for your individual requirements, then you need only make it with one column of weekly dates.

If you want to start with the first meeting of your association, then all you have to do is to get a perpetual calendar of regular form, covering a period of 50 or more years, with index numbers for the years, and prepare the series of years in the manner shown, beginning number *one* with the date of your first meeting, and then continue it from year to year, or extend it for a period of years in advance. (A perpetual calendar such as referred to above follows on next few pages.)

Such a calendar enables the secretary to ascertain the number of meetings between any two dates a member should have paid dues, and the amount: For instance: suppose a borrower starts on January 16, 1922, and you want to ascertain, on December 4, 1922, both dates inclusive, what he owes, or should have paid. You look to the right opposite December 4th, and you find No. 49 in the numerical column, and opposite January 16, 1922, you find No. 3 in the same manner. Now in order to include the meeting of January 16th you must either take the number directly preceding, which would be 2, or always subtract 1 from the number opposite the date of beginning, thus, 3—1=2. Now subtract 2 from 49, or 49—2=47, and you get the total number of meetings he should have paid. If you wished to find the lapsed time for which interest was due, instead of the number of weeks dues should have been paid, then you take the exact numbers opposite the dates between which you want to ascertain the numbers of weeks interest should have been paid, to-wit: 49—3=46 weeks for interest.

When an association has advanced pretty well along in years you will readily see how very valuable and useful, for quick results in calculation, such a consecutive numerical order of meetings becomes.

REBATE AND COMPOUND INTEREST TABLES.

DIRECTIONS—Find the year wanted in the Index below. The number opposite is the number of the calendar for that year, which will be found in one of the following panels:

YEAR	NO.	YEAR	NO.	YEAR	NO.	YEAR	NO.	YEAR	NO.
1856	10	1876	14	1896	11	1916	14	1936	11
1857	5	1877	2	1897	6	1917	2	1937	6
1858	6	1878	3	1898	7	1918	3	1938	7
1859	7	1879	4	1899	1	1919	4	1939	1
1860	8	1880	12	1900	2	1920	12	1940	9
1861	3	1881	7	1901	3	1921	7	1941	4
1862	4	1882	1	1902	4	1922	1	1942	5
1863	5	1883	2	1903	5	1923	2	1943	6
1864	13	1884	10	1904	13	1924	10	1944	14
1865	1	1885	5	1905	1	1925	5	1945	2
1866	2	1886	6	1906	2	1926	6	1946	3
1867	3	1887	7	1907	3	1927	7	1947	4
1868	11	1888	8	1908	11	1928	8	1948	12
1869	6	1889	3	1909	6	1929	3	1949	7
1870	7	1890	4	1910	7	1930	4	1950	1
1871	1	1891	5	1911	1	1931	5	1951	2
1872	9	1892	13	1912	9	1932	13	1952	10
1873	4	1893	1	1913	4	1933	1	1953	5
1874	5	1894	2	1914	5	1934	2	1954	6
1875	6	1895	3	1915	6	1935	3	1955	7

1

	S	M	T	W	T	F	S
Jan.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31				
Feb.				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28				
Mar.				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	31	
April							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30						
May		1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30	31			
June					1	2	3
	4	5	6	7	8	9	10
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25	26	27	28	29	30	

	S	M	T	W	T	F	S
July							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31					
Aug.			1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	31		
Sept.						1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
Oct.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31				
Nov.				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30		
Dec.						1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
	31						

The years for which this Calendar stands are found in the Index.

2

	S	M	T	W	T	F	S
Jan.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31				
Feb.				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28				
Mar.				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	31	
April							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30						
May		1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30	31			
June					1	2	3
	4	5	6	7	8	9	10
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25	26	27	28	29	30	

	S	M	T	W	T	F	S
July	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31				
Aug.				1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	31	
Sept.							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30						
Oct.		1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30	31			
Nov.					1	2	3
	4	5	6	7	8	9	10
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25	26	27	28	29	30	
Dec.							1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31					

The years for which this Calendar stands are found in the Index.

3

	S	M	T	W	T	F	S		S	M	T	W	T	F	S
Jan.	...	...	1	2	3	4	5	July	...	1	2	3	4	5	6
	6	7	8	9	10	11	12		7	8	9	10	11	12	13
	13	14	15	16	17	18	19		14	15	16	17	18	19	20
	20	21	22	23	24	25	26		21	22	23	24	25	26	27
	27	28	29	30	31	...	...		28	29	30	31	...	...	...
Feb.	...	...	...	...	...	1	2	Aug.	...	...	...	...	1	2	3
	3	4	5	6	7	8	9		4	5	6	7	8	9	10
	10	11	12	13	14	15	16		11	12	13	14	15	16	17
	17	18	19	20	21	22	23		18	19	20	21	22	23	24
	24	25	26	27	28	29	30		25	26	27	28	29	30	31
	31	...	...	...	...	...	...		...	...	...	...	...	...	...
Mar.	...	...	...	...	...	1	2	Sept.	...	1	2	3	4	5	6
	3	4	5	6	7	8	9		7	8	9	10	11	12	13
	10	11	12	13	14	15	16		14	15	16	17	18	19	20
	17	18	19	20	21	22	23		21	22	23	24	25	26	27
	24	25	26	27	28	29	30		28	29	30	...	...	...	...
	31	...	...	...	...	...	...		...	...	...	1	2	3	4
April	...	1	2	3	4	5	6	Oct.	5	6	7	8	9	10	11
	7	8	9	10	11	12	13		12	13	14	15	16	17	18
	14	15	16	17	18	19	20		19	20	21	22	23	24	25
	21	22	23	24	25	26	27		26	27	28	29	30	31	...
	28	29	30	...	...	...	...		...	...	...	...	...	...	...
May	...	...	...	1	2	3	4	Nov.	...	3	4	5	6	7	8
	5	6	7	8	9	10	11		9	10	11	12	13	14	15
	12	13	14	15	16	17	18		16	17	18	19	20	21	22
	19	20	21	22	23	24	25		23	24	25	26	27	28	29
	26	27	28	29	30	31	...		30	...	...	...	...	...	...
June	...	...	...	...	...	...	1	Dec.	...	1	2	3	4	5	6
	2	3	4	5	6	7	8		7	8	9	10	11	12	13
	9	10	11	12	13	14	15		14	15	16	17	18	19	20
	16	17	18	19	20	21	22		21	22	23	24	25	26	27
	23	24	25	26	27	28	29		28	29	30	31	...	...	...
	30	...	...	...	...	...	...		...	...	...	...	...	...	...

The years for which this Calendar stands are found in the Index.

4

	S	M	T	W	T	F	S		S	M	T	W	T	F	S
Jan.	...	...	...	...	1	2	3	July	...	...	...	1	2	3	4
	4	5	6	7	8	9	10		5	6	7	8	9	10	11
	11	12	13	14	15	16	17		12	13	14	15	16	17	18
	18	19	20	21	22	23	24		19	20	21	22	23	24	25
	25	26	27	28	29	30	31		26	27	28	29	30	31	...
Feb.	...	...	...	...	...	...	1	Aug.	...	...	...	...	...	...	1
	2	3	4	5	6	7	8		2	3	4	5	6	7	8
	9	10	11	12	13	14	15		9	10	11	12	13	14	15
	16	17	18	19	20	21	22		16	17	18	19	20	21	22
	23	24	25	26	27	28	29		23	24	25	26	27	28	29
	30	31	...	...	...	...	...		30	31	...	...	...	...	...
Mar.	...	...	1	2	3	4	5	Sept.	...	...	1	2	3	4	5
	6	7	8	9	10	11	12		6	7	8	9	10	11	12
	13	14	15	16	17	18	19		13	14	15	16	17	18	19
	20	21	22	23	24	25	26		20	21	22	23	24	25	26
	27	28	29	30	31	...	...		27	28	29	30	...	...	...
April	...	...	...	...	...	1	2	Oct.	...	...	...	...	1	2	3
	3	4	5	6	7	8	9		4	5	6	7	8	9	10
	10	11	12	13	14	15	16		11	12	13	14	15	16	17
	17	18	19	20	21	22	23		18	19	20	21	22	23	24
	24	25	26	27	28	29	30		25	26	27	28	29	30	31
May	...	...	...	...	...	...	...	Nov.	...	...	...	...	...	...	...
	1	2	3	4	5	6	7		1	2	3	4	5	6	7
	8	9	10	11	12	13	14		8	9	10	11	12	13	14
	15	16	17	18	19	20	21		15	16	17	18	19	20	21
	22	23	24	25	26	27	28		22	23	24	25	26	27	28
	29	30	31	...	...	...	...		29	30	...	...	...	...	...
June	...	...	...	1	2	3	4	Dec.	...	...	1	2	3	4	5
	5	6	7	8	9	10	11		6	7	8	9	10	11	12
	12	13	14	15	16	17	18		13	14	15	16	17	18	19
	19	20	21	22	23	24	25		20	21	22	23	24	25	26
	26	27	28	29	30	...	...		27	28	29	30	31	...	...

The years for which this Calendar stands are found in the Index.

5

	S	M	T	W	T	F	S		S	M	T	W	T	F	S
Jan.	...	...	...	...	...	1	2	July	...	...	...	...	...	1	2
	3	4	5	6	7	8	9		3	4	5	6	7	8	9
	10	11	12	13	14	15	16		10	11	12	13	14	15	16
	17	18	19	20	21	22	23		17	18	19	20	21	22	23
	24	25	26	27	28	29	30		24	25	26	27	28	29	30
	31	...	...	...	...	...	...		31	...	...	...	...	...	...
Feb.	...	...	...	...	...	...	1	Aug.	...	...	...	...	...	...	...
	2	3	4	5	6	7	8		2	3	4	5	6	7	8
	9	10	11	12	13	14	15		9	10	11	12	13	14	15
	16	17	18	19	20	21	22		16	17	18	19	20	21	22
	23	24	25	26	27	28	...		23	24	25	26	27	28	29
	...	...	...	...	...	...	...		30	31	...	...	...	...	...
Mar.	...	...	...	...	...	...	1	Sept.	...	...	...	...	...	...	...
	2	3	4	5	6	7	8		6	7	8	9	10	11	12
	9	10	11	12	13	14	15		13	14	15	16	17	18	19
	16	17	18	19	20	21	22		20	21	22	23	24	25	26
	23	24	25	26	27	28	29		27	28	29	30	...	...	...
	30	31	...	...	...	...	...		...	...	...	...	...	...	...
April	...	...	1	2	3	4	5	Oct.	...	...	...	...	1	2	3
	6	7	8	9	10	11	12		4	5	6	7	8	9	10
	13	14	15	16	17	18	19		11	12	13	14	15	16	17
	20	21	22	23	24	25	26		18	19	20	21	22	23	24
	27	28	29	30	...	...	...		25	26	27	28	29	30	31
May	...	...	...	...	1	2	3	Nov.	...	...	...	...	...	...	...
	4	5	6	7	8	9	10		1	2	3	4	5	6	7
	11	12	13	14	15	16	17		8	9	10	11	12	13	14
	18	19	20	21	22	23	24		15	16	17	18	19	20	21
	25	26	27	28	29	30	31		22	23	24	25	26	27	28
June	...	...	...	...	...	...	...	Dec.	29	30	...	...	...	...	...
	1	2	3	4	5	6	7		...	...	1	2	3	4	5
	8	9	10	11	12	13	14		6	7	8	9	10	11	12
	15	16	17	18	19	20	21		13	14	15	16	17	18	19
	22	23	24	25	26	27	28		20	21	22	23	24	25	26
	29	30	...	...	...	...	...		27	28	29	30	31	...	...

The years for which this Calendar stands are found in the Index.

6

	S	M	T	W	T	F	S		S	M	T	W	T	F	S
Jan.	...	...	...	...	...	...	1	July	...	...	...	...	...	1	2
	2	3	4	5	6	7	8		3	4	5	6	7	8	9
	9	10	11	12	13	14	15		10	11	12	13	14	15	16
	16	17	18	19	20	21	22		17	18	19	20	21	22	23
	23	24	25	26	27	28	29		24	25	26	27	28	29	30
	30	31	...	...	...	...	...		31	...	...	...	...	...	...
Feb.	...	...	1	2	3	4	5	Aug.	...	...	...	...	...	...	...
	6	7	8	9	10	11	12		2	3	4	5	6	7	8
	13	14	15	16	17	18	19		9	10	11	12	13	14	15
	20	21	22	23	24	25	26		16	17	18	19	20	21	22
	27	28	...	...	...	...	...		23	24	25	26	27	28	29
	...	...	...	...	...	...	...		30	31	...	...	...	...	...
Mar.	...	...	1	2	3	4	5	Sept.	...	...	...	...	...	...	...
	6	7	8	9	10	11	12		6	7	8	9	10	11	12
	13	14	15	16	17	18	19		13	14	15	16	17	18	19
	20	21	22	23	24	25	26		20	21	22	23	24	25	26
	27	28	29	30	31	...	...		27	28	29	30	...	...	...
April	...	...	...	...	...	1	2	Oct.	...	...	...	...	1	2	3
	3	4	5	6	7	8	9		4	5	6	7	8	9	10
	10	11	12	13	14	15	16		11	12	13	14	15	16	17
	17	18	19	20	21	22	23		18	19	20	21	22	23	24
	24	25	26	27	28	29	30		25	26	27	28	29	30	31
May	...	...	...	...	...	...	...	Nov.	...	...	...	...	...	...	...
	1	2	3	4	5	6	7		1	2	3	4	5	6	7
	8	9	10	11	12	13	14		8	9	10	11	12	13	14
	15	16	17	18	19	20	21		15	16	17	18	19	20	21
	22	23	24	25	26	27	28		22	23	24	25	26	27	28
	29	30	31	...	...	...	...		29	30	...	...	...	...	...
June	...	...	...	1	2	3	4	Dec.	...	...	1	2	3	4	5
	5	6	7	8	9	10	11		6	7	8	9	10	11	12
	12	13	14	15	16	17	18		13	14	15	16	17	18	19
	19	20	21	22	23	24	25		20	21	22	23	24	25	26
	26	27	28	29	30	...	...		27	28	29	30	31	...	...

The years for which this Calendar stands are found in the Index.

7

	S	M	T	W	T	F	S		S	M	T	W	T	F	S
Jan.	...	...	...	...	...	...	1	July	...	...	...	...	...	...	...
	2	3	4	5	6	7	8		3	4	5	6	7	8	9
	9	10	11	12	13	14	15		10	11	12	13	14	15	16
	16	17	18	19	20	21	22		17	18	19	20	21	22	23
	23	24	25	26	27	28	29		24	25	26	27	28	29	30
	30	31	...	...	...	...	...		31	...	...	...	...	...	...
Feb.	...	...	1	2	3	4	5	Aug.	...	...	...	...	...	...	...
	6	7	8	9	10	11	12		2	3	4	5	6	7	8
	13	14	15	16	17	18	19		9	10	11	12	13	14	15
	20	21	22	23	24	25	26		16	17	18	19	20	21	22
	27	28	...	...	...	...	...		23	24	25	26	27	28	29
	...	...	...	...	...	...	...		30	31	...	...	...	...	...
Mar.	...	...	1	2	3	4	5	Sept.	...	...	...	...	...	...	...
	6	7	8	9	10	11	12		6	7	8	9	10	11	12
	13	14	15	16	17	18	19		13	14	15	16	17	18	19
	20	21	22	23	24	25	26		20	21	22	23	24	25	26
	27	28	29	30	31	...	...		27	28	29	30	...	...	...
April	...	...	...	...	...	1	2	Oct.	...	...	...	...	1	2	3
	3	4	5	6	7	8	9		4	5	6	7	8	9	10
	10	11	12	13	14	15	16		11	12	13	14	15	16	17
	17	18	19	20	21	22	23		18	19	20	21	22	23	24
	24	25	26	27	28	29	30		25	26	27	28	29	30	31
May	...	...	...	...	...	...	...	Nov.	...	...	...	...	...	...	...
	1	2	3	4	5	6	7		1	2	3	4	5	6	7
	8	9	10	11	12	13	14		8	9	10	11	12	13	14
	15	16	17	18	19	20	21		15	16	17	18	19	20	21
	22	23	24	25	26	27	28		22	23	24	25	26	27	28
	29	30	31	...	...	...	...		29	30	...	...	...	...	...
June	...	...	...	1	2	3	4	Dec.	...	...	1	2	3	4	5
	5	6	7	8	9	10	11		6	7	8	9	10	11	12
	12	13	14	15	16	17	18		13	14	15	16	17	18	19
	19	20	21	22	23	24	25		20	21	22	23	24	25	26
	26	27	28	29	30	...	...		27	28	29	30	31	...	...

The years for which this Calendar stands are found in the Index.

8

	S	M	T	W	T	F	S		S	M	T	W	T	F	S
Jan.	1	2	3	4	5	6	7	July	1	2	3	4	5	6	7
	8	9	10	11	12	13	14		8	9	10	11	12	13	14
	15	16	17	18	19	20	21		15	16	17	18	19	20	21
	22	23	24	25	26	27	28		22	23	24	25	26	27	28
	29	30	31	...	...	...	...		29	30	31	...	...	...	...
Feb.	...	...	...	1	2	3	4	Aug.	...	...	...	...	...	...	...
	5	6	7	8	9	10	11		5	6	7	8	9	10	11
	12	13	14	15	16	17	18		12	13	14	15	16	17	18
	19	20	21	22	23	24	25		19	20	21	22	23	24	25
	26	27	28	29	30	31	...		26	27	28	29	30	31	...
Mar.	...	...	...	...	...	...	1	Sept.	...	...	...	...	...	...	...
	2	3	4	5	6	7	8		2	3	4	5	6	7	8
	9	10	11	12	13	14	15		9	10	11	12	13	14	15
	16	17	18	19	20	21	22		16	17	18	19	20	21	22
	23	24	25	26	27	28	29		23	24	25	26	27	28	29
	30	31	...	...	...	...	...		30	...	...	...	...	...	...
April	...	...	1	2	3	4	5	Oct.	...	...	...	...	...	1	2
	6	7	8	9	10	11	12		3	4	5	6	7	8	9
	13	14	15	16	17	18	19		10	11	12	13	14	15	16
	20	21	22	23	24	25	26		17	18	19	20	21	22	23
	27	28	29	30	...	...	...		24	25	26	27	28	29	30
May	...	...	...	...	1	2	3	Nov.	31	...	...	...	...	...	...
	4	5	6	7	8	9	10		...	1	2	3	4	5	6
	11	12	13	14	15	16	17		7	8	9	10	11	12	13
	18	19	20	21	22	23	24		14	15	16	17	18	19	20
	25	26	27	28	29	30	31		21	22	23	24	25	26	27
June	...	...	...	...	...	...	...	Dec.	28	29	30	...	...	...	...
	1	2	3	4	5	6	7		...	...	...	1	2	3	4
	8	9	10	11	12	13	14		5	6	7	8	9	10	11
	15	16	17	18	19	20	21		12	13	14	15	16	17	18
	22	23	24	25	26	27	28		19	20	21	22	23	24	25
	29	30	...	...	...	...	...		26	27	28	29	30	31	...

The years for which this Calendar stands are found in the Index.

9

	S	M	T	W	T	F	S		S	M	T	W	T	F	S
Jan.	...	1	2	3	4	5	6	July	...	1	2	3	4	5	6
	7	8	9	10	11	12	13		7	8	9	10	11	12	13
	14	15	16	17	18	19	20		14	15	16	17	18	19	20
	21	22	23	24	25	26	27		21	22	23	24	25	26	27
	28	29	30	31	...	...	...		28	29	30	31	...	...	...
Feb.	...	...	...	...	1	2	3	Aug.	...	...	...	...	...	...	...
	4	5	6	7	8	9	10		4	5	6	7	8	9	10
	11	12	13	14	15	16	17		11	12	13	14	15	16	17
	18	19	20	21	22	23	24		18	19	20	21	22	23	24
	25	26	27	28	29	30	...		25	26	27	28	29	30	31
	...	...	...	...	...	...	...		...	...	...	...	...	...	...
Mar.	...	...	...	...	1	2	3	Sept.	...	...	...	...	...	...	...
	4	5	6	7	8	9	10		1	2	3	4	5	6	7
	11	12	13	14	15	16	17		8	9	10	11	12	13	14
	18	19	20	21	22	23	24		15	16	17	18	19	20	21
	25	26	27	28	29	30	31		22	23	24	25	26	27	28
	...	...	...	...	...	...	...		29	30	...	...	...	...	...
April	...	...	...	...	...	...	...	Oct.	...	...	...	...	...	...	...
	1	2	3	4	5	6	7		6	7	8	9	10	11	12
	8	9	10	11	12	13	14		13	14	15	16	17	18	19
	15	16	17	18	19	20	21		20	21	22	23	24	25	26
	22	23	24	25	26	27	28		27	28	29	30	31	...	...
	29	30	...	...	...	...	...		...	...	...	...	...	...	...
May	...	...	1	2	3	4	5	Nov.	...	...	...	...	...	...	...
	6	7	8	9	10	11	12		3	4	5	6	7	8	9
	13	14	15	16	17	18	19		10	11	12	13	14	15	16
	20	21	22	23	24	25	26		17	18	19	20	21	22	23
	27	28	29	30	31	...	...		24	25	26	27	28	29	30
June	...	...	...	...	...	...	...	Dec.	...	...	...	...	...	...	...
	3	4	5	6	7	8	9		1	2	3	4	5	6	7
	10	11	12	13	14	15	16		8	9	10	11	12	13	14
	17	18	19	20	21	22	23		15	16	17	18	19	20	21
	24	25	26	27	28	29	30		22	23	24	25	26	27	28
	...	...	...	...	...	...	...		29	30	31	...	...	...	...

The years for which this Calendar stands are found in the Index.

10

	S	M	T	W	T	F	S		S	M	T	W	T	F	S
Jan.	...	...	1	2	3	4	5	July	...	...	...	...	...	...	...
	6	7	8	9	10	11	12		6	7	8	9	10	11	12
	13	14	15	16	17	18	19		13	14	15	16	17	18	19
	20	21	22	23	24	25	26		20	21	22	23	24	25	26
	27	28	29	30	31	...	...		27	28	29	30	31	...	...
Feb.	...	...	...	...	...	1	2	Aug.	...	...	...	...	...	...	...
	3	4	5	6	7	8	9		3	4	5	6	7	8	9
	10	11	12	13	14	15	16		10	11	12	13	14	15	16
	17	18	19	20	21	22	23		17	18	19	20	21	22	23
	24	25	26	27	28	29	30		24	25	26	27	28	29	30
	...	...	...	...	...	...	...		31	...	...	...	...	...	...
Mar.	...	...	...	...	...	1	2	Sept.	...	...	...	...	...	...	...
	3	4	5	6	7	8	9		7	8	9	10	11	12	13
	10	11	12	13	14	15	16		14	15	16	17	18	19	20
	17	18	19	20	21	22	23		21	22	23	24	25	26	27
	24	25	26	27	28	29	30		28	29	30	...	...	...	...
	31	...	...	...	...	...	...		...	...	...	...	...	...	...
April	...	...	...	...	...	...	...	Oct.	...	...	...	...	...	...	...
	7	8	9	10	11	12	13		5	6	7	8	9	10	11
	14	15	16	17	18	19	20		12	13	14	15	16	17	18
	21	22	23	24	25	26	27		19	20	21	22	23	24	25
	28	29	30	...	...	...	...		26	27	28	29	30	31	...
May	...	...	...	1	2	3	4	Nov.	...	...	...	...	...	...	...
	5	6	7	8	9	10	11		2	3	4	5	6	7	8
	12	13	14	15	16	17	18		9	10	11	12	13	14	15
	19	20	21	22	23	24	25		16	17	18	19	20	21	22
	26	27	28	29	30	31	...		23	24	25	26	27	28	29
June	...	...	...	...	...	...	...	Dec.	30	...	...	...	...	...	...
	2	3	4	5	6	7	8		...	1	2	3	4	5	6
	9	10	11	12	13	14	15		7	8	9	10	11	12	13
	16	17	18	19	20	21	22		14	15	16	17	18	19	20
	23	24	25	26	27	28

11

	S	M	T	W	T	F	S
Jan.	...	...	...	...	1	2	3
	4	5	6	7	8	9	10
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25	26	27	28	29	30	31
Feb.	...	...	...	...	...	...	1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
Mar.	...	...	...	...	...	...	...
	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31	...	...	...	...
April	...	...	...	1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	...	...
May	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
	31	...	...	...	...	...	...
June	...	1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30	...	...	...	...

	S	M	T	W	T	F	S
July	...	...	...	...	...	...	1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31	...	...	...	...	...
Aug.	...	...	1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	31	...	...
Sept.	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
Oct.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31	...	...	...	...
Nov.	...	...	...	1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	...	...
Dec.	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
	31	...	...	...	...	...	...

The years for which this Calendar stands are found in the Index.

12

	S	M	T	W	T	F	S
Jan.	...	...	...	...	1	2	3
	4	5	6	7	8	9	10
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25	26	27	28	29	30	31
Feb.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	...	...	...	...	...	...
Mar.	...	1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30	31	...	...	...
April	...	...	...	...	1	2	3
	4	5	6	7	8	9	10
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25	26	27	28	29	30	...
May	...	...	...	...	...	...	1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31	...	...	...	...	...
June	...	...	1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	...	...	...

	S	M	T	W	T	F	S
July	...	...	...	...	1	2	3
	4	5	6	7	8	9	10
	11	12	13	14	15	16	17
	18	19	20	21	22	23	24
	25	26	27	28	29	30	31
Aug.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31	...	...	...	...
Sept	...	...	...	1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	...	...
Oct.	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
	31	...	...	...	...	...	...
Nov.	...	1	2	3	4	5	6
	7	8	9	10	11	12	13
	14	15	16	17	18	19	20
	21	22	23	24	25	26	27
	28	29	30	...	...	...	...
Dec.	...	...	...	1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	31	...

The years for which this Calendar stands are found in the Index.

13

	S	M	T	W	T	F	S
Jan.	...	...	...	...	...	...	1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31	...	...	...	...	...
Feb.	...	...	1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	...	...	...	...	...
Mar.	...	...	1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	31	...	...
April	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
May	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31	...	...	...	...
June	...	...	...	1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	...	...

	S	M	T	W	T	F	S
July	...	...	...	...	...	...	1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31	...	...	...	...	...
Aug.	...	...	1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	31	...	...
Sept.	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
Oct.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31	...	...	...	...
Nov.	...	...	...	1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	...	...
Dec.	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
	31	...	...	...	...	...	...

The years for which this Calendar stands are found in the Index.

14

	S	M	T	W	T	F	S
Jan.	...	...	...	...	...	...	1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31	...	...	...	...	...
Feb.	...	...	1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	...	...	...	...
Mar.	...	...	1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	31	...	...
April	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
May	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31	...	...	...	...
June	...	...	...	1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	...	...

	S	M	T	W	T	F	S
July	...	...	...	...	...	...	1
	2	3	4	5	6	7	8
	9	10	11	12	13	14	15
	16	17	18	19	20	21	22
	23	24	25	26	27	28	29
	30	31	...	...	...	...	...
Aug.	...	...	1	2	3	4	5
	6	7	8	9	10	11	12
	13	14	15	16	17	18	19
	20	21	22	23	24	25	26
	27	28	29	30	31	...	...
Sept.	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
Oct.	1	2	3	4	5	6	7
	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30	31	...	...	...	...
Nov.	...	...	...	1	2	3	4
	5	6	7	8	9	10	11
	12	13	14	15	16	17	18
	19	20	21	22	23	24	25
	26	27	28	29	30	...	...
Dec.	...	...	...	...	...	1	2
	3	4	5	6	7	8	9
	10	11	12	13	14	15	16
	17	18	19	20	21	22	23
	24	25	26	27	28	29	30
	31	...	...	...	...	...	...

The years for which this Calendar stands are found in the Index.

Distribution of Earnings—Permanent Plan.

Calculation of Dividends and Interest.

There is a great necessity for the utmost care in the calculation and distribution of dividends. It has happened that associations, on account of carelessness or incompetency in this connection, have become greatly embarrassed. Great care should be taken in making the calculations for the amounts available for dividends, so that the exact rate be established. Unfortunately, there is lack of uniformity in the calculation of dividends and interest, by the various associations, which makes it impossible to give specific rules that will apply to all associations. Some of the methods are cumbersome and in some instances inaccurate, causing unnecessary work and vexation, which could be avoided by the substitution of a more scientific standard. The periodical calculation of dividend and interest is the most arduous task in the regular routine of a secretary's work, and it is to his interest, as well as the association, that he make use of the most improved methods.

A large number of dividend and interest tables have been prepared. Several of these tables which are in more general use, and have given good satisfaction, are printed herewith. They will be very valuable for use in those associations following the same plan upon which the tables are based.

CHAPTER XXII.

Application of Profits.

Profits should be applied as follows:

1. To the payment of expenses.

2. Such portion as may be determined semi-annually or annually by the board of directors, should be set aside as a reserve fund for the payment of contingent losses in conformity with the law.

3. Such portions as may be determined semi-annually or annually by the board of directors shall be credited to the account of the members as a dividend, according to their average investment.

4. The residue may be placed in an undivided profit fund in conformity with the law.

PERMANENT PLAN—SYSTEM I.

EXPLANATION.

Example of the First Semi-Annual Dividend: A has one share, $1.00 weekly dues. He has paid for six months, or twenty-six weeks. The dividend declared is eight per cent (semi-annual). What is A's portion?

Turn to the 8 per cent tables (page 373). Opposite 26, the number of weeks A has paid $1.00, you find $1.08, which is the amount of $26.00 at 8 per cent for twenty-six weeks upon the usual computation of averages, or, in other words, the proportion of dividend declared which is due A.

Example of the second and all subsequent dividends: B has three shares (of $1.00 per share dues). He has paid $402.00. The dividend declared is five per cent (semi-annual). What is B's portion?

Subtract from $402.00, the amount he has paid since the last dividend, $3.00 per night for twenty-six weeks, or $78.00. Find 5 per cent of the difference, $324.00; which is $16.00, or dividend upon $324.00. Now turn to the 5 per cent tables (page 370). Opposite 26, the number of weeks B has paid $3.00 since the last settlement, you find $2.025 in the three-share column, which is the amount of dividend on $78.00; now add $2.025 to $16.20. The result, $18.225, is the amount of dividend due B on $402.00.

Shares, $500.—Dues, $1.00 per week.

TWO PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2					.012
3		.010	.013	.020	.023
4		.015	.023	.030	.040
5	.011	.023	.035	.046	.060
6	.016	.032	.048	.065	.081
7	.021	.043	.065	.086	.110
8	.027	.055	.083	.110	.140
9	.034	.069	.104	.138	.173
10	.042	.084	.128	.169	.212
11	.050	.101	.148	.203	.254
12	.060	.120	.180	.240	.300
13	.070	.140	.210	.280	.350
14	.080	.161	.242	.323	.404
15	.092	.185	.277	.370	.462
16	.104	.209	.314	.420	.523
17	.117	.235	.353	.470	.590
18	.131	.263	.395	.526	.660
19	.146	.292	.438	.585	.731
20	.161	.323	.485	.646	.810
21	.177	.355	.533	.710	.890
22	.194	.390	.584	.780	.973
23	.212	.424	.636	.850	1.061
24	.230	.461	.692	.923	1.154
25	.250	.500	.750	1.000	1.250
26	.270	.540	.810	1.080	1.350

SEMI-ANNUAL COMPUTATION.

Shares, $500.—Dues, $1.00 per week.

THREE PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2			.011	.014	.020
3		.014	.020	.027	.034
4	.011	.023	.034	.045	.057
5	.017	.035	.052	.070	.087
6	.024	.048	.073	.097	.121
7	.032	.065	.097	.130	.162
8	.041	.083	.124	.165	.207
9	.051	.104	.155	.207	.259
10	.063	.127	.192	.254	.318
11	.076	.152	.222	.305	.381
12	.090	.180	.270	.360	.450
13	.105	.210	.315	.420	.525
14	.121	.242	.364	.485	.606
15	.138	.277	.415	.554	.693
16	.157	.314	.470	.627	.784
17	.176	.353	.529	.705	.882
18	.197	.395	.592	.790	.987
19	.219	.438	.658	.877	1.096
20	.242	.485	.727	.970	1.212
21	.266	.533	.799	1.065	1.332
22	.292	.584	.875	1.167	1.459
23	.318	.636	.955	1.273	1.591
24	.345	.692	1.040	1.385	1.721
25	.375	.750	1.125	1.500	1.875
26	.410	.810	1.215	1.620	2.025

Shares, $500.—Dues, $1.00 per week.

FOUR PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2		.010	.014	.020	.024
3		.018	.027	.037	.046
4	.015	.031	.045	.061	.076
5	.023	.046	.069	.093	.116
6	.032	.065	.097	.130	.162
7	.043	.086	.129	.173	.216
8	.055	.110	.165	.221	.276
9	.069	.140	.207	.277	.346
10	.085	.169	.255	.340	.424
11	.101	.203	.305	.406	.510
12	.120	.240	.360	.480	.600
13	.122	.280	.420	.560	.700
14	.161	.323	.485	.646	.810
15	.185	.370	.554	.740	.924
16	.209	.420	.627	.837	1.046
17	.235	.470	.705	.940	1.176
18	.263	.526	.790	1.053	1.316
19	.292	.585	.877	1.170	1.462
20	.323	.646	.970	1.293	1.616
21	.355	.710	1.065	1.421	1.776
22	.389	.780	1.167	1.557	1.946
23	.424	.850	1.273	1.697	2.122
24	.460	.923	1.384	1.846	2.310
25	.500	1.000	1.500	2.000	2.500
26	.540	1.080	1.620	2.160	2.700

Shares, $500.—Dues, $1.00 per week.

FIVE PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					.010
2		.012	.020	.024	.030
3	.011	.023	.034	.046	.057
4	.020	.039	.057	.076	.095
5	.029	.058	.087	.116	.145
6	.040	.081	.121	.162	.202
7	.054	.108	.162	.215	.270
8	.069	.140	.207	.276	.345
9	.086	.173	.260	.346	.432
10	.106	.212	.320	.424	.530
11	.127	.254	.381	.510	.635
12	.150	.300	.450	.600	.750
13	.175	.350	.525	.700	.875
14	.202	.404	.606	.810	1.010
15	.231	.462	.693	.924	1.155
16	.261	.523	.784	1.046	1.307
17	.294	.590	.882	1.176	1.470
18	.329	.660	.987	1.316	1.645
19	.365	.731	1.096	1.462	1.827
20	.404	.810	1.212	1.616	2.020
21	.444	.890	1.332	1.776	2.220
22	.486	.973	1.460	1.946	2.432
23	.530	1.061	1.591	2.122	2.652
24	.577	1.154	1.731	2.310	2.885
25	.625	1.250	1.875	2.500	3.125
26	.675	1.350	2.025	2.700	3.375

SEMI-ANNUAL COMPUTATION.

Shares, $500.—Dues, $1.00 per week.

SIX PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					.012
2		.014	.021	.030	.036
3	.014	.028	.041	.055	.070
4	.023	.047	.068	.091	.114
5	.035	.065	.104	.140	.174
6	.048	.097	.146	.194	.243
7	.065	.129	.194	.260	.324
8	.083	.165	.248	.331	.414
9	.104	.207	.311	.415	.520
10	.127	.254	.383	.510	.636
11	.152	.305	.457	.610	.762
12	.180	.360	.540	.720	.900
13	.210	.420	.630	.840	1.050
14	.242	.485	.727	.970	1.212
15	.277	.554	.830	1.110	1.386
16	.314	.627	.941	1.255	1.570
17	.353	.705	1.058	1.411	1.764
18	.395	.789	1.184	1.580	1.974
19	.438	.877	1.316	1.754	2.193
20	.485	.970	1.454	1.940	2.424
21	.533	1.065	1.598	2.131	2.664
22	.584	1.167	1.800	2.335	2.920
23	.636	1.273	1.910	2.546	3.183
24	.692	1.385	2.077	2.770	3.462
25	.750	1.500	2.250	3.000	3.750
26	.810	1.620	2.430	3.240	4.050

SEMI-ANNUAL COMPUTATION.

Shares, $500.—Dues, $1.00 per week.

SEVEN PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1			.010	.011	.014
2		.017	.025	.033	.042
3	.016	.032	.048	.064	.080
4	.026	.054	.080	.106	.133
5	.040	.081	.122	.162	.203
6	.056	.113	.170	.227	.283
7	.075	.151	.227	.302	.380
8	.096	.193	.289	.386	.483
9	.121	.242	.363	.484	.605
10	.148	.297	.447	.593	.742
11	.178	.355	.533	.711	.890
12	.210	.420	.630	.840	1.050
13	.245	.490	.735	.960	1.225
14	.283	.565	.850	1.151	1.414
15	.323	.647	.970	1.293	1.617
16	.366	.732	1.098	1.464	1.830
17	.411	.823	1.235	1.646	2.060
18	.460	.921	1.381	1.842	2.303
19	.512	1.023	1.535	2.047	2.560
20	.565	1.131	1.697	2.262	2.830
21	.621	1.243	1.864	2.486	3.110
22	.681	1.362	2.043	2.724	3.405
23	.736	1.485	2.230	2.971	3.713
24	.808	1.615	2.423	3.231	4.040
25	.875	1.750	2.625	3.500	4.375
26	.945	1.890	2.835	3.780	4.725

Shares, $500.—Dues, $1.00 per week.

EIGHT PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1			.010	.013	.016
2		.020	.029	.040	.050
3	.018	.037	.055	.073	.092
4	.030	.062	.091	.121	.152
5	.046	.093	.140	.185	.232
6	.065	.129	.194	.260	.324
7	.086	.173	.260	.345	.432
8	.110	.221	.331	.441	.552
9	.138	.277	.415	.553	.692
10	.169	.340	.511	.680	.850
11	.203	.406	.610	.813	1.016
12	.240	.480	.720	.960	1.200
13	.280	.560	.840	1.120	1.400
14	.323	.646	.970	1.293	1.616
15	.369	.740	1.108	1.478	1.850
16	.418	.837	1.255	1.673	2.092
17	.470	.941	1.411	1.881	2.352
18	.526	1.053	1.580	2.105	2.632
19	.585	1.170	1.754	2.340	2.924
20	.646	1.293	1.940	2.585	3.232
21	.710	1.421	2.131	2.841	3.552
22	.778	1.557	2.335	3.113	3.892
23	.856	1.697	2.546	3.395	4.244
24	.923	1.846	2.770	3.693	4.616
25	1.000	2.000	3.000	4.000	5.000
26	1.080	2.160	3.240	4.320	5.400

Shares, $500.—Dues, $1.00 per week.

NINE PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1			.010	.014	.020
2	.010	.021	.032	.043	.054
3	.020	.041	.062	.083	.103
4	.034	.070	.102	.137	.171
5	.052	.104	.156	.209	.261
6	.073	.146	.218	.291	.364
7	.097	.194	.291	.389	.486
8	.124	.248	.372	.497	.621
9	.155	.311	.467	.623	.780
10	.191	.381	.575	.763	.954
11	.228	.457	.686	.914	1.143
12	.270	.540	.810	1.080	1.350
13	.315	.630	.945	1.260	1.575
14	.363	.727	1.090	1.454	1.820
15	.416	.831	1.247	1.663	2.080
16	.471	.941	1.412	1.883	2.353
17	.529	1.060	1.587	2.117	2.646
18	.592	1.184	1.776	2.370	2.961
19	.658	1.316	1.973	2.631	3.290
20	.727	1.454	2.181	2.909	3.636
21	.799	1.600	2.397	3.197	3.996
22	.876	1.751	2.627	3.503	4.380
23	.955	1.910	2.864	3.820	4.770
24	1.038	2.077	3.116	4.154	5.193
25	1.125	2.250	3.375	4.500	5.625
26	1.215	2.430	3.645	4.860	6.075

Shares, $500.—Dues, $1.00 per week.

