

Administrative actions taken by Secretary Ribicoff (printed in House hearings on H.R. 10032, pages 158-164).

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H.R. 10606 introduced March 8, 1962, reported March 10, 1962, and passed by the House, March 15, 1962.

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Senate debate on H.R. 10606, July 3-17, 1962, *Congressional Record* (Vol. 108, Nos. 112-121).

Conference Report on H.R. 10606 (H. Rpt. No. 2006), July 13, 1962.

House and Senate debate on Conference Report on H.R. 10606, July 19, 1962, *Congressional Record* (Vol. 108, No. 123).

Public Law 87-543, signed by President Kennedy, July 25, 1962.

President's Statement, The White House, July 26, 1962.

HEALTH INSURANCE FOR THE AGED

H.R. 4222 and S. 109, introduced February 13, 1961.

President's Health Message (H.Doc. No. 85), February 9, 1961.

Hearings on H.R. 4222 before the Committee on Ways and Means, House of Representatives, July 24, 26, 27, 28, and 31 and August 1, 2, 3, and 4, 1961.

Secretary Ribicoff's *Report on Health Insurance* (printed in House hearings on H.R. 4222, Vol. 1, pages 67-180).

Actuarial Cost Estimates for Health Insurance Benefits Bill, Actuarial Study No. 52, Social Security Administration (printed in House hearings on H.R. 4222, Vol. 1, pages 41-66).

President's Message—Health Program (H. Doc. No. 347), February 27, 1962.

Amendment to H.R. 10606 proposed by Senator Anderson (Amendment 6-29-62-A).

Senate debate on Anderson amendment to H.R. 10606, July 3-17, 1962, *Congressional Record* (Vol. 108, Nos. 112-121).

S. 3565 introduced July 25, 1962 (identical with amendment to H.R. 10606 tabled by Senate July 17, 1962).

Notes and Brief Reports

Purposes for Which Credit Union Loans Were Made, 1961*

In 1961 the Bureau of Federal Credit Unions made its third study of the purposes for which members of Federal credit unions borrow money. The Bureau's first study on the subject was made in 1948, and the second in 1956. During the years from the first study to the most recent, the number of operating Federal credit unions has risen from 4,058 to 10,271, membership has increased from 1.6 million to 6.5 million, and total assets have advanced sharply from \$250 million to \$3 billion.

Loans made by credit unions have also increased, both in number and in size. Whether the purposes for which members borrow have also changed is the major question that the 1961 survey was designed to answer.

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METHODOLOGY

The report form for the study and the accompanying instructions were mailed to all Federal credit unions early in 1961. Participation in the study, however, was on a voluntary basis. Response was excellent; usable returns were received from almost one-fourth (2,497) of all Federal credit unions in operation at the end of 1961.

The sample included returns from credit unions of all sizes but was slightly overweighted by the presence of the larger credit unions. This factor appears, however, to have had little or no adverse effect on the overall results. The weighting probably results in an overstatement of the significance of the larger loans, which are obviously more prevalent in the larger credit unions. Such loans are relatively unimportant in the overall lending program among Federal credit unions of all sizes.

The 1961 study was based on a larger number of responses than were the earlier studies. The 2,497 Federal credit unions making up the sample in 1961 represented 24.3 percent of the 10,271 in operation at the end of the year. In 1956 there were 1,895 credit unions in the sample (22.7 percent of the total

of 8,350), and in 1948 only 432 (10.6 percent of the total of 4,058).

Although the most recent study differs to some extent from the surveys made in 1948 and 1956, valid comparisons of some of the purposes for borrowing are possible with respect to the number of loans made. Comparisons relating to the amount of the loans, however, are not valid, since amounts to refinance existing loans with the credit unions are excluded from the distribution according to purpose in the 1961 study but were included in the earlier studies. The proportion of the loans made for selected purposes in the 3 years is shown below.

[Percent]

Purpose of loan	1961	1956	1948
Automobiles (new and used).....	12.7	13.1	7.5
Furniture and household appliances.....	6.9	8.7	6.0
Current living expenses.....	7.7	6.4	16.1
Educational expenses.....	2.7	1.5	1.7
Insurance premiums.....	3.4	2.5	2.0
Medical, hospital, dental, and funeral expenses.....	8.4	9.9	15.9
Taxes.....	3.9	3.5	3.9
Consolidation of debts.....	15.1	17.1	15.4
Investments.....	1.5	2.0	1.6

CHANGES IN PURPOSE OF LOANS

From 1948 to 1956, according to the 1956 study, there was a marked shift among credit-union members toward borrowing for the purchase of hard goods, particularly automobiles. Loans to finance the purchase of automobiles increased from 7.5 percent of the total number of loans made in 1948 to 13 percent in 1956. From 1956 to 1961, no pronounced change occurred in any one category.

