bank investment activity. As noted earlier, the industry's postwar emphasis on mortgage investments stems from a variety of factors including a fundamental mortgage orientation, strong housing demands, the relative attractiveness of mortgage yields, and basic institutional changes that have contributed to broadened savings bank participation in mortgage markets.

The forces underlying the postwar upsurge in savings bank mortgage lending are not likely to diminish in the future. While mortgage-asset ratios, in some instances, are approaching statutory or policy ceilings, there is still ample room for mortgage expansion by the industry as a whole. Recently enacted legislation permitting savings banks in New York to acquire conventional mortgages beyond their State boundaries, as well as expanding new Federal housing programs, will add impetus to strong growth of the industry's mortgage holdings.

So long as housing demands remain strong and mortgage yields relatively attractive, so long will savings banks invest heavily in mortgages.

Assuming, again, no radical changes in the overall environment, savings bank activity in State and local government security markets is likely to remain limited to a small proportion of the industry's resources. From time to time, savings banks will acquire municipal obligations when yields are especially attractive. The 1962 increase in savings bank taxation should, on balance, result in some increase in savings bank purchases of municipal bonds. And their purchases of local issues will contribute importantly to community improvements in individual instances. Over the next decade, however, it appears reasonable to assume that industry municipal bond flows will continue to average below $100 million annually.

FINANCING PRIVATE, NONPROFIT COMMUNITY FACILITIES

Many types of facilities, essential to sound community growth are operated by private, nonprofit organizations and are financed outside the market for State and local government obligations. Mutual savings banks have participated actively in financing the construction and improvement of such facilities, particularly through their mortgage lending programs.

While no comprehensive, industrywide data are available on savings bank holdings of obligations of private, nonprofit organizations, an indication of the extent of their activities is provided by information on the industry's participation in financing specific types of projects. Financing of cooperative housing projects is one example.

At the end of 1965, the face amount of FHA mortgage loans on management-type cooperative housing held by savings banks totaled $353 million, more than any other type of lender. Indeed, savings banks held over two-fifths of the total face amount of FHA loans on these cooperative housing projects. Nonprofit facilities are also financed under other "special purpose" FHA programs. As noted earlier, savings banks are leading participants in these programs.

Another measure of the industry's activity in financing nonprofit facilities is provided by data on the volume of new mortgage loans closed by New York savings banks on certain types of community