TEN PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1		.010	.012	.016	.020
2	.012	.024	.036	.050	.060
3	.023	.046	.070	.092	.115
4	.040	.078	.114	.152	.190
5	.060	.116	.174	.232	.290
6	.081	.162	.243	.324	.405
7	.108	.216	.324	.432	.540
8	.138	.276	.414	.552	.690
9	.173	.346	.520	.692	.865
10	.212	.424	.640	.850	1.060
11	.254	.510	.762	1.016	1.270
12	.300	.600	.900	1.200	1.500
13	.350	.700	1.050	1.400	1.750
14	.404	.810	1.212	1.616	2.020
15	.462	.924	1.386	1.850	2.310
16	.523	1.046	1.569	2.092	2.615
17	.590	1.176	1.764	2.352	2.940
18	.660	1.316	1.974	2.632	3.290
19	.731	1.462	2.193	2.924	3.655
20	.810	1.616	2.424	3.232	4.040
21	.890	1.776	2.664	3.552	4.440
22	.973	1.946	2.919	3.892	4.865
23	1.061	2.122	3.183	4.244	5.305
24	1.154	2.308	3.462	4.616	5.770
25	1.250	2.500	3.750	5.000	6.250
26	1.350	2.700	4.050	5.400	6.750

Shares, $500.—Dues, $1.00 per week.

ELEVEN PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1		.010	.013	.020	.022
2	.013	.026	.040	.053	.066
3	.025	.050	.076	.101	.126
4	.042	.086	.125	.167	.210
5	.064	.127	.191	.255	.320
6	.089	.178	.267	.356	.445
7	.119	.237	.356	.475	.594
8	.152	.303	.455	.607	.760
9	.190	.380	.571	.761	.951
10	.233	.466	.703	.933	1.166
11	.279	.560	.840	1.117	1.397
12	.330	.660	.990	1.320	1.650
13	.385	.770	1.155	1.540	1.925
14	.444	.890	1.333	1.777	2.222
15	.510	1.016	1.524	2.033	2.541
16	.575	1.150	1.726	2.301	2.876
17	.647	1.293	1.940	2.587	3.234
18	.724	1.447	2.171	2.895	3.620
19	.804	1.610	2.412	3.216	4.020
20	.889	1.777	2.666	3.555	4.444
21	.977	1.953	2.930	3.907	4.884
22	1.070	2.140	3.211	4.281	5.351
23	1.167	2.334	3.501	4.670	5.835
24	1.266	2.540	3.810	5.077	6.347
25	1.375	2.750	4.125	5.500	6.875
26	1.485	2.970	4.455	5.940	7.425

Shares, $500.—Dues, $1.00 per week.

TWELVE PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1		.010	.014	.020	.024
2	.014	.030	.043	.057	.072
3	.027	.055	.083	.110	.140
4	.045	.093	.137	.182	.230
5	.070	.139	.209	.278	.350
6	.097	.194	.291	.389	.486
7	.130	.260	.389	.520	.650
8	.165	.331	.497	.662	.830
9	.207	.415	.623	.830	1.040
10	.254	.510	.767	1.017	1.272
11	.305	.609	.914	1.220	1.524
12	.360	.720	1.080	1.440	1.800
13	.420	.840	1.260	1.680	2.100
14	.485	.970	1.454	1.940	2.424
15	.554	1.110	1.663	2.217	2.772
16	.627	1.255	1.883	2.510	3.140
17	.705	1.411	2.117	2.822	3.530
18	.790	1.580	2.369	3.160	3.950
19	.877	1.756	2.631	3.510	4.386
20	.970	1.940	2.909	3.880	4.850
21	1.065	2.131	3.197	4.260	5.330
22	1.167	2.335	3.503	4.670	5.840
23	1.273	2.546	3.820	5.093	6.366
24	1.381	2.770	4.154	5.540	6.924
25	1.500	3.000	4.500	6.000	7.500
26	1.620	3.240	4.860	6.480	8.100

TWO PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2					
3				.010	.010
4			.012	.015	.020
5		.011	.020	.023	.030
6	.010	.016	.024	.033	.040
7	.010	.021	.033	.043	.054
8	.013	.027	.042	.055	.070
9	.017	.034	.052	.070	.086
10	.021	.043	.064	.084	.106
11	.026	.050	.074	.101	.127
12	.030	.060	.090	.120	.150
13	.035	.070	.105	.140	.175
14	.041	.080	.121	.161	.202
15	.046	.093	.138	.184	.232
16	.052	.104	.157	.210	.261
17	.053	.117	.177	.235	.294
18	.065	.131	.198	.263	.329
19	.073	.146	.220	.293	.365
20	.080	.161	.243	.323	.404
21	.090	.177	.267	.355	.444
22	.097	.194	.292	.390	.486
23	.101	.212	.320	.424	.530
24	.116	.230	.346	.461	.577
25	.125	.250	.375	.500	.625
26	.135	.270	.405	.540	.675

THREE PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2					.010
3			.010	.014	.017
4		.011	.017	.022	.030
5	.010	.018	.026	.034	.043
6	.012	.024	.037	.050	.060
7	.016	.033	.050	.064	.081
8	.020	.042	.062	.082	.103
9	.026	.052	.077	.103	.130
10	.031	.063	.095	.127	.160
11	.040	.076	.111	.152	.190
12	.045	.090	.135	.180	.225
13	.052	.105	.157	.210	.262
14	.060	.121	.181	.243	.303
15	.070	.138	.207	.277	.346
16	.080	.157	.235	.313	.392
17	.090	.177	.264	.352	.441
18	.100	.200	.296	.394	.493
19	.104	.220	.330	.440	.550
20	.121	.243	.363	.484	.606
21	.133	.267	.400	.532	.666
22	.146	.292	.437	.583	.730
23	.160	.320	.480	.636	.795
24	.172	.346	.520	.693	.860
25	.187	.375	.562	.750	.937
26	.205	.408	.607	.810	1.012

FOUR PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2				.010	.012
3		.010	.013	.020	.023
4		.015	.022	.031	.040
5	.011	.023	.034	.047	.060
6	.016	.033	.050	.064	.081
7	.021	.043	.064	.087	.110
8	.022	.055	.082	.111	.140
9	.034	.069	.103	.140	.173
10	.043	.084	.127	.170	.212
11	.050	.101	.153	.203	.254
12	.060	.120	.180	.240	.300
13	.061	.140	.210	.280	.350
14	.080	.161	.243	.323	.404
15	.093	.184	.277	.370	.462
16	.104	.209	.313	.420	.523
17	.117	.235	.352	.471	.590
18	.131	.263	.400	.526	.660
19	.146	.293	.440	.584	.732
20	.161	.323	.484	.647	.810
21	.177	.355	.532	.711	.890
22	.194	.390	.583	.780	.973
23	.212	.425	.636	.850	1.061
24	.230	.461	.693	.923	1.154
25	.250	.500	.750	1.000	1.250
26	.270	.540	.810	1.080	1.350

FIVE PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2			.010	.012	.015
3		.011	.017	.023	.030
4	.010	.020	.030	.040	.047
5	.014	.030	.043	.060	.072
6	.020	.040	.060	.081	.101
7	.027	.054	.081	.107	.140
8	.034	.070	.103	.140	.172
9	.043	.086	.130	.173	.216
10	.053	.106	.160	.212	.265
11	.063	.127	.190	.254	.317
12	.070	.150	.225	.300	.375
13	.087	.170	.262	.350	.437
14	.101	.202	.303	.404	.505
15	.115	.231	.346	.462	.577
16	.130	.261	.392	.523	.653
17	.147	.294	.441	.590	.735
18	.164	.330	.493	.660	.822
19	.182	.360	.550	.731	.913
20	.202	.404	.606	.808	1.010
21	.222	.444	.666	.890	1.110
22	.243	.486	.730	.973	1.216
23	.265	.530	.795	1.061	1.326
24	.290	.577	.865	1.154	1.442
25	.312	.620	.932	1.250	1.562
26	.337	.670	1.012	1.350	1.687

SIX PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2			.010	.015	.020
3		.014	.020	.027	.034
4	.012	.024	.034	.045	.054
5	.020	.032	.052	.070	.087
6	.024	.050	.073	.097	.121
7	.033	.064	.097	.130	.162
8	.041	.082	.124	.165	.207
9	.052	.103	.155	.207	.260
10	.063	.127	.191	.255	.320
11	.076	.153	.230	.304	.381
12	.090	.180	.270	.360	.450
13	.105	.210	.315	.420	.525
14	.121	.243	.363	.484	.606
15	.140	.277	.415	.554	.693
16	.157	.313	.470	.627	.784
17	.177	.352	.530	.705	.882
18	.197	.394	.597	.790	.987
19	.220	.440	.657	.877	1.096
20	.243	.484	.727	.970	1.212
21	.266	.532	.800	1.065	1.332
22	.292	.583	.900	1.167	1.460
23	.320	.636	.954	1.273	1.591
24	.346	.693	1.040	1.384	1.731
25	.375	.750	1.125	1.500	1.875
26	.405	.810	1.210	1.620	2.025

SEVEN PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					
2		.010	.012	.016	.021
3	.010	.016	.024	.032	.040
4	.013	.027	.040	.053	.066
5	.020	.040	.061	.081	.101
6	.030	.056	.085	.113	.141
7	.037	.075	.114	.151	.190
8	.050	.096	.145	.193	.241
9	.060	.121	.181	.242	.302
10	.074	.147	.223	.296	.371
11	.090	.177	.266	.355	.444
12	.105	.210	.315	.420	.525
13	.122	.245	.367	.480	.612
14	.142	.282	.424	.575	.707
15	.162	.324	.485	.646	.810
16	.183	.366	.550	.732	.915
17	.205	.411	.617	.823	1.030
18	.230	.460	.691	.921	1.151
19	.250	.511	.767	1.024	1.280
20	.282	.565	.850	1.131	1.414
21	.320	.621	.933	1.243	1.554
22	.340	.681	1.021	1.362	1.702
23	.367	.742	1.114	1.486	1.856
24	.403	.807	1.211	1.615	2.020
25	.437	.875	1.312	1.750	2.187
26	.472	.995	1.412	1.890	2.362

Shares, $250 or $500.—Dues, 50c. per week.

EIGHT PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					.010
2		.010	.015	.020	.024
3	.010	.020	.027	.036	.046
4	.015	.031	.045	.060	.076
5	.023	.047	.070	.092	.116
6	.033	.065	.097	.130	.162
7	.043	.087	.130	.172	.216
8	.055	.111	.165	.220	.276
9	.070	.140	.207	.276	.346
10	.084	.170	.255	.340	.424
11	.101	.203	.304	.407	.510
12	.120	.240	.360	.480	.600
13	.140	.280	.420	.560	.700
14	.161	.323	.484	.647	.810
15	.184	.370	.555	.740	.924
16	.210	.420	.627	.836	1.046
17	.230	.471	.705	.940	1.176
18	.263	.527	.790	1.052	1.316
19	.293	.584	.877	1.170	1.462
20	.323	.647	.970	1.292	1.616
21	.355	.711	1.065	1.420	1.776
22	.390	.780	1.162	1.556	1.946
23	.430	.850	1.273	1.697	2.122
24	.461	.923	1.384	1.847	2.310
25	.500	1.000	1.509	2.000	2.500
26	.540	1.080	1.620	2.160	2.700

Shares, $250 or $500.—Dues, 50c. per week.

NINE PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1					.010
2		.010	.016	.021	.027
3	.010	.020	.031	.042	.051
4	.017	.035	.051	.070	.085
5	.026	.052	.090	.105	.130
6	.037	.073	.110	.145	.182
7	.050	.097	.145	.195	.243
8	.062	.124	.186	.250	.310
9	.080	.155	.233	.312	.390
10	.096	.190	.287	.381	.477
11	.114	.230	.343	.457	.571
12	.135	.270	.405	.540	.625
13	.157	.315	.472	.630	.787
14	.181	.363	.545	.727	.910
15	.210	.415	.623	.831	1.040
16	.235	.470	.706	.942	1.176
17	.264	.530	.793	1.060	1.323
18	.296	.592	.890	1.185	1.480
19	.330	.660	.986	1.315	1.644
20	.363	.727	1.090	1.455	1.820
21	.400	.800	1.196	1.600	2.000
22	.437	.875	1.313	1.752	2.190
23	.480	.960	1.432	1.910	2.387
24	.520	1.040	1.560	2.077	2.596
25	.562	1.125	1.687	2.250	2.812
26	.607	1.215	1.822	2.430	3.037

TEN PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1				.010	.010
2		.012	.020	.024	.030
3	.011	.023	.034	.046	.057
4	.020	.040	.057	.076	.095
5	.030	.060	.087	.116	.145
6	.040	.081	.121	.162	.202
7	.052	.110	.162	.216	.270
8	.070	.140	.207	.276	.345
9	.086	.173	.260	.341	.432
10	.101	.212	.320	.424	.530
11	.127	.254	.381	.510	.635
12	.150	.300	.450	.600	.750
13	.175	.350	.525	.700	.875
14	.202	.404	.606	.810	1.010
15	.231	.462	.693	.924	1.155
16	.261	.523	.784	1.046	1.307
17	.294	.590	.882	1.176	1.470
18	.330	.660	.987	1.316	1.645
19	.360	.731	1.096	1.462	1.827
20	.404	.810	1.212	1.616	2.020
21	.444	.890	1.332	1.776	2.220
22	.486	.973	1.460	1.946	2.432
23	.530	1.061	1.591	2.122	2.652
24	.577	1.154	1.731	2.310	2.880
25	.620	1.250	1.875	2.500	3.125
26	.670	1.350	2.025	2.700	3.375

ELEVEN PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1				.010	.011
2		.013	.020	.027	.033
3	.012	.025	.032	.050	.063
4	.020	.043	.062	.083	.104
5	.032	.063	.095	.127	.160
6	.044	.090	.133	.130	.222
7	.060	.118	.180	.237	.297
8	.076	.151	.227	.303	.380
9	.095	.190	.286	.380	.475
10	.110	.233	.302	.467	.583
11	.140	.280	.420	.560	.700
12	.160	.330	.495	.660	.825
13	.192	.385	.577	.770	.962
14	.222	.445	.666	.890	1.111
15	.254	.510	.762	1.017	1.270
16	.287	.575	.862	1.150	1.440
17	.323	.686	.970	1.293	1.617
18	.362	.723	1.085	1.447	1.810
19	.402	.804	1.206	1.610	2.010
20	.444	.890	1.333	1.777	2.222
21	.487	.976	1.465	1.953	2.442
22	.535	1.070	1.605	2.140	2.675
23	.583	1.167	1.755	2.334	2.917
24	.633	1.270	1.954	2.540	3.173
25	.687	1.375	2.062	2.750	3.437
26	.742	1.485	2.227	2.970	3.712

CHAPTER XXII.

Shares, $250 or $500.—Dues, 50c. per week.

TWELVE PER CENT TABLES.

No. Weeks	One Share	Two Shares	Three Shares	Four Shares	Five Shares
1				.010	.012
2		.014	.021	.020	.036
3	.013	.027	.042	.055	.070
4	.022	.046	.070	.091	.114
5	.034	.070	.106	.140	.174
6	.050	.097	.145	.195	.243
7	.064	.130	.195	.260	.324
8	.082	.165	.250	.331	.414
9	.103	.207	.311	.415	.520
10	.127	.255	.383	.510	.636
11	.153	.304	.457	.610	.762
12	.180	.360	.540	.720	.900
13	.210	.420	.630	.840	1.050
14	.243	.484	.727	.970	1.212
15	.277	.555	.831	1.103	1.386
16	.313	.627	.941	1.255	1.570
17	.353	.705	1.060	1.411	1.764
18	.364	.790	1.184	1.580	1.974
19	.440	.880	1.315	1.755	2.193
20	.484	.970	1.455	1.940	2.424
21	.532	1.065	1.600	2.131	2.664
22	.583	1.167	1.752	2.335	2.920
23	.636	1.273	1.960	2.547	3.183
24	.690	1.384	2.077	2.770	3.462
25	.750	1.500	2.250	3.000	3.750
26	.810	1.620	2.430	3.240	4.050

PERMANENT PLAN—SYSTEM II.

EXPLANATION.

TO FIND THE AMOUNT UPON WHICH DIVIDENDS FOR ONE SHARE IS TO BE DECLARED.

RULE. *Add together the number of weeks each $1 has been paid in. Divide this total by the number of weeks in the term. The quotient gives the average amount to be credited for the entire term.*

EXAMPLE. A pays $1 weekly for a term of 26 weeks. What is the average amount to his credit at the close of the term? Add together the number of weeks $1 has been paid in, each 26, 25, 24, etc., down to 1. The total is 351 weeks. That is to say, the credits to which he is entitled on his payments as he has made them are together equal to a credit of $1 for 351 weeks. But $1 for 351 weeks is equal to as many dollars for 26 weeks as 26 weeks is contained in 351 weeks, which is 13½ times, or $13.50.

TO FIND THE RATE PER CENT OF DIVIDEND TO BE DECLARED.

RULE. *Average the amount to the credit of each member according to the above rule and example. Then find the sum of all the average amounts. Find what per cent the total profits are of this sum and this percent will give the rate of dividend to be declared.*

EXAMPLE. Suppose the association has 125 members and that the total of the averaged investments is $4,050. Suppose that the profits of the association for the term are $265. One per cent of $4,050 is $40.50. $265 will be as many times one per cent of $4,050 as $40.50 is contained in it, which is $6\frac{44}{81}$ times. Since it is not convenient to calculate interest at $6\frac{44}{81}$ per cent the rate of the dividend would probably be fixed at 6 per cent and the small balance of profits left over after the distribution at this rate would be placed in the reserve fund.

TO FIND THE FIRST DIVIDEND.

RULE. *Find the per cent of the given amount in the table at the given rate for the dividend.*

EXAMPLE. A has paid $1 weekly on 5 shares for 15 weeks. What is the semi-annual dividend, the rate being 6 per cent per annum? We find that the average amount to his credit is $23.10, which at 6 per cent per annum gives him a dividend of $0.69.

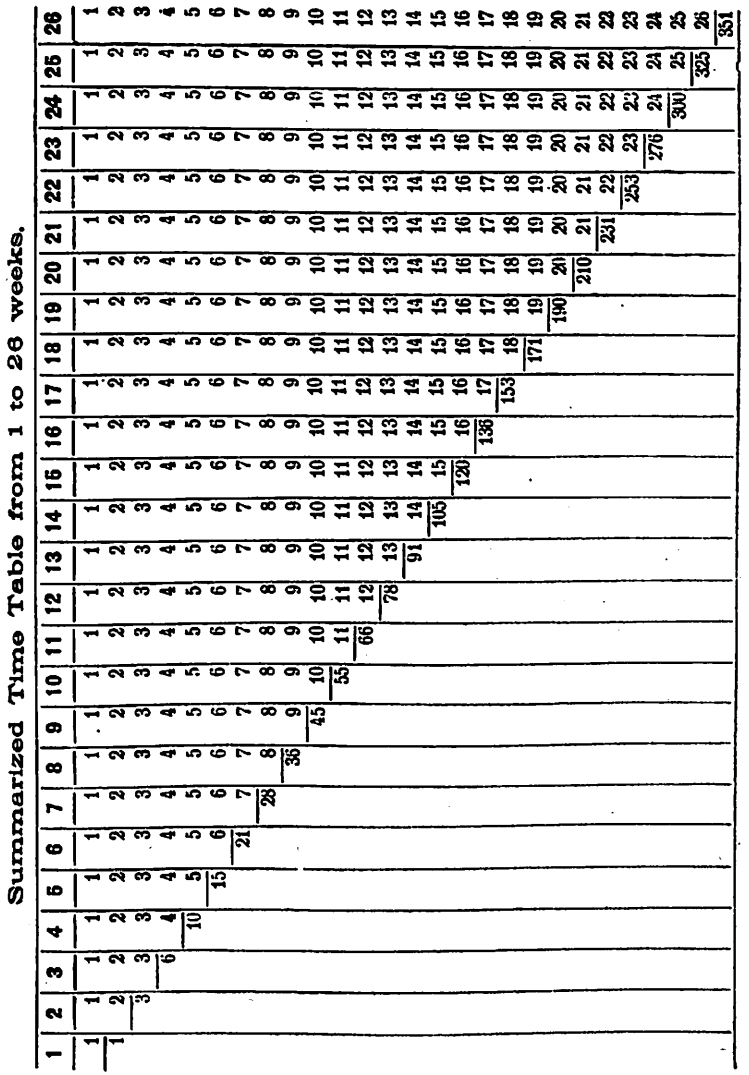
CHAPTER XXII.

TO FIND ANY SUCCEEDING DIVIDEND.

RULE. *Add to the amount standing to the credit of a shareholder at the beginning of the term, his average credit for the term. From this sum deduct any dues withdrawn during the term. The balance will be the amount upon which the dividend is to be calculated.*

EXAMPLE. A has $350 to his credit at the beginning of the term. He is entitled to an average credit for his payments during the term on his five shares of $67.50. This added to the $350 amounts to $417.50. Deduct from this amount $50 dues withdrawn, leaving a balance of $367.50, the amount upon which his dividend is to be based at 6 per cent per annum. His dividend is $11.02.

The first of the following tables shows the total number of weeks' credit on $1 for the payments made during a term. The remaining tables show the average amount each shareholder has to his credit for any number of weeks from 1 to 26 and for any number of shares from 1 to 10:



1 share at 50 cents.			2 shares at 50c. or 1 share at $1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount
1	.50	.019	1	1.00	.03
2	1.00	.057	2	2.00	.11
3	1.50	.115	3	3.00	.23
4	2.00	.192	4	4.00	.38
5	2.50	.288	5	5.00	.57
6	3.00	.404	6	6.00	.80
7	3.50	.538	7	7.00	1.07
8	4.00	.692	8	8.00	1.38
9	4.50	.865	9	9.00	1.73
10	5.00	1.06	10	10.00	2.12
11	5.50	1.27	11	11.00	2.54
12	6.00	1.50	12	12.00	3.00
13	6.50	1.75	13	13.00	3.50
14	7.00	2.02	14	14.00	4.04
15	7.50	2.31	15	15.00	4.62
16	8.00	2.62	16	16.00	5.23
17	8.50	2.94	17	17.00	5.88
18	9.00	3.29	18	18.00	6.58
19	9.50	3.65	19	19.00	7.31
20	10.00	4.04	20	20.00	8.08
21	10.50	4.44	21	21.00	8.88
22	11.00	4.86	22	22.00	9.73
23	11.50	5.31	23	23.00	10.62
24	12.00	5.77	24	24.00	11.54
25	12.50	6.25	25	25.00	12.50
26	13.00	6.75	26	26.00	13.50

3 shares at 50 cents.			4 shares at 50c. or 2 shares at $1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount.
1	1.50	.05	1	2.00	.07
2	3.00	.17	2	4.00	.22
3	4.50	.34	3	6.00	.46
4	6.00	.57	4	8.00	.76
5	7.50	.86	5	10.00	1.15
6	9.00	1.20	6	12.00	1.61
7	10.50	1.61	7	14.00	2.15
8	12.00	2.07	8	16.00	2.76
9	13.50	2.59	9	18.00	3.46
10	15.00	3.18	10	20.00	4.24
11	16.50	3.81	11	22.00	5.08
12	18.00	4.50	12	24.00	6.00
13	19.50	5.25	13	26.00	7.00
14	21.00	6.06	14	28.00	8.08
15	22.50	6.93	15	30.00	9.24
16	24.00	7.86	16	32.00	10.48
17	25.50	8.82	17	34.00	11.76
18	27.00	9.87	18	36.00	13.16
19	28.50	10.95	19	38.00	14.60
20	30.00	12.12	20	40.00	16.16
21	31.50	13.32	21	42.00	17.76
22	33.00	14.58	22	44.00	19.44
23	34.50	15.93	23	46.00	21.24
24	36.00	17.31	24	48.00	23.08
25	37.50	18.75	25	50.00	25.00
26	39.00	20.25	26	52.00	27.00

5 shares at 50 cents.			6 shares at 50c. or 3 shares at $1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount.
1	2.50	.09	1	3.00	.11
2	5.00	.28	2	6.00	.34
3	7.50	.57	3	9.00	.69
4	10.00	.96	4	12.00	1.15
5	12.50	1.44	5	15.00	1.72
6	15.00	2.02	6	18.00	2.42
7	17.50	2.69	7	21.00	3.22
8	20.00	3.46	8	24.00	4.15
9	22.50	4.32	9	27.00	5.19
10	25.00	5.30	10	30.00	6.36
11	27.50	6.35	11	33.00	7.62
12	30.00	7.50	12	36.00	9.00
13	32.50	8.75	13	39.00	10.50
14	35.00	10.10	14	42.00	12.12
15	37.50	11.55	15	45.00	13.86
16	40.00	13.10	16	48.00	15.72
17	42.50	14.70	17	51.00	17.64
18	45.00	16.45	18	54.00	19.74
19	47.50	18.25	19	57.00	21.90
20	50.00	20.20	20	60.00	24.24
21	52.50	22.20	21	63.00	26.64
22	55.00	24.30	22	66.00	29.16
23	57.50	26.55	23	69.00	31.86
24	60.00	28.85	24	72.00	34.62
25	62.50	31.25	25	75.00	37.50
26	65.00	33.75	26	78.00	40.50

7 shares at 50 cents.			8 shares at 50c. or 4 shares at $1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount.
1	3.50	.13	1	4.00	.15
2	7.00	.39	2	8.00	.45
3	10.50	.80	3	12.00	.92
4	14.00	1.34	4	16.00	1.53
5	17.50	2.01	5	20.00	2.30
6	21.00	2.82	6	24.00	3.23
7	24.50	3.76	7	28.00	4.30
8	28.00	4.84	8	32.00	5.53
9	31.50	6.05	9	36.00	6.92
10	35.00	7.42	10	40.00	8.48
11	38.50	8.89	11	44.00	10.16
12	42.00	10.50	12	48.00	12.00
13	45.50	12.25	13	52.00	14.00
14	49.00	14.14	14	56.00	16.16
15	52.50	16.17	15	60.00	18.48
16	56.00	18.34	16	64.00	20.96
17	59.50	20.58	17	68.00	23.52
18	63.00	23.03	18	72.00	26.32
19	66.50	25.55	19	76.00	29.20
20	70.00	28.28	20	80.00	32.32
21	73.50	31.08	21	84.00	35.52
22	77.00	34.02	22	88.00	38.88
23	80.50	37.17	23	92.00	42.48
24	84.00	40.39	24	96.00	46.16
25	87.50	43.75	25	100.00	50.00
26	91.00	47.25	26	104.00	54.00

9 shares at 50 cents.			10 shares at 50c. or 5 shares at $1.		
Week.	DUES.	Average Amount.	Week.	DUES.	Average Amount.
1	4.50	.17	1	5.00	.19
2	9.00	.51	2	10.00	.57
3	13.50	1.03	3	15.00	1.15
4	18.00	1.72	4	20.00	1.92
5	22.50	2.59	5	25.00	2.88
6	27.00	3.63	6	30.00	4.04
7	31.50	4.84	7	35.00	5.38
8	36.00	6.22	8	40.00	6.92
9	40.50	7.78	9	45.00	8.65
10	45.00	9.54	10	50.00	10.60
11	49.50	11.43	11	55.00	12.70
12	54.00	13.50	12	60.00	15.00
13	58.50	15.75	13	65.00	17.50
14	63.00	18.18	14	70.00	20.20
15	67.50	20.79	15	75.00	23.10
16	72.00	23.58	16	80.00	26.20
17	76.50	26.46	17	85.00	29.40
18	81.00	29.61	18	90.00	32.90
19	85.50	32.85	19	95.00	36.50
20	90.00	36.36	20	100.00	40.40
21	94.50	39.96	21	105.00	44.40
22	99.00	43.74	22	110.00	48.60
23	103.50	47.79	23	115.00	53.10
24	108.00	51.93	24	120.00	57.70
25	112.50	56.25	25	125.00	62.50
26	117.00	60.75	26	130.00	67.50

4 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.02	38	.76	75	1.50
2	.04	39	.78	76	1.52
3	.06	40	.80	77	1.54
4	.08	41	.82	78	1.56
5	.10	42	.84	79	1.58
6	.12	43	.86	80	1.60
7	.14	44	.88	81	1.62
8	.16	45	.90	82	1.64
9	.18	46	.92	83	1.66
10	.20	47	.94	84	1.68
11	.22	48	.96	85	1.70
12	.24	49	.98	86	1.72
13	.26	50	1.00	87	1.74
14	.28	51	1.02	88	1.76
15	.30	52	1.04	89	1.78
16	.32	53	1.06	90	1.80
17	.34	54	1.08	91	1.82
18	.36	55	1.10	92	1.84
19	.38	56	1.12	93	1.86
20	.40	57	1.14	94	1.88
21	.42	58	1.16	95	1.90
22	.44	59	1.18	96	1.92
23	.46	60	1.20	97	1.94
24	.48	61	1.22	98	1.96
25	.50	62	1.24	99	1.98
26	.52	63	1.26		
27	.54	64	1.28	100	2.00
28	.56	65	1.30	200	4.00
29	.58	66	1.32	300	6.00
30	.60	67	1.34	400	8.00
31	.62	68	1.36	500	10.00
32	.64	69	1.38	600	12.00
33	.66	70	1.40	700	14.00
34	.68	71	1.42	800	16.00
35	.70	72	1.44	900	18.00
36	.72	73	1.46	1000	20.00
37	.74	74	1.48		

Calculation for six months

CHAPTER XXII.

4¼ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.02	38	.81	75	1.59
2	.04	39	.83	76	1.61
3	.06	40	.85	77	1.64
4	.08	41	.87	78	1.66
5	.11	42	.89	79	1.68
6	.13	43	.91	80	1.70
7	.15	44	.93	81	1.72
8	.17	45	.96	82	1.74
9	.19	46	.98	83	1.76
10	.21	47	1.00	84	1.78
11	.23	48	1.02	85	1.81
12	.25	49	1.04	86	1.83
13	.28	50	1.06	87	1.85
14	.30	51	1.08	88	1.87
15	.32	52	1.10	89	1.89
16	.34	53	1.13	90	1.91
17	.36	54	1.15	91	1.93
18	.38	55	1.17	92	1.95
19	.40	56	1.19	93	1.98
20	.42	57	1.21	94	2.00
21	.45	58	1.23	95	2.02
22	.47	59	1.25	96	2.04
23	.49	60	1.27	97	2.06
24	.51	61	1.30	98	2.08
25	.53	62	1.32	99	2.10
26	.55	63	1.34		
27	.57	64	1.36	100	2.12
28	.59	65	1.38	200	4.25
29	.62	66	1.40	300	6.37
30	.64	67	1.42	400	8.50
31	.66	68	1.44	500	10.62
32	.68	69	1.47	600	12.75
33	.70	70	1.49	700	14.87
34	.72	71	1.51	800	17.00
35	.74	72	1.53	900	19.12
36	.76	73	1.55	1000	21.25
37	.79	74	1.57		

Calculation for six months.

4½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.02	38	.85	75	1.69
2	.04	39	.88	76	1.71
3	.07	40	.90	77	1.73
4	.09	41	.92	78	1.75
5	.11	42	.94	79	1.78
6	.13	43	.97	80	1.80
7	.16	44	.99	81	1.82
8	.18	45	1.01	82	1.84
9	.20	46	1.03	83	1.87
10	.22	47	1.06	84	1.89
11	.25	48	1.08	85	1.91
12	.27	49	1.10	86	1.93
13	.29	50	1.12	87	1.96
14	.31	51	1.15	88	1.98
15	.34	52	1.17	89	2.00
16	.36	53	1.19	90	2.02
17	.38	54	1.21	91	2.05
18	.40	55	1.24	92	2.07
19	.43	56	1.26	93	2.09
20	.45	57	1.28	94	2.11
21	.47	58	1.30	95	2.14
22	.49	59	1.33	96	2.16
23	.52	60	1.35	97	2.18
24	.54	61	1.37	98	2.20
25	.56	62	1.39	99	2.23
26	.58	63	1.42		
27	.61	64	1.44	100	2.25
28	.63	65	1.46	200	4.50
29	.65	66	1.48	300	6.75
30	.67	67	1.51	400	9.00
31	.70	68	1.53	500	11.25
32	.72	69	1.55	600	13.50
33	.74	70	1.57	700	15.75
34	.76	71	1.60	800	18.00
35	.79	72	1.62	900	20.25
36	.81	73	1.64	1000	22.50
37	.83	74	1.66		

Calculation for six months.

4¾ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.02	38	.90	75	1.78
2	.05	39	.93	76	1.80
3	.07	40	.95	77	1.83
4	.09	41	.97	78	1.85
5	.12	42	1.00	79	1.88
6	.14	43	1.02	80	1.90
7	.17	44	1.04	81	1.92
8	.19	45	1.07	82	1.95
9	.21	46	1.09	83	1.97
10	.24	47	1.12	84	1.99
11	.26	48	1.14	85	2.02
12	.28	49	1.16	86	2.04
13	.31	50	1.19	87	2.07
14	.33	51	1.21	88	2.09
15	.36	52	1.23	89	2.11
16	.38	53	1.26	90	2.14
17	.40	54	1.28	91	2.16
18	.43	55	1.31	92	2.18
19	.45	56	1.33	93	2.21
20	.47	57	1.35	94	2.23
21	.50	58	1.38	95	2.26
22	.52	59	1.40	96	2.28
23	.55	60	1.42	97	2.30
24	.57	61	1.45	98	2.33
25	.59	62	1.47	99	2.35
26	.62	63	1.50		
27	.64	64	1.52	100	2.37
28	.66	65	1.54	200	4.75
29	.69	66	1.57	300	7.12
30	.71	67	1.59	400	9.50
31	.74	68	1.61	500	11.87
32	.76	69	1.64	600	14.25
33	.78	70	1.66	700	16.62
34	.81	71	1.69	800	19.00
35	.83	72	1.71	900	21.37
36	.85	73	1.73	1000	23.75
37	.88	74	1.76		

Calculation for six months.

5 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.02	38	.95	75	1.87
2	.05	39	.97	76	1.90
3	.07	40	1.00	77	1.92
4	.10	41	1.02	78	1.95
5	.12	42	1.05	79	1.97
6	.15	43	1.07	80	2.00
7	.17	44	1.10	81	2.02
8	.20	45	1.12	82	2.05
9	.22	46	1.15	83	2.07
10	.25	47	1.17	84	2.10
11	.27	48	1.20	85	2.12
12	.30	49	1.22	86	2.15
13	.32	50	1.25	87	2.17
14	.35	51	1.27	88	2.20
15	.37	52	1.30	89	2.22
16	.40	53	1.32	90	2.25
17	.42	54	1.35	91	2.27
18	.45	55	1.37	92	2.30
19	.47	56	1.40	93	2.32
20	.50	57	1.42	94	2.35
21	.52	58	1.45	95	2.37
22	.55	59	1.47	96	2.40
23	.57	60	1.50	97	2.42
24	.60	61	1.52	98	2.45
25	.62	62	1.55	99	2.47
26	.65	63	1.57		
27	.67	64	1.60	100	2.50
28	.70	65	1.62	200	5.00
29	.72	66	1.65	300	7.50
30	.75	67	1.67	400	10.00
31	.77	68	1.70	500	12.50
32	.80	69	1.72	600	15.00
33	.82	70	1.75	700	17.50
34	.85	71	1.77	800	20.00
35	.87	72	1.80	900	22.50
36	.90	73	1.82	1000	25.00
37	.92	74	1.85		

Calculation for six months.

5¼ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.00	75	1.97
2	.05	39	1.02	76	1.99
3	.08	40	1.05	77	2.02
4	.10	41	1.08	78	2.05
5	.13	42	1.10	79	2.07
6	.16	43	1.13	80	2.10
7	.18	44	1.15	81	2.13
8	.21	45	1.18	82	2.15
9	.24	46	1.21	83	2.18
10	.26	47	1.23	84	2.20
11	.29	48	1.26	85	2.23
12	.31	49	1.29	86	2.26
13	.34	50	1.31	87	2.28
14	.37	51	1.34	88	2.31
15	.39	52	1.36	89	2.34
16	.42	53	1.39	90	2.36
17	.45	54	1.42	91	2.39
18	.47	55	1.44	92	2.41
19	.50	56	1.47	93	2.44
20	.52	57	1.50	94	2.47
21	.55	58	1.52	95	2.49
22	.58	59	1.55	96	2.52
23	.60	60	1.57	97	2.55
24	.63	61	1.60	98	2.57
25	.66	62	1.63	99	2.60
26	.68	63	1.65		
27	.71	64	1.68	100	2.62
28	.73	65	1.71	200	5.25
29	.76	66	1.73	300	7.87
30	.79	67	1.76	400	10.50
31	.81	68	1.78	500	13.12
32	.84	69	1.81	600	15.75
33	.87	70	1.84	700	18.37
34	.89	71	1.86	800	21.00
35	.92	72	1.89	900	23.62
36	.94	73	1.92	1000	26.25
37	.97	74	1.94		

Calculation for six months.

5½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.04	75	2.06
2	.05	39	1.07	76	2.09
3	.08	40	1.10	77	2.12
4	.11	41	1.13	78	2.14
5	.14	42	1.15	79	2.17
6	.16	43	1.18	80	2.20
7	.19	44	1.21	81	2.23
8	.22	45	1.24	82	2.25
9	.25	46	1.26	83	2.28
10	.27	47	1.29	84	2.31
11	.30	48	1.32	85	2.34
12	.33	49	1.35	86	2.36
13	.36	50	1.37	87	2.39
14	.38	51	1.40	88	2.42
15	.41	52	1.43	89	2.45
16	.44	53	1.46	90	2.47
17	.47	54	1.48	91	2.50
18	.49	55	1.51	92	2.53
19	.52	56	1.54	93	2.56
20	.55	57	1.57	94	2.58
21	.58	58	1.59	95	2.61
22	.60	59	1.62	96	2.64
23	.63	60	1.65	97	2.67
24	.66	61	1.68	98	2.69
25	.69	62	1.70	99	2.72
26	.71	63	1.73		
27	.74	64	1.76	100	2.75
28	.77	65	1.79	200	5.50
29	.80	66	1.81	300	8.25
30	.82	67	1.84	400	11.00
31	.85	68	1.87	500	13.75
32	.88	69	1.90	600	16.50
33	.91	70	1.92	700	19.25
34	.93	71	1.95	800	22.00
35	.96	72	1.98	900	24.75
36	.99	73	2.01	1000	27.50
37	1.02	74	2.03		

Calculation for six months.

5¾ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.09	75	2.16
2	.06	39	1.12	76	2.18
3	.09	40	1.15	77	2.21
4	.11	41	1.18	78	2.24
5	.14	42	1.21	79	2.27
6	.17	43	1.24	80	2.30
7	.20	44	1.26	81	2.33
8	.23	45	1.29	82	2.36
9	.26	46	1.32	83	2.39
10	.29	47	1.35	84	2.41
11	.32	48	1.38	85	2.44
12	.34	49	1.41	86	2.47
13	.37	50	1.44	87	2.50
14	.40	51	1.47	88	2.53
15	.43	52	1.49	89	2.56
16	.46	53	1.52	90	2.59
17	.49	54	1.55	91	2.62
18	.52	55	1.58	92	2.64
19	.55	56	1.61	93	2.67
20	.57	57	1.64	94	2.70
21	.60	58	1.67	95	2.73
22	.63	59	1.70	96	2.76
23	.66	60	1.72	97	2.79
24	.69	61	1.75	98	2.82
25	.72	62	1.78	99	2.85
26	.75	63	1.81		
27	.78	64	1.84	100	2.87
28	.80	65	1.87	200	5.75
29	.83	66	1.90	300	8.62
30	.86	67	1.93	400	11.50
31	.89	68	1.95	500	14.37
32	.92	69	1.98	600	17.25
33	.95	70	2.01	700	20.12
34	.98	71	2.04	800	23.00
35	1.01	72	2.07	900	25.87
36	1.03	73	2.10	1000	28.75
37	1.06	74	2.13		

Calculation for six months.

