

Banks have a long record of participation in publicly distributed issues of securities in the "church, hospital, private school, and homes for the elderly" classification. Since most issues are set up with required serial retirements, banks investing their own discretionary funds find the vehicle well adapted to their requirements and at rates that are usually somewhat higher than they would be able to procure elsewhere for the same term and with comparable marketability. Owing to certain classifications by some bank examiners in some areas, less-aggressive bank officers have become reluctant buyers, or even non-participants. However, this has not been a major deterrent in distribution.

The volume of securities in this classification sold to insurance companies shows substantial growth during the past two decades. Also, some direct lending has been done by insurance companies particularly in the last decade. The success of publicly distributed issues attributable to some degree to sound underwriting practices has contributed to the broadening market in the insurance company investment portfolio. Since the investment of insurance company funds is to a large degree controlled by State or Federal regulation, underwriters have also found it expedient to set up many of their larger offerings so that they adequately meet the prescribed insurance portfolio investment requirements. Participation by pension funds, labor unions, and other similar investor accounts has to a large degree followed the pattern of insurance company participation, except that the aggregate total dollar volume has not yet been developed to any large extent.

2. UNDERWRITERS AND DISTRIBUTORS

Church and hospital financing through underwriting securities issues is centered in the Midwest. Other houses in various sections of the country participate in the distribution of church, hospital, and private school bonds. Dealer participation can be summarized in these three classifications:

1. Underwriters specializing in underwriting and distributing publicly offered issues of bonds and notes for private, nonprofit organizations,
2. Underwriters who occasionally enter the field either as part of a syndicate or as sole underwriter, and
3. Securities dealers who participate in distribution, without making any substantial advance commitment.

In the Middle West there are about 10 underwriting firms which definitely specialize in originating, underwriting, and selling securities for religious, educational, and other not-for-profit organizations. Their service is extended to borrowing institutions from coast to coast. The volume of dollars provided annually by these underwriters for local public facilities probably exceeds the total dollars loaned to such institutions through any other specific source. These underwriters by careful selection of loans, by employment of sound underwriting practices, and by persistent publicity, popularized these securities as investments for the wide variety of accounts now holding this type of bond or note.

Distribution of larger issues sometimes is accomplished by the joint efforts of several securities houses. Included in the selling group there occasionally are houses whose principal distribution lies in other fields