The proportion of loans made for current living expenses and medical, hospital, dental, and funeral expenses fell sharply from 1948 to 1956; the change from 1956 to 1961, however, was relatively insignificant. In contrast, the number of loans made for educational purposes, although accounting for only 2.7 percent of all loans made in 1961, was almost double the number in 1956.

The concern sometimes expressed that credit unions are getting into the automobile and real-estate lending fields in large numbers is not justified by the data (table 1). In relation to all loans made during the year, the number made for the purpose of purchasing an automobile (new or used) actually declined—from 13.1 percent of the total in 1956 to 12.7 percent in 1961. Data on loans to purchase new cars became available in 1961 for the first time;

these loans accounted for only 4.5 percent of the total number of loans made for all purposes. The amount involved in automobile loans in 1961, when 17 percent of the total amount loaned went for new cars and 14 percent for used cars, is only slightly more than in 1956, when automobile loans made up 30 percent of the total amount loaned in that year. Real-estate loans accounted for only 2 percent of the total number of loans made in 1961 and for only 5 percent of the total amount.

Since the Federal Credit Union Act limits loans for any purpose to a maximum maturity of 5 years, this provision has a dampening effect on large loans in Federal credit unions, and such loans are the exception rather than the rule. Real-estate loans are especially limited by this provision in the act, because few borrowers can undertake to pay off the relatively large amounts required for home purchase in such a short period.

SIZE OF CREDIT UNION AND SIZE OF LOAN

Another important factor restricting the size of the loan is the size of the credit union. Individual loans are limited by law to a maximum of 10 percent of the credit union's unimpaired capital and surplus. Most Federal credit unions are relatively small. In 1961, nearly one-fourth of the Federal credit unions had assets of less than \$25,000, and half had less than \$100,000.

The sample data, even though somewhat over-weighted by the larger credit unions, show that new money lent in 1961 amounted to only \$447, on the average (table 3). In the smallest credit unions the average was \$123 and in those with assets of \$5 million or more it was \$557. Inclusion of amounts borrowed to refinance and pay off existing loans with the credit unions raises the average to \$740. In credit unions with assets of less than \$5,000 the average was \$129; for those in the group with \$5 million or more it was \$891.

Loans for agricultural purposes—for capital investment and current production—accounted for less than 1 percent of the loans made in all but two groups. In the group with assets of \$100,000–\$249,999, 1 percent of the loans were made for this purpose, and in the \$5,000–\$9,999 group, 1.6 percent of such loans were made.

As might be expected, the relative number of automobile loans increased, in general, as the size of the credit unions increased. Borrowings for the purchase of a new car resulted in the highest average

loan—\$1,719—of any type. The number of loans made for this purpose in 1961 ranged from a low of 0.2 percent of the loans for all purposes in credit unions with assets of less than \$5,000 to 6.5 percent in those with assets of \$5 million or more.

In credit unions of every size, borrowings to purchase used cars outnumbered those for new cars. These loans, representing 8.2 percent of all loans, ranged from 3.3 percent of the total in the smallest credit unions to 9.3 percent of the total in the largest group.

The size of the credit union apparently has little if any effect on borrowings for automobile repairs and accessories. The number of loans for this purpose ranged from 5.2 percent to 7.2 percent of all loans; the national average was 6.2 percent.

The proportion of loans made for durable and nondurable goods other than those shown in the table was likewise unaffected by the size of the credit unions. In most groups, loans for "other durable goods" hovered around the average of 1.2 percent for all size classes. There was a somewhat wider deviation from the overall average of 2.1 percent for other nondurable goods, but again the size of the credit union did not appear to be a determining

factor in the relative frequency of loans for this purpose.

Although the number of loans to purchase homes generally increased as the size of the lending credit union increased, relatively few loans were made for this purpose even among the largest credit unions. Proportionately fewer loans were made for this purpose, in fact, among credit unions in the group with assets of \$5 million or more than among credit unions as a whole—1.8 percent in contrast to 2.0 percent. Since this type of loan averaged only \$1,128, it appears that many of these loans were made to pay off existing mortgages and that few were made for outright purchase of new homes.

The proportion of loans made for home improvements and maintenance varied somewhat among the different classes. In general, however, there was little variation from the national average of 8 percent.