6 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.14	75	2.25
2	.06	39	1.17	76	2.28
3	.09	40	1.20	77	2.31
4	.12	41	1.23	78	2.34
5	.15	42	1.26	79	2.37
6	.18	43	1.29	80	2.40
7	.21	44	1.32	81	2.43
8	.24	45	1.35	82	2.46
9	.27	46	1.38	83	2.49
10	.30	47	1.41	84	2.52
11	.33	48	1.44	85	2.55
12	.36	49	1.47	86	2.58
13	.39	50	1.50	87	2.61
14	.42	51	1.53	88	2.64
15	.45	52	1.56	89	2.67
16	.48	53	1.59	90	2.70
17	.51	54	1.62	91	2.73
18	.54	55	1.65	92	2.76
19	.57	56	1.68	93	2.79
20	.60	57	1.71	94	2.82
21	.63	58	1.74	95	2.85
22	.66	59	1.77	96	2.88
23	.69	60	1.80	97	2.91
24	.72	61	1.83	98	2.94
25	.75	62	1.86	99	2.97
26	.78	63	1.89		
27	.81	64	1.92	100	3.00
28	.84	65	1.95	200	6.00
29	.87	66	1.98	300	9.00
30	.90	67	2.01	400	12.00
31	.93	68	2.04	500	15.00
32	.96	69	2.07	600	18.00
33	.99	70	2.10	700	21.00
34	1.02	71	2.13	800	24.00
35	1.05	72	2.16	900	27.00
36	1.08	73	2.19	1000	30.00
37	1.11	74	2.22		

Calculation for six months.

6¼ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.19	75	2.34
2	.06	39	1.22	76	2.37
3	.09	40	1.25	77	2.41
4	.12	41	1.28	78	2.44
5	.16	42	1.31	79	2.47
6	.19	43	1.34	80	2.50
7	.22	44	1.37	81	2.53
8	.25	45	1.41	82	2.56
9	.28	46	1.44	83	2.59
10	.31	47	1.47	84	2.62
11	.34	48	1.50	85	2.66
12	.37	49	1.53	86	2.69
13	.41	50	1.56	87	2.72
14	.44	51	1.59	88	2.75
15	.47	52	1.62	89	2.78
16	.50	53	1.66	90	2.81
17	.53	54	1.69	91	2.84
18	.56	55	1.72	92	2.87
19	.59	56	1.75	93	2.91
20	.62	57	1.78	94	2.94
21	.66	58	1.81	95	2.97
22	.69	59	1.84	96	3.00
23	.72	60	1.87	97	2.03
24	.75	61	1.91	98	3.06
25	.78	62	1.94	99	3.09
26	.81	63	1.97		
27	.84	64	2.00	100	3.12
28	.87	65	2.03	200	6.25
29	.91	66	2.06	300	9.37
30	.94	67	2.09	400	12.50
31	.97	68	2.12	500	15.62
32	1.00	69	2.16	600	18.75
33	1.03	70	2.19	700	21.87
34	1.06	71	2.22	800	25.00
35	1.09	72	2.25	900	28.12
36	1.12	73	2.28	1000	31.25
37	1.16	74	2.31		

Calculation for six months.

6½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.23	75	2.44
2	.06	39	1.27	76	2.47
3	.10	40	1.30	77	2.50
4	.13	41	1.33	78	2.53
5	.16	42	1.36	79	2.57
6	.19	43	1.40	80	2.60
7	.23	44	1.43	81	2.63
8	.26	45	1.46	82	2.66
9	.29	46	1.49	83	2.70
10	.32	47	1.53	84	2.73
11	.36	48	1.56	85	2.76
12	.39	49	1.59	86	2.79
13	.42	50	1.62	87	2.83
14	.45	51	1.66	88	2.86
15	.49	52	1.69	89	2.89
16	.52	53	1.72	90	2.92
17	.55	54	1.75	91	2.96
18	.58	55	1.79	92	2.99
19	.62	56	1.82	93	3.02
20	.65	57	1.85	94	3.05
21	.68	58	1.88	95	3.09
22	.71	59	1.92	96	3.12
23	.75	60	1.95	97	3.15
24	.78	61	1.98	98	3.18
25	.81	62	2.01	99	3.22
26	.84	63	2.05		
27	.88	64	2.08	100	3.25
28	.91	65	2.11	200	6.50
29	.94	66	2.14	300	9.75
30	.97	67	2.18	400	13.00
31	1.01	68	2.21	500	16.25
32	1.04	69	2.24	600	19.50
33	1.07	70	2.27	700	22.75
34	1.10	71	2.31	800	26.00
35	1.14	72	2.34	900	29.25
36	1.17	73	2.37	1000	32.50
37	1.20	74	2.40		

Calculation for six months.

6¾ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.28	75	2.53
2	.07	39	1.32	76	2.56
3	.10	40	1.35	77	2.60
4	.13	41	1.38	78	2.63
5	.17	42	1.42	79	2.67
6	.20	43	1.45	80	2.70
7	.24	44	1.48	81	2.73
8	.27	45	1.52	82	2.77
9	.30	46	1.55	83	2.80
10	.34	47	1.59	84	2.83
11	.37	48	1.62	85	2.87
12	.40	49	1.65	86	2.90
13	.44	50	1.69	87	2.94
14	.47	51	1.72	88	2.97
15	.51	52	1.75	89	3.00
16	.54	53	1.79	90	3.04
17	.57	54	1.82	91	3.07
18	.61	55	1.86	92	3.10
19	.64	56	1.89	93	3.14
20	.67	57	1.92	94	3.17
21	.71	58	1.96	95	3.21
22	.74	59	1.99	96	3.24
23	.78	60	2.02	97	3.27
24	.81	61	2.06	98	3.31
25	.84	62	2.09	99	3.34
26	.88	63	2.13		
27	.91	64	2.16	100	3.37
28	.94	65	2.19	200	6.75
29	.98	66	2.23	300	10.12
30	1.01	67	2.26	400	13.50
31	1.05	68	2.29	500	16.87
32	1.08	69	2.33	600	20.25
33	1.11	70	2.36	700	23.62
34	1.15	71	2.40	800	27.00
35	1.18	72	2.43	900	30.37
36	1.21	73	2.46	1000	33.75
37	1.25	74	2.50		

Calculation for six months.

7 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.03	38	1.33	75	2.62
2	.07	39	1.36	76	2.66
3	.10	40	1.40	77	2.69
4	.14	41	1.43	78	2.73
5	.17	42	1.47	79	2.76
6	.21	43	1.50	80	2.80
7	.24	44	1.54	81	2.83
8	.28	45	1.57	82	2.87
9	.31	46	1.61	83	2.90
10	.35	47	1.64	84	2.94
11	.38	48	1.68	85	2.97
12	.42	49	1.71	86	3.01
13	.45	50	1.75	87	3.04
14	.49	51	1.78	88	3.08
15	.52	52	1.82	89	3.11
16	.56	53	1.85	90	3.15
17	.59	54	1.89	91	3.18
18	.63	55	1.92	92	3.22
19	.66	56	1.96	93	3.25
20	.70	57	1.99	94	3.29
21	.73	58	2.03	95	3.32
22	.77	59	2.06	96	3.36
23	.80	60	2.10	97	3.39
24	.84	61	2.13	98	3.43
25	.87	62	2.17	99	3.46
26	.91	63	2.20		
27	.94	64	2.24	100	3.50
28	.98	65	2.27	200	7.00
29	1.01	66	2.31	300	10.50
30	1.05	67	2.34	400	14.00
31	1.08	68	2.38	500	17.50
32	1.12	69	2.41	600	21.00
33	1.15	70	2.45	700	24.50
34	1.19	71	2.48	800	28.00
35	1.22	72	2.52	900	31.50
36	1.26	73	2.55	1000	35.00
37	1.29	74	2.59		

Calculation for six months.

7¼ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.04	38	1.38	75	2.72
2	.07	39	1.41	76	2.75
3	.11	40	1.45	77	2.79
4	.14	41	1.49	78	2.83
5	.18	42	1.52	79	2.86
6	.22	43	1.56	80	2.90
7	.25	44	1.59	81	2.94
8	.29	45	1.63	82	2.97
9	.33	46	1.67	83	3.01
10	.36	47	1.70	84	3.04
11	.40	48	1.74	85	3.08
12	.43	49	1.78	86	3.12
13	.47	50	1.81	87	3.15
14	.51	51	1.85	88	3.19
15	.54	52	1.88	89	3.23
16	.58	53	1.92	90	3.26
17	.62	54	1.96	91	3.30
18	.65	55	1.99	92	3.33
19	.69	56	2.03	93	3.37
20	.72	57	2.07	94	3.41
21	.76	58	2.10	95	3.44
22	.80	59	2.14	96	3.48
23	.83	60	2.17	97	3.52
24	.87	61	2.21	98	3.55
25	.91	62	2.25	99	3.59
26	.94	63	2.28		
27	.98	64	2.32	100	3.62
28	1.01	65	2.36	200	7.25
29	1.05	66	2.39	300	10.87
30	1.09	67	2.43	400	14.50
31	1.12	68	2.46	500	18.12
32	1.16	69	2.50	600	21.75
33	1.20	70	2.54	700	25.37
34	1.23	71	2.57	800	29.00
35	1.27	72	2.61	900	32.62
36	1.30	73	2.65	1000	36.25
37	1.34	74	2.68		

Calculation for six months.

7½ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.04	38	1.42	75	2.81
2	.07	39	1.46	76	2.85
3	.11	40	1.50	77	2.89
4	.15	41	1.54	78	2.92
5	.19	42	1.57	79	2.96
6	.22	43	1.61	80	3.00
7	.26	44	1.65	81	3.04
8	.30	45	1.69	82	3.07
9	.34	46	1.72	83	3.11
10	.37	47	1.76	84	3.15
11	.41	48	1.80	85	3.19
12	.45	49	1.84	86	3.22
13	.49	50	1.87	87	3.26
14	.52	51	1.91	88	3.30
15	.56	52	1.95	89	3.34
16	.60	53	1.99	90	3.37
17	.64	54	2.02	91	3.41
18	.67	55	2.06	92	3.45
19	.71	56	2.10	93	3.49
20	.75	57	2.14	94	3.52
21	.79	58	2.17	95	3.56
22	.82	59	2.21	96	3.60
23	.86	60	2.25	97	3.64
24	.90	61	2.29	98	3.67
25	.94	62	2.32	99	3.71
26	.97	63	2.36		
27	1.01	64	2.40	100	3.75
28	1.05	65	2.44	200	7.50
29	1.09	66	2.47	300	11.25
30	1.12	67	2.51	400	15.00
31	1.16	68	2.55	500	18.75
32	1.20	69	2.59	600	22.50
33	1.24	70	2.62	700	26.25
34	1.27	71	2.66	800	30.00
35	1.31	72	2.70	900	33.75
36	1.35	73	2.74	1000	37.50
37	1.39	74	2.77		

Calculation for six months.

7¾ per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.04	38	1.47	75	2.91
2	.08	39	1.51	76	2.94
3	.12	40	1.55	77	2.98
4	.15	41	1.59	78	3.02
5	.19	42	1.63	79	3.06
6	.23	43	1.67	80	3.10
7	.27	44	1.70	81	3.14
8	.31	45	1.74	82	3.18
9	.35	46	1.78	83	3.22
10	.39	47	1.82	84	3.25
11	.43	48	1.86	85	3.29
12	.46	49	1.90	86	3.33
13	.50	50	1.94	87	3.37
14	.54	51	1.98	88	3.41
15	.58	52	2.01	89	3.45
16	.62	53	2.05	90	3.49
17	.66	54	2.09	91	3.53
18	.70	55	2.13	92	3.56
19	.74	56	2.17	93	3.60
20	.77	57	2.21	94	3.64
21	.81	58	2.25	95	3.68
22	.85	59	2.29	96	3.72
23	.89	60	2.32	97	3.76
24	.93	61	2.36	98	3.80
25	.97	62	2.40	99	3.84
26	1.01	63	2.44		
27	1.05	64	2.48	100	3.87
28	1.08	65	2.52	200	7.75
29	1.12	66	2.56	300	11.62
30	1.16	67	2.60	400	15.50
31	1.20	68	2.63	500	19.37
32	1.24	69	2.67	600	23.25
33	1.28	70	2.71	700	27.12
34	1.32	71	2.75	800	31.00
35	1.36	72	2.79	900	34.87
36	1.39	73	2.83	1000	38.75
37	1.43	74	2.87		

Calculation for six months.

8 per cent table.

Dollars.	Interest.	Dollars.	Interest.	Dollars.	Interest.
1	.04	38	1.52	75	3.00
2	.08	39	1.56	76	3.04
3	.12	40	1.60	77	3.08
4	.16	41	1.64	78	3.12
5	.20	42	1.68	79	3.16
6	.24	43	1.72	80	3.20
7	.28	44	1.76	81	3.24
8	.32	45	1.80	82	3.28
9	.36	46	1.84	83	3.32
10	.40	47	1.88	84	3.36
11	.44	48	1.92	85	3.40
12	.48	49	1.96	86	3.44
13	.52	50	2.00	87	3.48
14	.56	51	2.04	88	3.52
15	.60	52	2.08	89	3.56
16	.64	53	2.12	90	3.60
17	.68	54	2.16	91	3.64
18	.72	55	2.20	92	3.68
19	.76	56	2.24	93	3.72
20	.80	57	2.28	94	3.76
21	.84	58	2.32	95	3.80
22	.88	59	2.36	96	3.84
23	.92	60	2.40	97	3.88
24	.96	61	2.44	98	3.92
25	1.00	62	2.48	99	3.96
26	1.04	63	2.52		
27	1.08	64	2.56	100	4.00
28	1.12	65	2.60	200	8.00
29	1.16	66	2.64	300	12.00
30	1.20	67	2.68	400	16.00
31	1.24	68	2.72	500	20.00
32	1.28	69	2.76	600	24.00
33	1.32	70	2.80	700	28.00
34	1.36	71	2.84	800	32.00
35	1.40	72	2.88	900	36.00
36	1.44	73	2.92	1000	40.00
37	1.48	74	2.96		

Calculation for six months.

CHAPTER XXIII.

Distribution of Earnings—Serial Plan.

There are a number of plans in operation for the distribution of profits. The amount of interest which a member has in a building, loan and savings association is indicated by the number of shares which are held, the age of the shares and the maturing value. Shares are divided into various classes: installment or running shares, prepaid shares and paid-up shares. A member who makes weekly, monthly or other periodical subscriptions for installment shares indicates the amount of periodical payments he desires to make by the number of shares for which he subscribes. These payments are continued until the installments and the profits on the shares have caused them to reach their maturing or par value, when they are wound up by returning to the non-borrowing members the value of their shares in cash, and to the borrowing members their mortgages and cancelled obligations. Prepaid shares, known as partly paid-up shares, are issued by some associations at a fixed price per share in advance. Such shares usually participate as fully in the profits as the regular installment shares, and when the amount originally paid in for such shares, together with the dividends credited thereon, reaches the maturing or par value, then such shares are matured, and are disposed of in the same manner as regular installment shares. Some associations, instead of crediting all the profits made on this class of shares, allow a fixed rate of interest on the amount paid therefor at each dividend period, which is paid in cash to the holder thereof. The

interest is then deducted from the profits to which the shares are entitled, and the balance is credited to the shares, until such unpaid portion of the profits, added to the amount originally paid, equals the maturing or par value.

*Division of Profits—Serial Plan.**

The purpose of the following calculations is to show different methods of dividing ascertained gains between series, and, of course, between the shares of a series.

The several columns represent:

COLUMN A.—Payments at the beginning of each month beginning with $1.00 and continuing until $144.00 have been paid in.

COLUMN B.—These figures represent 1 per cent per annum on the dues—payments, namely, for the average time the money is invested.

COLUMN C.—Average investment one share for one full month.

COLUMN D.—This column of earning powers is arranged for the convenience of societies issuing shares every three months.

The proper use of Columns B, C and D as earning powers will produce like results.

All the above based on the exact average time the money has been invested.

COLUMN E.—This column is for societies issuing yearly series, and while the figures do not represent the exact time of investment, the use of them results in a short cut to the desired end.

COLUMN F.—This column is like Column E, but may be used for societies issuing shares every 6 months.

The figures have been compiled for the use of secretaries who may desire to use any one of the several means of ascertaining proportional gains.

The rule is to multiply the number of shares in each series by the number given in any one of the tables, B, C, D, E or F, for that series, using the sum of these as the divisor into the known total gain of the society. The total gain is obtained by subtracting the liabilities from the assets—dues paid being treated as a liability. This will give the multipliers, 6 in the first example; .005 in the second; .03 in the third; .3737 in the fourth, and .0934 in the fifth.

* Prepared by Michael J. Brown, Philadelphia, Pa.

CHAPTER XXIII.

The one per centum for each series in Column B, or the average investments in Column C, or the earning powers in Columns D, E or F, are then to be multiplied by the number thus ascertained, to get the division of gain to the series. The division to each share is obtained by dividing the total gain of the series by the total number of shares.

The figures given are based on actual time, namely:

$48 for 24½ months = $1,176 for one month. Interest at six per cent on $1,176 for one month = $5.88, or, at one per cent, one-sixth of that amount—.98 as given in the table—see Columns A and B, $48.

The examples that follow assume that the total gain of the society under the conditions named is $179.40. This may be divided to the series and the shares by any one of the tables B, C, D, E or F.

By the first three methods the division will be exact, and all will, of course, agree, one with another. By E and F the division is only approximately correct, and, therefore, these divisions do not agree exactly with those made by tables B, C and D. E and F are preferred by some secretaries because they simplify the operation.

Keeping in mind the directions above given, here are examples of the processes:

EXAMPLE COLUMNS A AND B.

Payments	Shares		One Per Centum			
$36.00	30	×	.555	= $16.65	× 6 =	$99.90
24.00	40	×	.250	= 10.00	× 6 =	60.00
12.00	50	×	.065	= 3.25	× 6 =	19.50
				$29.90		$179.40

Gain—$179.40 ÷ 29.90 = 6.

Gain per Series	Shares		Gain per Share
$99.90	÷ 30	=	$3.33
60.00	÷ 40	=	1.50
19.50	÷ 50	=	.39

EXAMPLE COLUMNS A AND C.

Payments	Shares		Average 1 Month			
$36.00	30	×	$666	= $19.980	× .005 =	$99.90
24.00	40	×	300	= 12.000	× .005 =	60.00
12.00	50	×	78	= 3.900	× .005 =	19.50
				$35.880		$179.40

Gain—$179.40 ÷ 35.880 = .005.

Division to Shares as above.

EXAMPLE COLUMNS A AND D.

Payments	Powers	Shares				
$36.00	111	× 30	= $3330	× .03	=	$99.90
24.00	50	× 40	= 2,000	× .03	=	60.00
12.00	13	× 50	= 650	× .03	=	19.50
			$5,980			$179.40

Gain —$179.40 ÷ 5,980 = .03.

Division to Shares as above.

EXAMPLE COLUMNS A AND E.

Fractional Parts of Month Omitted.

Payments	Powers	Shares	Total			
$36.00	9	× 30	= $270	× .3737	=	$100.90
24.00	4	× 40	= 160	× .3737	=	59.79
12.00	1	× 50	= 50	× .3737	=	18.69
			$480			$179.38

Gain—$179.40 ÷ 480 = .3737

Gain per Series	Shares		Gain per Share
$100.90	÷ 30	=	$3.36
59.70	÷ 40	=	1.49
18.69	÷ 50	=	.37 37

EXAMPLE COLUMNS A AND F.

Payments	Powers	Shares				
$36.00	36	× 30	= $1,080	× .0934	=	$100.90
24.00	16	× 40	= 640	× .0934	=	59.79
12.00	4	× 50	= 200	× .0934	=	18.69
			$1,920			$179.38

Gain—$179.40 ÷ 1920 = .0934

Gain per Series	Shares		Gain per Share
$100.90	÷ 30	=	$3.36
59.70	÷ 40	=	1.49
18.69	÷ 50	=	.37 37

CHAPTER XXIII.

EARNING POWERS

Payments	One per Cent. per Annum	Average Investment for One Month	Calculated Powers		
A	B	C	D	E	F
$144	$8.70000	$10,440	1740	144	576
143	8.58000	10,296	1716		
142	8.46083	10,153	1688½		
141	8.34250	10,011	1668½		
140	8.22500	9,870	1645		
139	8.10833	9,730	1625		
138	7.99250	9,591	1598½		559
137	7.87750	9,453			
136	7.76333	9,316			
135	7.65000	9,180	1530		
134	7.53750	9,045			
133	7.42583	8,911			
132	7.31500	8,778	1463	121	484
131	7.20500	8,646			
130	7.09583	8,515			
129	6.98750	8,385	1397½		
128	6.88000	8,256			
127	6.77333	8,128			
126	6.66750	8,001	1333½		441
125	6.56250	7,875			
124	6.45833	7,750			
123	6.35500	7,626	1271		
122	6.25250	7,503			
121	6.15083	7,381			
120	6.05000	7,260	1210	100	400
119	5.95000	7,140			
118	5.85083	7,021			
117	5.75250	6,903	1150½		
116	5.65500	6,786			
115	5.55833	6,670			
114	5.46250	6,555	1092½		361
113	5.36750	6,441			
112	5.27333	6,328			
111	5.18000	6,216	1036		
110	5.08750	6,105			
109	4.99582	5,995			
108	4.90500	5,886	981	81	324
107	4.81500	5,778			
106	4.72583	5,671			
105	4.63750	5,565	927½		
104	4.55000	5,460			
103	4.46333	5,356			
102	4.37750	5,253	875½		289
101	4.29250	5,151			
100	4.21250	5,050			
99	4.12500	4,950	825		
98	4.04250	4,851			

Payments	One per Cent. per Annum	Average Investment for One Month	Calculated Powers		
A	B	C	D	E	F
$ 97	$3.96083	$4,753			
96	3.88000	4,656	776	64	256
95	3.80000	4,560			
94	3.72083	4,465			
93	3.64250	4,371	728½		
92	3.56500	4,278			
91	3.48833	4,186			
90	3.41250	4,095	682½		225
89	3.33750	4,005			
88	3.26333	3,916			
87	3.19000	3,828	638		
86	3.11750	3,741			
85	3.04583	3,655			
84	2.97500	3,570	595	49	196
83	2.90500	3,486			
82	2.83583	3,403			
81	2.76750	3,321	553½		
80	2.70000	3,240			
79	2.63333	3,160			
78	2.56750	3,081	513½		169
77	2.50250	3,003			
76	2.43833	2,926			
75	2.37500	2,850	475		
74	2.31250	2,775			
73	2.25083	2,701			
72	2.19000	2,628	438	36	144
71	2.13000	2,556			
70	2.07083	2,485			
69	2.01250	2,415	402½		
68	1.95500	2,346			
67	1.89833	2,278			
66	1.84250	2,211	368½		121
65	1.78750	2,145			
64	1.73333	2,080			
63	1.68000	2,016	336		
62	1.62750	1,953			
61	1.57583	1,891			
60	1.52500	1,830	305	25	100
59	1.47500	1,770			
58	1.42583	1,711			
57	1.37750	1,653	275½		
56	1.33000	1,596			
55	1.28333	1,540			
54	1.23750	1,485	247½		81
53	1.19250	1,431			
52	1.14833	1,378			
51	1.10500	1,326	221		
50	1.06333	1,276			
49	1.02083	1,225			

Payments	One per Cent. per Annum	Average Investment for One Month	Calculated Powers		
A	B	C	D	E	F
$ 48	$0.98000	$1,176	196	16	64
47	.94000	1,128			
46	.90083	1,081			
45	.86250	1,035	172½		
44	.82500	990			
43	.78833	946			
42	.75250	903	150½		49
41	.71750	861			
40	.68333	820			
39	.65000	780	130		
38	.61750	741			
37	.58583	703			
36	.55500	666	111	9	36
35	.52500	630			
34	.49583	595			
33	.46750	561	93½		
32	.44000	528			
31	.41333	496			
30	.38750	465	77½		25
29	.36250	435			
28	.33833	406			
27	.31500	378	63		
26	.29250	351			
25	.27083	325			
24	.25000	300	50	4	16
23	.23000	276			
22	.21083	252			
21	.19250	231	38½		
20	.17500	210			
19	.15833	190			
18	.14250	171	28½		9
17	.12750	153			
16	.11333	136			
15	.10000	120	20		
14	.08750	105			
13	.07583	91			
12	.06500	78	13	1	4
11	.05500	66			
10	.04583	55			
9	.03750	45	7½		
8	.03000	36			
7	.02333	28			
6	.01750	21	3½		1
5	.01250	15			
4	.00833	10			
3	.00500	6	1		
2	.00250	3			
1	.00083	1			

EXAMPLE.

At 3 per centum per annum on one share of $1.00 each at the end of the 48th month—.98000 × 3 = $2.94. See $48.00—Columns A and B.

At 4 per centum at the end of the 64th month—$1.73333 × 4 = $6.93. See $64.00—Columns A and B.

At 2 per centum per annum at the end of the 6th month—.01750 × 2 = .03½. See $6.00—Columns A and B.

Rules and Tables Exemplifying the Division of Profits Under Dexter's Rule and the Partnership Rule.

Application of "Dexter's Rule."

Rule.

1. From the profits at the date of making a report, deduct the profits on all shares in all series, as shown by the last preceding report, the remainder will be the net profits for the current term.

2. To find the capital for the current term, multiply the value per share in each series, as shown by the last preceding report, by the number of shares in force in said series at the date of making the current report; to the sum of these products add the equalized dues for the current term; the result will be the total capital for the current term.

3. To find the per cent of profit for the current term, divide the net profits for the current term by the total capital for the current term.

4. To find the total capital of one share in each series, add to the value per share as shown by the last preceding statement, the equalized dues for the current term. The capital account for the series issued during or at the commencement of the current term will be the equalized dues for the current term.

5. To find the profits per share, multiply the total capital per shares for the current term by the per cent of profit for the current term.

Note.—The phrase "current term" as here used is intended to mean the term or period for which the report is being made, whether annually, semi-annually, quarterly or otherwise.

Note.—The "equalized dues for the current term" is such a sum as invested for the whole time will equal the investment of the

monthly dues on one share, from month to month, for the same time and is the quotient obtained by dividing the sum of the months by the dues per share for the current term.

For the following tables the equalized dues is obtained thus:

$1 00 for	12 months	$1 00 for	11 months
1 00 for	11 months	1 00 for	10 months
1 00 for	10 months	1 00 for	9 months
1 00 for	9 months	1 00 for	8 months
1 00 for	8 months	1 00 for	7 months
1 00 for	7 months	1 00 for	6 months
1 00 for	6 months	1 00 for	5 months
1 00 for	5 months	1 00 for	4 months
1 00 for	4 months	1 00 for	3 months
1 00 for	3 months	1 00 for	2 months
1 00 for	2 months	1 00 for	1 month
1 00 for	1 month		
$12 00 for	78 months	$11 00 for	66 months

78 ÷ 12 = $6.50 equalized dues.

66 ÷ 11 = $6.00 equalized dues.

FIRST ANNUAL DISTRIBUTION.

Profits at end of first year $73.95

$73.95 profits ÷ 100 shares = profits of 73 cents per share.

General Statement.

	Dues.	Profits.	Totals.
100 shares at $12.00 per share	$1,200 00	.....	.....
100 shares at .73 per share	.....	$73 00	$1,273 00
	$1,200 00	$73 00	$1,273 00
Undivided profits	.....	95	95
	$1,200 00	$73 95	$1,273 95

SECOND ANNUAL DISTRIBUTION

Total profits at end of second year	$369 28
From which deduct as follows:	
Profits on 100 shares, Series 1, at 73 cents	73 00
Balance, or net profits for year	$296 28

Capital Account.

100 shares, Series 1, at $12.73	$1,273 00
100 shares, Series 2	.....
200 shares at $6.50 per share, equalized dues	1,300 00
Total capital participating in current year profits	$2,573 00

Distribution of Profits.

$296.28 (profits for current year) ÷ $25.73 (capital for current year) gives 11.51 per cent. of profit.

Items. Series	1	2
Value per share at last report	$12 73	.....
Equalized dues for current year	6 50	$6 50
Total capital	$19 23	$ 6 50
Multiplied by per cent. of profit	11 51	11 51
Gives profit per share of	$2 21	$0 74

Value of Shares, one Share in Each Series.

Items. Series	1	2
Value at last report	$12 73	.....
Profit for current year	2 21	$ 0 74
Dues for current year	12 00	12 00
Present value	$26 94	$12 74
Total dues paid per share	24 00	12 00
Total profits	$2 94	$0 74

General Statement.

	Dues.	Profits.	Totals.
100 shares, Series 1, at $24.00	$2,400 00	.....	.....
100 shares, Series 1, at 2.94	.....	$294 00	$2,694 00
100 shares, Series 2, at 12.00	1,200 00	.....	.....
100 shares, Series 2, at .74	.....	74 00	1,274 00
	$3,600 00	$368 00	$3,968 00
Undivided balance	.....	1 28	1 28
	$3,600 00	$369 28	$3,969 28

THIRD ANNUAL DISTRIBUTION.

Total profits to date of this statement	.....	$1,050 48
From which deduct as follows:		
100 shares, Series 1, at $2.94	$294 00	
100 shares, Series 2, at .74	74 00	
		368 00
Balance, or net profits for current year	.....	$682 48

Capital Account.

100 shares, Series 1, at $26.94	$2,694 00	
100 shares, Series 2, at 12.74	1,274 00	
		$3,968 00
300 shares at $6.50 per share, equalized dues	.....	1,950 00
Total capital participating in current year's profit	.....	$5,918 00

CHAPTER XXIII.

Distribution of Profits.

$682.48 (profits for current year) ÷ $5,918.00 (capital for current year) gives 11.53 per cent. of profit.

Items. Series	1	2	3
Value per share at last report	$26 94	$12 74	.....
Equalized dues for current year	6 50	6 50	$6 50
Total capital	$33 44	$19 24	$6 50
Multiplied by per cent. of profit	11 53	11 53	11 53
Gives Profit per share of	$3 85	$2 21	$0 74

Value of Shares, one Share in Each Series.

Items. Series	1	2	3
Value at last report	$26 94	$12 74	.....
Profit for current year	3 85	2 21	$80 74
Dues for current year	12 00	12 00	12 00
Present value	$42 79	$26 95	$12 74
Total dues paid per share	36 00	24 00	12 00
Total profits	$6 79	$2 95	$0 74

General Statement.

	Dues.	Profits.	Totals.
100 shares, Series 1, at $36.00	$3,600 00	.....	.....
100 shares, Series 1, at 6.79	.....	$679 00	$4,279 00
100 shares, Series 2, at 24.00	2,400 00	.....	.....
100 shares, Series 2, at 2.95	.....	295 00	2,695 00
100 shares, Seires 3, at 12.00	1,200 00	.....	.....
100 shares, Series 3, at .74	.....	74 00	1,274 00
	$7,200 00	$1,048 00	$8,248 00
Undivided profits	.....	2 48	2 48
	$7,200 00	$1,050 48	$8,250 48

FOURTH ANNUAL DISTRIBUTION.

Total profits at end of fourth year	.....	$2,301 05
From which deduct as follows:		
Profits on 100 shares, Series 1, at $6.79	$679 00	
Profits on 100 shares, Series 2, at 2.95	295 00	
Profits on 100 shares, Series 3, at .74	74 00	
		1,048 00
Balance, or net profits for current year	.....	$1,253 05

Capital Account.

100 shares, Series 1, at $42.79	$4,279 00	
100 shares, Series 2, at 26.95	2,695 00	
100 shares, Series 3, at 12.74	1,274 00	
100 shares, Series 4	.....	
		$8,248 00
400 shares, at $6.50 per share, equalized dues	.....	2,600 00
Total capital participating in current year profits	.....	$10,848 00

DISTRIBUTION OF EARNINGS.

Distribution of Profits.

$1,253.05 (profits for current year) ÷ $10,848.00 (capital for current year) gives 11.55 per cent. of gain.

Items. Series	1	2	3	4
Value per share at last report	$42 79	$26 95	$12 74	.....
Equalized dues for current year	6 50	6 50	6 50	$6 50
Total capital	$49 29	$33 45	$19 24	$6 50
Multiplied by per cent. of profit	11 00	11 55	11 55	11 55
Gives profit per share of	$5 69	$3 86	$2 22	$0 75

Value of Shares, one Share in Each Series.

Items. Series	1	2	3	4
Value at last report	$42 79	$26 95	$12 74	.....
Profit for current year	5 69	3 86	2 22	$ 0 75
Dues for current year	12 00	12 00	12 00	12 00
Present value	$60 48	$42 81	$26 96	$12 75
Total dues paid per share	48 00	36 00	24 00	12 00
Total profits	$12 48	$6 81	$2 96	$0 75

General Statement.

	Dues.	Profits.	Totals.
100 shares, Series 1, at $48.00	$4,800 00	.....	.....
100 shares, Series 1, at 12.48	.....	$1,248 00	$6,048 00
100 shares, Series 2, at 36.00	3,600 00	.....	.....
100 shares, Series 2, at 6.81	.....	681 00	4,281 00
100 shares, Series 3, at 24.00	2,400 00	.....	.....
100 shares, Series 3, at 2.96	.....	296 00	2,696 00
100 shares, Series 4, at 12.00	1,200 00	.....	.....
100 shares, Series 4, at .75	.....	75 00	1,275 00
	$12,000 00	$2,300 00	$14,300 00
Undivided profits	.....	1 05	1 05
	$12,000 00	$2,301 05	$14,301 05

FIFTH ANNUAL DISTRIBUTION.

Total profits at end of fifth year	.....	$4,325 75
From which deduct as follows:		
Profits on 100 shares, Series 1, at $12.48	$1,248 00	
Profits on 100 shares, Series 2, at 6.81	681 00	
Profits on 100 shares, Series 3, at 2.96	296 00	
Profits on 100 shares, Series 4, at .75	75 00	
		2,300 00
Balance or net profits for current year	.....	$2,025 75

CHAPTER XXIII.

Capital Account.

100 shares, Series 1, at $60.48	$6,048 00	
100 shares, Series 2, at 42.81	4,281 00	
100 shares, Series 3, at 26.96	2,696 00	
100 shares, Series 4, at 12.75	1,275 00	
100 shares, Series 5	.....	
		$14,300 00
500 shares, at $6.50 per share, equalized dues	.....	3,250 00
Total capital participating in current year profits	.....	$17,550 00

Distribution of Profits.

$2,025.75 (profits for current year) ÷ $17,550.00 (capital for current year) gives 11.54 per cent. of gain.

Items. Series	1	2	3	4	5
Value per share at last report	$60 48	$42 81	$26 96	$12 75	.....
Equalized dues per current year	6 50	6 50	6 50	6 50	$6 50
Total capital	$66 98	$49 31	$33 46	$19 25	$ 6 50
Multiplied by per cent. of profit	11 54	11 54	11 54	11 54	11 54
Gives profit per share of	$7 72	$5 69	$3 86	$2 22	$0 75

Value of Shares, one Share in Each Series.

Items. Series	1	2	3	4	5
Value at last report	$60 48	$42 81	$26 96	$12 75	.....
Profit for current year	7 72	5 69	3 86	2 22	$ 0 75
Dues for current year	12 00	12 00	12 00	12 00	12 00
Present value	$80 20	$60 50	$42 82	$26 97	$12 75
Total dues paid per share	60 00	48 00	36 00	24 00	12 00
Total profits	$20 20	$12 50	$6 85	$2 97	$0 75

General Statement.

	Dues.	Profits.	Totals.
100 shares, Series 1, at $60.00	$6,000 00	.....	.....
100 shares, Series 1, at 20.20	.....	$2,020 00	$8,020 00
100 shares, Series 2, at 48.00	4,800 00	.....	.....
100 shares, Series 2, at 12.50	.....	1,250 00	6,050 00
100 shares, Series 3, at 36.00	3,600 00	.....	.....
100 shares, Series 3, at 6.82	.....	682 00	4,282 00
100 shares, Series 4, at 24.00	2,400 00	.....	.....
100 shares, Series 4, at 2.97	.....	297 00	2,697 00
100 shares, Series 5, at 12.00	1,200 00	.....	.....
100 shares, Series 5, at .75	.....	75 00	1,275 00
	$18,000 00	$4,324 00	$22,324 00
Undivided profits	.....	1 75	1 75
	$18,000 00	$4,325 75	$22,325 75

SIXTH ANNUAL DISTRIBUTION.

Total profits at end of 5 years and 11 months	.....	$7,057 31
From which deduct as follows:		
Profits on 100 shares, Series 1, at $20.20	$2,020 00	
Profits on 100 shares, Series 2, at 12.50	1,250 00	
Profits on 100 shares, Series 3, at 6.82	682 00	
Profits on 100 shares, Series 4, at 2.97	297 00	
Profits on 100 shares, Series 5, at .75	75 00	
		4,324 00
Balance or net profit for current term	.....	$2,733 31

DISTRIBUTION OF EARNINGS.

Capital Account.

100 shares, Series 1, at $80.20	$8,020 00	
100 shares, Series 2, at 60.50	6,050 00	
100 shares, Series 3, at 42.82	4,282 00	
100 shares, Series 4, at 26.97	2,697 00	
100 shares, Series 5, at 12.75	1,275 00	
100 shares, Series 6	.....	
		$22,324 00
600 shares at $6.00 per share, equalized dues	.....	3,600 00
Total capital participating in current term profits	.....	$25,924 00

Distribution of Profits.

$2,733.31 (profits for current term) ÷ $25,924.00 (capital for current term) gives 10.50 per cent of profit.

Items. Series	1	2	3	4	5	6
Value per share at last report	$80 20	$60 50	$42 82	$26 97	$12 75	.....
Equalized dues for current year (11 months)	6 00	6 00	6 00	6 00	6 00	6 00
Total capital	$86 20	$66 50	$48 82	$32 97	$18 75	$ 6 00
Multiplied by per cent of profit	10 50	10 50	10 50	10 50	10 50	10 50
Gives profit per share of.	$9 05	$6 98	$5 12	$3 46	$1 96	$0 63

Value of Shares, one Share in Each Series.

Items. Series	1	2	3	4	5	6
Value per share at last report	$80 20	$60 50	$42 82	$26 97	$12 75	.....
Profit for current year	9 05	6 98	5 12	3 46	1 96	$ 0 63
Dues for current year	11 00	11 00	11 00	11 00	11 00	11 00
Present value	$100 25	$78 48	$58 94	$41 43	$25 71	$11 63
Total dues paid per share	71 00	59 00	47 00	35 00	23 00	11 00
Total profit per share	$29 25	$19 48	$11 94	$6 43	$2 71	$0 63

General Statement.

	Dues.	Profits.	Totals.
100 shares, Series 1, at $71.00	$7,100 00	.....	.....
100 shares, Series 1, at 29.25	.....	$2,925 00	$10,025 00
100 shares, Series 2, at 59.00	5,900 00	.....	.....
100 shares, Series 2, at 19.48	.....	1,948 00	7,848 00
100 shares, Series 3, at 47.00	4,700 00	.....	.....
100 shares, Series 3, at 11.94	.....	1,194 00	5,894 00
100 shares, Series 4, at 35.00	3,500 00	.....	.....
100 shares, Series 4, at 6.43	.....	643 00	4,143 00
100 shares, Series 5, at 23.00	2,300 00	.....	.....
100 shares, Series 5, at 2.71	.....	271 00	2,571 00
100 shares, Series 6, at 11.00	1,100 00	.....	.....
100 shares, Series 6, at .63	.....	63 00	1,163 00
	$24,600 00	$7,044 00	$31,644 00
Undivided profits	.....	13 31	13 31
	$24,600 00	$7,057 31	$31,657 31

CHAPTER XXIII.

Statement showing the increase in the value of Shares by "Dexter's Rule" of Division of Profits.

Value. Series	1	2	3	4	5	6
Value January 1, 1881.....	$12 73					
Value January 1, 1882.....	26 94	$12 74				
Value January 1, 1883.....	42 79	26 99	$12 74			
Value January 1, 1885.....	80 20	60 50	42 82	26 97	$12 75	
Value December 1, 1885....	100 25	78 48	58 94	41 43	25 71	$11 62

Statement showing the increase in the value of Shares by the "Partnership Rule" of Division of Profits.

Value. Series.	1	2	3	4	5	6
Value January 1, 1881.....	$12 73					
Value January 1, 1882.....	26 93	$12 73				
Value January 1, 1883.....	42 73	26 99	$12 74			
Value January 1, 1884.....	60 21	42 86	27 05	$12 76		
Value January 1, 1885.....	79 62	60 55	43 06	27 13	$12 78	
Value December 1, 1885....	99 20	78 47	59 35	41 85	25 95	$11 67

Rule for Computing Interest, and table showing interest on One Dollar at 3 per cent "average time" from 1 to 120 months.

