

5. *Obligations of Private, Nonprofit Organizations*

As detailed in supplement A, several questions posed for the chapters on sources of funds dealt with the obligations issued by private, nonprofit organizations. It was hoped that quantitative information could be developed on the extent of investments in such obligations by the major investor groups, coupled with some description of the factors influencing their investments. Unfortunately, aside from life insurance companies and mutual savings banks, such data are not available because the various investor groups do not distinguish obligations of private, nonprofit organizations from other investments.

A survey of 18 life insurance companies found that during 1946-65 they had acquired \$875 million of obligations of private, nonprofit organizations, including \$129 million in 1965. The obligations are being used to finance hospitals, churches, schools, colleges, nursing, retirement or rest homes, college dormitories, office buildings, YM and YWCA's, community buildings, and seminaries. Mortgage notes have been the usual instrument for many of the companies, with bonds less frequently used. The major factors influencing investment decisions have been yield, security of debt service, credit standing, and project feasibility.

During 1950-63, mutual savings banks in New York made \$234 million of mortgage loans to private organizations to finance hospitals, houses of worship, schools, libraries, and fraternal buildings. Some of the fire and casualty insurance companies reported that they buy a few church and hospital bonds. The chapters on public retirement funds and personal trust funds advise that they make some purchases of nonprofit organization obligations, while the chapter on commercial banks advises that data are not available on bank acquisitions of such obligations.

6. *Appraisal*

According to the data presented above, during the decade 1966-75 the demand for municipal securities by identifiable investor groups is expected to be higher than the supply of State and local government debt obligations that would be generated by the projected public facility capital requirements of such public agencies during these years. Such a conclusion rests on the following major assumptions: (a) That public facility capital requirements developed in volume 1 fully reflect the Nation's public-facility needs, (b) that housing and urban renewal capital outlays of State and local governments will expand by 5.5 percent per year, (c) that 50 percent of total State and local government capital outlays will continue to be financed by borrowing, (d) that commercial banks will account for over 60 percent of the increased demand for municipal securities, and (e) that all other investor groups will actually acquire municipal securities to the extent projected.³⁵

Although considerable data are presented in volumes 1 and 2 to support these assumptions, it does not necessarily follow that they will actually materialize during the next decade. The reader, of course, is free to make alternative assumptions and to adjust the estimates accordingly. In this connection, the following commentary may be helpful.

³⁵ Other assumptions include: (a) That long-term borrowing for capital outlays will continue to account for 92 percent of all long-term borrowing, and (b) that the rate of annual debt retirements will rise gradually each year at an annual incremental rate of 0.05 percent.