The trend toward a shorter workweek has resulted in increasing emphasis on leisuretime activities. One of every 10 loans made by Federal credit unions in 1961 was for holiday and recreation expenses. Except for the reason "to consolidate debts," the most common reason given for borrowing in 1961 was "holiday and recreation expenses." It was the reason cited most often in 7 of the 11 groups if consolidation of debts is ignored as a specific reason for borrowing. Borrowing to consolidate debts declines in importance as the size of the credit union increases, the exact opposite of the situation for practically all the other reasons for borrowing where size of credit union is significant.

Borrowing for medical, hospital, dental, and funeral expenses dropped sharply from 1948 to 1956 and slightly in 1961, when 8 percent of the loans made were for this purpose. The decreasing importance of this type of loan may be attributed to the marked increase in prepayment of medical and hospital costs and other health insurance plans, which lessen the need for large outlays for this purpose when illness strikes.

Borrowing to pay insurance premiums, on the other hand, has increased from 2.0 percent of the total number of loans in 1948 to 3.4 percent in 1961. This change may reflect a growing awareness of the value of insurance to cover medical and hospital expenses, automobile insurance, and other kinds of insurance.

Borrowing to pay taxes continued in 1961 to represent less than 4 percent of the total number of loans made by Federal credit unions. Borrowing to

TABLE 1.—Percentage distribution of loans made by Federal credit unions and average loan, by principal purpose, 1961

[Based on data for 2,497 Federal credit unions reporting]

Purpose of loan	Percentage distribution		Average loan ¹
	Number	Amount	
Total.....	100.0	100.0	\$447
Agriculture:			
Capital investment (tractors, livestock, etc.).....	.4	.7	804
Current production (seed, feed, etc.).....	.2	.3	617
Automobiles:			
New.....	4.5	17.2	1,719
Used.....	8.2	13.7	749
Repairs and other.....	6.2	2.7	191
Furniture and household appliances.....	6.9	5.7	368
Homes.....	2.0	5.0	1,128
Home improvements and maintenance.....	8.0	8.8	495
Other durable goods (boats, house trailers, etc.).....	1.2	1.9	704
Other nondurable goods (clothing, etc.).....	2.1	.9	180
Current living expenses.....	7.7	3.2	190
Educational expenses.....	2.7	1.9	326
Holiday and recreation expenses (vacations, gifts, etc.).....	10.0	5.1	226
Insurance premiums.....	3.4	1.2	164
Medical, hospital, dental, and funeral expenses.....	8.4	4.8	255
Taxes.....	3.9	2.1	240
Consolidation of debts.....	15.1	14.9	437
Investments:			
Business ventures.....	.8	2.2	1,208
Stocks, bonds, etc.....	.7	1.3	868
Other.....	7.6	6.4	376

¹ Based on new money only; excludes amounts to refinance old loans.

TABLE 2.—Percentage distribution of loans made by Federal credit unions, by principal purpose of loan and by size of credit union, 1961

[Based on data for 2,497 Federal credit unions reporting]