Time.....	Interest...	Time.....	Interest...	Time.....	Interest...	Time.....	Interest...	Time.....	Interest...	Time.....	Interest...
120	.3000	100	.2500	80	.2000	60	.1500	40	.1000	20	.0500
119	.2975	99	.2475	79	.1975	59	.1475	39	.0975	19	.0475
118	.2950	98	.2450	78	.1950	58	.1450	38	.0950	18	.0450
117	.2925	97	.2425	77	.1925	57	.1425	37	.0925	17	.0425
116	.2900	96	.2400	76	.1900	56	.1400	36	.0900	16	.0400
115	.2875	95	.2375	75	.1875	55	.1375	35	.0875	15	.0375
114	.2850	94	.2350	74	.1850	54	.1350	34	.0850	14	.0350
113	.2825	93	.2325	73	.1825	53	.1325	33	.0825	13	.0325
112	.2800	92	.2300	72	.1800	52	.1300	32	.0800	12	.0300
111	.2775	91	.2275	71	.1775	51	.1275	31	.0775	11	.0275
110	.2750	90	.2250	70	.1750	50	.1250	30	.0750	10	.0250
109	.2725	89	.2225	69	.1725	49	.1225	29	.0725	09	.0225
108	.2700	88	.2200	68	.1700	48	.1200	28	.0700	08	.0200
107	.2675	87	.2175	67	.1675	47	.1175	27	.0675	07	.0175
106	.2650	86	.2150	66	.1650	46	.1150	26	.0650	06	.0150
105	.2625	85	.2125	65	.1625	45	.1125	25	.0625	05	.0125
104	.2600	84	.2100	64	1600	44	.1100	24	.0600	04	.0100
103	.2575	83	.2075	63	.1575	43	.1075	23	.0575	03	.0075
102	.2550	82	.2050	62	.1550	42	.1050	22	.0550	02	.0050
101	.2525	81	.2025	61	.1525	41	.1025	21	.0525	01	.0025

RULE—To find the interest for any given series multiply the "Dues Capital" of the series by the amount of interest set opposite the average number of months the series has been in force.

For example—What is the interest on a series 80 months old, having $20,000 of "Dues Capital"? The average time is 40 months. The interest at 3 per cent on $1 for 40 months is 10 cents. $20,000 × 10 = 2,000.

APPLICATION OF "PARTNERSHIP RULE"*

Distribution and Statement at the end of the First Year. (*Partnership Rule 1*)

Series	Months old.	Number of shares.	Dues per share.	Dues per series.	Average time.	Equivalents.	Rate.	Profits per series.	Dues per series.	Value per series.	Value per share.	Profit per share.
1	12	100	$12 00	$1,200 00	6	$7,200 00	.0102	$73 44	$1,200 00	$1,273 44	$12 73	$0 73
						Undivided profits		51	.....	51		
								$73 95	$1,200 00	$1,273 95	$12 00	

Distribution and Statement at the end of the Second Year.

1	24	100	$24 00	$2,400 00	12	$28,800 00	.0102	$293 76	$2,400 00	$2,693 76	$26 93	$2 93
2	12	100	12 00	1,200 00	6	7,200 00		73 44	1,200 00	1,273 44	12 73	73
						$36,000 00		$307 20	$3,600 00	$3,067 20	$24 00	
						Undivided profits		2 08	.....	2 08	12 00	
								$369 28	$3,600 00	$3,969 28		

Distribution and Statement at the end of the Third Year.

1	36	100	$36 00	$3,600 00	18	$64,800 00	.0104	$673 92	$3,600 00	$4,273 92	$42 73	$6 73
2	24	100	24 00	2,400 00	12	28,800 00		209 52	2,400 00	2,609 52	26 09	2 09
3	12	100	12 00	1,200 00	6	7,200 00		74 88	1,200 00	1,274 88	12 74	74
						$100,800 00		$1,048 32	$7,200 00	$8,248 32	$82 48	$9 56
						Undivided profits		2 16	.....	2 16	12 00	
								$1,050 48	$7,200 00	$8,250 48		

Distribution and Statement at the end of the Fourth Year.

1	48	100	$48 00	$4,800 00	24	$115,200 00	.0106	$1,221 12	$4,800 00	$6,021 12	$60 21	$12 21
2	36	100	36 00	3,600 00	18	64,800 00		686 88	3,600 00	4,286 88	42 86	6 86
3	24	100	24 00	2,400 00	12	28,800 00		305 28	2,400 00	2,705 28	27 05	3 05
4	12	100	12 00	1,200 00	6	7,200 00		76 32	1,200 00	1,276 32	12 76	76
						$216,000 00		$2,289 60	$12,000 00	$14,289 60	$142 89	$28 58
						Undivided profits		11 45	.....	11 45	12 00	
								$2,301 05	$12,000 00	$14,301 05		

Distribution and Statement at the end of the Fifth Year. (Partnership Rule 2)

Series	Months old.	Number of shares.	Dues per share.	Dues per series.	Average time.	Equivalents.	Rate.	Profits per series.	Dues per series.	Value per series.	Value per share.	Value per share.	Profit per share.
1	60	100	$60 00	$6,000 00	30	$180,000 00	.0109	$1,962 00	$6,000 00	$7,962 00	$79 62	$60 00	$19 62
2	48	100	48 00	4,800 00	24	115,200 00		1,255 68	4,800 00	6,055 68	60 55	48 00	12 55
3	36	100	36 00	3,600 00	18	64,800 00		706 32	3,600 00	4,306 32	43 06	36 00	7 06
4	24	100	24 00	2,400 00	12	28,800 00		313 92	2,400 00	2,713 92	27 13	24 00	3 13
5	12	100	12 00	1,200 00	6	7,200 00		78 48	1,200 00	1,278 48	12 78	12 00	78
						$396,000 00		$4,316 40	$18,000 00	$22,316 40			
						Undivided profits		9 35	.....	9 35			
								$4,325 75	$18,000 00	$22,325 75			

Distribution and Statement at end of 5 Years 11 Months.

1	71	100	$71 00	$7,100 00	35.5	$252,050 00	.01119	$2,820 43	$7,100 00	$9,920 43	$99 20	$71 00	$28 20
2	59	100	59 00	5,900 00	29.5	174,050 00		1,947 61	5,900 00	7,847 61	78 47	59 00	19 47
3	47	100	47 00	4,700 00	23.5	110,450 00		1,235 93	4,700 00	5,935 93	59 35	47 00	12 35
4	35	100	35 00	3,500 00	17.5	61,250 00		685 38	3,500 00	4,185 38	41 85	35 00	6 85
5	23	100	23 00	2,300 00	11.5	26,450 00		295 97	2,300 00	2,595 97	25 95	23 00	2 95
6	11	100	11 00	1,100 00	5.5	6,050 00		67 69	1,100 00	1,167 69	11 67	11 00	67
						$630,300 00		$7,053 01	$24,600 00	$31,653 01			
						Undivided profits		4 30	.....	4 30			
								$7,057 31	$24,600 00	$31,657 31			

* In Ray's Higher Arithmetic the rule to apportion the loss or gain when the full shares are not continued through the same period is stated to be as follows:

"Multiply each partner's stock by the time it is used; and divide the gain or loss in proportion to the product so obtained."

For the purposes of building and loan associations the rule may be stated as follows:

1. Multiply dues for each series by the average time for each series, the product will give the "equivalent" for each series.
2. Divide the total profits or gain by the sum of these equivalents, for the rate per cent of profit or gain.
3. Multiply each series' equivalent by the per cent of profit or gain, and the product will be the total profits for each series.
4. Divide these products by the number of shares in each series, the quotient will give the profit per share.
5. To the profits per share, add the dues paid per share and the sum thereof will be the value per share.

For detailed operation of this rule see above table.

Simple Interest.

The following method for calculating simple interest is one found to be most practical:

Interest is usually calculated on the basis of 360 days to the year.

The simplest method of computing interest is to do it at the rate of 6 per cent per annum, and add or subtract when it is higher or lower than that.

The interest for 60 days at 6 per cent per annum is equal to as many cents as there are dollars, or in other words, is 1 per cent of the principal.

The reason of this is obvious. 6 per cent per annum is ½ per cent per month, or 1 per cent for two months, or 60 days.

The interest for $750, $225, $327.50, for 60 days, at 6 per cent is $7.50, $2.25, $3.28.

Having the interest for 60 days, the interest for any shorter time may be found by the use of all aliquots of 60.

ALIQUOTS OF 60.

30=½, 20=⅓, 15=¼, 12=⅕,
10=⅙, 6=1/10, 5=1/12, 4=1/15,
3=1/20, 2=1/30, 1=1/60.

When the number is not an aliquot of 60:

For	7	take	6 and 1.
"	8	"	6 " 2.
"	14	"	12 " 2.
"	19	"	15 " 4.
"	26	"	20 " 6.
"	27	"	15 " 12.
"	29	"	1 off 30.
"	35	"	30 and 5.
"	38	"	30, 6, and 2.
"	43	"	30, 12, and 1.
"	45	"	15 off 60.
"	85	add	20 and 5.

1. To find the interest on $375.67, for 15 days, at 6 per cent per annum:

4)3.76=interest for 60 days.

.94=interest for 15 days.

CHAPTER XXIII.

Division of Profits Under the Partnership Plan.*

"There has been a diversity of opinion as to which of the many plans of apportioning profits in building and loan associations is the best. Under what is generally called the Dexter plan, the shares mature in a shorter time, with the result that if on the contrary the Partnership Plan is the correct one, that the profits apportioned under the Dexter plan are too large, and that there will be in time a gradual increase of time of maturity. It would also appear that if the association should at any time stop business and simply work out its shares to maturity, the time of maturing the latest series would be much increased. I could not obtain anywhere any explanation of an absolute proof of the different effects of these two plans of apportioning profits, and, therefore, made an exhaustive examination of the subject, with the result that in this office we believe to have the proof that the Partnership Plan is the one that is correct. In order to get this proof we considered an association in this State called the Home Building and Loan Association of Asbury Park, which began business in the year 1910 with two thousand shares. Every year thereafter it obtained subscriptions of something over two thousand shares, and so few were the withdrawals that at the time of the expiration of a little more than ten years there were still in the association more than twenty thousand shares. This gain was unusual because of its regularity. We then figured the profits in both ways, by the Dexter plan, where the profits of each year are divided separately from former years' profits and added to the book value, including profits as they were at the beginning of the fiscal year, and the Partnership Plan, used by that association. After comparing the figures, it was believed that the proof was obtained that the Partnership Plan was the correct one. Then the Robinsonian Tables were consulted to ascertain the time in which $1.00 invested at 6% interest, compounded monthly, would reach the amount of $200, and this time was found to be a little more than 138 months. We have associations earning 6% interest compounded monthly, which for the average time of the investment is nearly 8% per annum simple interest, and it was found that these associations earning 6% interest compounded monthly, if profits are figured by the Partnership Plan, mature their series in 138 months. This seems to be absolute proof that the Partnership Plan is the proper and best method. The rule for calculation by the Partnership Plan is appended.

* Contributed by James MacMaster, Chief Building and Loan Inspector, State of New Jersey.

The Partnership Plan is adapted to serial associations, where there is a number of shareholders having shares which run the same number of months, with equal monthly payments per share. The Dexter plan of apportioning profits is a method by which the profits of each year are apportioned annually, taking the assets of the association as they were at the beginning of the fiscal year and adding thereto one-half of the receipts of dues for the year so as to get the average time that the receipts of dues for the year have been with the association. These two amounts, the assets of the association added to the average or equated receipts from dues paid in during the year, make a total which being divided into profits of the year, with two ciphers added, gives a percentage of profit, and that percentage of profit is then apportioned to the shares of each series, figured in the average or equated manner above mentioned. By this method the older series receive too much profit and the younger series too little, but it is the method or plan that is adapted to the association in which the shares of each shareholder have a different value, payments being irregular and the shares not in series. In the serial building and loan association the proper method of apportioning profits is by the Partnership Plan, in which the number of shares in the series is multiplied by the time the series has run and again multiplied by half the time run with half a month added, so as to get the amount for the equated time. The adding of this half month making equated time instead of average time is not important if the series are in any way equal as to number of shares, but where an association has in one series, say, one hundred shares or two hundred shares, and then by reason of a drive comes to a condition within a few years in which the number of new shares is eight or nine hundred, or any other large number, then it is necessary that the half month be added in order to obtain the accurate result.

If the first series is treated in the manner described the next series is to be treated in the same way, the amount of the first series being called for the purpose of explanation "A" and in the second series "B," and so on. After each series is calculated in this manner the amounts thus totaled are added together, the totals obtained by adding together are then to be added, giving a grand total which might be called "W." The total profits of the association that remain with the association, being the profits of the previous years as well as the current year, are to be divided, this new apportionment being made annually. (See Rule for Calculation.)

To obtain the amount of profit to be given to the first series the total profit is to be multiplied by "A" and divided by "W," which

will give the amount in dollars and cents to be apportioned to the first series. That amount is divided by the number of shares in the first series, which will give the profit per share in the first series. Each series is to be treated in the same way, as for instance, the total profits would be multiplied by "B" and divided by "W," thus obtaining the total profits for the second series. There will always be a small amount remaining over, which can be carried as undivided profits, or if a reserve fund is permitted it can be placed in the reserve fund. Under this system of apportioning profits there is no advantage in the serial association having a reserve fund.

The proportion of profits to dues paid in or to other liabilities in every serial association that has run long enough to mature its shares, say eleven or eleven and a half years, is of a very large per cent, twenty to thirty, which large percentage is easily understood by the fact that the dues have run for an average time of more than five years with earning of about 6%, 5 times 6 making 30 per cent, and that is what in an association conducted on the strict serial plan should be the proportion of profits to other liabilities.

A mistake made under the Partnership Plan would correct itself in the apportionment of the following year, and also it is possible to obtain an absolute proof of the calculations, one method of obtaining the proof being by the square of each series and the other in an algebraic manner by the use of the first and second order of differences. What might be called the square manner of proof is as follows: If the first series running for twelve months has profits apportioned of 46 cents, the profits apportioned in the 10th series, which has run 120 months, should be one hundred times 46 cents, namely $46.00, which proof is obtained in the following manner. Ten years are equal to 120 months, which is 10 times 12. The square is obtained by multiplying 10 by 10, giving a result of 100, therefore the profits apportioned in the 10th series, there being in this particular association shares issued only once a year, should be 100 times 46 cents, or $46.00. For the 8th series, which has run nine years, or 108 months, the square is 9 times 9, or 81; 81 times 46 cents equals $37.26, which should be the profit of the 8th series, which has run nine years. There is likely to be slight fractional differences which will make the amount apportioned to each of the older series a little more or less than what the rule would show.

The other way of tested apportionment is by the first and second order of differences, which is shown in the following table, the first column being the profits apportioned to each share in each series, the second column being the first order of differences and the third

column being the second order of differences. The second order of differences should be the same, as for instance, in this association 97; in some other associations the differences would be a different figure, 78, 104, or any other figure as might work out; the figures of the second order of differences would be different, as the calculations were made on series issued quarterly and semi-annually instead of annually. In the totals as shown there is slight variation, and it is likely that where the figure is 95 that a slight mistake was made in calculating, but not sufficient to be of any consequence.

			1st order of differences	2d order of differences
132	months —	$58.42	$10.14	97
120	"	48.28	9.17	96
108	"	39.11	8.21	97
96	"	30.90	7.24	97
84	"	23.66	6.28	96
72	"	17.38	4.31	96
60	"	12.07	4.35	98
48	"	7.72	3.37	95
36	"	4.35	2.42	97
26	"	1.93	1.45	..
24	"	.48		

The figures of the first order of differences are obtained in the following manner: by subtracting 48.28 from the first figure, 58.42, 10.14 is obtained; going down, the 39.11 is deducted from 48.28, and the first order of difference is 917, and so on. Then to obtain the second order of differences the figures in the column headed "1st order of differences" as follows: 917 from 1014 gives 97 (which is a difference of neither dollars nor cents), 821 from 917 gives 96, and 724 from 821 gives 97. If in one case the result of the second order of differences was 97, and in another case 84 or 85, or 102 or 106, it would be apparent that mistakes had been made. The figures shown in this table are from the Fifty-second Annual Report, November 30, 1921, of the Long Branch Building and Loan Association, of Long Branch, N. J., an association having at that time total assets of $754,992.01. Shares there mature in about 137 months.

Rule for Calculation by the Partnership Plan.

"Multiply the number of shares in each series by the amount paid in on each series. This gives the total paid in on each series. Multiply these totals by one-half the number of months each series has

been in existence. Add the totals thus obtained and divide the grand total into the net profits. The quotient will be the ratio of profit for all the series. Multiply the totals previously obtained for each series by this ratio. The result will be the profit for each series. Divide by the number of shares for the profit per share."

The following figures illustrate the process:

Series	Shares	Paid in		Series Total	Equated Months		Units		Ratio		Series Profits	Profit per Share
1	—	250	×	48	=	$12,000	× 24	A	288,000	× .5833 =	$1,670.90	$6.72
2	—	300	×	36	=	10,800	× 18	B	194,400	× .5833 =	1,133.96	3.78
3	—	200	×	24	=	4,800	× 12	C	57,600	× .5833 =	335.98	1.68
4	—	150	×	12	=	1,800	× 6	D	10,800	× .5833 =	63.00	.42
									$550,800		$3,212.84	
										Undivided	.16	
											$3,213.00	

Profits accrued, $3,213.00

550,800)3,213.000(.5833

Rate for equated time: 7%.

Interest is seldom computed on cents by secretaries. For 50 cents $1 is added to dollars; less than 50 cents are rejected.

To find the interest for a number of days that is an aliquot of 60, we take that part of the interest for 60 days. For 30 days we take ½, 20 days ⅓, 15 days ¼, etc. When the number is not an aliquot it is made up of aliquots, as shown in the preceding table.

2. To find the interest on $675.15, for 27 days, at 6 per cent per annum:

$6.75=interest for 60 days.

1.687=¼ or for 15 days.
1.35 =⅓ or for 12 days.

3.037=interest for 27 days.

The following table shows the interest on any amount from $1 to $5,000 for any number of weeks from 1 to 52. From this table the interest at any other rate per cent. can be found by aliquot parts as explained before.

Calculated at 6 per cent per annum for 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 26, 52 weeks. 364 days to the year.

Weeks.	1	2	3	4	5	6	7	8	9	10	11	12	13	26	52
Amounts. $															
1						.01	.01	.01	.01	.01	.01	.01	.01	.03	.06
2						.01	.01	.02	.02	.02	.02	.03	.03	.06	.12
3			.01	.01	.01	.02	.02	.03	.03	.03	.04	.04	.04	.09	.18
4		.01	.01	.01	.02	.03	.03	.04	.04	.04	.05	.05	.06	.12	.24
5	.01	.01	.02	.02	.03	.03	.04	.04	.05	.06	.06	.07	.07	.15	.30
6	.01	.01	.02	.03	.03	.04	.05	.05	.06	.07	.07	.08	.09	.18	.36
7	.01	.01	.02	.03	.04	.05	.06	.06	.07	.08	.09	.10	.10	.21	.42
8	.01	.02	.03	.04	.04	.05	.06	.07	.08	.09	.10	.11	.12	.24	.48
9	.01	.02	.03	.04	.05	.06	.07	.08	.09	.10	.11	.12	.13	.27	.54
10	.02	.04	.07	.09	.11	.14	.16	.18	.21	.23	.25	.28	.30	.60	1.20
20	.03	.07	.10	.14	.17	.21	.24	.28	.31	.34	.38	.41	.45	.90	1 80
30	.04	.09	.14	.18	.23	.28	.32	.37	.41	.46	.51	.55	.60	1.20	2 40
40	.06	.11	.17	.23	.29	.34	.40	.46	.52	.58	.63	.69	.75	1 50	3 00
50	.11	.23	.34	.46	.58	.69	.81	.92	1.04	1.15	1.27	1.38	1.50	3.00	6.00
100	.23	.46	.69	.92	1.15	1.38	1.61	1.84	2.08	2.31	2.54	2.77	3.00	6 00	12 00
200	.34	.69	1.04	1.38	1.73	2.08	2.42	2.77	3.11	3.46	3.81	4.15	4.50	9 00	18.00
300	.46	.92	1.38	1.84	2.31	2.77	3.23	3.69	4.15	4.61	5.08	5.54	6.00	12.00	24 00
400	.58	1.15	1.73	2.31	2.88	3.46	4.04	4.61	5.19	5.77	6.34	6.92	7.50	15.00	30 00
1000	1.15	2.31	3.46	4.61	5.77	6.92	8.08	9.23	10.38	11.54	12.69	13.84	15.00	30 00	60 00
2000	2.31	4.61	6.92	9.23	11.54	13.84	16.15	18.46	20.77	23.08	25.38	27.69	30.00	60 00	120.00
3000	3.46	6.92	10.38	13 84	17.31	20.77	24.23	27.69	31.15	34.61	38.08	41.54	45 00	90 00	180.00
4000	4.61	9.23	13.84	18.46	23.08	27.69	32.31	36.92	41.54	46.15	50.77	55.38	60.00	120.00	240 00
5000	5.77	11.54	17.31	23.08	28.84	34.61	40.38	46.15	51.92	57.69	63.46	69.23	75.00	150.00	300 00

CHAPTER XXIV.

Legal Forms for Associations.

In order to save time and labor, to facilitate and to expedite business, and to secure accuracy and uniformity, every association should be supplied with a set of blank legal forms for the proper transaction and recording of its business. Such papers must be drawn in accordance with the statutes and with the rules of associations. Since the statutes differ and rules are not at all uniform, it is not possible to present a full set of model blanks.

Specimen Blanks.

The forms printed in this chapter are in general use. They are given without endorsement or criticism in the expectation that before being followed by any association they will be examined carefully to see if they are in proper form for use by that particular association. An examination of these forms will indicate anew the necessity for closer co-operation among building associations so as to secure more uniform methods of operation.

ARTICLES OF INCORPORATION (OHIO).

These Articles of Incorporation of The..... Building and Loan Company.

Witness, That we, the undersigned, natural persons, all of whom are citizens of the State of Ohio, desiring to form a corporation, for profit, under the general corporation laws of said State, do hereby certify:

1. The name of said corporation shall be The..... Building and Loan Company.

2. Said corporation is to be located in..... County, Ohio, and its principal business there transacted.

3. Said corporation is formed for the purpose of raising money to be loaned among its members, as provided by law.

4. The capital stock of said corporation shall be..... .....dollars, divided into.....shares of..... dollars each.

In Witness Whereof, We have hereunto set our hands, this..... day of.....19....

.....
.....
.....
.....
.....

STATE OF OHIO, }
County of.....} ss.

Personally appeared before me, the undersigned, a Notary Public within and for said County, this....day of.....19...., the above named.....
.....
.....
who each severally acknowledged the signing of the foregoing articles of incorporation to be his free act and deed, for the uses and purposes therein mentioned.

Witness my hand and official seal on the day and year aforesaid.

SEAL

.....
Notary Public.

STATE OF OHIO, }
County of.....} ss.

I, ..., Clerk of the Common Pleas, within and for the County aforesaid, do hereby certify that..... whose name is subscribed to the foregoing acknowledgment as a Notary Public, was at the date thereof a Notary Public in and for said County, duly commissioned and qualified, and authorized as such to take acknowledgment; and further, that I am well acquainted with his handwriting, and believe that the signature to said acknowledgment is genuine.

In Witness Whereof, I have hereunto set my hand and affixed the seal of said Court, at....., Ohio, this.....day of.....19....

.....

Clerk.

SEAL

By.....Deputy.

UNITED STATES OF AMERICA, OHIO,
Office of the Secretary of State, } ss.

I, ..., Secretary of State of the State of Ohio, do hereby certify that the foregoing is a true copy of the Articles of Incorporation of "The.....Building and Loan Company" filed in this office on the .... day of.....19.... and recorded in volume....., page....., of the Records of Incorporation.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed my seal of office, at Columbus, the..day of....., A. D. 19....

.....

Secretary of State.

SEAL

By.....Deputy.

SUBSCRIPTION LIST.

OF

The.....Building and Loan Association

of.....

We, the undersigned, hereby agree to take the amount of shares of stock in The.....Building and Loan Association of....., as set opposite our names.
Shares..... Weekly Dues.....Admission Fee.....

In order to facilitate the permanent organization of said association, we hereby waive the statutory notice of thirty days, for holding of an election for Board of Directors of said association.

NAME.	RESIDENCE.	SHARES.
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

PROXY ON STOCK.

BE IT KNOWN, That I, the undersigned stockholder in The.....Building and Loan Association, do hereby appoint..... true and lawful attorney, with power of substitution and revocation, for.....and in.....name.., to vote at the..... meeting of stockholders in said association, to be held on..... ....., the.....day of.....19....

Done at.....on this.....day of .....19....

.....

CHAPTER XXIV.

BOND OF OFFICERS (OHIO).

Know all Men by these Presents:

That....., as principal, and....., as sureties, are firmly held and bound unto The.....Building and Loan Company, a corporation under the Laws of Ohio, in the sum of.....thousand ($.....000.00) dollars, to be paid to said corporation, its successors or assigns, for which payment well and truly to be made we bind ourselves, our heirs, executors, and administrators, jointly and severally, firmly by these presents. SEALED with our seals, dated the.....day of..... one thousand nine hundred and.....

The Condition of the above obligation is such that whereas the said.....was on the.....day of.....A. D. 19...., duly.....as..... .....of said corporation.

Now, therefore, if the said..... shall faithfully perform all and singular the duties incumbent upon him as such officer aforesaid as prescribed by the Constitution and By-Laws of said corporation (which are made part hereof) and according to the orders of the Board of Directors of said corporation, and shall, when duly requested by the Board of Directors of said corporation, turn over to such person or persons as it may designate, all books, papers, receipts or other documents, money or moneys, or other property of any nature whatsoever, belonging to said corporation or to which the said corporation may have the right of possession, then these presents to be void, otherwise to remain in full force and virtue.

Signed and sealed in our presence:

.....} .....Seal
.....} .....Seal
.....} .....Seal

NOTE.—Bonds are backed for filing as follows:

Bond of.....as.....of The .....Building and Loan Company.

.....Attorney.

LEGAL FORMS FOR ASSOCIATIONS.

MORTGAGE (OHIO).

BUILDING ASSOCIATION UNIFORM OHIO MORTGAGE FORM No. 1

Know All Men By These Presents:

That ..... Mortgagor, in consideration of.....Dollars, the estimated value of.....share of its capital stock to ..... paid by THE..... of....., Mortgagee, a corporation under the laws of Ohio, the receipt of which is hereby acknowledged, do hereby *Grant, Bargain, Sell and Convey* to The..... ..... its successors and assigns forever, the following described real estate, situated in the..... .....Hamilton County, Ohio, to-wit:

.....
.....
.....

and all the Estate, Title and Interest of the said mortgagor either in Law or in Equity, in and to the said premises, including lighting, heating and plumbing fixtures and appliances, mantel mirrors, window and door screens, together with all the privileges and appurtenances and improvements to the same belonging and all the rents, issues and profits thereof: To Have and to Hold the same to the only proper use of said mortgagee, its successors and assigns, forever.

And the said mortgagor for.....and for.....heirs, executors, and administrators, do hereby Covenant with the said mortgagee, its successors and assigns, that.....the true and lawful owner of the said premises and ha full power to convey the same, and that the title so conveyed is Clear, Free and Unincumbered; and further, that.....do Warrant and Will Defend the same against the claims of all persons whomsoever.

Said mortgagor covenant and agree to keep insurance on the above described premises to the satisfaction and for the benefit of the said mortgagee, and pay for the same; to deliver to said mortgagee all Insurance Policies now in force or hereafter issued covering said premises, and this mortgage shall operate as an assignment to said mortgagee of all such policies, whether delivered or not, and loss if any shall be paid to mortgagee as its interest may appear.

PROVIDED, NEVERTHELESS, that if the said..... who ha become member of said Company and subscribed to .....shares of its capital stock and received in advance from said mortgagee the sum of..... ($.....00/100), the par value of said shares, shall pay, weekly, to said mortgagee, without demand therefor, according to its Constitutton, By-Laws and Amendments thereto (which said Constitution, By-Laws and Amendments are hereby made a part of this mortgage) until the dividends credited and unpaid on said shares and weekly dues paid on said shares shall amount to said sum of .....Dollars over and above all liabilities and losses:

1st. The sum of.....00/100 Dollars, being the weekly Dues on.....share ,

2nd. The Weekly Interest due on said amounts advanced, payable as provided in said Constitution, By-Laws and Amendments thereto of said Company, amounting to.....Dollars and .....Cents per week.

3rd. The sum of.....cents, being the weekly Premium for said share.

4th. All Fines, Taxes, Rents, Liens, Assessments, Cost of Insurance, and other charges required by the Constitution, By-Laws and Amendments thereto of said Association Company.

PROVIDED FURTHER, that in case of default in making any of said payments for the period of.....weeks after becoming due, then the whole amount secured by this mortgage, with all arrearages of dues, premiums, fines and other charges thereon, of whatever nature, shall become due and payable at once, and this mortgage may be foreclosed by due process of law for the full amount so due and unpaid; and in case of suit to foreclose this mortgage the said mortgagee may, in said suit, take a personal judgment against said mortgagor for any balance due said mortgagee.

Mortgagor performing all conditions herein, then this mortgage shall be void.

IN WITNESS WHEREOF, the said....., who hereby releases all right and expectancy of Dower in said premises, ha hereunto set.....hands, this.....day of ....., in the year of our Lord, One Thousand Nine Hundred and.....

Signed and acknowledged in the presence of us:

..... | .....

..... | .....

The State of Ohio, County of Hamilton, ss.

BE IT REMEMBERED, That on the.....day of..... in the year of Our Lord, One Thousand Nine Hundred and..... before me, the undersigned, a Notary Public in and for said County, personally came....., mortgagor in the foregoing mortgage, and acknowledged the signing thereof to be.....voluntary act and deed, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed my notarial seal on the day and year aforesaid.

[SEAL]

.....

Notary Public, Hamilton County, Ohio.

.....19....

The amount secured by this mortgage is fully paid and satisfied, and this mortgage may be cancelled of record.

By order of the Board of Directors,

The.....

By....., President.

And....., Secretary.

Approved by Lawyers' Club.
BUILDING ASSOCIATION UNIFORM OHIO MORTGAGE FORM No. 1.

MORTGAGE

FROM .....

TO .....

GENERAL INDEX

.....Series

Book..... Page.....

FOR RECORDER'S STAMP ONLY

CHAPTER XXIV.

MORTGAGE CLAUSE FOR INSURANCE POLICIES.

IT BEING HEREBY UNDERSTOOD AND AGREED, That this insurance, as to the interest of the Mortgagee or Trustee only therein, shall not be invalidated by any act or neglect of the Mortgagor or Owner of the property insured, or by the occupation of the premises for purposes more hazardous than are permitted by the terms of this Policy. PROVIDED, ALSO, that in case the Mortgagor or Owner neglects or refuses to pay any premium due under this Policy, then, on demand, the Mortgagee or Trustee shall pay the same. PROVIDED, Also, that the Mortgagee or Trustee shall notify this Company of any change of ownership or increase of hazard which shall come to his or her knowledge and shall have permission for such change of ownership or increase of hazard duly indorsed on this Policy. AND PROVIDED FURTHER, That every increase of hazard not permitted by the Policy to the Mortgagor or Owner shall be paid for by the Mortgagee or Trustee on reasonable demand, and after demand made by this Company of, and refusal by, the Mortgagee or Owner to pay, according to the established schedule of rates. It is, however, understood that this Company reserves the right to cancel this Policy, as stipulated in the printed conditions in said Policy; and also, to cancel this agreement on giving ten days' notice of their intention to the Trustee or Mortgagee named therein, and from and after the expiration of the said ten days, this agreement shall be null and void. IT IS FURTHER AGREED, That in case of any other insurance upon the property hereby insured, then this Company shall not be liable under this Policy for a greater portion of any loss sustained than the sum hereby insured bears to the whole amount of insurance on said property, issued to or held by any party or parties having an insurable interest therein. IT IS ALSO AGREED, That whenever this Company shall pay the Mortgagee or Trustee any sum for loss under this Policy, and shall claim that as to the Mortgagor or Owner, no liability therefor exists, it shall at once, and to the extent of such payment, be legally subrogated to all the rights of the party to whom such payments shall be made, under any and all securities held by such party for the payment of said debt. But such subrogation shall be in subordination to the claim of said party for the balance of the debt so secured. Or said Company may, at its option, pay the said Mortgagee or Trustee the whole debt so secured, with all the interest which may have accrued thereon to the date of such

payment, and shall thereupon receive from the party to whom such payment shall be made an assignment and transfer of said debt, with all securities held by said parties for the payment thereof.

This slip being attached to Policy No..... of the..... INSURANCE COMPANY, forms part of said Policy.

Dated.....

.....Secretary.

MORTGAGE COLLATERAL NOTE ON SHARES OF STOCK.

$.....

Name.....

.....

No. Stock.....

Date .....

Mortgage on

.....

.....

.....

No.....

$..... .....19....

Received of The.....Building and Loan Association,

of.....dollars, as a loan on.....shares of stock, No.....owned by.....in said Association.....agree to pay said Association, weekly, not less than.....$\frac{1}{100}$ dollars, which shall be applied as follows:

FIRST.—To the payment of any fine or other assessments made against.....in pursuance of the by-laws of said Association.

SECOND.—To the payment of the premium for precedence due on said loan, amounting to.....100 Dollars per week.

THIRD.—To the payment of the interest on said loan, amount to.....100 Dollars per week.

FOURTH.—The balance of said payment shall be credited as dues on said stock. Said payments shall be continued until the dues so credited on said stock, together with the dividends declared thereon, shall equal the amount loaned.

Should.....fail for eight weeks to pay said weekly payment, then the whole amount of said loan shall at once become due and payable.

.....

No..... .....

APPLICATION FOR LOAN.

HAMILTON COUNTY LEAGUE FORM.

Name of Association.....

Cincinnati, Ohio,.....19....

.....hereby make application for a Mortgage Loan of $.....on Real Estate below named being the value of.....shares of stock in.....

Location .....Ward..... Subdivision.....

Side of street.....Name of street.....

House Number..... Size of lot.....; front.....feet; depth.....feet. Improvements consist of.....

.....

Tax value $..... If rented, rent per month $.....

Have any improvements been made within four months?.....

Contractors for same: .....

.....

In whose name is title?.....

If now mortgaged, to whom payable?.....

Name of husband or wife in full.....

Any judgments.....or pending suits?.....

Street, sewer or other assessments? $.....

Taxes paid to.....19....

Remarks: .....

.....

.....

I agree to pay the charges for appraisement of the property and if loan is granted, also to pay Attorney charges for examination of title, President's fee, recording fees and other expenses incident to the loan, to be paid even if loan should be rejected on account of unsatisfactory title, and to secure same, I have deposited on account the sum of $.....

Name.....

Address.....

CHAPTER XXIV.

REPORT OF APPRAISERS.

Cincinnati, Ohio, ...19....

The undersigned Appraisement Committee of.....
.....hereby certify that we have personally inspected the property of..... situated at.....street, and that we have appraised it according to the best of our knowledge and belief as follows:

The lot measures.....feet and .....inch front, by .....feet and.....inch depth.

Value per front foot, - - -	$.....	$.....
Value of improvement - - -	$.....	$.....
Total - - - - - - - - -		$.....

Description of improvements:

Brick, frame, or.....Stories.....Rooms
Kind of roof?.....Cellar? .....
How heated?.....How illuminated? .....
Kind of foundation?.....Plumbing?.....
Connected with sewer?.....For what purpose is it used?.....
Fire Insurance recommended.....
Tornado Insurance recommended.....
Life Insurance recommended.....

The requirements, as indicated on the reverse side of this sheet in accordance with the Building Code, have been complied with, except .....

We recommend a loan of $.....

Committee. .....
.....
.....

LEGAL FORMS FOR ASSOCIATIONS.

WAIVER OF MECHANICS' LIEN (OHIO).

....., Ohio.....19...

In consideration of one dollar and other valuable considerations, the receipt of which is hereby acknowledged.....do hereby agree with

The.....Building and Loan Company
of.....County, Ohio,

that.....will not take a mechanic's lien on the real estate of ..... situated .....
County, Ohio, to secure amount due or to become due.....
for material furnished or labor performed in or about the erection of .....
.....on said real estate, under contract made with the said .....
and.....hereby waive any right of priority of lien.....
might have on said real estate in favor of said Company.

COLLATERAL NOTE FOR LOAN ON PASS BOOK.

$..... .....19....

.....after date.....promise to pay to the order of

The.....Building and Loan Association,
of.....,

..... Dollars, with.....per week interest, the same being.....per cent, on the amount of loan, and herewith transfer my Pass Book No.....to said Association, to be held as collateral until payment of this loan, said loan being subject to the Constitution and By-Laws of the Association.

Value received .....
No..... Due.....
.....

STUB.

$.....
Date .....
.....
No..... Due.....

CHAPTER XXIV.

ATTORNEY'S REPORT.

To the Board of Directors of

The.....Building and Loan Association,

of.....

Gentlemen:

I find that the title to property of.....
.....
.....
.....
situated .....
.....
.....
.....
.....

is in the name of said party, as the same appears indexed of Record in the Recorder's Office of.....County, State of Ohio, subject, however, to the following encumbrance:

.....
.....
.....
.....
.....
.....
The taxes are .....
.....
Remarks: .....
.....

Respectfully submitted

.....Attorney.

.....19....

Certificate of Paid-up Stock.

Capital Stock, $1,000,000. Shares, $500.

The.....

Building and Loan Association of.....

THIS CERTIFIES, that.....
.....has paid to
The.....Building and Loan Association
of.....
the sum of.....Dollars,
as appears by the Coupons hereto attached,
being the full amount of.....Share..
of the Capital Stock of said Association.

Transferable only on the books of the Association on return of this Certificate.

Issued and dated at.....
this.....day of.....19....

.....President

.....Secretary.

	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	
	:—:	ONE HUNDRED DOLLARS.	:—:	

Cert. No.....

Date .....

No. Shares.....

Name .....

Address .....

$.....

Received This Certificate

.....

CHAPTER XXV.

Books and Blanks.

General Suggestions.

The keeping of the accounts of the associations is a matter too extensive to be discussed in all its details here. In point of fact there is not yet that uniformity in the methods of bookkeeping in associations which we may certainly expect to see introduced in the near future. The improvements which have appeared in the last few years are manifold.

A good illustration of the labor-saving methods which are being introduced is seen in the Dues, or Secretary's Book. Formerly postings were made from this book weekly (or monthly) after each meeting. The book is now usually made with a column set apart for each evening's receipts and a numbered line for each member's book. The book is arranged in sections covering each quarter or half year, with necessary rulings for totals. These totals are posted quarterly or semi-annually. It is easy to see how much time and labor is saved and how much the liability to error is lessened by the new method. The Secretary's Cash book is also now arranged with polyform columns and rulings, so that, as the secretary enters, meeting by meeting, the various receipts and disbursements, each upon its appropriate line in its proper column, it is virtually posted to its appropriate account. He is thus able at any time, without the trouble of making up a balance sheet or detailed statement, to read off from the page of his cash book the actual financial standing of the association, the amount of gain

and loss on each item, etc., and at the end of the term, he simply enters the entire amount of each item on its account in the ledger. Formerly, the custom was to enter all such items, meeting by meeting, in an ordinary cash book and then to journalize and to post them into the ledger — a very burdensome task, as secretaries will testify.

In addition to the improvements noted in these two books a large number of other books and various blanks and forms have been devised to save labor, to secure accuracy, and to expedite the business of associations.

The work of an association in the taking of dues, etc., must be done quickly, and as accuracy in all things is so essential to the success of the association, directors and officers should be careful to adopt the best system possible and to provide themselves with the best and most convenient books and forms. It is especially desirable that the system adopted should be so simple and comprehensive that its workings can be understood easily even by uneducated and inexperienced members. The books and forms should be those that have stood the test of actual experience and have given satisfaction. In ordering books care must be taken that they correspond to each other, so that all will fit in properly as parts of one system.

Book Account.

Some associations keep a separate account of books and supplies, taking off a percentage each period from this account. Others charge these direct to the expense account as they are purchased.

Pass-Books.

The pass-book is the book furnished to each member by an association, in which are recorded the receipts for

his dues as he pays them from meeting to meeting. This book is known under various names, as "Pass-Book," "Member's Book," "Receipt Book," "Stock Book," etc. There is so much inquiry with reference to these books, and such frequent difficulty in new associations in getting them in proper form, that a full description is given here to assist persons interested in organizing associations.

These books are subjected to constant usage and must last a long time. Usually, a period of from six to ten years must elapse before the stock is finally paid up. Pass-books should therefore be made of good paper, in strong and durable binding, of convenient size, and to open easily. For the convenience of officers and members, and in order to expedite the business of the associations, pass-books should be carefully and systematically arranged and properly adapted for their purpose.

Pass-books are usually 4 to 4½ inches in width and 6 to 7 inches in length. They should contain the constitution and by-laws of the association, a blank certificate of stock, blanks for transfer of stock, and 16 leaves — 32 pages — properly ruled and lettered for receipts for dues.

The certificate of stock is as follows:

The..... Building and Loan Association,
of.....
Book No..... CERTIFICATE OF STOCK

THIS CERTIFIES, that.....
is entitled to.....shares, subscribed in The.....
Building and Loan Association, which are to be regulated and controlled by, and which may be transferred according to the Constitution and By-Laws of said Association.*

Admission Fee, $..... Book, ...cents.

Received Payment,
.....Secretary.
.....19....

* Some associations put their seal on each certificate.

The certificate of stock is made to occupy one page of the pass-book. On the back of this certificate should be printed two or three blanks for the transfer of shares, as follows:

For value received, I hereby transfer to.....
.....all my claims, rights, and interest in
.....shares of the capital stock of
The.....Building and Loan Association,
of....., on this the.....day of.....19....
.....
.....Secretary.

The leaves for receipts should be made of good, strong writing paper, interleaved with light blotting paper. The paper should be ruled with fifteen lines to the page and should have printed headings and column rulings as follows:

DATE		DUES		Interest		Premium		FINES	RECEIPT

Pass-books are sometimes made with twenty-six instead of fifteen lines to the page, but this plan either makes the book inconveniently large for carrying and handling, or causes the rulings to be too close for convenience.

CHAPTER XXV.

On the front cover of the book should be pasted the number of the book and a printed label as follows:

365

.....
In account with
The.....Building and Loan Association,
of.....
No..... Shares.....

Deposit Envelopes and Slips.

When a member appears to make his payments he fills out a deposit ticket or slip and encloses it with the exact amount of his payment at the proper place in his pass-book, and hands it in. Some associations use the deposit envelope instead of the slip, and this is much better. The envelope is used exactly as the slip except that the money is enclosed and sealed up in it, thus preventing it being accidentally dropped out of the book and causing loss, delay, or error. The receiving officer calls off the number of the pass-book and the amount of money written on the slip or envelope, and passes all over to the other members of the finance committee, one of whom counts the money, and another receipts for the dues in the pass-book and returns it to the owner, the slip or envelope being placed on file. When dues are received in this manner it is very easy to check up the accounts at the close of the meeting. In some associations the money is simply enclosed in the pass-book without any deposit slip or envelope. Where there is a large membership, owing to the numerous payments and the rush and incidental confusion, errors are likely to occur, both in the money paid in and in the entries. Where deposit slips or envelopes are used it is easy to locate errors and to make necessary corrections.

Below are forms of deposit slips and deposit envelopes:

DEPOSIT SLIP.

The.....Building and Loan Association.

.....19....

Name .....

Book No..... No. of Shares.....

For.....weeks.

	$	cts.
Dues		
Interest		
Premium		
Fines		
Admission or Transfer		
Book		
Total.....		

CHAPTER XXV.

THE.....BUILDING ASSOCIATION

of

DEPOSIT ENVELOPE.

NOTE.—All moneys handed in to the Association for Credit on Membership Account, must be enclosed in one of these envelopes, and the blanks properly filled out, to prevent mistakes or disputes.

Book No.	**MEMBER'S NAME.**
.....Make no Mistake.....	.....Member's name should, in all cases, be written plainly, to prevent error or confusion.....

Dues for...State how many...*Shares, for*...State how many...*Weeks*		
Interest on Loan,.....If none, leave this space blank.....		
Premium on Loan,.....If none, leave this space blank.....		
Fines,.....If none, leave this space blank.....		
Initiation Fee, (50c.).....$.....		
Pass Book " (25c.).....$.....		
Transfer " (50c.).....$.....		
Total Cash in Envelope,		

Date,.....Write human day and month of deposit.....

BOOKS AND BLANKS.

Necessary Books and Forms.

The following books and forms will be found essential in an association numbering from 250 to 400 members:

500 Pamphlets—Constitution and objects of the Association.
500 Pass-Books.
1 Constitution and Signature Book.
5,000 Deposit Envelopes or Slips.
1 First Secretary's Dues or Receipt Book.
1 Second Secretary's Book.
1 Treasurer's Receipt Book.
1 Treasurer's Cash Book.
1 Secretary's Itemized Cash Book.
1 Individual and General Ledger.
1 Appraisement Book, or Appraisement Blanks.
1 Withdrawal Book.
1,000 Warrants on Treasurer—Perforated, numbered, and bound.
Blanks for Mortgages, Bonds, Notes, etc., as may be required.
1 Record Book for the purpose of keeping the minutes of the meetings of the association and of the Board of Directors.

An association cannot well transact business without possessing at least the books and forms enumerated above. But, in addition to these, most associations use various other books and forms which are found of the greatest convenience and value in the transaction of their business. The books and forms mentioned above, together with many others, will be found described in the list on next page.

Building Association Supplies.

The following is a list, alphabetically arranged, of books and forms for building associations, prepared by the American Building Association News Company, Cincinnati, who have made a specialty of furnishing building association supplies for over forty years.

CHAPTER XXV.

Amendments to the Constitution.—When amendments are made to constitutions it is desirable that a copy of the amendment be placed in each member's pass-book. These amendments are printed on gummed paper so that a copy can be fastened in each pass-book.

Application Book (For Loans).—Has columns for date of application for loan, name, amount of money desired, how much granted, and spaces for description of property, reports of committees with their signatures, and other important remarks.

Application Book (For Loans), Combined with Attorney's Reports.

Application Book (For Membership).

Applications for Money (Dividends). Bound in book form, numbered and perforated with stubs, or plain without stubs. Furnished unbound also.

Applications for Money (Dividends and Withdrawals Combined). Bound or loose as described above.

Applications for Money (Withdrawals).—Bound in book form, arranged for withdrawals in full or in part, numbered and perforated with stubs, or plain without stubs. Furnished unbound also.

Appraisement Book.—For recording reports of appraising committees. Made in all sizes, and arranged in conformity with law.

Balance Sheets.—Showing entire business of an association for a stated time.

Bonds for Officers.—

Cash Book and General Ledger.—All entries to the general accounts such as interest, premium, etc., are posted when made, and at end of each quarter or half year, or, at any other time, a complete balance can be read off from this. Considerable time is saved by using this book.

Cash Book for Secretaries.—With special rulings and heads and all necessary polyforms and divisions.

Cash Book for Treasurer.—Made in convenient pocket form.

Certificates of Paid-Up Stock.—With ten stubs of $100 each, perforated and numbered, with laws pertaining to same printed on back.

Check Books (Bank).

Circulars.—All styles and sizes.

Collateral Notes.—(See forms.)

Constitution Record Book with Members' Numerical Register and Ledger Index Combined.—Contains blank space for recording constitution and amendments thereto, with blanks for signatures of members numbered in regular order, record of shares held by each

member, place of residence, pass-book number of each member, and ledger folio of each member arranged in alphabetical index.

Deposit Blanks.—With or without space for advertisements.

Deposit Envelopes.—Large and small, perforated. Can be printed on both sides, one side with blanks for deposits, and the other side for advertising purposes. These are very useful and serve as a check on the receipts.

Deposit Fee Book.—For keeping account of fees advanced by members applying for loans.

Dividend Books.—For keeping dividend accounts. The members' numbers are printed in regular order, 50 to a page, with space for names adjoining, after which follow spaces for amounts of dividends and receipts therefor.

Dividend, Report Record, and Reserve Fund Book.

Dividend Tables.

Dividend Warrants.

Dividend Withdrawal Blanks.

Dodgers.—All sizes, in any language.

Dues Books.—Different designs of weekly, monthly, quarterly and semi-annual dues books of the most approved patterns.

Election Tickets.—And specially ruled Tally Sheets.—Furnished to order.

Envelopes.—Printed to order.

General Ledger and Cash Book.

Index.—Plain and voweled.

Index (Combination).—See Constitution Record Book.

Individual Ledgers.—Made to order in any desired form. We have ledgers arranged for posting every week, month, half-year, etc. We make a special Ledger for Building Associations which can be used for quarterly and half-yearly postings. We also manufacture ledgers with dates printed in, thus saving considerable time in making entries for those secretaries who post receipts at each meeting.

Letter Heads.—Printed to order.

Mechanic's Lien.—(See forms.)

Memorials.—Resolutions of respect for deceased officers, directors, and members, printed in neat and appropriate styles.

Mortgage Blanks.—(See forms.)

Mortgage Clause Blanks.—(See form.)

Mortgage, Lease, and Insurance Record.—Ruled to show number, amount of loan, expiration of lease, location of property, and amount and expiration of insurance, as well as cancellation.

Nightly Receipt Books and Sheets.—(See Dues Book.)

Notes.—Blank, or bound in book form, drawn in conformity with law.

Note Heads.—Printed to order.

Notices to Members.—Printed to order.

Numbers.—In sets of 1 to 500, and 1 to 1,000 and upward, in different sizes and gummed.

Order Books.—Made in all sizes, numbered and perforated.

Pads (Memorandum).—All sizes.

Paid-Up Stock Certificates.—(See Certificates of Paid-Up Stock.)

Paid-Up Stock Certificate Ledger and Dividend Books.

Pamphlets, in English and foreign languages.—Printed to order.

Pass-Books.

Posters.—All sizes to order, for advertising sales of property, etc.

Proxy Blanks.—For elections. (See form.)

Receipts.—Plain blanks, or bound in book form.

Record Books.—In different styles, with or without index. Also printed records to order.

Reports.—Semi-annual, annual, etc., printed in any form.

Selling the Building and Loan Idea (Ten Lessons).

Share Account Books.

Seals.

Secretary Books.—For the First and Second Secretaries. The best designs in this line. Special attention is called to the new 13 and 26-week books, made on the most labor-saving plan. Second Secretary books in different styles.

Show Cards.—Signs for place of meeting.

Solicitor's Reports.

Subscription Blanks.—For new associations.

Subscription Books.—Stock.

Tally Books and Blanks.—Generally used by the Second Secretary or Finance Committee.

Tally Sheets.—For elections.

Transfer Book.—Stock.

Treasurer's Cash Books.—Made especially for Treasurers, in convenient pocket form.

Treasurer's Receipt Books.—Regular. Also extra ruled and printed, with 13 weeks (three months) receipts to a page, and space for date, signature, amount, and account for overs and shortages in cash received.

Withdrawal Blanks.—In pads or book form.

Juvenile Savings.

Toward the close of the last century Prof. Elias J. Beardsley, principal of one of the Elmira, N. Y., schools, operated a savings department successfully, until it was brought to the attention of the Board of Education with a view to its extension throughout all the city schools, when it was found that it contravened the State savings bank law. It became necessary to discontinue the department.

Many years after the failure of this plan, the subject was discussed at a meeting of the directors of an Elmira association in the presence of the late Clay W. Holmes, a loan association enthusiast of wide experience, who recognized at once, the beneficial features of a system designed to stimulate thrift and the savings habit in children. He drafted a bill, which ultimately became a law, permitting New York savings and loan associations to operate children's savings departments. In the framing of the law he had recourse to the knowledge, ripe experience and wise counsel of William Fleming, then Secretary of the East Rutherford (N. J.) association, the first in America, we believe, to carry this plan to complete success.

The Corning (N. Y.) association was the first to inaugurate a juvenile department under the new law. The earnestness of the late Frank D. Kingsbury, one time President of the United States League of Building and Loan Associations, and the cheerful co-operation of his associates assured a success beyond anticipation.

Corning is a city of 17,000 inhabitants, with no other savings institution than the Co-operative. Accordingly, a clear field was presented for trying out the experiment.

Its success was immediate; the receipts for the first six months exceeded $5,000, from a membership of 500 it increased in five years to 877, with deposits of $33,000. A stranger in Corning on children's day might imagine the Pied Piper of Hamlin was here plying his craft and inveigling all the young folks of the city through the doors of the association. Coming pell-mell, they swarm up the steps of the office, each child carrying a small steel bank to be opened and its contents counted and entered in a pass-book. A Corning child without such a bank is an anomaly. About the first act upon the birth of a child is to provide it with a bank, pass-book, and certificate of membership in the children's department.

However, the fact remains that nowhere in the world is there a more thriving institution of its kind than the juvenile department of the Corning association. The motives which lead to the establishing and operation of a children's saving department in a community are not sordid in the slightest degree; they arise from pure altruism, requiring a deal of unremunerated labor and the exercise of a large amount of patience.

Each child on joining is provided with a small steel bank, depositing one dollar as security for its safe return (the association retaining the master-key), also a pass-book, with number corresponding to that of the bank, wherein is entered, from time to time, the amount of the deposits and withdrawals.

A day is set apart each month as children's day; care being taken to choose a day whereon nothing else of importance is liable to occur.

Four or five receiving tellers, volunteering their services, are on hand, whose business is to open the banks presented, count the cash, make a minute of the amount on a check-slip and on a colored slip on which is written the number of the bank and pass-book.

The colored slip is given to the child, who hands it with its pass-book to the President, or his proxy, who selects the card having the child's name and number of his bank (this card being the ledger account with that child, and a duplicate of the entries in the pass-book). The card, slip and pass-book are passed on to the secretary who enters the amount on a numbered sheet, the slip is spindled and the deposit entered in the pass-book, which is then returned to the child. Each cashier issues a distinctively colored slip, so that an error may be readily located when the cash is balanced after banking hours. The receipts of the Corning juvenile department average $750 on children's day.

A year later juvenile branches were established in the two Elmira associations. Here they were brought in competition with a Penny Provident, a savings bank, and two other institutions catering to children's accounts. Accordingly, while they have had a measure of success and a steady growth from the beginning, they have fallen short of the phenomenal success of Corning and East Rutherford.

Added impetus has been given to the movement in Elmira by the introduction of the system in the public schools.

The success of such extension of the juvenile department is perhaps best gathered from the following portion of the address to the shareholders of the Chemung Valley Mutual Loan Association by its President, the late Clay W. Holmes:

> In 1905 your President, then Chairman of the Legislative Committee of the New York State League of Savings and Loan Associations, prepared an amendment to the Savings and Loan Law, known as the Juvenile Savings Act, and secured its passage by the Legislature. This act provided that the minor could transact business with the Savings and Loan Association without the interference of a guardian or parent. The purpose of this act was to relieve the

Association from the annoying and uncertain conditions of existing laws, and enabling a minor to deposit his savings without let or hindrance and withdraw them at pleasure on the same independent basis as grown people. This act has been of great advantage in many ways. For a long time the author of this act had studied its application to the educational benefit of children, and when he found that the present able Superintendent of Schools, Mr. D. C. Bliss, was an earnest student along the same lines a plan was devised for its trial in the public schools. The matter was submitted to the Board of Education and heartily approved. An explanatory circular was prepared and submitted to the parents on Friday, November 4, 1910, and on the following Monday the teachers in the ten grammar schools of Elmira received from such pupils as desired to join the Juvenile Department their deposit envelopes. It was hardly expected that many of the children would be sufficiently interested on the first day to start an account. Much was our surprise, therefore, to receive 1,142 envelopes, which meant that one-third of all the pupils responded on the first call. Every Monday since, regular as a clock, the children have produced their little envelopes, and at this time over 1,700 are enrolled, the exact number being 1,730 at the close of the year. Over 100 have joined in January. Believing that it will be of interest to the parents, as well as the general public, some statistics are here given to show how the plan is working. Up to the Christmas vacation there were seven Monday deposits, and the total deposits of those days numbered 6,797, of which number 4,965 did not exceed 25 cents, made up as follows: One hundred and eighteen of 1 cent each, 61 of 2 cents, 55 of 3 cents, 37 of 4 cents, 1,011 of 5 cents, 1,581 between 5 and 10 cents, 2,102 between 10 and 25 cents, leaving a balance of 1,832 deposits which exceeded 25 cents each. These figures clearly prove that the plan is a great success educationally, and that the belief of the promoters was correct. But let us go still further and note the total of the seven weeks and see what the aggregate amounts are. There were 380 having less than 25 cents, 280 between 25 and 50, 207 between 50 and 75, and 162 between 75 and $1.00, a total of 1,029 having less than $1.00, leaving 501 who exceeded $1.00. Now, as a financial proposition one could hardly call such figures promising for profit to any institutions; in fact, it costs more for the clerical help to handle the large number of accounts than the money received will earn in interest for the Association, but when one stops to consider that "as the twig is bent the tree inclines," there is much in it. Some day these children will be grown up, and when they come to graduation

they have not only learned how to read and do cube root, but also the greater lesson of self-denial and saving which will lead them to continue their saving habit. Another interesting proof of the possibility of such education is that the children of very tender age seem to take hold of the plan more freely than older pupils, as is shown in these figures. The ages of the present members are as follows: One hundred five, five years; 202, six years; 216, seven years; 211, eight years; 194, nine years; 187, ten years; 148, eleven years; 162, twelve years; 121, thirteen years; 95, fourteen years; 38, fifteen years; 10, sixteen years; and 2, seventeen years. The list includes 760 boys and 770 girls. There are many other interesting features connected with this work, but these facts are given just to illustrate what can be done when children take hold.

Your President regards this as one of the greatest successes ever achieved in the Savings and Loan Association work, and believes that it is but the beginning of a great and universal movement along the line of savings educational work throughout the country. The trouble heretofore has been to find a plan which would work. The Elmira plan works magnificently and beyond the wildest hopes of its promoters, and the Chemung Valley has turned the trick for the benefit of the world at large. Educate the child, and the man will save without asking. Save the pennies and the dollars will take care of themselves.

The plan followed in the school savings plan is as follows: On Monday morning of each week the pupil deposits with his teacher such sum as he desires. The money is put in an envelope, which is sealed, and the depositor's name, number, room and amount of deposit written thereon, either by the teacher or by the depositor, if competent.

The envelopes are collected from the several rooms and delivered to the principal, whose duty it is to see that they reach the association which receives the deposits in the name of the pupil, who thereby becomes a full-fledged member of the juvenile department. The amount contained in each envelope is credited in a pass-book. Interest is allowed on all sums of one dollar at the rate of 4 per cent. per annum. Dividends are credited in January

and July, and entered in the pass-book in red ink, to catch the attention.

The pass-book is retained by the teacher, although a pupil may take it home to exhibit to his parents at any time they wish to see it; but the book is returned forthwith to the teacher for safe-keeping.

Should a pupil wish to withdraw any of the savings, he may apply in person at the office of the association with the pass-book and receive his money. Such withdrawals must be in the sums of one dollar or multiples thereof. When a pupil graduates or leaves school he may still continue his deposits at the office of the association, on the same account, at his option.

If these juvenile savings were derived merely from money given to the child by doting parents and admiring relatives the scheme would still be lacking an essential educational element. Our observations have brought to light the fact that children, spurred on by an ambition to save, are induced to earn the money themselves. In winter they run errands, clean sidewalks, care for furnaces, and do such odd jobs as always await an active, wide-awake boy. A prolific source of juvenile earnings is selling newspapers and magazines. In summer there are lawns to mow, gardens to weed. Some keep chickens and sell eggs. Two young girls, who live on a farm, pick berries and other fruits, being paid for their work.

There is an orphan's home in Elmira, whose boys and girls are each allotted a garden plot and permitted to have and use as they wish the proceeds of all they raise. Fifteen or more of these young agriculturists have their banks and bank accounts in a juvenile department.

There is a feature apart from the mere depositing and saving which furnishes a concrete illustration of the educational aspect of the system; i. e., the withdrawals. It would indeed be a shallow pretense if the child were

taught to save and nothing more in that connection. To inculcate the purpose of savings and the wise uses to which they may be put is not the least beneficial. Many withdraw the money which they have saved to buy clothing; others, school books; one recently withdrew to pay his doctor's bill; another to purchase the materials for a "raw dog." I was sorry for one lad. He had a fine paper route and had saved $40. His lip quivered as he replied to the inquiry usual in such cases: "Father has a note to meet." It is to be regretted that he became discouraged, turned in his bank-book and is not saving now. Two girls made their first payment on a new piano from their joint savings. A little miss presented her pass-book, saying, "I want to draw out my money because mamma has to make a payment on the house."

It has developed in certain instances that the bank, ostensibly in the name of the child, is actually used as the family depository, and the account drawn upon, from time to time, in cases of domestic emergency.

Savings Boxes or Home Safes.

In many communities it has been found desirable, in order to bring to each home an opportunity to save, to install a Home Safe without charges. This gives the entire family an opportunity to save some money and establish the habit of economy. These savings are deposited at the office of the association and credited in special deposit books.

The Halifax Permanent Benefit Building Society of England in 1919 in this connection reported as follows:

"The small steel Home Safes lent by the Society to investors, continue to be in favor, and they are widely used. The amount received in the Small Savings Department during the year was £168,633 1s. and 11d., an increase of £62,330 18s. and 4d."

CHAPTER XXVII.

Advertising

If building, loan and savings associations have a great moral obligation — outside of the honest and efficient administration of the funds entrusted to them — then it is the promulgation of one maxim: *"Save money!"*

Large as the activities, the influences, the good work of the building, loan and savings associations at the present time may appear in comparison with their field of endeavor, they have only just begun to scratch the surface of this field.

From this fact their normal obligation, *to advertise,* is born. Everything, new and good or better, must be made known to the world. There is no good in unknown good.

A handbook on the workings, the promotion and the betterment of building, loan and savings associations is therefore hardly complete without a chapter on advertising.

Building, loan and savings associations, as organized in the United States, are the most effective, the safest, and the most remunerative *savings* institutions of the world. They are recognized as such by the people and by the State. Advertising them as such — in all possible forms of advertising — is necessary, not only as a moral obligation, or as a business proposition, but also as a matter of self-preservation.

No matter how great, or how beneficial, or how strong any institution as such may be, it ever depends upon progress for its existence. To stand still means retrogression everywhere. Building associations now existing *must* extend their membership and their usefulness; new

associations must spring up everywhere and demonstrate the good of the cause. So it is willed by the inexorable law of the survival of the fittest.

Therefore: Let us advertise!

The limitations of this book make it impossible to enter into a detailed dissertation on the "science" of advertising. And, moreover, such a dissertation is superfluous, and would fail to achieve results. It is quite impossible to establish fast and rigid rules for successful advertising, but there are a number of hints, based upon solid thought and experience, which will well serve to pave the way for any beginner in this subtle art.

Why Should You Advertise?

Because — There is not a person, may his income be ever so modest, barely reaching the necessities of life, but who ought to save money. And again, there is no person in this world but who is affected by advertising.

Because — Advertising impresses your name, your object, your merit, your meeting place and date of meeting upon many prospective members.

Because — It increases your membership and the good you are doing.

Because — Increased membership and increased numbers of shares mean lower cost of administration per share, thus increasing your net profits.

Because — The purpose of advertising is to influence the mind, trying to teach the people to believe in you and in the institution you represent. The whole business world rests upon a foundation of *confidence.* It is impossible to do business successfully when confidence either cannot or is not established, or has been abused and is gone. Lack of confidence in any worthy business, not only building, loan and savings associations, is generally

due to ignorance and the fact that the confidence-lacking business is not well known. Publicity is the greatest foe to ignorance. Advertising gives the people-at-large knowledge about you, the merits of your institution and your business. It is the greatest force in the interest of confidence. It follows that advertising, to be advertising at all, must be educational.

How Should You Advertise?

Advertising is asking that many people do specific things.

Look your fellow-man straight in the eyes and tell him that in your association you have something that he, too, ought to have, and ask him to come and get it — that is advertising.

Anything that is worth advertising at all is worth advertising well. Any proposition which is to appeal to thousands of prospective members deserves mature thought and utmost care in preparation.

With regard to advertising mediums, it may be said, that in the case of building associations the daily and weekly newspapers deserve the first consideration. Advertising by circulars, booklets and other mail matter bears the character of an individual appeal and must be supplementary to the newspaper advertising. Advertising by posters, hangers and street car signs is very beneficial and in some localities may be indispensable. But whatever medium or mediums are selected all advertising should be carefully planned in advance and judiciously followed up.*

* We would recommend to associations the regular and systematic employment of such expert service for the use of building association advertising as can be obtained. We believe employment of a regular service is essential, and in this connection would respectfully call the readers' attention to the advertising service rendered in connection with the AMERICAN BUILDING ASSOCIATION NEWS.

The Preparation of Advertisements.

Persons charged with the preparation of advertisements should always keep before their minds these facts: Certain forms have identical effects upon the majority of people. Certain color combinations may always be relied upon to attract the eye and the mind, while other combinations never fail to repel. In the same manner certain words and formations of words into sentences are pleasing, certain others displeasing, not only to some persons, but to the majority of individuals.

The first rule of the writer of advertisements therefore must be to avoid all that is repelling and displeasing in the wording and the make-up of his advertisement. Advertisements *must* be attractive and agreeable to fulfill their mission. On the other hand, it is also wise to avoid any attempt to be humorous. A humorous advertisement is at best a "comical" one, and is certain to fall short in its effect. If you want to induce a man to do business with you, you must interest him, not amuse him. Business is not a matter of jest or levity. It is a matter of sense, system and seriousness, and it will never pay you to view it from a different standpoint.

Advertisements reflect the dignity and the strength of character of the advertiser. This is true of the advertisements of any business, but applies with increased force to the advertising of financial institutions. The public expects dignity of an institution that solicits the custody of funds. Therefore be honest and convincing in your advertising. It is easy to employ superlatives, high-sounding phrases and large assertions, but it is not good advertising. It is much better to state facts in plain and vigorous language, and to be terse in style. Set forth in a clear, straightforward way whatever advantages you may enjoy and can offer to others, but take care not to

make promises which later on may embarrass you if called upon to make good.

Newspaper advertising, to be effective, must be persistent. An occasional notice has little, if any, value. It may take a campaign of several years to produce confidence in the public mind that your association is reliable and does what it promises. It has been truthfully said, however, "keeping everlastingly at it brings success." Persistence is a jewel of rare value in any undertaking, and particularly so in the advertising field.

Our advertisements should incite thrift, urge economy, and appeal to the home instinct. Such objective ends will tend to inspire confidence in the institution itself on the part of the general public. Of all occupations there is none nobler than ours. "The American home" is in truth "the safeguard of American liberties," and worthy of all respect and honor should those be who are assisting in this great work, of establishing American homes, wherein peace, righteousness and happiness dwell and wherein the children are taught those principles which will perpetuate justice and liberty.

Advertising's greatest value is accumulative. Sporadic efforts have little value and really constitute a waste of money. Advertisements should always be up to the minute. That gives them life, interest and influence.

Advertisements in newspapers should be changed frequently, at least as often as once each week, and they should always state in substance your business and give your business address. They should be carefully written, great care being exercised as to the language used. They really should be written when one is in a good frame of mind. One in poor spirits, dejected or angry, is not the person to write advertisements, which propose to buy and sell money. He cannot but impart his feelings to his

composition, and this might not be the most beneficial to the association.

When well and feeling good write a number of notices and then use them as occasion demands. You will find this suggestion very helpful. Besides, the more notices you write, the better they will become, and the more you will have to select from. The writer has copy ready for at least five years to come, and as new ideas come to him, in thinking over the business, or when reading the *American Building Association News,* a splendid paper, they are jotted down and in time duly developed.

It is impossible to establish rigid rules for advertising. Many roads lead to Rome. Close appliance, study and observation, together with practical experience, are the best teachers.

APPENDIX.

CONSTITUTION.*

ARTICLE I.

NAME AND LOCATION.

SECTION 1. The name of this Association shall be.....
.....and its principal office shall be located in
....., in.....County, in the State of Ohio.

ARTICLE II.

PURPOSE.

SECTION 1. This Association is organized for the purpose of raising money to be loaned to its members and others, and for such other purposes as are authorized by law.

ARTICLE III.

CAPITAL STOCK.

SECTION 1. The capital stock shall be $....., divided into shares of $..... each.

SEC. 2. Stock may be issued to members in whole or fractional shares upon such terms and conditions as the By-Laws may provide.

ARTICLE IV.

MEMBERS.

SECTION 1. Any one, upon subscribing for, or in any manner becoming entitled to, or the owner of any part of the capital stock of this Association, shall be deemed a member thereof and a stockholder therein to the extent of the balance of his credits of record on account of said stock.

SEC. 2. At all meetings of the members, each member having stock of record for at least 30 days prior thereto, shall be entitled either in person or by proxy held by a member, to one vote for each share of stock, and a proportionate fractional vote for each fractional share of stock, so held of record by him, and on which all past due

* Specimen Constitution prepared by the Ohio Building Association League Committee.

installments of dues and other charges have been fully paid, but no member shall cumulate his votes, and no member shall vote more than twenty shares held in his own right.

ARTICLE V.

ANNUAL MEETINGS.

SECTION 1. An annual meeting of the members of this Association for the election of Directors, the consideration of amendments to this Constitution, and for the transaction of all other proper business shall be held at the office of the Association, or at such other place as the Board of Directors may appoint, on the.....day of .....of each year, ...o'clock.....m.

SEC. 2. Should the Board of Directors appoint any place other than the office of the Association for such meeting, they shall publish a notice of the same, in some newspaper regularly issued in and of general circulation in.....County, Ohio.

SEC. 3. All elections of Directors shall be by ballot, and the polls for voting shall be kept open from 7:00 p. m. until 9:00 p. m. They shall be conducted by two judges and two clerks, previously appointed by the Board. A plurality of the votes cast shall be sufficient to elect and in case of a tie between candidates, it shall be decided by lot.

SEC. 4. The members present shall constitute a quorum.

SEC. 5. Candidates for Directors may be nominated by any member by filing the names of the same with the Secretary at least two weeks prior to the election.

ARTICLE VI.

WEEKLY MEETINGS.*

SECTION 1. Weekly meetings of the Association and the Board of Directors, for the receipt of money, the making of loans, and for the transaction of all the ordinary business of the Association, shall be held at the office of the Association at such times as the By-Laws may provide.

ARTICLE VII.

DIRECTORS AND OFFICERS.

SECTION 1. This Association shall have a Board of.....
Directors, elected by the members in such number at each annual meeting, to serve for such times that the terms of one-third of the Directors as nearly as may be will expire each year.

* To associations that have weekly meetings as their only office hours the above is recommended. Otherwise see Sec. 3, Art. VII.

SEC. 2. The Directors shall choose annually a President, one or more Vice-Presidents, from their number, and a Secretary, Treasurer, and Attorney, who may or may not be members of the Board. They may create such committees as they may deem necessary.

SEC. 3. The Directors shall hold at least one meeting each week at such time and place as they may select, or as the By-Laws may provide; .....members shall constitute a quorum.

SEC. 4. The Directors shall have the right to fill all vacancies occurring in their own body, or in any of the offices of the Association, for the unexpired term.

SEC. 5. The Directors shall fix the salaries and determine the compensation of all officers and employes of the Association, and they may, at their discretion, remove or suspend any officer or employe for malfeasance in office or neglect of his duties.

SEC. 6. The Directors shall have the power to adopt, amend, repeal and enforce such By-Laws, resolutions and orders as they may deem necessary to enable them to properly manage and control all the business, property, rights, and affairs of this Association. They shall provide for the issue and cancellation of stock; for the deposit with and the withdrawal of funds from designated depositaries; and the carrying of funds in the office of the Association for the most convenient transaction of business; for the making of loans, and no loan shall be made until it has been approved by the Board of Directors; and they are hereby authorized to do all and singular the things necessary to enable this Association, through them, to exercise all the powers authorized by law that are not inconsistent with this Constitution.

ARTICLE VIII.

AMENDMENTS TO CONSTITUTION.

SECTION 1. This Constitution may be amended at any annual meeting of the stockholders of the Association by a two-thirds vote of the stock represented in person or by proxy held and voted by members of this Association; provided, however, that all proposals to amend shall be presented in writing to the Board of Directors at some regular meeting, at least thirty days prior to the annual meeting, and the amendment adopted shall be substantially the same as proposed.

ARTICLE IX.

CONSOLIDATION OR DISSOLUTION.

SECTION 1. The Association being a permanent one, it cannot be determined at what time it shall or can be consolidated or dissolved.

If, however, the shareholders desire to consolidate or dissolve it, a resolution in writing, signed by members representing at least one-third of the shares, asking for such consolidation or dissolution, must be submitted to the Directors at a regular meeting. The Board of Directors shall then take the legal course for calling a special meeting of the shareholders to act on the resolution. If two-thirds of all the shares vote by ballot for a consolidation or dissolution of the Association it shall be consolidated or dissolved. The Board of Directors shall then take the necessary steps to consolidate or liquidate the affairs of the Association.

BY-LAWS

PRESIDENT AND VICE-PRESIDENT.

SECTION 1. The President shall preside at all meetings of the Association, and of the Directors, and shall perform such other duties as usually pertain to his office, or may be required of him.

SEC. 2. Any Vice-President shall perform the duties of the President in his absence or disability.

SECRETARY.

SEC. 3. The Secretary shall keep a complete record of all the proceedings of the Board of Directors, and of all members' meetings. He shall be the general receiving, disbursing and managing officer of the Association, and under the Board of Directors and its committees, and with the assistance of such employes and other officers as the Board may provide, shall have the care and management of all the Association's business, property, rights, and affairs, not otherwise provided for.

TREASURER.*

SEC. 4. (*Inasmuch as the Treasurer is optional, associations can make their own provisions.)

ATTORNEY.

SEC. 5. The Attorney shall make or cause to be made all necessary and proper search and examination of the title to property offered as security for loans; shall see that the mortgages made to this Association or purchased by it, and all assignments of mortgages, are properly drawn, executed and recorded, and filed with the Sec-

retary his report in writing of the condition of title to premises described in each mortgage. He shall represent the Association in all legal proceedings in which it is interested and shall have power to enter its appearance therein; he shall give his advice and counsel whenever requested, draw all necessary legal papers and render such further services as the Board may require.

COMMITTEES OF THE BOARD OF DIRECTORS.

EXECUTIVE OR FINANCE COMMITTEE.

SEC. 6. (As this varies so much, we recommend that each association adopt such provisions as are best fitted for their work.)

APPRAISING OR SECURITIES COMMITTEE.

SEC. 7. (As this varies so much, we recommend that each association adopt such provisions as are best fitted for their work.)

INDEMNITY BONDS.

SEC. 8. All officers and employes who have charge or possession of money, securities or property, before entering upon their duties shall give bond with at least two sufficient sureties, or issued by an authorized surety company to the satisfaction of the Board of Directors.

TENURE OF OFFICE.

SEC. 9. All officers and members of standing committees shall serve until their successors shall be chosen and qualified.

MEETINGS OF DIRECTORS.

SEC. 10. Regular meetings of the Board shall be held at the offices of the Association on the.....day of each week, at .....o'clock.....m.

SEC. 11. Special meetings may be called at any time by the President or Secretary by notice to each Director, whenever the business of the Association may require. A majority of the Board shall constitute a quorum, but no loan shall be approved except by the unanimous vote of all Directors present.

SEC. 12. (Each association shall fix its own hours of business.)

WHO AUTHORIZED TO SIGN FOR THE ASSOCIATION.

SEC. 13. All certificates of stock and all releases of mortgages shall be signed by the President and Secretary, and all certificates of deposits, all orders, checks, drafts and other instruments for the

receipt or disbursement of money, and all other instruments in writing not otherwise provided for, shall be signed by the Secretary or disbursing officer or officers.

DEPOSITORIES AND DISBURSEMENTS.

SEC. 14. All funds shall be under the control of the Board of Directors, who shall cause the same to be deposited in the name of the Association with its designated depository or depositories, and such funds can be withdrawn from such depositories only on check signed by the disbursing officer or officers for withdrawals, dividends, disbursements on loans, investments, expenses of management and for all such other purposes as the Board of Directors deem necessary for carrying on the business of the Association.

SEC. 15. For cash payments in the current business of the office the disbursing officer or officers are authorized to draw money from the depositories of the Association as other funds are withdrawn, in such sums as the Board of Directors from time to time may order.

STOCK.

RUNNING STOCK.

SEC. 16. Members who do not pay the face value of their stock at the time of subscribing, may pay the same in installments of not less than 25 cents per week on each $100.00 thereof, for which payment receipt shall be given them in a pass-book, and each member so paying shall at any time be deemed the owner of stock equal to the balance of his credit on his pass-book, and a certificate of paid-up stock may be issued for the even hundreds thereof.

PAID-UP STOCK.

SEC. 17. Where the face value of the stock is paid at the time of subscribing, a certificate therefor may be executed by the President and Secretary and delivered to the member.

LOAN STOCK.*

SEC. 18. Loan stock may be issued at the option of the Board of Directors to anyone desiring to make a mortgage loan. Each owner of this stock shall make such payment thereon as shall be agreed upon in making the mortgage loan. The Association may, at its option, or when the member requests it and the Association will consent, apply the net credit on the stock to the payment of the mortgage loan and the charges thereunder, with such cancellation of

* This section 18 to be used if you want to make all loans bona fide on stock and keep all loan accounts separate from running stock. If used must be reconciled with section 83.

stock and reduction of the general payments as the Association will permit. All advance payments thus applied shall be deducted from the agreed payment credits.

PERMANENT STOCK.

SEC. 19. Permanent stock of the par value of one hundred dollars per share may be issued, which shall constitute the permanent capital of the Association, and cannot be withdrawn until the final dissolution of the Association.

DEPOSITS.

SEC. 20. Special deposits of money may be received by the Association at such times and in such amounts and upon such terms and conditions as the Board may order or as may be agreed upon at the time of the deposit, and such special deposits can be withdrawn only upon the same terms as are provided for withdrawing members in the general withdrawal rule of this Association, unless otherwise specially specified in the certificate or other evidence of deposit.

TRANSFERS.

SEC. 21. All transfers of stocks and deposits shall be in writing, properly signed, and shall not be valid as against the Association until the transfer shall be duly entered upon its books upon surrender of the certificate or pass-book; and all stock and deposits shall be subject to a first lien thereon in favor of the Association for any indebtedness of the member to the Association.

JOINT AND SURVIVORSHIP ACCOUNT.

SEC. 22. Both stock and deposit accounts, whether evidenced by certificates, pass-books, or otherwise, may be issued, carried and paid as joint and survivorship accounts, in the names of two or more persons, whether adults or minors, when the joint owners have given to the Association a joint order in substance or effect as follows:

We, the undersigned owners of joint.....
account No....., in.....
Association of....., Ohio, do hereby agree and jointly authorize and order said Association to pay any and all of the credits now or hereafter on said account, on the order of any one or more of us, both before, after and notwithstanding the death or other incapacity of any one or more of us. And such payment shall be a valid acquittance of said Association as against any one at any time concerned.
Done....., 19....
.....
.....

CANCELLATION OF STOCK.

SEC. 23. The Board of Directors may require any member to surrender his pass-book or certificate and receive the amount standing to his credit, together with all dividends declared and remaining unpaid thereon and an equitable share of the earnings of the Association since the last dividend was declared, to be determined by the Board. All rights as members shall cease with the notice to surrender.

GENERAL WITHDRAWAL RULE.

SEC. 24. Members and special depositors whose stock or deposits are not pledged to this Association may as a general rule, upon written application to the Secretary, withdraw all or any part of their stock, credits or deposits at any time without previous notice, but to protect the interest of depositors and borrowers and avoid sacrifice of securities notices of withdrawal may at any time be required and the liability to pay further dues, and the right to dividend on stock credits and interest on special deposits shall cease with any application to withdraw. All persons withdrawing shall be entitled to receive the amount of all credits at the time of the application to withdraw, less any member's share of the Association's loss in excess of the contingent fund. The required notices to withdraw shall be filed in the order in which they are received and paid from the regular receipts of the Association in the order in which they are filed as fast as 50 per cent of the regular receipts of the Association will pay them; but the Board of Directors may, at its discretion, use all the regular receipts of the Association to pay withdrawals.