Purpose of loan	Total	Asset size										
		Less than \$5,000	\$5,000-9,999	\$10,000-24,999	\$25,000-49,999	\$50,000-99,999	\$100,000-249,999	\$250,000-499,999	\$500,000-999,999	\$1,000,000-1,999,999	\$2,000,000-4,999,999	\$5,000,000 or more
Percentage distribution of loans												
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture:												
Capital investment (tractors, livestock, etc.).....	.4	.4	.7	.5	.5	.6	.6	.5	.3		.4	.3
Current production (seed, feed, etc.).....	.2	.2	.9	.3	.3	.3	.4	.2	.3	.1	.1	(1) .3
Automobiles:												
New.....	4.5	.2	.7	1.1	1.7	3.4	4.4	4.2	4.6	5.2	4.2	6.5
Used.....	8.2	3.3	4.1	5.6	6.4	6.9	8.6	7.7	8.5	8.7	7.9	9.3
Repairs and other.....	6.2	7.2	6.8	6.7	6.5	5.8	6.3	5.8	6.4	6.6	6.4	5.2
Furniture and household appliances.....	6.9	4.6	6.7	7.1	6.4	7.4	7.4	7.3	7.3	6.7	6.7	5.3
Houses.....	2.0	.9	1.3	1.7	1.6	1.5	1.9	1.7	2.1	2.3	2.3	1.8
Home improvements and maintenance.....	8.0	6.5	5.0	7.4	8.1	8.3	8.4	8.0	7.6	8.0	8.2	7.9
Other durable goods (boats, house trailers, etc.).....	1.2	.9	1.1	1.0	1.0	1.3	1.3	1.0	1.3	1.1	1.2	1.1
Other nondurable goods (clothing, etc.).....	2.1	2.8	1.6	1.9	3.0	2.6	1.8	2.7	2.2	1.6	2.0	2.9
Current living expenses.....	7.7	13.9	11.6	9.2	11.0	8.4	7.6	8.2	6.8	6.9	6.8	10.6
Educational expenses.....	2.7	3.0	3.8	3.0	2.7	2.8	2.7	3.0	2.5	2.5	2.4	3.3
Holiday and recreational expenses (vacations, gifts, etc.).....	10.0	11.1	8.5	10.2	9.3	10.1	9.6	10.5	10.3	10.3	10.7	7.1
Insurance premiums.....	3.4	1.7	2.0	2.6	3.3	2.9	3.5	3.7	3.4	3.5	3.2	3.3
Medical, hospital, dental, and funeral expenses.....	8.4	10.5	9.2	9.5	10.5	9.8	8.8	8.4	8.3	7.8	8.0	8.2
Taxes.....	3.9	3.7	4.0	4.1	4.2	4.0	4.3	4.0	3.8	3.6	3.5	4.4
Consolidation of debts.....	15.1	21.8	20.7	21.5	17.1	16.1	15.1	13.9	15.4	15.6	15.1	13.5
Investments:												
Business ventures.....	.8	.6	.5	.8	.7	1.0	1.0	.8	.9	.7	.9	.7
Stocks, bonds, etc.....	.7	.4	.1	.7	.4	.5	.7	.6	.6	.7	.9	.5
Other.....	7.6	6.3	10.7	5.1	5.3	6.3	5.6	7.8	7.4	7.8	9.1	8.1
Selected operating data												
Number of Federal credit unions in sample	2,497	153	112	252	273	384	546	326	245	128	70	8
Number of loans.....	1,200,367	2,714	4,980	17,971	30,442	56,742	137,141	177,697	226,868	223,690	237,933	84,189
Average number per Federal credit union.....	481	18	44	71	112	148	251	545	926	1,748	3,399	10,524
Amount of loans (in thousands).....	\$887,747	\$350	\$934	\$4,935	\$11,927	\$30,218	\$90,045	\$121,486	\$175,270	\$178,717	\$198,785	\$75,030
New money only.....	\$536,599	\$334	\$831	\$4,061	\$8,413	\$20,906	\$58,844	\$74,262	\$103,957	\$106,691	\$111,403	\$46,897
Amount to refinance old loans.....	\$351,148	\$16	\$103	\$924	\$3,514	\$9,312	\$31,201	\$47,224	\$71,313	\$72,026	\$87,382	\$28,133
Average size of loan: ²												
Based on new money only.....	\$447	\$123	\$167	\$226	\$276	\$368	\$429	\$418	\$458	\$477	\$468	\$557
Including amount to refinance old loans.....	\$740	\$129	\$187	\$277	\$392	\$533	\$657	\$684	\$773	\$799	\$835	\$891
Average assets.....	\$343,001	\$2,478	\$7,483	\$16,550	\$36,782	\$73,218	\$163,305	\$357,749	\$687,409	\$1,338,197	\$2,692,563	\$9,869,081

¹ Less than 0.05 percent.
² Based on unrounded data.

make investments is likewise relatively unimportant; loans made for this purpose accounted for only 1.5 percent of the total number.

The 1961 study brings out on a national scale for the first time the relatively large extent of refinancing handled by Federal credit unions. The amount lent to refinance existing loans represented 40 percent of all loans made in 1961—concentrated among the larger credit unions. Refinancing ranged from 4 percent of the total amount loaned in the smallest credit unions (those with assets of less than \$5,000) to 44 percent in those with \$2-\$5 million.

CONCLUSIONS

On the basis of the present study it appears that, after 27 years of operation, Federal credit unions

continue to make relatively small loans and that members' needs for larger loans are taken care of by other financial institutions. The charge that credit unions are making large loans for real-estate purchases and other purposes is not supported by the data. Relatively large loans in Federal credit unions are the exception, and they are numerically insignificant when the program is viewed from an overall standpoint.

Comparatively little change has occurred during the past 5 years in the distribution of loans by purpose. The remedial type of loan is still very much in evidence among Federal credit unions, irrespective of their size. Refinancing is a significant activity among the larger credit unions but is a relatively unimportant aspect of lending operations among the smaller groups.