All withdrawals shall be taken from the oldest deposits and no withdrawal from any one account or certificate shall exceed one thousand dollars in each thirty days ahead of other pending applications for withdrawals; but the Board of Directors may, at its discretion, pay withdrawals not exceeding $25 at one time, nor exceeding $100, within thirty days, regardless of the order of application.

SEC. 25. In case of the loss of a pass-book or certificate, payment of the money deposited thereon may be made on such terms as the Board may prescribe.

EARNINGS.

SEC. 26. *How Distributed.* On the first of.....
and.....of each year the earnings of the Association for the preceding six months shall be ascertained. Out of these there shall be deducted and be applied as follows:

FIRST—All expenses, whether paid or not, and interest due.

SECOND—Such sum as the Board may determine for the Reserve Fund; provided that not less than the amount required by law shall be so reserved.

THIRD—Such dividend as the Board may declare to be computed and paid as hereinafter provided.

FOURTH—The residue of said earnings may be carried as Undivided Profits, to be used as other profits in such way as the Board under the law may direct; provided, that the total Undivided Profits shall at no time exceed 3 per cent of the assets.

DIVIDENDS.

SEC. 27. Such dividend as the Board may declare shall be divided among the members in proportion to the amount of money deposited on stock by each and the length of time the same has been on deposit with the Association, less the withdrawals.

PLAN FOR CALCULATION OF DIVIDENDS.

SEC. 28. (Owing to the difference of plans, this is left to the individual associations.)

LOANS AND INVESTMENTS.

SEC. 29. *To Whom Made.* The funds of this Association shall be loaned to its members and others on such terms and at such rates of interest as shall be fixed by the Board of Directors.

SEC. 30. *Security.* All loans made by this Association shall be secured by pledge of pass-book or certificate of this Association on which there has been paid in a sum equal to the amount loaned, which shall be known as temporary loans; or by first mortgage of real estate, which shall be known as "Mortgage Loans"; or by pledge of such other securities as may be acceptable to the Board of Directors, which shall be known as collateral loans. But second mortgage of real estate may be taken where this Association already holds first mortgage.

SEC. 31. *Temporary Loans.* These loans may be made by the Secretary at any time when there is money in the treasury not otherwise appropriated and upon such terms and conditions as the Board may from time to time prescribe.

SEC. 32. *Mortgage Loans.* Loans on mortgage shall be made only on application signed by the borrower or his agent, and containing such information concerning the security offered as the Board may

require. Such applications shall pass at once to the Appraising Committee, who shall report on the security offered as soon as possible and when the Board has signified its approval of the loan, the application shall pass to the attorney, who shall see that the necessary papers are executed and the loan completed; provided, the title to the property is satisfactory. Mortgage loans shall be limited to .... per cent as nearly as may be, of the value of the security offered and where the money is loaned for the purpose of erecting buildings on the property mortgaged, it shall be advanced as the building progresses in such installments as the Board may determine.

SEC. 33. *Repayment of Loans.* Loans may be made payable in fixed annual or semi-annual payments, which shall be known as straight loans, or in stated weekly or monthly payments, which shall be known as installment loans. The terms and conditions of each loan shall be set forth in the obligation given by the borrower for the repayment of the same, but in all installment loans the rate of payment shall be not less than one dollar per month on each $100.00 borrowed, and the borrower's payments shall be applied:

FIRST—To the discharge of the interest.

SECOND—To the repayment of insurance, taxes or other charges against the borrower provided for in these By-Laws or in his obligation.

THIRD—The remainder of the borrower's payments shall be credited upon the principal of his obligation at such stated intervals as the Board may prescribe, which said intervals shall also be stated in the borrower's obligation, and interest shall thereafter be charged only upon the amount which the borrower still owes.

SEC. 34. *Collateral Loans.* Loans on collateral security shall be made only when there is money in the treasury in excess of the demand for mortgage and temporary loans. The procedure for obtaining a loan on collateral shall, as far as possible, conform to that prescribed for obtaining a loan on mortgage.

SEC. 35. *Insurance.* When the Board of Directors see fit they may require any borrower to cause the buildings on mortgaged property to be insured for the benefit of this Association against loss by fire in some fire insurance company to be approved by them, in an amount which they shall name, and to keep the same insured during the continuance of the loan, and the policy of insurance, properly endorsed by the Company issuing the same, shall be deposited with the Secretary. Upon the failure of any borrower to so insure said

property as required, or upon expiration or cancellation of any policy deposited as aforesaid, the Board may insure the same at the expense of such borrower.

SEC. 36. *Taxes.* If any property mortgaged to the Association be in default for non-payment of taxes, the Board of Directors may instruct the Secretary to pay the same and charge the amount to the borrower.

SEC. 37. *Interest on Above Payments.* All sums advanced as above provided, for insurance and taxes on property mortgaged to this Association, shall bear the same rate of interest as the principal debt, and the mortgage given to secure any debt shall also stand as security for the repayment of such insurance and taxes and the interest thereon.

SEC. 38. *Foreclosures.* If any borrower shall permit any payment required by his obligation to remain due and unpaid for the period of.....months, the entire amount of such loan shall thereupon become due and payable, and the Directors may order such mortgage foreclosed.

SEC. 39. *Expense of Loans.* The cost of viewing the property, examining the records and any other evidence of title, and preparing and recording the mortgage for loans on real estate shall be fixed by the Board of Directors, and shall be paid by the borrower.

SEC. 40. *Investments.* The funds of this Association may be invested as provided by law.

SEC. 41. *Reports.* Each member shall be entitled to receive semi-annual or annual reports, showing the condition of the Association.

MISCELLANEOUS.

SEC. 42. *Re-Issue of Stocks.* All shares withdrawn and forfeited and all shares paid up and the money thereon withdrawn, and also all shares on which loans have been taken and cancelled or paid up, shall revert to and become the property of the Association, and may be re-issued by the Board of Directors.

SEC. 43. *Pass-Book.* All pass-books shall be handed in to the Secretary for audit in.....and.....of each year.

SEC. 44. *Amendments.* These By-Laws may be amended at any regular meeting of the Board of Directors by a two-third vote of the Directors present, but all proposals to amend the same shall be made in writing at a regular meeting of the Board of Directors, at least ten days before action is taken thereon.

RULES.

In order that the members may at all times be informed as to the proper rotation or order of business, and particularly for the convenience of the directors themselves, the directors should adopt a set of rules for governing the business of the association. These should be prepared carefully and changed and amended from time to time as may be found necessary in order to make them more practicable and popular among the members. Since such rules must be arranged to suit local conditions and circumstances, it is not possible to outline them very specifically in a general work of this character.

The object of the business rules of an association and the policy of the directors should be to have the business so arranged that it will run along smoothly and rapidly without friction or delay, so that members may not be annoyed by having to wait. At the same time, the meetings should be made of as pleasant and sociable a character as possible, so as to be enjoyable to members and visitors. Particular pains should be taken by the directors to make the meetings suitable and pleasant places for ladies to visit, for quite a number of ladies become members of associations.

A few specimen rules are given below, which will be found suggestive:

1. At the specified time for the collection of dues the president shall call the meeting to order, and the secretary and his assistants and the members of the finance committee shall take their respective places.

2. The secretary or an assistant shall enter all dues paid in in the Dues Register and the members of the finance committee shall count all moneys and receipt for them.*

3. When the time for receiving money has expired the secretaries and the finance committee shall count the receipts and check up the books to see if the receipts and entries correspond. As soon as this is done they shall report to the president that they are ready to proceed with the further business of the evening.

* In some associations the rule is that an assistant secretary, or a member of the finance committee, shall make the entries in the Dues Register, and the secretary himself shall attend to issuing books to new members and other miscellaneous business of that kind, and particularly to giving information and answering the numerous questions that are always being asked by members in an association.

During the time of receiving dues the directors who are not officers or members of the finance committee should make themselves useful by circulating among the members and visitors present, making them acquainted with one another, giving information in regard to the association and its work, and making the meeting as pleasant and attractive as possible.

4. The following shall be the order of business for the directors' meeting:

(1) Call to order.
(2) Roll call.
(3) Reading of minutes.
(4) Application for loans.*
(5) Reports of officers and committees.
(6) Unfinished business.
(7) Miscellaneous and new business.
(8) Reports of receipts and disbursements.
(9) Adjournment.

* Considering the applications for loans should be placed as early as possible on the order of business so as not to keep members waiting too long. The director's meeting does not begin until after the time of receiving dues has expired. Members who come early in the evening, in time to pay their dues, and are then compelled to wait until the directors transact other business before they can bid on money, find the delay very irksome and annoying.

Laws of Ohio Relating to Building and Loan Associations.

[EDITOR'S NOTE—We herewith show Ohio State Laws as revised up to 1923 because of their concrete form. Much time has been given the subject in the Ohio Legislature by Representatives who were well informed on Building Association matters.]

GENERAL CODE SECTION	
9643	Interpretation of terms and incorporation.
9644	Name.
9645	When business may be commenced.
9646	Directors, term of office.
9647	Powers.
9648	Receiving of deposits; joint accounts.
9649	Issue of stock, vote.
9650	Assessments.
9651	Withdrawal of stock deposits.
9652	Withdrawing of deposits.
9653	Cancellation.
9654	Rules as to minors.
9655	Property, leasing, holding of.
9656	Borrowing money.
9657	Loans.
9658	Cancellation of loan.
9659	Reserve and undivided profit fund.
9660	Idle funds, how invested.
9661	May deposit idle funds.
9662	Purchase interest-bearing obligations; sale of to close up business permitted.
9663	Distribution of earnings.
9664	Certificate of increase, decrease, etc., where filed.
9665	Dissolution.
9666	Amendment of articles.
9667	Constitution and by-laws.
9668	Other powers.
9669	Banks, designation of, to receive funds.
9670	Bond of officers.
9671	Reserve fund.
9672	Expenses, how paid.
9673	Dividends.
9674	Losses.
9675	Listing of shares for taxation.

Interpretation of Terms and Incorporation.

SEC. 9643. A corporation for the purpose of raising money to be loaned to its members, and others, shall be known in this chapter and in the laws relating to the department of building and loan associations, as a "building and loan association" or as a "savings association." Associations organized under the laws of this state shall be known as "domestic" associations and those organized under the laws of other states or territories as "foreign" associations. Associations may be organized and conducted under the general laws of Ohio relating to corporations, except as otherwise provided in this chapter; but, upon receipt of articles of incorporation and all papers relating thereto, the secretary of state shall forthwith transmit to the superintendent of building and loan associations a copy thereof and shall not record such articles of incorporation until duly authorized to do so by the superintendent of building and loan associations as hereinafter provided. (As amended March 9, 1923.)

Sec. 9643-1. Upon receipt of a copy of the articles of incorporation of such proposed building and loan association, the superintendent of building and loan associations shall immediately examine into all the facts connected with the formation of such proposed cor-

poration, including its location and proposed incorporators, and if it appears that such corporation if formed, will be lawfully entitled to commence the business for which it is organized and entitled under the law to conduct, the superintendent of building and loan associations shall so certify to the secretary of state, who shall thereupon record such articles of incorporation. But the superintendent of building and loan associations may refuse to so certify to the secretary of state, if upon such examination and investigation he has reason to believe that the proposed corporation is to be formed for any other than legitimate building and loan business, or that the character and general fitness of the persons proposed as incorporators in such corporation are not such as to command the confidence of the community in which such corporation is proposed to be located or that the public convenience and advantage will not be promoted by its establishment, or that the name of the proposed corporation is likely to mislead the public as to its character or purpose; or if the proposed name is the same as one already adopted or appropriated by any existing building and loan association in this state, or so similar thereto as to be likely to mislead the public, unless the place of business of such proposed corporation is to be located in a county other than the one in which any corporation bearing such similar name is then doing business. (Act March 9, 1923.)

SEC. 9643-2. If the superintendent of building and loan associations withholds such certificate, an appeal may be made to a board composed of the governor, superintendent of building and loan associations and the attorney general. The decision of such board in the matter shall be final and the superintendent of building and loan associations shall thereupon so certify its action to the secretary of state. Such board shall prescribe the rules and procedure under which all appeals shall be made and heard, and may from time to time amend the same. Upon its order, the superintendent of building and loan associations shall summon in writing, under his seal, any person resident of this state, to appear before such board and testify in relation to any such appeal, and in the event of the failure of any person summoned to appear before such board to testify as herein provided, the superintendent of building and loan associations shall apply to the probate court of the county in which such proposed corporation is to be located to issue a subpoena to such person to appear before such board. Upon such application the probate judge shall issue a subpoena for the appearance forthwith of such persons before such board to give testimony. Whoever, being so subpoenaed, fails to appear or appearing, refuses to testify, shall be subject to like proceedings and penalties for contempt as witnesses in action

pending in the probate court. Each witness who appears before the board or probate court by order of the superintendent of building and loan associations, shall receive for his attendance, the fees and mileage provided for witnesses in civil cases in the common pleas court, not limited, however, to county lines, which shall be audited and paid by the state out of moneys provided for, for the department of building and loan associations upon the presentation of proper voucher, sworn to by such witness and approved by the superintendent of building and loan associations. (Act March 9, 1923.)

Sec. 9643-3. Upon receipt of such certificate from the superintendent of building and loan associations, the secretary of state shall record said articles of incorporation; one copy thereof, duly certified by the secretary of state shall thereupon be furnished to the incorporators of such corporation, and one copy to the superintendent of building and loan associations, to be by him filed in his office. All certificates thereafter filed in the office of the secretary of state relating to such corporation shall be recorded and a certified copy thereof forthwith furnished the superintendent of building and loan associations and filed in his office. (Act March 9, 1923.)

Sec. 9643-4. No association shall establish more than one office nor maintain branches other than those already established except with the approval of the superintendent of building and loan associations, previously had in writing, and any such association failing to commence business within one year from the date of issuance of articles of incorporation shall cease to exist and such articles of incorporation shall be null and void. (Act March 9, 1923.)

For a discussion of former analogous statutes, see Sayle v. Savings & Loan Co. 2 O. C. C. (N. S.) 401, 15 O. C. D. 503 [affirmed without report, Savings & Loan Co. v. Sayle, 72 O. S. (639)]; Loan & Building Co. v. Kuehnert, 7 O. N. P. 264, 6 O. D. (N. P.) 502.

A similar statute was held not to grant banking powers within the meaning of Article XIII, Sec. 7, of the Ohio constitution: Bates v. Savings & Loan Association, 42 O. S. 655 (following Dearborn v. Savings Bank, 42 O. S. 617).

The act of February 21, 1867, authorizing building associations to become incorporated, as provided in certain sections of the "act to provide for the creation and regulation of incorporated companies, passed May 1, 1852," has reference to the sections named which were then in force, and not the original sections which had been repealed: Land & Building Association v. Gallagher, 25 O. S. 208.

An executory contract between a building association, incorporated under the act of May 9, 1868, (S. & S. 194), and one of its members in respect to shares, the maximum number which, under the statute, a member may hold in his own right, is ultra vires and cannot be enforced by action: Simpson v. Building & Savings Association, 38 O. S. 349.

The members of a building and loan association have a mutual interest in their affairs, whether they are borrowers or not: Eversmann v. Schmitt, 53 O. S. 174.

Building and loan associations are corporations for profit: Hinman v. Ryan, 3 O. C. C. 529, 2 O. C. D. 305.

The dues payable to a building and loan association are analogous to the installments of stock subscriptions: Hinman v. Ryan, 3 O. C. C. 529, 2 O. C. C. 305.

If the building and loan association becomes insolvent and is placed in the hands of a receiver the only dues which are to be paid are the assessments which are ordered by the company in order to equalize the claims of the members among themselves and to pay the debts of the association: Hinman v. Ryan, 8 O. C. C. 529, 2 O. C. D. 805.

That a manufacturing corporation may become a borrowing member of a building and loan association, see Bank Co. v. Spinning & Stamping Co. 14 O. C. C. 1, O. C. D. 275 (affirmed Bank v. Spinning & Stamping Co., 60 O. S. 603).

An allegation in a petition that a corporation did certain acts which only a building and loan association could lawfully do is equivalent to an allegation that such corporation is a building and loan association: Carmichael v. Savings & Loan Company, 15 O. D. (N. P.) 341.

For a decision under a former statute which provided for rebating the interest as the dues were paid in, see Seibel v. Building Association, 48 O. S. 371.

For other decisions and former statutes on the subject of building and loan associations, see Building Association v. Vogeler, 7 O. N. P. 605, 5 O. D. (N. P.) 581; Eversman v. Schmitt, 11 Dec. Rep. 9, 24 Bull. 56.

Name.

SEC. 9644. The name of every such corporation hereafter organized, or heretofore organized and hereafter changing its name, shall begin with any word it may select, and end with the word "company" or with the word "association." It also shall use its name in any order it designates, and if it so desires, with other words not forbidden by law, any one or more of the following words, or combination of words, at its option: "Savings," "building," "loan," "savings and loan," or "building and loan." But such association shall not use the words "bank," "banking" or "trust," nor any one or more of them in combination. (99 v. 528-2.)

Prior to this statute a building and loan association might call itself a "loan and trust company." Cramer v. Trust Co., 72 O. S. 895.

When Business May Be Commenced.

SEC. 9645. Where capital stock is named in the articles of incorporation it shall be deemed to refer to the authorized capital and the organization may be completed and business commenced when a sum equal to five per cent. thereof is subscribed and paid in, which amount must thereafter be maintained, and the name and addresses of its officers and not less than two copies of its constitution and by-laws have been filed with the superintendent of building and loan associations, and approved by him and no such corporation shall transact any business whatever except such as is incidental and necessary to its preliminary organization until it has been authorized by the superintendent of building and loan associations to do so, and no amendment of such constitution or by-laws shall become effective until approved by him. The authorized capital of such corporation shall be not less than three hundred thousand dollars; provided that in cities the population of which exceeds five thousand, such capital

shall be not less than five hundred thousand dollars. The stock sold by any building and loan association shall be accounted for to the association in the full amount paid for the same. No commission or fee shall be paid to any person, association or corporation for selling such stock. The superintendent of building and loan associations shall refuse authority to commence business to any building and loan association, if commissions, contributions, or fees have been paid, or have been contracted to be paid, directly or indirectly by the building and loan association, or by anyone, to any person, association or corporation for securing subscriptions for or selling stock in such building and loan association. When a certificate is transmitted to the superintendent of building and loan associations, signed by the president, secretary or treasurer of such corporation notifying him that the required amount of capital stock of such corporation is subscribed, and paid in, and that such corporation has complied with all the provisions of law required to be done before it can be authorized to commence business, the superintendent of building and loan associations shall examine into its affairs, ascertain especially the amount of money paid in on account of its capital, the name and place of residence of each director, the amount of capital stock paid in of which each is the owner in good faith, and whether such corporation has complied with all the provisions of law required to entitle it to engage in business. If upon such examination of the facts referred to and of any other facts which may come to the knowledge of the superintendent of building and loan associations he finds that such corporation is lawfully entitled to commence business, he shall give it a certificate under his hand and official seal that it has complied with all the provisions required by law and is authorized to commence business. Books or records shall be kept by every building and loan association, in which shall be entered the name and the last known address of each stockholder, the number of shares or fractions of shares or of stock deposits held by each and the time each person became a stockholder; also all transfers of stock, stating the time when made, the number of shares or of stock deposits and by whom transferred. (As amended March 9, 1923.)

In organizing a building association under the act of February 21, 1867, (64 O. L. 18), the certificate of incorporation was by mistake acknowledged before a notary public, instead of being acknowledged before a justice of the peace as then required. In proceedings instituted under the act of March 10, 1859, (S. & C. 1172), the mistake was subsequently corrected,—it was held that the effect of the correction was to make the association a corporation de jure from the date of its organization, not only as against persons dealing directly with the association, but as against all others:. Spinning v. Building & Savings Association, 26 O. S. 483.

One who has subscribed for stock in a savings and loan company can not avoid liability upon his subscription therefor in an action brought by

creditors of the company to collect the unpaid subscriptions and to enforce the secondary liability of the stockholders by showing that the company had commenced before the amount of stock required by statute and had been subscribed; nor can he avoid liability by showing that no notice was given of the meeting of stockholders to elect directors; or by showing that a bare majority of the directors elected at an irregular meeting had qualified as such: Dickason v. Bank Co., 6 O. C. C. (N. S.) 329, 17 O. C. D. 357.

Directors, Term of Office.

SEC. 9646. Direcors may be elected for any term, not less than one year nor longer than three years. If such term be longer than one year, it shall be so arranged that as nearly as may be, the term of office of an equal number of directors will expire each year. (99 v. 528-4.)

The directors of a building and loan association have no power to alter the contract between the association and a borrowing member, without the consent of the latter: Betz v. Building Association, 1 O. N. P. 42, 1 O. D. (N. P.) 58.

That an association may appoint an attorney, see Loan & Building Co. v. Kuehnert, 7 O. N. P. 264, 6 O. D. (N. P.) 502.

Whether the directors of an association may take advantage of facts which they have learned as such directors and withdraw their individual deposits without communicating their knowledge to the stockholders at large was discussed but not decided in Building & Savings Co. v. Rehn, 6 O. N. P. 185, 8 O. D. (N. P.) 594.

If a director of a building association receives deposits from members of the association who are also his own employes, and has been given no authority by the building association to receive such deposits, he acts as the agent of the members in so doing, and not as agent of the building association: Hasselmeyer v. Loan & Building Co., 8 O. N. P. 195, 10 O. D. (N. P.) 570.

A building and loan association has not the power to refuse to loan its funds to its members, nor to establish such rules and regulations, or so conduct its business as to prevent the loan of its funds to a member who bids the highest premium therefor; nor to borrow money for the purpose of lending it; nor to divide or distribute its funds among its members in advance of the distribution at the winding up of the corporation; nor to traffic in shares of its own stock. Such corporations, acting in good faith and reasonably, may compromise with a member and release him from further obligation to the corporation, whether the indebtedness be for a loan or on subscription: State v. Building Association, 35 O. S. 258.

Where a corporation had abused or misused its corporate powers, but not in any particular as to which it is declared by statute the act shall operate as a forfeiture of its charter, the court is vested with a discretion to determine whether the corporation shall be ousted of its franchise to be a corporation, or from the exercise of the powers illegally assumed: State v. Building Association, 35 O. S. 258.

Powers.

SEC. 9647. Such corporation shall have all the powers set forth in the following sections of this chapter. (99 v. 528-5.)

Receiving of Deposits; Joint Accounts.

SEC. 9648. To receive money on deposits, and all persons, firms, corporations and courts, their agents, officers and appointees may make such deposits and stock deposits, but such corporation shall not pay interest thereon exceeding the legal rate. When such de-

posits or stock deposits are made to the joint account of two or more persons, whether adults or minors, with a joint order to the corporation that such deposits or any part thereof are to be payable on the order of any one or more of such joint depositors, and to continue to be so payable notwithstanding the death or incapacity of one or more of the persons making them, such account shall be payable to any one or more of such survivors or survivor or order notwithstanding such death or incapacity. No recovery shall be had against such corporation for amounts so paid and charged to such account. (99 v. 528-6.)

Issue of Stock; Vote.

SEC. 9649. To issue stock to members upon certificates or upon written subscription on such terms and conditions as the constitution and by-laws provide, but no initiation or membership fee shall be charged and if the stock is sold at a premium all such premiums shall be placed in the reserve fund of the association. Each member may vote his stock to the extent and in the manner provided by the constitution and by-laws, but no member shall cumulate his votes. (As amended March 9, 1923.)

Each association should provide itself with a corporate seal as directed by the general statutes of the State, and all stock issued by the association, in addition to having the signatures of the president and secretary affixed should bear the impress of such seal. (Ruling of the Department.)

For a discussion of an analagous statute, see Savings Bank v. Spinning & Stamping Co., 6 O. D. (N. P.) 70.

The fact that a member of a building and loan association holds a greater number of shares than is allowed by its by-laws, but not a greater number of shares than allowed by its statutes, is not a defense against a claim which the building and loan association may have against him on account of such shares: Hagerman v. Building & Savings Association, 25 O. S. 186.

Where a loan is advanced to a member upon his stock, it is within the capacity of the corporation to take security from such member by mortgage or otherwise for the payment of fines, as well as stated dues, which may be lawfully assessed on account of such stock. The payment of stated dues and fines cannot be resisted by a member on the ground that the by-laws of the association have not been adopted by a vote of the directors, where it appears that they have been recorded, acted upon and enforced as the by-laws of the association: Hagermann v. Building & Savings Association, 25 O. S. 186.

A building and loan association may provide by its by-laws for assessing and collecting reasonable fines from members of the association for default in dues, but it cannot assess or collect more than one fine for non-payment of the same stated dues, and it cannot impose a fine for default in paying interest: Hagerman v. Building & Savings Association, 25 O. S. 186.

An executory contract between a building association and one of its members in respect to shares claimed by him in his own right and in excess of twenty shares, the maximum number which, under the statute, a member may hold in his own right, is ultra vires and cannot be enforced by action: Simpson v. Building & Savings Association, 38 O. S. 349.

A stockholder who has subscribed for more than the twenty shares allowed by statute is estopped to deny the validity of such shares: Building Association v. Bund, 6 Dec. Rep. 1108, 10 Am. L. Rec. 485, 6 Bull. 823.

Assessments.

SEC. 9650. To assess and collect from members and others, such dues, fines, interest and premium on loans made, or other assessments, as may be provided for in the constitution and by-laws. Such dues, fines, premium or other assessments shall not be deemed usury, although in excess of the legal rate of interest. (99 v. 529-8.)

I. Members.
II. Dues
III. Fines.
IV. Interest and premium .
V. Excess over legal rate of interest.
VI. Payments.
VII. Receivership.

I. MEMBERS.

The members of a building association, whether borrowers or non-borrowers, have a mutual interest in its affairs; and, sharing alike in its earnings, must assist alike in bearing its losses: Eversmann v. Schmitt, 58 O. S. 174.

A borrowing member is one who receives in advance the par value of his shares, and agrees in consideration of such advance to pay the weekly dues of the shares and the interest on the loan until the dues paid and the dividend declared and not paid are equal to the par value of his shares. He then ceases to be a member and is entitled to a cancellation of the mortgage given to secure the obligations arising from the loan: Eversmann v. Schmitt, 58 O. S. 174.

A person who applies to a building and loan association for a loan of money, and deposits therewith a sum of money, however small, for the purpose of making himself eligible as a borrower, and thereby receives a loan, is estopped, when sued for the money by the association, from denying that he was, in fact, a depositor of the association: Bates v. Peoples Assn., 42 O. S. 655.

The fact that the depositor deposits only twenty-five dollars before he borrows money on mortgage and that he draws it out the day after he receives his mortgage, does not render the mortgage invalid: Lockwood v. Robbins, 4 Dec. Rep. 192, I Cleve. L. Rep. 101.

Apparently a manufacturing corporation may become a member of a building and loan company; but in any event having borrowed money from the association, and having received the benefits of the loan, its property will be subject to the lien of the mortgage given to secure such loan: Bank Co. v. Spinning & Stamping Company, 14 O. C. C. 1, 7 O. C. D. 275 [on appeal from Bank v. Spinning & Stamping Co., 6 O. D. (N. P.) 70].

There is a wide difference in the principles which govern the dealings of third persons with a corporation and those which control dealings between a corporation and its depositors, who are also its stockholders and who are familiar with the limitations imposed by its constitution upon the powers of its agents: Sachs v. Building & Loan Assn., 4 O. N. P. 214, 6 O. D. (N. P.) 254.

The rules which govern the dealing between a depositor in a building association, and who is familiar with the limitations imposed by the constitution upon its officers, are different from the rules which govern the dealings between third persons and officers of corporations when such third persons are not aware of any restrictions upon the apparent powers of such officers: Sachs v. Building & Loan Assn., 4 O. N. P. 214, 6 O. D. (N. P.) 254; see, also, Mueller v. Cohen, 11 Dec. Rep. 575, 27 Bull. 358.

One who is not a member of an association and who has not subscribed for shares in an association, does not become a member by making a general deposit; and such depositor is not liable to pay dues or fines, nor can be participate in the dividends: Turner Bauverein v. Woodburn, 11 Dec. Rep. 578, 27 Bull. 409.

One who is not a stockholder, but who has made deposits with the association, is a creditor of the association to the extent of such deposits: Ashbrook v. Building & Saving Co., 8 O. N. P. 246, 11 O. D. (N. P.) 360.

II. DUES.

The payment of stated dues and fines can not be resisted by a member on the ground that the by-laws of the association have not been adopted by a vote of the directors, where it appears that they have been recorded, acted upon, and enforced as the by-laws of the association: Hagerman v. Building Assn., 25 O. S. 186.

After breach of the condition of a mortgage given to secure the payment of stated dues, interest on loans advanced and fines, the decree in an action to foreclose should be confined to the amount of such dues, interest and fines then due and unpaid: Hagerman v. Building Assn., 25 O. S. 186.

Payment of dues upon stock in a building and loan association corresponds to payment of installments upon stock subscriptions in other corporations for profit: Hinman v. Ryan, 3 O. C. C. 529, 2 O. C. D. 305.

If an association becomes insolvent, and, by common agreement, the members cease to pay their dues, a borrowing member who fails to pay his dues is not thereby in default: Hinman v. Ryan, 3 O. C. C. 529, 2 O. C. D. 305.

Not more than one fine can be assessed with reference to default in the same installment of stated dues: Building Assn. v. Gallagher, 25 O. S. 208.

The advancing of money by a building and loan association to its members is not the exercise of banking power: Building Assn. v. Gallagher, 25 O. S. 208.

A building and loan association has power to compromise with a member and release him from further obligation to the corporation, whether the indebtedness arose from a loan or on a subscription for stock. And where the parties to the compromise have acted in good faith, the transaction will not be rescinded because the released member was paid a greater sum of money than he would have received upon a pro rata distribution of the assets of the concern: Wangerien v. Aspell, 47 O. S. 250; see, to the same effect, State v. Loan Assn., 35 O. S. 258; Building & Loan Co. v. Richter; 16 O. C. C. 191, 9 O. C. D. 74.

On the question of dues, see also, Turner Bauverein v. Woodburn, 11 Dec. Rep. 578, 27 Bull. 409.

III. FINES.

Fines cannot be imposed for default in the payment of interest on loans, nor can more than one fine be assessed in respect to the same installment of stated dues: Land & Building Association v. Gallagher, 25 O. S. 208; see, to the same effect, Hagerman v. Building & Savings Association, 25 O. S. 186.

Fines may be assessed and collected only from members of the corporation; but there is no limit as to the amount or occasion except as prescribed in the by-laws of the corporation, and there is no express limitation on the power of the corporation to adopt by-laws. That there are limits, however, beyond which the corporation, by its by-laws, can not go, is undoubted. 1. The amount of the fine must be reasonable. 2. It can be imposed only by way of punishment for some delinquency in the performance of a duty which the members may owe to the corporation by reason of their membership. 3. It is unreasonable, and therefore we may assume that the legislature did not intend that more than one fine should be imposed for the same delinquency: Hagerman v. Building & Savings Association, 25 O. S. 186.

The filing by a building association, mortgagee, of answer and cross-petition in a proceeding brought by an assignee for authority to sell land, is not such an election to forfeit the stock of the member as will estop the association from claiming fines for non-payment of dues accruing after the assignment: Hutchinson v. Straub, 64 O. S. 413.

If the mortgagor makes an assignment for the benefit of his creditors, finds that penalties are to be computed to the time that the mortgage is paid, and not merely to the date of the assignment: Hutchinson v. Straub, 16 O. C. C. 452, 9 O. C. D. 171 (affirmed Hutchinson v. Straub, 64 O. S. 413.)

If a mortgage contains a provision that the mortgagor shall pay thirty dollars as an attorney's fee in case of foreclosure, such fee shall not be collected from a mortgagor who is not in default, the building and loan association having incurred expenses in asserting an invalid claim: Kesting v. Donahue, 13 O. C. C. 653, 6 O. C. D. 262.

On liquidation of a building and loan association, the obligation to pay dues ceases, as well in the case of borrowing members as in the case of non-borrowing members: Building Association v. Fitzgerald, 8 O. N. P. 160, 11 O. D. (N. P.) 133.

Upon a decree for sale the liability of a member for issuing fines ceases, since he is then liable for interest on the amount of the decree: Windish v. Korman, 8 Dec. Rep. 60, 5 Bull. 364 [rule in Building Association v. Flack, 1 C. S. C. R. 468, not followed.]

IV. INTEREST AND PREMIUM.

Interest can not be charged upon the premium: Building Association v. Gallagher, 25 O. S. 208; Risk v. Building Association, 31 O. S. 517.

Under a former statute a premium was usurious if it were not fixed by

competitive bidding and if it brought the total interest above the maximum rate allowed by law: Bates v. Peoples Association, 42 O. S. 655.

Under a former statute a minimum rate for the premium could not be fixed, but the premium had to be determined by competitive bidding: State v. Building Association, 29 O. S. 92; State v. Building Association, 35 O. S. 258.

Under former statutes a building and loan association could charge legal interest, together with the premium for the loan as fixed by competition: Bates v. Savings Association, 42 O. S. 655; State v. Building & Savings Association, 29 O. S. 92; Savings & Loan Association v. Roberts, 5 O. N. P. 86, 5 O. D. (N. P.) 489.

Any amount fixed by competitive bidding may be charged as a premium: Savings & Loan Association v. Roberts, 5 O. N. P. 86, 5 O. D. (N. P.) 489.

The association alone has the right to determine the premium: Savings & Loan Association v. Roberts, 5 O. N. P. 86, 5 O. D. (N. P.) 489.

If the society goes into liquidation, the duty to pay the premium ceases: Building Association v. Fitzgerald, 8 O. N. P. 160, 11 O. D. (N. P.) 133.

The building and loan association can not increase the amount of the weekly installments of premiums to be paid on mortgages already in force unless the constitution and by-laws of such association clearly reserve such right: Burke v. Building Association, 8 Dec. Rep. 341, 7 Bull. 114; see, also, Building Association v. Boning, 6 Dec. Rep. 1149, 10 Am. L. Rec. 626, 7 Bull. 174.

A premium for a loan can not be collected after its maturity: Savings & Loan Association v. Steven, 7 Dec. Rep. 435, 3 Bull. 118.

Revised Statutes Section 3835 contained a provision that a building association, at the end of each year, "shall make a rebate of interest on the amount of dues paid on loans awarded," and it thereby provided that the interest-bearing power of such loans should be reduced year by year as dues are paid in on the shares, and that the interest payable on such loans shall be less year by year as such dues are paid in: Seibel v. Building Association, 43 O. S. 371.

V. EXCESS OVER LEGAL RATE OF INTEREST.

Statutes which exempt building and loan associations from the operating of the general usury laws are constitutioinal and valid: Cramer v. Trust Co., 72 O. S. 395; Spies v. Loan & Trust Co., 4 O. C. C. (N. S.) 103, 14 O. C. D. 40; Building & Loan Assn., v. Desnoyers, 4 O. C. C. (N. S.) 337, 16 O. C. D. 352; Carmichael v. Savings & Loan Co., 15 O. D. (N. P.) 341; Building & Loan Association v. Desnoyers, 4 O. C. C. (N. S.) 337; 16 O. C. D. 352; Building Association v. Boning, 6 Dec. Rep. 1149, 10 Am. L. Rec. 626, 7 Bull. 174. Contra: Mykrantz v. Building & Loan Co., 19 O. C. C. 51, 10 O. C. D. 250, 42 Bull. 330.

Charges in the form of premiums made in compliance with the building and loan statute do not amount to usury, although the amount of such premiums, together with the amount of interest charged, is in excess of the legal rate: Lucas v. Building Association, 22 O. S. 339; Cramer v. Loan & Trust Co., 72 O. S. 395; Savings & Loan Assn. v. Roberts, 5 O. N. P. 86, 5 O. D. (N. P.) 489.

VI. PAYMENTS.

A borrowing member who claims that a loan has been paid has the burden of proving such payment: Sachs v. Building & Loan Assn., 4 O. N. P. 214, 6 O. D. (N. P.) 254.

A shareholder is not entitled to credit for payments except those made in cash at the usual place of business of the association and at the hour fixed by the by-laws for the receipt of dues: Sachs v. Building & Loan Assn., 4 O. N. P. 214, 6 O. D. (N. P.) 254.

If the constitution of the building association provides for payment in legal tender, payment by check is not a valid payment if the secretary converts the proceeds of such check to his own use. The fact that the directors have received checks repeatedly in the past does not operate as an estoppel: Mueller v. Cohen, 11 Dec. Rep. 575, 27 Bull. 353.

A building and loan association has power to compromise with a member and release him from further obligation to the corporation, whether the indebtedness arose from a loan or on a subscription for stock. And where the parties to the compromise have acted in good faith, the transaction will not be rescinded because the released member was paid a greater sum of money than he would have received upon a pro rata distribution of the assets of the concern: Wangerien v. Aspell, 47 O. S. 250.

VII. RECEIVERSHIP.

On the application of the directors of a building association who claim no individual right in its property, the company has no power to place the property of the association in the hands of a receiver without notice to the members of the association: Schone v. Building & Savings Company, 4 O. N. P. 216, 6 O. D. (N. P.) 246.

Withdrawal of Stock Deposits.

SEC. 9651. To permit members to withdraw all or part of their stock deposits, at such times and upon such terms as the constitution and by-laws provide. Any member, however, who withdraws his entire stock deposit, or whose stock has matured, shall be entitled to receive all dues paid in and dividends declared thereon, less all fines or other assessments, and less the pro rata share of all losses, if any have occurred. (99 v. 529-9.)

A building and loan association has no power to withhold from a stockholder money which was due him under the terms of its contract on the ground that it fears he may become insolvent in the future, nor may it set up a counterclaim upon such facts: Jungkuntz v. Building Association, 8 Dec. Rep. 242, 6 Bull. 428.

Withdrawal of Deposits.

SEC. 9652. To permit withdrawal of deposits upon such terms and conditions as the association provides except by check or draft. But no such association shall be permitted to carry for any member or depositor any demand, commercial or checking account. Nothing in this chapter shall prevent members or depositors from withdrawing funds by non-negotiable orders. (99 v. 529-9.)

A building and loan association has power to compromise with a member and to release him from further obligation to the association, whether his indebtedness arises from a loan or upon a subscription for stock: Wangerien v. Aspell, 47 O. S. 250; to the same effect, see State v. Building Association, 35 O. S. 258.

If a building and loan association has agreed that its stock shall mature in a certain specified time, such agreement can not be enforced specifically if the failure of such stock to mature in such time was not the fault of the company, but was due to financial depression: Demland v. Savings & Loan Co., 20 O. C. C. 228, 11 O. C. D. 249.

Under a constitution which provides that members can withdraw only in the order in which they filed their applications to withdraw a loan association may refuse to cancel a mortgage on tender of a withdrawal claim which is not yet due: Ward v. Building & Savings Co., 5 O. N. P. 133, 8 O. D. (N. P.) 489.

Filing notice of withdrawal does not determinate the membership of the person thus filing it. Building Association v. Howell, 39 Bull. 386 (editorial).

A shareholder in the defendant building association made application for withdrawal, and, notwithstanding there were other applications ahead of hers, and that the association was without funds to meet these applications, a warrant was issued for the full amount due her, and a loan was procured from her of a sum equal to the amount of the warrant, the association executing its note for the loan and canceling the warrant. It was held that the action of the association in thus satisfying the claim of such shareholder in advance of unsatisfied prior applications for withdrawal was not ultra vires, for the reason that it was in violation of a by-law only, and not of the fundamental powers of the association, and that, in the absence of proof of knowledge on the part of such shareholder of her agent, that she was being paid out of order, she was not chargeable with constructive knowledge that such was the fact: Pugh v. Building Association, 1 O. N. P. (N. S.) 253, 14 O. D. (N. P.) 50.

That a member may deposit a small sum of money on one day and may draw it out the next, in order to comply with the rule of the company that only depositors can borrow money, see Lockwood v. Robbins, 4 Dec. Rep. 192 (1 Cleve. L. Rep. 101.)

A member of a building and loan association who owns shares in the name of others may withdraw in the same way as if such shares were in his own name; and, if the building and loan association refuses to make such payment, he may maintain an action for money had and received: Building Association v. Henderson, 5 Dec. Rep. 581, 6 Am. L. Rec. 755.

Cancellation.

SEC. 9653. To cancel shares and parts of shares of stock upon which the credits have been withdrawn, or upon which loans have been repaid, and re-issue them as new stock. (99 v. 529-10.)

Building and loan associations may compromise with their members: State v. Building Association, 35 O. S. 258; Wangerien v. Aspell, 47 O. S. 250.

A compromise which is made in good faith will not be regarded as invalid because such member receives a larger amount than he would have received if the assets of the association had been distributed pro rata: Wangerien v. Aspell, 47 O. S. 250.

The "value" of a share in a building association may not be a proper basis for distribution of earnings due such share, but the amount of dues paid on such share and the other credits to the share make such a basis, whether or not a loan has been awarded on such a share: Seibel v. Building Association, 43 O. S. 371.

A former statute (R. S. Sec. 3835, 77 v. 208) did not provide for the cancellation of parts of a loan as year by year dues were paid in on shares, but such loan was to be settled, with such and other credits, when the share was fully paid; and designating the ordinary dues as "dues paid on loans awarded" did not change their nature or application: Seibel v. Building Association, 43 O. S. 371.

A former statute (R. S. Sec. 3835) contained the provision that a building association, at the end of each year, "shall make a rebate of interest on the amount of dues paid on loans awarded," and it thereby provided that the interest-bearing power of such loans should be reduced year by year as dues were paid in on shares, and that the interest payable on such loans should be less year by year as such dues were paid in: Seibel v. Building Association, 43 O. S. 371.

The possibility that there may be a deficiency to which a retiring member may be obliged to contribute subsequently does not justify a building and loan association to withhold any amount due to such a member: Jungkuntz v. Building Association, 8 Dec. Rep. 242, 6 Bull. 428.

An agreement that a retiring member may withdraw the money which he has paid in, with interest at eight per cent, is valid: Jungkuntz v. Building Association, 8 Dec. Rep. 242, 6 Bull. 428.

A compromise with members in violation of the provisions of the constitution is invalid: McKeown v. Building Association, 8 Dec. Rep. 17, 5 Bull. 52.

A building and loan association can not require a withdrawing member to pay the entire amount of his premium as a condition to preparing him to withdraw: Windhorst v. Building Association, 8 Dec. Rep. 286, 7 Bull. 29.

Rules as to Minors.

SEC. 9654. To issue stock to minors and receive deposits thereon and permit both stock and deposits to be withdrawn, transferred, pledged and voted by such minors as other stock and stock deposits; to receive deposits of money by or for minors and to pay them to such minors, or upon their order. The receipt or paid order of such minor, therefor, shall be a valid acquittance of the rights of all concerned. (99 v. 529-11.)

Property, Leasing, Holding Of.

SEC. 9655. To lease, acquire, hold, encumber, convey and rent such real estate and personal property as is necessary for the transaction of its business, or necessary to enforce or protect its securities. (99 v. 529-12.)

A building and loan association may compromise with its members: State v. Building Association, 35 O. S. 258; Wangerien v. Aspell, 47 O. S. 250.

Borrowing Money.

SEC. 9656. To borrow money, not exceeding twenty per cent of the assets, and issue its evidence of indebtedness or other security therefor. (99 v. 530-13.)

Loans.

SEC. 9657. To make loans to members and others on such terms and conditions as may be provided by the association and upon the following securities only:

First. Obligations secured by mortgage or deed of trust on real estate, which mortgages or deeds of trust may be made direct to the association or they may be made to third persons or corporations and pledged by them to the association as collateral. Such obligations shall be the first liens on real estate, but additional loans may be made where the association holds all prior mortgage liens. Nothing herein, however, shall prevent an association organized under this act from accepting additional security other than that herein provided where the primary and principal security is a first mortgage or deed of trust on real estate.

Second. Obligations secured by pledge of stock or of deposits in such association, but such loans shall not exceed either the paid-up value or the withdrawal value of such stock or deposits.

Third. Obligations secured by pledge of any of the securities provided for in section 9660 of the General Code not to exceed, however, ten per cent. of the assets of the association.

Fourth. Building and loan companies that have been making loans primarily on other securities than those named in the above sections continuously since January 1, 1913, are authorized to continue the loaning on such securities.

A building and loan association cannot loan its funds without other or further security than the promissory note of the borrower, no matter how many signers or endorsers there may be to the note.
(Ruling of the Department; supplemented by opinion of the Attorney General.)

I. Loan of money not exercise of banking power.
II. Mortgage.
(a) Power to take.
(b) Special covenants.
(c) Foreclosure.
III. Defenses.
IV. Effect of former statutory provisions.

I. LOAN OF MONEY NOT EXERCISE OF BANKING POWER.

A former statute in some respects similar to those now in force which authorized a building and loan association to receive deposits, was held to be valid and constitutional; and not a statute which authorized an association with banking powers, within the meaning of Article XIII, Section 7, of the constitution of Ohio: Bates v. Savings & Loan Association, 42 O. S. 655.

Loaning money to the members of a building and loan association is not engaging in banking: Dearborn v. Bank, 42 O. S. 617; Building Association v. Gallagher, 25 O. S. 208.

II. MORTGAGE.

(a) *Power to take.* Where a loan is advanced to a member upon his stock, it is within the capacity of the corporation to take security from such member by mortgage or otherwise for the payment of fines, as well as stated dues, which may be lawfully assessed on account of such stock: Hagerman v. Building Association, 25 O. S. 186.

Such corporation, under the act of May 9, 1868, (S. & S. 194), may, by its by-laws, assess and collect a reasonable fine from a member of the association for default in the payment of his stated due, but cannot assess or collect more than one fine for the non-payment of the same stated due; and there is no power conferred upon the corporation to levy, assess or collect a fine for any default in the payment of interest on loans advanced: Hagerman v. Building Association, 25 O. S. 186.

A mortgage may be made security for fines: Hagerman v. Building Association, 25 O. S. 186.

(b) *Special covenants.* A covenant is a mortgage to the effect that the entire loan should become due in case of default of any installment was invalid if the premium was deducted in advance, since the effect of such provision would be to forfeit the entire premium: Hagerman v. Building Association, 25 O. S. 186.

If a mortgage contains a covenant that, upon breach of condition, the whole amount of the par value of the stock should become due and that the mortgage may be foreclosed as security therefor, only the amount of the fines and interest due can be recovered: Hagerman v. Building Association, 25 O. S. 186.

A covenant that, in case of default, the amount to be due is to be ascertained by taking the entire amount of the loan and deducting the credits which are paid in, is invalid, since the borrowing member is thus deprived of his interest in the association: Building Association v. Eggen, 8 Dec. Rep. 114, 5 Bull. 752.

A by-law can not increase an installment to be paid upon the premium under prior contract unless the right to change such prior contracts has been reserved expressly: Burke v. Building Association, 8 Dec. Rep. 341, 7 Bull. 114; Association v. Boning, 6 Dec. Rep. 1149, 10 Am. L. Rec. 626.

If a covenant for the payment of attorney's fees in case of foreclosure is invalid, see Building Association v. McCaffery, 12 O. C. D. 685.

For the validity of a provision fixing the amount due in case of foreclosure, see Building Association v. Leyden, 5 Dec. Rep. 345, 4 Am. L. Rec. 765.

(c) *Foreclosure.* After breach of the condition of a mortgage given to secure the payment of stated dues, interest on loans advanced and fines, the decree in an action to foreclose should be confined to the amount of such dues, interest and fines, then due and unpaid: Hagerman v. Building Association, 25 O. S. 186.

In an action brought by a building association against a member on a mortgage given to secure the payment of weekly dues and the installments of interest on an advanced loan, the taking of the account, preliminary to an order of sale, should be limited to the amount of dues and interest that had accrued at the time of rendering the decree: Risk v. Building Association, 31 O. S. 517.

In demanding the amount due on foreclosure, the dues, together with interest and fines, should be computed up to the date of the decree and not merely to the first day of the term: Windish v. Korman, 8 Dec. Rep. 60, 5 Bull. 364.

In proceeding to foreclose a mortgage given to a building and loan association, an answer which alleges that the association owes to the defendant more than the par value of his stock is sufficient: Building Association v. Tenney, 7 O. N. P. 130, 8 O. D. (N. P.) 391.

Under a covenant to pay the attorney's fee in case of foreclosure, the attorney's fee cannot be recovered if the mortgage debt is not due or in default, and if the building and loan association has incurred expenses in asserting an unfounded claim: Kesting v. Donahue, 13 O. C. C. 653, 6 O. C. D. 262.

Any amount which a building and loan association is required to pay as attorney's fees in foreclosure proceedings should be paid out of the earnings as all ordinary expenses incurred by the association are paid, and should not be charged against the reserve fund.

(Ruling of the Department, supplemented by opinion of the Attorney General.)

III. DEFENSES.

For the determination of the amount due upon a building and loan association mortgage and for distribution, see, also, Building Association v. Mueller, 8 Dec. Rep. 469, 8 Bull. 97; Building Association v. O'Connor, 6 Dec. Rep. 1012, 9 Am. L. Rec. 486, 5 Bull. 853.

One who has borrowed money from a building and loan association cannot set up as a defense of a suit in foreclosure the fact that the articles of incorporation were not acknowledged before an officer authorized by statute to take such acknowledgment; Lucas v. Building Association, 22 O. S. 339.

The fact that a member of such corporation holds a greater number of shares than is allowed by its by-laws, but not in excess of the number limited by the statute, is no defense against any claim which the corporation may have against him on account of such shares: Hagerman v. Building Association, 25 O. S. 186.

Building corporations are not required to ascertain the use to which a member who obtains a loan on his stock intends to apply the money: Hagerman v. Building Association, 25 O. S. 186.

Such corporation is not authorized to use its funds in making loans to members or depositors upon their promissory notes, at a rate greater than the legal rate of interest, in addition to the premium bid for the right of precedence, or in purchasing or discounting notes from such members or depositors at usurious rates of interest, or to use its funds in loaning the same to and in purchasing and discounting notes from persons other than its members or depositors upon any terms: State ex rel., v. Building Association, 29 O. S. 92.

A member who, with full knowledge of the facts of his contract with the building and loan association, under a rule for which there is no longer legal authority, is estopped from denying the validity of such rule: Ruehlman v. Building Association, 6 O. C. C. 285, 3 O. C. D. 456.

If a building and loan association agrees to loan money secured by mortgage, such money to be advanced to contractors who are constructing the building upon orders of the owner, such company must comply with the orders of the owner; and if it pays money in violation of his order, such company cannot receive credit for such payment: Kesting v. Donahue, 13 O. C. C. 653, 6 O. C. D. 262 [appeal from Kesting v. Donahue, 2 O. D. (N. P.) 567].

IV. EFFECT OF FORMER STATUTORY PROVISIONS.

Under former statutes a building and loan association is not authorized to refuse a loan to a member who paid the highest premium at competitive bidding: State v. Building Association, 29 O. S. 92.

Cancellation of Loan.

SEC. 9658. To cancel such loans and release the securities on such terms as the board of directors may provide. (As amended March 9, 1923.)

Canceled certificates should be preserved in the files with other papers of the association in such manner as to be readily accessible. (Ruling of the Department.)

A building and loan association is without authority to deduct mortgage credits for the purpose of paying fixed charges.

Where a building association provides by its by-laws that in case a shareholder who has received a loan shall die, "his or her heirs or legal representatives may return the same to the association," and receive from the association the value of the stock of the decedent as the same was assessed at the annual meeting of the association immediately preceding his decease or continue to pay the interest and monthly dues, and become in all respects a member of the association until the same shall terminate, it was held that if the heirs or legal representatives of the deceased shareholder elect to return the loan, the amount to be returned was the money actually received plus the premium bid for precedence: Loan Association v. Bebout, 29 O. S. 252.

Such corporations, acting in good faith and reasonably, may compromise with a member and release him from further obligation to the corporation, whether the indebtedness be for a loan or on subscription: State v. Loan Association, 35 O. S. 258.

Section 3835 of the Revised Statutes, as amended April 15, 1880, (77 O. L. 208), did not provide for the cancellation of parts of a loan as year by year dues are paid in on shares, but such loan is to be settled, with such dues and other credits, when the share is fully paid; and designating the ordinary dues as "dues paid on loans awarded" did not change their nature or application: Seibel v. Loan Association, 43 O. S., 371 [for opinion below, see Seibel v. Building Association, 9 Dec. Rep. 422, 13 Bull. 265].

One who acquiesced for seven years in semi-annual settlement, and then remained silent for another six years after the final settlement with him, and until the membership in the association had changed and it no longer had control of the earnings thus distributed, is estopped from demanding an accounting for any larger share of the profits of the association than was received by him in due course: Metz v. Loan Association, 19 O. D. (N. P.) 161, 6 O. L. R. 418.

For question of distribution, see, also, Building Association v. Flach, 13 Dec. Rep. 665, 1 C. S. C. R. 468.

Reserve and Undivided Profit Fund.

SEC. 9659. To accumulate from the earnings a "reserve fund" for the payment of contingent losses, and an "undivided profit fund," both of which may be loaned and invested as other funds of the association. (99 v. 530-16.)

Idle Funds, How Invested.

SEC. 9660. To invest any of its idle funds, or any parts thereof, in bonds or interest-bearing obligations of the United States, or of the District of Columbia, or of the State of Ohio, or of any county, township, school district, or other political division in the State of Ohio, or of any incorporated city or village, in the State of Ohio; and in such other securities as now are or hereafter may be accepted by the United States to secure government deposits in national banks. But such investments at no time shall amount in the aggregate to more than twenty per cent of the assets of such corporation. (99 v. 530-16.)

May Deposit Idle Funds.

SEC. 9661. To deposit any of such funds or part thereof, in any financial institution that is subject to inspection by the United States,

or by the State of Ohio; and receive therefor certificates of deposit. (99 v. 530-16.)

Purchase and Sale of Interest-bearing Obligations.

SEC. 9662. To buy but not to sell except with the written consent previously granted by the superintendent of building and loan associations interest bearing obligations secured by real estate mortgages, which shall in all respects comply with, and be within the rules adopted for making mortgage loans by the corporation making such investments. Such mortgage investments may be held and reported as mortgage loans. (As amended March 9, 1923.)

Distribution of Earnings.

SEC. 9663. To make such annual or semi-annual distribution of the earnings as is hereinafter provided, and as the constitution and by-laws may prescribe. (99 v. 530-17.)

The "value" of a share in a building association may not be a proper basis for distribution of earnings due such share, but the amount of dues paid on such share and the other credits to the share make such basis, whether or not a loan has been awarded on such a share: Seibel v. Building Association, 43 O. S. 371.

A member of an association has a right to his pro rata proportion of the accumulations of the association: Eversmann v. Schmitt, 11 Dec. Rep. 9, 24 Bull. 56.

For the effect of former legislation on the rights of borrowing members, see Deiringer v. Building Association, 2 O. D. (N. P.) 548 [affirmed, without report, Deiringer v. Building Association, 36 Bull. 328; Turner Bauverein v. Woodburn, 11 Dec. Rep. 578, 27 Bull. 409].

Certificate of Increase, Decrease, etc., Where Filed.

SEC. 9664. To increase or decrease its authorized capital or the face value of its shares, or change the name of the corporation by a majority vote of its board of directors. A certificate of such action shall be made by the president and secretary, and duly filed with the secretary of state, after which in the use of the changed stock and changed name, all rights of all parties shall remain the same as before such change was made. (99 v. 530-18.)

Dissolution.

SEC. 9665. To dissolve the corporation when by a majority vote of the stock entitled to be voted under its constitution and by-laws, which shall be consistent with the provisions of section ninety-six hundred and forty-nine, its continuance is deemed to be no longer desirable, but subject to the contract rights of its borrowers, and the vested rights of its members. (99 v. 531-19.)

But as to dissolution, see Section 693. See also Sections 11972 and 11973.
If the association is insolvent and payment of dues is stopped by mutual consent, a borrowing member who ceases to pay dues is not in default: Hinman v. Ryan, 3 O. C. C. 529, 2 O. C. D. 305.

While proceedings to wind up the affairs of a building and loan association are pending, interest continues, but not dues: Hinman v. Ryan, 3 O. C. C. 529, 2 O. C. D. 305.

After dissolution of a building and loan association the directors still have power to dispose of the assets of the association in order to pay its debts and to distribute the proceeds among its members: Roth v. Loan Co., 13 O. D. (N. P.) 154.

If certain of the directors of a building and loan association agree to dissolution and purchase the assets at a certain price which is a reasonable value thereof, a stockholder who knows the facts at the time and acquiesces in the transaction, can not thereafter attack the transaction as fraudulent: Roth v. Loan Co., 13 O. D. (N. P.) 154.

Neither a stockholder nor a creditor can obtain an injunction by reason of illegal or fraudulent acts upon the part of the directors unless a repetition thereof is threatened: Building Co. v. Rehn, 6 O. N. P. 185, 8 O. D. (N. P.) 594.

Amendment of Articles.

SEC. 9666. To amend its articles of incorporation and its constitution and to increase or decrease the number of its directors by complying with all the requirements provided in its own constitution for the amendment thereof. The other officers of such corporation shall be such as its constitution and by-laws provide. (As amended March 9, 1923.)

When an action is brought by stockholders in a building and loan association against such association and its assignee for the benefit of creditors, to set aside the deed of assignment for fraud or want of power to make the deed, a settlement between the association and its assignee satisfactory to both will not be a settlement as against the complaining stockholders unless they consent to the same: Savings Association v. Jones, 64 O. S. 147.

The filing by a building association, mortgagee, of answer and cross-petition in a proceeding brought by an assignee for authority to sell land, is not such an election to forfeit the stock of the member as will estop the association from claiming fines for non-payment of dues accruing after the assignment: Hutchinson v. Straub, 64 O. S. 413.

A borrowing member of a building association, working under a constitution which provided for amendments and in force at the time of the enactment of the Kuehnert law (83 v. 116), is bound by any amendment providing that interest should be charged only on the amount remaining due at the beginning of each year, and dividends paid only on the amount paid in during the current year. Metz v. Loan Co., 19 O. D. (N. P.) 161, 6 O. L. R. 418.

A member who borrows money under rules which have been changed by statute cannot attack the validity of such rule: Ruehlman v. Building Association, 6 O. C. C. 285, 3 O. C. D. 456.

Under a constitutional provision to the effect that a certain article can not be amended, amendment thereto can be made only by unanimous vote of the members: McKeown v. Building Association, 8 Dec. Rep. 17, 5 Bull. 52.

Constitution and By-Laws.

SEC. 9667. To provide, by constitution adopted by its members, and by-laws adopted by its board of directors, for the proper exercise of the powers herein granted, and the conduct and management of its affairs. (99 v. 531-21.)

The fact that by-laws appear upon records of a building and loan association and that they are regarded by all the members as valid and binding, is sufficient without proof of their formal adoption: Hagerman v. Building Association, 25 O. S. 186.

Where a building association provides by its by-laws that, in case a shareholder wh ohas received a loan shall die, "his or her heirs or legal representatives may return the same to the association" and receive from the association the value of the stock of the decedent as the same was assessed at the annual meeting of the association immediately preceding his decease, or continue to pay the interest and monthly dues and become in all respects a member of the association until the same shall terminate, it was held that if the heirs or legal representatives of the deceased shareholder elect in return the loan, the amount to be returned was the money actually received plus the premium bid for precedence: Building Association v. Bebout, 39 O. S. 252.

Like other corporations, a building and loan association has power to amend its constitution and by-laws; a failure to make provision therefor does not prevent the power from existing: Wangerein v. Aspell, 47 O. S. 250.

An amendment to the constitution can not increase the liabilities of the borrowing members whose obligations were incurred before such amendment, unless the power to modify such obligations was received when the loan was made: Betz v. Building Association, 1 O. N. P. 42, 1 O. D. (N. P.) 58; see, also, on this question, Wyatt v. Building Co., 12 O. D. (N. P.) 586.

A building and loan association may modify its constitution so as to provide for an attorney: Building Co. v. Kuehnert, 7 O. N. P. 264, 6 O. D. (N. P.) 502.

Other Powers.

SEC. 9668. To have all such other powers as are necessary and proper to enable such corporation to carry out the purpose of its organization. (99 v. 531-22.)

A building and loan association has no power to purchase land on credit in order to distribute it among its members, and negotiable notes given in payment thereof are void unless in the hands of bonafide holders: Vos. v. Building Association, 8 Dec. Rep. 682, 9 Bull. 194.

Banks, Designation of, to Receive Funds.

SEC. 9669. The board of directors shall designate a bank or banks, in which it shall cause the funds of such corporation to be deposited in its name. Such funds when so deposited, can be withdrawn only in such manner and for such purpose as is provided in the constitution and by-laws and authorized by law. Provided, however, the directors may designate a sum to be kept in the offices of such association for the transaction of current business.

Under a former statute (Bates, Sec. 3836-4) the secretary had no authority to withdraw funds; and his power over the funds was exhausted when he had deposited them properly: Trustees v. Deposit Co. 76 O. S. 253.

Bond of Officers.

SEC. 9670. All bank books showing such deposits shall be open to the inspection of any director at any time. All officers and employes of building and loan associations having control of or access to moneys or securities of such association in the regular discharge

of their duties before entering upon their duties, shall give bond with two or more responsible freeholders or a surety company qualified to transact business in the state of Ohio, as surety thereon; such bond shall guarantee the faithful performance of duty on the part of said officers or employes, and the safekeeping and proper application of all moneys or property coming into their hands. All officers of such corporation on being re-elected to office shall renew their bonds. The amount and form of said bond and sufficiency of the surety thereon shall be approved by the board of directors, which form shall be substantially that prescribed by the superintendent of building and loan associations. If the sureties on such bonds are individuals, then each individual signing such bond shall make oath that he is the owner in fee simple and unincumbered real estate, the actual value of which is not less than double the amount of such bond. Directors of building and loan associations to which bond is given shall not be eligible as bondsmen on such bonds but shall be individually liable for any loss to members, caused by their neglect to comply with the provisions of this section or any other provisions of law prescribing their duties, or the duties imposed upon them by the constitution and by-laws of such association, and the superintendent of building and loan associations may at any time require additional bond or security when, in his opinion, any such bond then in force is insufficient. (As amended March 9, 1923.)

This would include entering into of sufficient bonds by the president and vice-president of an association. (Ruling of the Department.)

The bond of each officer required to be bonded should be signed by at least two sufficient sureties or by a surety company authorized under the laws of Ohio to transact business in this State. (Ruling of the Department.)

Whether it was the intention of the party signing the instrument to adopt the seal of another is a question of fact for the jury, the burden being on the plaintiff to prove that the party adopted the seal or scroll: Building Association v. Cummins, 45 O. S. 664.

Two or more persons who sign a bond may adopt the same seal: Building Association v. Cummins, 45 O. S. 664.

A surety upon the bond of an officer is liable only for his acts within the direct scope of his duties as such officer: Trustees v. Deposit Co., 76 O. S. 253 [affirming Livingston v. Deposit Co., 7 O. C. C. (N. S.) 66, 17 O. C. D. 662].

An attorney of a building and loan association is not an officer thereof, and his bond is not an official bond in the ordinary sense of the term: Building v. Kuehnert, 7 O. N. P. 264, 6 O. D. (N. P.) 502.

As to the extent of the liability of surety upon the bond of an attorney for a building and loan association, see Building Co. v. Kuehnert, 7 O. N. P. 264, 6 O. D. (N. P.) 502.

Reserve Fund.

SEC. 9671. The amount to be set aside to the reserve fund, for the payment of contingent losses shall be determined by the board of directors, but in all permanent or perpetual associations, at least

five per cent of the net earnings shall be set aside each year to such fund until it reaches at least five per cent of the total assets. All losses shall be paid out of such fund until it is exhausted. When the amount in such fund falls below five per cent of the assets as aforesaid, it shall be replenished by annual appropriations of at least five per cent of the net earnings as hereinbefore provided until it again reaches such amount. (99 v. 531-24.)

Charges made from the reserve fund should show, in each instance, for what purposes they are made. (Ruling of the Department.)

Any amount which a building and loan association is required to pay as attorney's fees in foreclosure proceedings should be paid out of the earnings as all ordinary expenses incurred by the association are paid, and should not be charged against the reserve fund. (Ruling of the Department, supplemented by opinion of the Attorney General.)

A reserve fund belongs to the members of the association in proportion to their interests, whether they are borrowers or not: Seibel v. Building Association, 43 O. S. 371.

Expenses, How Paid.

SEC. 9672. All expenses of such association shall be paid out of the earnings only, and so much of the earnings as may be necessary must be set aside each year for such purpose. But charges incident to a loan, if paid by the borrower, shall not be deemed a part of the current expenses. (99 v. 532-25.)

Dividends.

SEC. 9673. After payment of expenses and interest, a portion of the earnings to be determined by the board of directors, annually or semi-annually, shall also be placed in the reserve fund for the payment of contingent losses, as hereinbefore provided, and a further portion of such earnings to be determined by the board of directors, shall be transferred as a dividend annually or semi-annually, in such proportion to the credit of all members as the corporation by its constitution and by-laws provides, to be paid to them at such time and in such manner in conformity with this chapter as the corporation by its constitution and by-laws provides. Any residue of such earnings may be held as undivided profits to be used as other earnings, except that such undivided profit fund at no time shall exceed three per cent of the total assets of the association. (99 v. 532-25.)

The members of an association are equally entitled to dividends, whether they are borrowing members or not: Seibel v. Building Association, 43 O. S. 371 [for opinion below, see Seibel v. Building Association, 9 Dec. Rep. 422, 13 Bull. 265]; see, to the same effect, Richter v. Loan Co., 4 O. N. P. 97, 6 O. D. (N. P.) 95.

A borrowing member who knows the custom of a building and loan association with reference to declaring dividends and who receives them for a long period of time in accordance with such custom, can not, after a further lapse of time, demand that the dividends for such previous period be readjusted upon a different basis: Ruehlman v. Building Association, 6 O. C. C. 285, 3 O. C. D. 456: Deiringer v. Building Association, 2 O. D. (N. P.) 543 [affirmed, without report, Deiringer v. Building Association, 36 Bull. 328].

As to the method of computing dividends under former statutes, see, also, Building Association v. Vogeler, 7 O. N. P. 605, 5 O. D. (N. P.) 581; Deiringer v. Building Association, 2 O. D. (N. P.) 543 [affirmed, without report, Deiringer v. Building Association, 36 Bull. 328]; Turner Bauverein v. Woodburn, 11 Dec. Rep. 578, 27 Bull. 409.

Losses.

SEC. 9674. All losses shall be assessed in the same proportion and manner on all members after the amounts in the reserve fund and the undivided profit fund have been applied to the payment thereof. (99 v. 532-25.)

The members of a building association, whether borrowers or non-borrowers, have a mutual interest in its affairs; and, sharing alike in its earnings, must assist alike in bearing its losses: Eversmann v. Schmitt, 53 O. S. 174.

A borrowing member is one who receives in advance the par value of his shares, and agrees, in consideration of such advance, to pay the weekly dues on the shares and the interest on the loan until the dues paid and the dividend declared and not paid, are equal to the par value of his shares. He then ceases to be a member and is entitled to a cancellation of the mortgage given to secure the obligations arising from the loan: Eversmann v. Schmitt, 53 O. S. 174.

The mortgage executed by a borrowing member of a building association contained, among other conditions, a stipulation for the payment of such "assessments" as might be levied on him as a member. Losses occurred, and the association became insolvent, whereupon a receiver was appointed to wind up its affairs, who ascertained a "shortage" in the assets and made a pro rata assessment on the members to meet the same. It was held that an assessment for such purpose was within the above stipulation of the mortgage, and that the member was not entitled to its cancellation until paid. It was held further that, in such case, the receiver was the proper person to ascertain the amount of the losses and make an assessment on the members to meet the same: Eversmann v. Schmitt, 53 O. S. 174; see, to the same effect, Demland v. Loan Association, 20 O. C. C. 223, 11 O. C. D. 249.

A rule which restricts the liability of members to the amount which stands upon the books of the association is invalid: Loan Co. v. Richter, 16 O. C. C. 191, 9 O. C. D. 74, see, also, Loan Co. v. Ashbrook, 8 O. N. P. 246, 12 O. D. (N. P.) 10.

A member of a building association can not, by filing a notice of withdrawal, whether first or last on the list, escape his share of the losses sustained by the association by reason of the depreciation of its mortgage securities sustained at the time his withdrawal was filed with the company: Vincent v. Deposit Co., 5 O. N. P. 273, 7 O. D. (N. P.) 353.

A provision in a mortgage to the effect that dues are to be paid until the mortgage loan is repaid is binding, although the stock is to be paid in a shorter period of time: Haynes v. Building Association, 2 O. N. P. 181, 3 O. D. (N. P.) 228.

For the liability of members of a building and loan association in case of insolvency, see also, In re Building Association, 7 O. N. P. 518, 5 O. D. (N. P.) 556.

Listing of Shares for Taxation.

SEC. 9675. The shares and loans advanced to its members shall be exempt from taxation except that shares of stock upon which no

loans have been made or money advanced by the company, shall be considered and held as credits. The members individually shall list for taxation the number of shares held by them, and the true value thereof in money, on the day preceding the second Monday in April each year, and they shall be assessed at such valuation for taxation and taxes as other property. (99 v. 532-26.)

A building and loan association advancing or paying taxes on real estate securities mortgaged to it should first examine carefully the provisions of the following sections of the General Code of Ohio.

Section 5681. Each person holding lands shall pay the tax assessed thereon each year, but an agent or attorney shall not be required to pay such taxes, unless sufficient money of his principal is in his hands to pay them. (R. S. Sec. 2847.)

Section 5682. Each person owning lands, may authorize or consent to the payment by another, of the taxes levied upon such lands. A person so paying such taxes shall first obtain from the owner or owners of such lands a certificate of authority to pay them, signed in the presence of two witnesses, and acknowledged before an officer authorized to administer oaths. Such certificate shall contain an accurate description of the property as shown by the tax duplicate, the amount of the taxes levied thereon, the year for which they were levied, the name of the person authorized to pay them, and the date of the payment thereof. (R. S. Sec. 2847.)

Section 5683. The person so paying such taxes, within ten days from the date of the payment thereof, shall file such certificate in the office of the county recorder for record. When the certificate has been filed the amount thereof with interest at eight per cent. per annum from the date of the payment of such tax, shall become a lien upon such real estate in preference to all liens thereafter attaching to the property and in preference to all pre-existing liens the holders of which have executed and acknowledged such certificate of authority. The money so paid, with the interest thereon, may be recovered by action for money paid to his use against the person legally liable for the payment of the tax. Such action may be brought by the person so paying the tax, at any time after the expiration of one year from the date of the payment thereof. The certificate, so filed with the recorder, shall be recorded and cancelled, in like manner as mortgages on real estate, in a book to be separately kept and indexed by him for that purpose, and the recorder shall receive such fees as are prescribed by law for recording real estate mortgages. (R. S. Sec. 2847.)

Inspection

DEPARTMENT OF BUILDING AND LOAN ASSOCIATION.

GENERAL CODE SECTION	
674	Inspector of building and loan associations.
675	Bond, oath and approval.
676	Duties of inspector.
677	Deputies.
677-1	Salary of inspector.
677-2	Salaries of deputies, assistants, etc.
677-3	Expenses.
677-4	Expenses.
677-5	Seal.
677-6	All instruments sealed with the seal, received in evidence.
677-7	Place of office.
678	Requirements from foreign associations.
679	Certificate of authority to do business.
680	Collection of interest and exchange of securities.
681	Securities liable for claimants.
682	Annual report.
683	Form of report.
684	Annual examination.
685	Expenses of examination.
686	Revocation of charter for illegal practices.
687	Dissolution if condition unsound.
688	Powers of examiners.
689	Inspector may publish result.
690	May cancel authority of foreign association.
691	Fees to be paid to inspector.
692	Securities to be deposited with treasurer of State.
693	Dissolution or consolidation of building and loan associations.
694	Forfeiture for noncompliance.
695	Building and loan annual report.
12472	Embezzlement by officer of building and loan associations.
13188	Signing name to order without authority.
13189	Declaring dividend greater than earned.
13190	False entry in book, etc.
13191	Aiding officer to violate preceding sections.
13192	Failing to make reports, etc.
13193	Liability on bond.
11972	Directors may appoint trustees.
11973	Removal and duties of trustees.
8724	Dividends to be paid from surplus profits only.
8725	Unpaid interest not profits.
8726	How profits ascertained.
8727	What advertisements prohibited.
8728	Liability for violation.
8627	General powers.
8686	Liability of stockholders.
8687	Corporations created subsequent to November 23, 1908.
8688	Limitation of action to enforce liability.

Inspector of Building and Loan Associations.

SEC. 674. The governor with the advice and consent of the senate, shall appoint an inspector of building and loan associations, who shall serve for a term of three years. No such inspector of building and loan associations shall have any official connection with a building and loan association, or be interested in the business thereof, except as a stockholder. (103 v. 181-1.)

Bond, Oath and Approval.

SEC. 675. Before entering upon the discharge of the duties of his office the inspector of building and loan associations shall give a bond to the State in the sum of ten thousand dollars with two or more sureties or with a surety company authorized to do business in the State of Ohio, approved by the governor, conditioned for the faithful discharge of the duties of his office. Such bond, with the approval of the governor and the oath of office endorsed thereon,

shall be deposited with the secretary of state and kept in his office. (103 v. 181-2.)

Duties of Inspector.

SEC. 676. The inspector of building and loan associations shall see that the laws relating to building and loan associations are duly executed and enforced. When a violation of a law relating to building and loan associations is reported to him he shall take, or cause to be taken, the testimony, under oath, of any and all persons supposed to have any knowledge of such violation, and cause such testimony to be reduced to writing. If he be of the opinion that there is sufficient evidence, he shall cause the person suspected of such violation to be arrested and charged with such offense, and shall furnish the attorney general or the proper prosecuting attorney with the information obtained by him, the names of the witnesses and a copy of all material testimony taken in the case. (103 v. 181-3.)

Deputies.

SEC. 677. The superintendent of building and loan associations may employ from time to time, subject to the provisions of the civil service laws, the necessary deputies, assistants, clerks and examiners, to assist him in the discharge of the duties imposed upon him by law. He may remove any such deputy, assistant, clerk or examiner at any time, subject to the provisions of the civil service laws. He shall require from each deputy, assistant, clerk and examiner appointed by him, a bond of a surety company for the faithful discharge of his duties, in such an amount as he may deem proper, but not less than five thousand dollars ($5,000.00) in any case, the premium thereon to be paid by the superintendent of building and loan associations from funds appropriated for that purpose. All bonds so given shall be deposited with the secretary of state to be kept in his office. (As amended March 9, 1923.)

Salary of Inspector.

SEC. 677-1. The salary of the inspector of building and loan associations shall be three thousand six hundred dollars per annum, and shall be paid at the same time as the heads of other state departments. (103 v. 182-5.)

Salaries of Deputies, Assistants, etc.

SEC. 677-2. The superintendent of building and loan associations shall fix the salaries and prescribe the duties of the deputies, as-

sistants, clerks, and examiners. Salaries of deputies and examiners shall be not more than $2,700.00 per annum, and salaries of clerks and assistants not more than $1,800.00 per annum to be determined upon a graduated scale based upon qualifications and length of service. Upon vouchers approved by the superintendent of building and loan associations, such salaries shall be paid by the treasurer of state, upon warrant of the auditor of state. (As amended March 9, 1923.)

(Sec. 2. Act of March 9, 1923.) Whoever, being the superintendent of building and loan associations, a deputy, assistant or clerk in his employ or an examiner, fails to keep secret the facts and information obtained in the course of an examination, or by reason of his official position, except when the public duty of such officer requires him to report upon or take official action regarding the affairs of the association so examined, or wilfully makes a false official report as to the condition of such association, shall be removed from office and shall be fined not more than five hundred dollars or, imprisoned in the penitentiary not less than one year nor more than five years, or both. Nothing in this section shall prevent the proper exchange of information relating to building and loan associations and the business thereof, with the representatives of building and loan departments of other states, but in no case shall the private business or affairs of any individual, association or company be disclosed. Any official, violating any provision of this section, in addition to the penalties therein provided shall be liable, with his bondsmen, in damages to the person or corporation injured by the disclosure of such secrets.

Expenses.

SEC. 677-3. The actual and necessary traveling expenses of the inspector of building and loan associations, and of the deputies, assistants, clerks and examiners, incurred in the discharge of their official duties shall be paid monthly by the treasurer of state, upon the warrant of the auditor of state. Vouchers therefor shall be fully itemized, approved by the inspector of building and loan associations, and countersigned by the auditor of state. (103 v. 182-7.)

SEC. 677-4. All expenses incurred by the inspector of building and loan associations, in the performance of the duties imposed upon him by law, including the salary of such inspector, his deputies, assistants, clerks, and examiners, shall be paid from funds appropriated therefor. (103 v. 182-8.)

Seal.

SEC. 677-5. The seal of the inspector of building and loan associations shall be one and three-fourths inches in diameter, shall have engraved thereon the coat of arms of the state, and shall be surrounded by the words, "Inspector of Building and Loan Associations of Ohio." (103 v. 182-9.)

All Instruments Sealed With the Seal, Received in Evidence.

SEC. 677-6. Every certificate or other instrument executed, or order made, by the inspector of building and loan associations, in pursuance of any authority conferred upon him by law, and sealed with the seal of his office, or copies thereof duly authenticated under such seal, shall be received in evidence in all courts of this state. (103 v. 182-10.)

Place of Office.

SEC. 677-7. The inspector of building and loan associations shall be furnished by the State with suitable rooms, at the seat of the government, for conducting the business of his office. (103 v. 182-11.)

FOREIGN ASSOCIATIONS.

Requirements from Foreign Associations.

SEC. 678. Foreign building and loan associations doing business in this State shall conduct such business in accordance with the laws governing domestic associations. No foreign building and loan association shall do business in Ohio until it procures from the inspector of building and loan associations a certificate of authority to do business in this State after complying with the following provisions:

1. It shall deposit with the inspector one hundred thousand dollars, in cash or bonds of the United States or this State, or of a county or municipal corporation therein, satisfactory to the inspector.

2. It shall file with the inspector a certified copy of its charter, constitution and by-laws, and other rules and regulations showing its manner of conducting business, together with a statement such as is required annually from all associations.

3. It shall also file with the inspector a written instrument, duly executed, agreeing that a summons may issue against it from any county in this State directed to the sheriff of the county in which the office of inspector is situated, commanding him to serve it by certified copy personally upon the inspector or by leaving a copy

thereof at his office. The inspector shall mail a copy of any papers served on him to the home office of such association. (99 v. 533-31.)

Certificate of Authority to Do Business.

SEC. 679. When a foreign building and loan association has complied with the provisions of the preceding section, and the inspector is satisfied that it is doing business according to the laws of Ohio and is in sound financial condition, he shall issue his certificate of authority to the association to do business in this State. Annually thereafter, upon filing the annual statement herein provided for, if the inspector is satisfied as herein provided, he shall issue a renewal of such certificate. (99 v. 533-32.)

Collection of Interest and Exchange of Securities.

SEC. 680. A foreign building and loan association may collect and use the interest on securities deposited as provided by law so long as it fulfills its obligations and complies with the laws of this State. It may also exchange them for other securities of equal value satisfactory to the inspector. (99 v. 534-33.)

Securities Liable for Claimants.

SEC. 681. The deposit made by a foreign building and loan association with the inspector of building and loan associations shall be held as a security for all claims of residents of this State against such association, and be liable for all judgments or decrees thereon, and subjected to the payment thereof in the same manner as the property of other non-residents. Should an association cease to do business in this State, the inspector may release securities in his discretion, retaining sufficient to satisfy all outstanding liabilities. (99 v. 534-34.)

See also Section 178. of the General Code of Ohio.

ANNUAL REPORTS OF ASSOCIATIONS.

Annual Report.

SEC. 682. Every building and loan association doing business in this state, annually at the end of each fiscal year or within forty days thereafter shall make a full and detailed report in writing of the affairs and business of the association for the preceding year, showing its financial condition at the end thereof. (As amended March 9, 1923.)

Form of Report.

SEC. 683. The report required in the preceding section shall be in such form and contain such information as is prescribed by the superintendent of building and loan associations. It shall be sworn to by the secretary and its correctness attested by at least three directors or an auditing committee appointed by the board. The original shall be filed with the superintendent of building and loan associations within forty days after the close of the fiscal year. Such an abstract thereof as the superintendent requires shall be posted for sixty days in the office or meeting place of such association and a statement of assets and liabilities shall be published in a newspaper or periodical, regularly issued and of general circulation in the county in which such association is located. Where an association is in process of liquidation the liquidating officer or officers shall make all reports to the superintendent of building and loan associations that are required by law from solvent associations. (As amended March 9, 1923.)

EXAMINATION OF ASSOCIATIONS.

Annual Examination.

SEC. 684. At least once each year the inspector of building and loan associations shall make an examination into the affairs of each such association, or cause it to be made by a person appointed by him for that purpose. (99 v. 534-37.)

Expenses of Examination.

SEC. 685. The expenses of all examinations shall be paid by this State, except that when, by the laws of any other State, district, territory or nation, examinations of such associations of this State are required or permitted to be made by any official or other authority of such other State, district, territory or nation at the expense of such associations, then the expenses of all such examinations made by the inspector of this State, of such associations of that State, district, territory or nation, must be respectively charged to and collected from such associations so examined. (99 v. 534-37.)

Revocation of Charter for Illegal Practices.

SEC. 686. If upon examination, the inspector of building and loan associations finds any domestic association conducting its business in whole or part contrary to law, or failing to comply therewith, he shall notify the board of directors of such association of such fact

in writing. If, after thirty days, such illegal practices or failure continue, he shall communicate the facts to the attorney general, who shall cause proceedings to be instituted in the proper court to revoke the charter of such association. (99 v. 535-38.)

Dissolution if Condition Unsound.

SEC. 687. If, upon examination, the inspector of building and loan associations finds that the affairs of a domestic building and loan association are in an unsound condition, and that the interest of the public demands its dissolution and the winding up of its business, he shall so report to the attorney general, who shall institute the proper procedings for that purpose. (99 v. 535-39.)

Powers of Examiners.

SEC. 688. An examiner appointed by the inspector of building and loan associations under the provisions herein relating to such associations, shall have access to and may compel the production of all books, papers, securities, moneys and other property of an association under examination. He may administer oaths to, and examine the officers and agents of such association as to its affairs. (99 v. 535-40.)

Inspector May Publish Result.

SEC. 689. If the inspector of building and loan associations deems it to the interest of the public, he may publish the results of such examination in a newspaper of general circulation in the county in which such association is located, if it is a domestic association, and in some newspaper in the city of Columbus if it is a foreign association. (99 v. 535-41.)

May Cancel Authority of Foreign Association.

SEC. 690. If upon examination the inspector of building and loan associations finds that a foreign association does not conduct its business in accordance with law, or that its affairs are in an unsound condition, or if it refuses to permit an examination to be made, he may cancel its authority to do business in this State, and cause a notice thereof to be mailed to the home office of the association and published in at least one newspaper published in the city of Columbus. After the publication of such notice no such association or agent thereof shall receive further stock deposits from members residing in this State, except payments on stock on which a loan has been taken. (99 v. 535-42.)

FEES.

Fees to Be Paid to Inspector.

SEC. 691. Foreign building and loan associations shall pay to the superintendent of building and loan associations the following fees:

For filing an application for admission to do business in this state, five hundred dollars.

For each certificate of authority and annual renewal thereof, two hundred dollars.

Every building and loan association doing business in this state, whether foreign or domestic, shall pay to the superintendent of building and loan associations, for filing each annual report, at the time said annual report is filed, the sum of ten dollars, and in addition thereto, one-eightieth of one per cent. of its assets, as shown in such report unless omitted as hereinafter provided. All such fees collected shall be paid into the state treasury to the credit of a fund for the use of the department of building and loan associations, and shall be used upon the order of the superintendent of building and loan associations, and shall not be used or paid out or appropriated for any other use.

In any year when in the opinion of the superintendent of building and loan associations the amount of such fund on hand at the close of business, June 30, is sufficient for maintaining the department of building and loan associations for the ensuing year, then the fees provided for in this section to be paid at the time of the filing of annual reports shall be omitted for such year. (As amended March 9, 1923.)

Securities to Be Deposited With Treasurer of State.

SEC. 692. All securities or cash deposited with the inspector of building and loan associations shall be deposited with the treasurer of state, who, with his sureties, shall be responsible for the safe keeping thereof. The treasurer shall deliver such securities only upon the written order of the inspector. (99 v. 536-44.)

Dissolution or Consolidation.

SEC. 693. A building and loan association or a savings association may provide in its constitution and by-laws for the time and terms of its dissolution and for its consolidation with one or more of such corporations on terms and conditions to be determined upon by their board of directors. In case of the dissolution of such a

corporation, its board of directors by a majority vote may be authorized to sell and transfer its mortgage securities or other property, or both, to another corporation, person or persons, subject to the vested and accrued rights of the mortgagors. (99 v. 537-48.)

PENALTIES.

Forfeiture for Non-Compliance.

SEC. 694. A building and loan association which does business in this state without first complying with the provisions herein or which violates or fails to comply with provisions of law relating to building and loan associations shall forfeit and pay not less than fifty dollars nor more than one thousand dollars, to be recovered by an action in the name of the State and on collection paid into the state treasury. (99 v. 536-45.)

Record of Proceedings of Inspector. Report.

SEC. 695. The superintendent of building and loan associations shall keep and preserve in permanent form a full record of his proceedings, including a concise statement of each association examined, and make an annual report to the governor of the general conduct and condition of the building and loan associations doing business in this state, with such suggestions as he may deem proper. The report shall include such information contained in the statements required of the associations as he may deem necessary. He shall also include in said report a statement of the building and loan associations whose business has been closed during the year, the amount of their assets and liabilities, and the amount paid to the creditors thereof. He shall also include a statement of the building and loan associations liquidated or in the process of liquidation and the status of the affairs of each of such building and loan associations at the time of said report, including the amount of their assets and liabilities and the nature of the same and the amounts paid to the creditors. He shall report the names and compensation of the clerks employed by him, the whole amount of income of his office, the source thereof, and the expenditures of his department during the year ending the thirtieth of June. (As amended March 9, 1923.)

Embezzlement by Officer.

SEC. 12472. Whoever, being a president, director, trustee, member of a committee, secretary, treasurer, attorney or other officer or agent of a building and loan association or savings association as

provided by law, embezzles, abstracts, or wilfully misapplies any of the moneys, funds, or credits thereof, or issues or puts into circulation a warrant or other order, or assigns, transfers, cancels, or delivers a note, bond, draft, mortgage, judgment, decree or other written instrument belonging thereto, or raises money otherwise, or receives money from a member or other person for and in the name of such association unless authorized so to do by the board of directors thereof, shall be imprisoned not less than one year nor more than ten years and be liable to the person injured thereby to the extent of the damage incurred. Suit may be brought against the person so violating and the sureties on his bond given to such association for the faithful performance of his duty. (99 v. 536-46.)

Signing Name Without Authority.

SEC. 13188. Whoever, being a president, director, trustee, member of a committee, secretary, treasurer, attorney or other officer or agent of a building and loan association or saving association, as provided by law, signs the name of a person to an order or warrant for the payment of money without proper power of attorney or written order from the person to whose order such order or warrant is made payable, shall be imprisoned not less than one year nor more than ten years. (99 v. 536-46.)

Declaring Dividend Greater Than Earned.

SEC. 13189. Whoever, being a member of a board of directors of a building and loan association or savings association, as provided by law, votes to declare, or, being a financial or first secretary thereof, declares or advises the board of directors thereof to declare a greater dividend than has been actually earned by such association, for the purpose of deceiving the people or defrauding the members thereof, shall be imprisoned not less than one year nor more than ten years. (99 v. 536-46)

False Entry in Book, etc.

SEC. 13190. Whoever, being a member of a board of directors of a building and loan association or savings association, as provided by law, certifies to, or makes a false entry on a book, report or statement of or to such association, with intent to deceive, injure or defraud it or another company, body politic or corporate or person, or to deceive any one appointed to examine the affairs of such association, shall be imprisoned not less than one year nor more than ten years. (99 v. 536-46.)

Aiding Officer to Violate Preceding Sections.

SEC. 13191. Whoever, with intent to deceive, injure or defraud a building and loan association or savings association, as provided by law, or other company, body politic or corporate or person, aids or abets a president, secretary, treasurer, committee or other person in vilation of any of the next four preceding sections shall be imprisoned, not less than one year, nor more than ten years. (99 v. 536-46.)

Failing to Make Reports, etc.

SEC. 13192. Whoever, being an officer thereof, fails to make the reports required of him by the laws provided for the organization, regulation and inspection of building and loan associations or savings associations, or, being an officer, employe or other person, solicits business for, aids or assists such association to do business contrary to the provisions of such laws, or without having complied therewith, shall be fined not more than five hundred dollars or imprisoned not more than six months, or both. (99 v. 536-46.)

Liability On Bond.

SEC. 13193. Whoever violates any provision of the next five preceding sections shall be liable to the person injured thereby to the extent of the damage incurred and suit may be brought against the person so violating and the sureties of the bond given by him to such association for the faithful performance of his duty. Fines collected under the next five preceding sections shall be paid into the state treasury. (99 v. 536-46.)

Directors May Appoint Trustees.

SEC. 11972. The board of directors or other officers having the control and management of a corporation in this State, may appoint three trustees to adjust and settle its affairs. The trustees so appointed shall be authorized to use the corporate name for such period as may be necessary for the adjustment and settlement of its affairs, by suit or otherwise. (R. S. 5687.)

Where a corporation is winding up its own affairs under a statute, as by appointing trustees under G. C. 11972, the courts will not interfere on the mere ground of insolvency: Savings Co. v. Rehn, 6 O. N. P. 185, 8 O. D. (N. P.) 594.

The courts will not appoint a receiver for fraud and mismanagement, if injunction will be sufficient relief: Savings Co. v. Rehn, 6 O. N. P. 185, 8 O. D. (N. P.) 594.

Removal and Duties of Trustees.

SEC. 11973. The trustees so appointed shall report annually to the stockholders of the corporation a full and succinct statement of its affairs. A majority in interest of the stockholders may remove a trustee, or appoint a person to a vacancy occasioned by the death, resignation or removal of a trustee. (R. S. 5688.)

DIVIDENDS.

Dividends to Be Paid from Surplus Profits Only.

SEC. 8724. Directors of a corporation organized under the laws of this State shall not make dividends except from surplus profits arising from its business. (R. S. 3269-1.)

Unpaid Interest Not Profits.

SEC. 8725. In calculating its profits, prior to a dividend, interest then unpaid, although due, on debts owing to it, shall not be included. (R. S. 3269-2.)

How Profits Ascertained.

SEC. 8726. In order to ascertain the surplus profits from which a dividend may be made, in the account of profit and loss there shall be charged and deducted from the actual profits—

1. All ordinary and extraordinary expenses, paid or incurred, in managing the affairs and transacting the business of the corporation.
2. Interest paid, or then due or accrued, on debts it owes.
3. All losses of the corporation. In computing its losses, debts owing to it which have been due without prosecution, or interest paid thereon, for more than one year, or upon which judgment was recovered, but has been more than two years unsatisfied, and on which also for that period, no interest was paid, shall be included. (R. S. 3269-3.)

Borrowing members whose interest is rebated each year are not entitled to dividends except upon the current year's dues: Atlantic B. Ass'n. v. Vogeler, 5 Low. D. 581; 7 N. P. 606.

What Advertisements Prohibited.

SEC. 8727. No such corporation shall advertise a larger amount of capital stock than actually has been subscribed and paid in, nor advertise a greater dividend than actually has been earned and credited or paid to its stockholders or members. (R. S. 3269-3.)

APPENDIX.

Liability for Violation.

SEC. 8728. Every director of such a corporation, who violates or is concerned in violating any provision of the next four preceding sections shall be personally liable to its creditors and stockholders for any loss which thereby they respectively sustain. (R. S. 3269-4.)

Section (3269-5) was changed by the legislature to Section 148d. (Section 178, General Code of Ohio.)

General Powers.

SEC. 8627. Upon filing articles of incorporation, the persons who subscribed them, their associates, successors, and assigns, by the name and style provided therein, shall be a body corporate, with succession, power to sue and be sued, contract and be contracted with; also, unless specially limited, to acquire and hold all property, real or personal, necessary to effect the object for which it is created, and at pleasure convey it in conformity with its regulations and the laws of this State. Such corporation also may make, use, and at will alter a common seal, and do all other acts needful to accomplish the purposes of its organization. (R. S. Sec. 3239.)

Liability of Stockholders.

SEC. 8686. The stockholders of a corporation who are holders of its shares at a time when its debts and liabilities are enforcible against them, shall be held liable, equally and ratably, but not one for another, in addition to their stock in an amount equal thereto, to the creditors of the corporation, to secure the payment of such debts and liabilities. No stockholder who transfers his stock in good faith, if such transfer is made on the books of the company or on the back of the certificate of stock properly witnessed or tendered for transfer on its books prior to the time when such debts and liabilities are so enforcible, may be held to pay any portion thereof. (R. S. Sec. 3258.)

Corporations Created Subsequent to November 23, 1903.

SEC. 8687. The next preceding section shall not apply to stockholders in a corporation created after the twenty-third of November, 1903, nor to debts or liabilities of a corporation incurred after such date. As to all debts and liabilities of corporations for profit incurred after such date, the stockholders thereof shall be under no liabilities other than those stated in article XIII, section three, of the constitution of Ohio. (R. S. Sec. 3258.)

Limitation of Action to Enforce Liability.

SEC. 8688. An action upon the liability of stockholders under the two next preceding sections can only be brought within eighteen months after the debt or obligation shall become enforcible against stockholders. (R. S. 3258a.)

FEE BILL OF SECRETARY OF STATE.

AS THE SAME APPLIES TO BUILDING AND LOAN ASSOCIATIONS ORGANIZED UNDER THE LAWS OF OHIO.

For filing articles of incorporation of a building and loan association	$10 00
For filing a certificate of increase of capital stock of any such association	5 00
For filing a certificate of reduction of capital stock of any corporation	5 00
For filing a copy of the decree of court changing the name of any corporation	5 00
For filing a certified copy of the acceptance by any corporation incorporated prior to the adoption of the present constitution of any of the provisions of the General Code	5 00
For filing an amendment to articles of incorporation of any corporation	5 00
For filing for any corporation a certificate of extension of purpose or change of domicile	5 00
For filing other certificates not hereinbefore enumerated	5 00
For filing the certificate of subscription required to be filed by Section 8633 of the General Code	2 00
For making a certificate under the great seal of the State	1 00
For recording miscellaneous records, papers or other documents required by law to be recorded in the office of the Secretary of State, 20 cents a hundred words.	
For making copies, 10 cents a hundred words.	
For affixing seal of office to copies	50

The statutes provide that all fees collected by the secretary of state shall be paid into the state treasury; and that he shall neither file nor record any of the articles of incorporation, certificates or other papers hereinbefore referred to unless the fees for filing same are first duly paid.

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APPENDIX.

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GENERAL INDEX.

For Reference to Figures, Forms, Tables, See Also Special Index.

PAGE

Accident Insurance....201
Accounts, False....307
"Act of March 3, 1917"....80
Advertising....472-477
Agents and Contracts....256
Alabama....80
American Building Association News....22-26, 50, 65, 477
American Deposit and Building Association....33
American S., B. & L. Institute....64, 65
Amortization Loan....42, 165
Appendix....478
Application for Loans....220, 449
Appraisement....223, 224, 227
Appraisers, Expert....227
Arguments for Exemption....78
Arkansas....142
Assignee or Executor....194
Assessments and Taxes....274
Annuities....153
Assets and Liabilities....269, 320ff
Assets, Quick....269ff
Assignment of Stocks....219
Assistant Secretary....241
Atlantic City, N. J....51
Atlantic Coast....6
Attorney....169, 171
  Appointment of....245
  Compensation of....246
  Duties of....246
  Report....452
Auditing—Its Methods....303-324
  Special Hints for....304
  General Outline....309
  Diagram of Checking....317
Auditing—Its Necessity and Object....285, 302
  Purposes of....289
  Protection of Interests....291
  Statutory Requirements....293
  Qualifications for Auditing....297
Auditing Committee....208, 296

PAGE

Auditor....295
  Certificate of....322
  Compensation....302
  Change of....302
  Disqualification of....300
  Qualification of....297
  Report of....321
Australia....80, 81
Austria....4, 81, 80

Balance Sheet....294
Baltimore, Md....83, 35
Banks....43, 76
  Co-operation with....185
  Federal Reserve....44
Beardsley, Elias J....465
Bellefontaine B. & L. Ass'n vs. McMaken....88
Bibliography....528
Blankbooks....171
Blanks, Specimen....438, 454-464
Board of Trade....174, 184
Bohemian League of Chicago....52
Bonds....82, 83, 269
  City....218, 269
  Officers....247, 442
  Surety....248
Book Account....455
Book, Cash....280
Book Value....197
Books and Blanks....454-464
Books, Care of....303
Books, Necessary....461ff
Borrowing Members—192, 198, 217, 219
  Duties of....215
  Rights of....213
Borrowing Money....261
  Who may borrow....262
  For what purpose....262
  What amount....263
  Character of Security....263
  Cost of Loan....264
  How repaid....265

PAGE
Time required to repay.....265
Advantage of B. A. plan.....266
Boston, Mass.....34, 35
Branch Offices.....66, 279
Bradford, Weavers of..... 3
British Guiana..... 31
Brooklyn, N. Y..... 32
And Georgia Case.....32, 33
Brown, Michael J.....415
Building Associations—
7, 8-28, 74, 78
Advantages of—
15, 16-18, 36-39, 52
Aim and purpose of..... 9
As clearing house.....85
Day 57
Definition of..... 9
Essential features of.....12, 118
Dissolutions 259
Fundamental Inspiration, The. 13
Fundamental Principles, The of 118, 351ff
General Powers..... 255
Fundamental Interest of....351ff
How to organize.....167-187
Law of 33
Leagues 47-67
Legal Forms for.....438-453
Management of 54
Membership increasing 46
Methods of operation.....39, 40
Name and title of.....8, 9, 13
Origin of 10, 12, 39, 48
Perpetual succession 255
Powers and liabilities....255-261
Publicity of 55
Results of 35-46
Rules 259
Safety of 200
Saving and lending..... 14
Special powers 259
Supplies 461ff
Burk, Addison B.....100
Building Tradesmen as members..172
Burns, Robert, on Saving..... 15
By-Laws 178, 195, 481-490
Calder Bill..... 98
Calder-Nolan Bill..... 98

Calendar, Perpetual...344ff, 259-364
California 6, 51, 133, 142
Canton, Ohio..... 50
PAGE
Capital Stock.....175, 176, 185ff
Definition of 188
Increase of 189
Other facts 194
Capital Stock Institutions..... 37
Cash Balance, Proving.....311ff
Cashbooks 280, 316
Castor, Jesse V..... 10
"Central Building and Loan Ass'n vs. Bowland"..... 92
Certificate of Deposits.....195
Certificate of Paid-up Stock—
191, 193, 453
Certificate of Record.....270, 271
Chamber of Commerce.....174, 184
Charleston, S. C..... 33
Charter Fees 96, 175
Charters 260
Chase, Frank A..... 66
Chicago, Illinois 35, 48, 52, 78
Cincinnati, Ohio 34, 35
Citrus Growers 6
City Leagues 51
"City of Homes"..... 35
Coal Dealers, As Members.....172
Collateral 195, 219, 272
Note 451
Colored People.....173
Columbus, Ohio 51
Community, Character of, for B. & L. Ass'n.....4, 171
Compound Interest Tables..334-364
Congress 24, 25, 86-95
Recognition of B. & L. Ass'n by 25, 86
Congress of Building Societies in England 47
Congressional Library..... 58
Connecticut 80
Constitution of B. & L. Ass'n—
177, 195, 208, 236, 238, 478-481
Contingent Fund.....267
Contracts and Agents.....256
Contract Loan Companies, 3% and 4%.....141-148
Not a B. A. Plan.....141, 147
Fiscal Agency.....143
Expense Fund.....144
Loan Fund Earnings.....145
State Authorities and the.....148
Co-operation 1-7

PAGE
Co-operation with Other Institutions 57, 173
Co-operation with Banks.....185
Co-operative Bank 8
Co-operative Business Concern.. 3
Conditions of 4, 5, 6
Examples of.....6, 7
Origin of 3, 4, 5
Co-operative Insurance Companies 6
Co-operative Savings and Loan Assn's 14
Co-partnership 3
Corcoran Act 75
Corning, N. Y.....465, 466
Corporate Meetings 232
Management of.....234
Corporate Seal, The.....256
Corporation Stock 188
Corporations 86, 291
Corporators 208
Costs 220
County Leagues 51, 52
Coupon Certificates 195
Credit 42
Cuyahoga League of Cleveland, Ohio 52

Dairymen 6
Davis, Henry F. A..... 72
Dayton, Ohio 34
Dayton Plan, The.....34, 113
Decatur Building Ass'n, The... 33
Decision of Judge Peck.....91, 92
Defects in English Law..... 71
Delaware 80
Delinquents 121, 206, 220
Denmark 4
Depositor, The 38
Deposits 38, 43, 71, 131, 195
Envelope 458
Certificates 195
Slips 276, 458
Special 163
Dexter's Rule 421ff

Directors—
38, 101, 181, 195, 206, 207, 211, 217, 223, 243
Duties of 243
Disability Insurance.....201
Disbanded Associations....200, 218
PAGE
Disbursements 279
Diversified Character of Association 149
Dividends—
17, 18, 40, 115, 191, 193, 309
Calculations of on permanent plan 365, 413
Declaring 357ff
Payment of.....274, 279, 318
Dues.99, 105, 190, 191, 220, 276, 454
Duties of Members.....305
Duties of Borrowers.....315
Duties of Officers.....238-254
Duties, of President.....240
Vice-President 240
Secretary 241
Assistant Secretary 241
Treasurer 242
General Manager 243
Directors 243
Trustees 245
Attorney 245

Earl of Selkirk.....30, 31
Earnings, Distribution of—
On permanent plan 365-413
On serial plan.....414, 437
Economic Factor, B. & L. Ass'n as 35
Educational factors 64
Election of Officers.....236, 238
Elmira, N. Y. 467ff
Emergency Revenue Law, The.. 88
Endlich, Judge..... 33
Endowment-Stock 202
England 4
Appraisers in 223
Congress of Building Societies in 47
Greenwich 29, 70
Legislation in 70
Representatives from at Congress of Leagues..... 51
Societies in 29, 30
English Colonies..... 4
English Law 70
Criticised 71
Envelopes for Depositors.....411
Envelopes for Payments.....275
Examinations, State 285
Equity of Withdrawing Members 212

PAGE

Excess Profit Tax..... 89
Executor 194, 214
Exemption from Taxation..... 77
  Arguments for.....78, 85
Expert 171

Families 41, 42
Farm Loans 164
Farmers 5
Federal Excise Tax Law of 1909 88
Federal Home Loan Bank Bill. 96
Federal Income Tax, 1894..... 86
Federal Legislative Committee.. 55
Federal Reserve Banking System 44, 45, 269
Fees 161
  Charter 96, 175
  Transfer 161, 190
Fines 29, 121, 206, 220
Fire Insurance 272
Florida 6
Foreign Language Associations..173
Forfeitures 206, 219, 273
Forms 171, 193
  Legal 438, 453
  (See Special Index.)
France 5, 30, 31, 80
  Representatives from, at Congress of Leagues 51
Frankford, Pa. 10
  Decatur Building Ass'n of... 33
  First Building Ass'n in U. S. at 31-33
  Oxford Provident Building Ass'n of.....10, 11, 12, 32, 33
Fruit Growers 6
Furniture Dealers as Members..172
Future U. S. League Meetings.. 55

General Meetings 223
General Manager 243
Georgia 33
Germany 4, 31, 80
Grand Rapids, Michigan..... 50
Great Britain.....30, 47, 80
Great War, The.....270
Greff vs. Equitable Life Insurance Co. 158
Greenwich, England 29
Greenwich Union Building Society 70

PAGE

Group Meetings 52-54
Guarantee Stock.....135, 136
Guarantee Stock Plan.....133, 135
Guarantee Income Certificates..195

Halifax, England 50
Halifax, Permanent Building Society 50
Hamilton County League of Ohio 52
Haymaker, K. V. 125
Hill, Enoch 50
Headquarters 182
Health Insurance 201
Hoboken, N. J..... 33
Holmes, Clay W......465
Homebuilder 42
Homebuilding—13, 19, 31, 36, 42, 44, 118, 168, 198
Home Ownership..35, 42, 46, 73, 211
Homes, Number Built Yearly... 44
Homes, Rented 41, 42
Homestead Associations..... 8
Horraks, Jeremiah 10
Housing Problem 41, 96
How to Organize.....167-187

Idle Funds 186
Illinois 76, 113
Improved Legislation.....74, 76
Income 37
Income Tax Amendment..... 88
Income Tax Law 89
Incorporation 178, 180, 181
  Articles of.....180-188
  Form of in Ohio.....439
  Legislation 68
Industry 2, 3, 169
Industrial Class..... 36
Industrial System..... 2
Inheritance Tax Laws.....213
Insolvency 260
Installment Shares.....115
Insurance 18, 201, 203
  As collateral 272
  Mortgage Clause 446, 447
Insurance Companies, Co-operative 6
Interest. 17, 20, 39, 40, 42, 70, 117, 220
  Calculation of on permanent plan 365-413
  Compound Tables 334-364
  Simple 431

PAGE

International Congress of Co-operative Home Societies..50-51
International League 49, 50
Ireland 30
  Representatives from at Congress of Leagues..... 51
Ireland, Loan Fund of..... 71
Italy 4
Investments 38, 41, 45, 190, 209
Investment Certificates 195
Investor 207

Juvenile Savings 465-471

Kansas 166
Kansas City, Mo.....64-65-66
Keck, Dr. Peter A...... 34
Kentucky 96
Kircudbright, Scotland 30
Knox, C. C. 224
Koerner, Gustav 33

Labor and Capital..... 2
Labor Unions as Members.....172
Law of Building Assn's, The.... 33
Laws in U. S..... 72
League Meetings 58
League Officers 57, 58
Leagues, Building Ass'n.....47, 67
  Associations 48
  County, City and Local....51, 52
  International 49-51
  Membership in..... 62
  Organization of..... 49
  Origin of 48
  U. S. League of Local and Loan Assn's 48
  What a League Can Do..... 59
Leaseholds 273
Ledger Cards 278
Ledger, General.....319
Ledger, Members 316
Ledger, Paid-up Stock.....280
Legal Forms.....438, 453
  (See Special Index.)
Legal Notices.....258
Legal Proceedings.....209
Legislation 52, 55, 59, 61
Legislature 59, 60
  And Incorporation.....180
Legislation and Taxation.....68-98
Lending Societies.....13, 20

PAGE

Liabilities and Assets.....320
Liabilities of Building Assn's...255
Liberty Bonds 46
Library of B. & L. Literature.. 58
Lien 194
  Mechanics' 228, 451
Life Insurance.....202
Lincoln's Birthday 58
Liquidation of Debt.....219
Litigation.....18, 61, 76
Loans—20, 21, 36, 39, 43, 45, 70, 198, 199, 209, 210, 220
  Advantages of Building Ass'n.266
  Amortization 42, 165
  Application for.....220, 449
  Cost of 264
  Long time 43
  Nature of.....216
  On Pass Book 451
  Repayment of.....265
  (See Special Index.)
Loans and Securities.....216, 231
Local Leagues.....51, 52
London, England 50, 51
Los Angeles, Cal.....53, 65
Lumkin, Judge..... 32
Lumber Dealers as Members...172

Management of Associations.... 54
Manager 243
Manufacturer 36
Massachusetts 33, 80, 211, 254
Matured Shares.....105, 106, 197
Maturity 18, 32, 105, 106, 117
McMaster, James.....64-65-66
Mechanics' Liens 221
  Laws of 228
  Waiver of 451
Meeting, First, The.....174
  Regular 187
  General 233
  Special 234
Membership Cards.....186
Membership— 161, 168, 204, 205, 232, 291
  Recruiting 57, 183
Members, Duties and Rights.204-215
  Corporate rights.....209
  Duties of 205
  Investor's rights.....210
  Kinds—savers and borrowers.204
  Protection of.....291

PAGE
Merchant 36
Metropolitan League of New York 52
Michigan 50, 96
Milwaukee, Wis. 50, 51
Missouri 142
Money 174
Mortgage Loan...20, 21, 42, 43, 44, 45
Straight 228
Mortgages—17, 18, 20, 21, 71, 82, 83, 193, 216, 217
Collateral note.....448
Custody of.....270
Forms of, in Ohio.....443ff
Insurance policy forms.....446ff
Recording of.....270
Mortgagors 271
Rights of.....207
Rights of borrowing.....213
Mutual, Co-operative Institutions 37, 73
Mutual Home and Savings Ass'n of Dayton, Ohio..... 34
Mutual Loan Association..... 8
Meetings, General.....233
Mutuality 12, 37
Myers, R. Holtby.....58, 65

Name, Choice of.....174
National Building and Loan Ass'n 140
National Promotion..... 56
Nebraska 166
New features.....153
New Hampshire..... 80
New Jersey.....33, 51, 108, 286
Newark, N. J..... 33
New York—
Taxation in..... 80
New York City.....33, 133
New York, Metropolitan League of 52
Newspapers as Means of Recruiting 184
New Zealand..... 31
Norway—
Representatives from at Congress of Leagues..... 51
Notices, Legal.....258

O'Brien, Thomas W.....31-33
Ohio.....34, 75, 76, 158, 166, 267
Ohio—
Bonds of Officers.....442
Building Association League, 48, 50, 224
Canton 50
Charter fees in.....175
Cincinnati 34, 52
Cleveland 52
Constitution and By-Laws..435-479
Corcoran Act..... 75
Form of incorporation.....439ff
Group Meeting..... 52
Hamilton County League of... 52
King Act..... 76
Legislation 156
Mortgage forms.....443ff
Ohio convention and legislation 75
Permanent plan in.....114
Plan, The..... 34
Reserve Fund.....156
Russell Act..... 76
Waiver of Mechanics' Lien....451
Youngstown 75
Ohio Building Association League, 48, 50
Ohio Plan, The.....34, 114
Officers 181, 209, 236, 238
Bonds of.....442, 248
Bonds of, in Ohio.....442
Election and duties.....238-254
Election and powers of....236-237
Permanent 181
Remuneration of.....249
Reports of.....234
Responsibility of.....248
Temporary 171
Oregon 6
Organization, Preliminary.....170
Oxford Provident Building Association 11, 32

Pacific Coast Conference..... 53
Page, Howard Wurtz..... 33
Paid-up Stock.....117
Paid-up Stock Ledger.....280
Panama Exposition..... 51
Paris, France..... 50
Partnership Rule.....429, 435
Partnership Plan.....432ff
Pass-book—
115, 187, 205, 318, 406ff

PAGE
Payments—20, 21, 22, 29, 32, 42, 43, 70, 115, 116, 129, 130, 131, 132, 139, 167, 191, 214, 228, 279
Of dividends.....274, 275
Of Shares.....282-283
Peck, U. S. Dist. Judge..... 91
Pennsylvania 68, 229
Pennsylvania Plan..... 103
Periodicals 22-26
Permanent Plan, The— 34, 114-133, 192, 204, 281
Argument favoring the.....125
Calculation under.....365-413
Compound interest of.....338ff
Maturity of Shares.....122
Rebate tables, under....234ff, 340ff
Specimen reports of.....332
Permanent Stock.....163
Permanent Stock Plan.....133, 139
Perpetual Calendar..344-347, 359-364
Perpetual Succession.....255
Philadelphia, Pa..32, 33, 35, 100, 415
City of Homes..... 35
Philadelphia Plan, The.....103, 108
Pilling, Samuel.....10, 32
Plans and Methods of Associations 99-166
Plat, Necessity of.....222ff
Policy of Congress.....95-96
Polish League in Chicago..... 52
Powers of Building Ass'ns.....255
Special 259
Premiums 119, 159, 198, 203, 217
Pranard, Dr. Charles.....30, 50, 202
Preparation of Reports.....326
President 240
Press, The.....67, 184
Professional Valuators of Real Estate 223
Profits 40, 197, 209, 371, 414, 437
Application of.....366
Methods of Calculation.....415ff
Undivided 268
Profit-sharing 2
Propaganda, Systematic..... 55
"Property" defined..... 83
Property, Redeeming.....214
Property, Stock is.....190
Protective Organizations.....54, 55
Proxy on Stock.....441
Publicity 46, 58
Public Meetings.....171
Quick Assets.....269

PAGE
Rankin, Lewis L.....50, 51
Real Estate.....171, 217
Appraisement of.....223
Rebate and Compound Interest Tables 334-364
Receipts 274
Receiver 261
Records 187
Recruiting Members.....183
Regulations of Treasury Dept...93-95
Reports 325-333
Their Necessity.....325
Legal Requirements.....326
Preparation and Publication...326
Secretary's Balance Sheet.....327
Specimen—Serial plan.....328
Specimen—Permanent plan....332
Appraisers 450
Attorneys 452
Reserve Fund.....18, 156, 257
Principles involved in.....158
Reserve Fund Stock.....133
Revenue Measures, Summary.... 85
Revenue Act of 1918..... 90
Test Case..... 91
Revenue Act of 1921..... 92
Rights of Members.....207, 208
Rights of Borrowers.....213
Right of Withdrawal.....210
Rochester, N. Y..... 35
Rosenthal, Henry S..... 50
Rotary Club.....174, 184
Running Stock.....115, 277, 278
Rural Credits.....164
Rural Dwellers..... 6
Rules 259
Russell Act, The..... 76
Russia 4

Safety insured.....322ff
Salary of Directors.....250
San Francisco, Cal..... 51
Savannah, Ga..... 38
Savings 38, 116, 196
Saving Members.....204
Savings and Loan Associations.. 8
Savings Associations..... 9
Savings, Small..... 40
Savings Societies.....13, 14, 16
Savings Systematic.....15, 36, 39
Savings Unlimited..... 19
Scandinavian Countries..... 31
Schallcross, Isaac.....10, 32

PAGE

Schmoele, Dr. William..... 33
Scotland 30, 31
Seal, Corporate, The.....256
Secretary 241
  Assistant 241
  Salary of.....254
Secretary's Balance Sheets.....327
Secretary's Cash Book.....313, 454
Secretary's Contribution Fund...311ff
Securities—18, 29, 194, 218, 219, 220, 263, 272
Selling the B. & L. Idea..... 65
Semi-Annual Settlements.....281
Serial Plan, The.....103
  Paying off a Matured Series...105
  Advantages of.....107
  An Expert Discourse on.....108
  Another way.....111
  Calculation under.....415ff
  Distributions of earnings..414-437
  Specimen report.....328, 332
Share Contributions.....309
Shares—19, 29, 32, 70, 99, 105, 109, 175, 188ff, 190, 196ff, 371ff
  And houses..... 29
Shareholder's Agreement of Guarantee 133
Shipping 80
Sidebotham, Thomas..... 32
Simple Interest.....431
South Africa..... 31
  Representatives from at Congress of League..... 51
South America..... 31
South Carolina..... 33
Southwestern States Conference. 53
Standardization of the Institution 149-153
State Building Associations..... 26
State Leagues—
  48, 52, 53, 55, 56, 57, 58
  Organization of..... 49
State Publicity Bureaus..... 56
State Supervisors' Meeting..... 54
State Regulations.....187
"Split" Loans.....229
State Examinations.....285
State Supervision.....229
Statutory Requirements.....293
Spain 31
Spanish-American War..... 87
St. Louis..... 35

PAGE

Stamp Act..... 87
Stern, Hon. Julius..... 78
Stock—83, 91, 92, 95, 99, 188-195, 196-200, 204
  Paid-up 117, 191
Stockholders—38, 83, 84, 106, 107, 120, 122, 126, 163, 173, 175, 188-195, 207, 213
  Definition of.....196-200
Special Deposits.....163
Special Meetings.....234
Special Powers.....259
Subscription List.....441
Suits 258
Supervision State.....49, 229
Supplies 171
Surety Bonds.....248
Systematic Saving.....15, 36, 39
Systematic Propaganda Work.... 55

Tax 75-97
Tax on Capital Stock..... 87
Taxes and Assessments.....274
Taxation and Legislation.....68-98
Taxation, Exemption from..... 77
Taylor, Dr. Henry..... 10
Tax, Inheritance Laws.....213
Telephone Companies, Co-operative 6
Tenants 73
Terminating Plan—11, 33, 70, 99-103, 189, 192, 218
Texas 6
Thrift—13, 14, 15, 32, 39, 41, 56-57, 119, 173
Titles of Associations.....149
Tornado Insurance.....202
Trade Unions.....184
Troy, N. Y..... 35
Transfer of Shares.....190, 219
Transfer Fee.....161, 190
Treasurer 242
  Cash book.....316
Truck and Market Gardeners.... 6
Trustees, Duties of.....245

Undivided Profits.....268
United States.....173
  Early history of building associations in.....31, 33
  First building association in..32, 33

PAGE

United States—
  First meeting of Building Association Leagues in..... 48
  Laws in..... 72
  Representatives from at Congress of Leagues..... 51
United States Commissioner of Labor 26, 27
United States League—
  24, 49, 51, 52, 100
United States League of Local Building and Loan Associations 48, 50, 68, 81, 86, 93
United States Supreme Court—
  80, 86, 92
Utica, N. Y..... 35

Vice-President 240
Votes 176, 208, 236

Wages-earners—
  12, 20, 35, 36, 39, 40, 168
Wages 37
Waiver of Mechanic's Lien.....451
Wales 30
  Representatives from at Congress of Leagues..... 51

PAGE

War Savings Stamps..... 46
War Revenue Act..... 89
Washington 6, 135
West Virginia..... 96
Whitely, Thomas..... 50
Whitlock, Isaac..... 32
Who may borrow.....262
Wisconsin 6, 50
Withdrawal—106, 123, 192, 205, 209, 212, 318
  Fees 161
  Right of.....210
  Rules 154
  Value 197
Withdrawal Book.....211
Woman's Auxiliaries..... 54
Workingmen 12, 20, 35, 36, 37
World's Fair Congress in Chicago 48
Wright, Carrol D.....26, 27, 200

Y. M. C. A.....174
Youngstown, Ohio.....75, 224

SPECIAL INDEX.

FIGURES, FORMS, TABLES.

PAGE

Appraiser's Report.....450
Application for Loan.....449
Articles of Incorporation, Ohio..439ff
Attorney's Report.....452
Auditing, Plan of.....310
Auditor's Certificate.....322

Bond of Officers in Ohio.....442
Books and Forms, List of.....461

Collateral Note for Loan on Pass-book 451
Compound Interest Tables...338-343

Deposit Envelopes and Slips...458ff
Dexter's Rule.....421ff

Earnings, Calculation of by Series Plan 416ff

Fundamental Interest Table.....351
Interest Tables.....367-388
Interest Tables, Compound.....338ff
Interest Tables (six months)...397ff
Interest Tables, Simple.....431
Mortgage Clause for Insurance Policies 446ff
Mortgage Collateral Note on Shares of Stock.....448
Mortgage in Ohio.....443ff

PAGE

Partnership Rule.....421ff
Pass-books 450ff
Perpetual Calendar.....344, 359-364
Proxy on Stock.....441

Rebate and Compound Interest Tables 334-364
Rebate, Permanent Plan.....334-337
Receipt Forms.....275
Reports—
Appraiser's 450
Attorney's 452
Specimen 330, 331
Specimen of Permanent Plan..332
Specimen of Serial Plan.....328ff

Secretary's Contribution Book...312
Secretary's Monthly Contribution Book 315
Shares, Table of.....392-396
Statistics for Year 1893..... 27
Statistics for Year 1919..... 28
Subscription List.....441
Supplies, List of.....461ff

Time Table Summarized.....391

Waiver of Mechanic's Lien (Ohio) 451