

nue bonds are not avoided completely, however. Bonds issued for resort or recreational purposes, marinas, parking revenue, and bonds supported by automobile tolls are not in high favor with many companies.

For the stock companies it was found that with respect to unlimited tax general obligation bonds, and limited ad valorem tax bonds, purchases in general are not influenced by the intended use of the proceeds.

With revenue bond issues and special assessment bonds the intended uses of the proceeds are very important. Purposes which contribute to the economic growth of an area and/or the well-being of the populace are favored. Those where the economic feasibility of a project is doubted are generally not purchased.

Most intended uses of the bond proceeds are acceptable to the industry, but it should be noted that there may be differences of opinion with respect to certain purposes such as industrial revenue bonds, pure special assessment bonds, and certain other categories.

e. Geographical location of borrower

The stock company survey found that the location of a borrower, because of the accident of geography, is generally not a controlling factor in municipal bond purchases. There are certain (premium and other) tax advantages in various States which render their obligations more attractive for investment than those of other States; but this is not a factor of geography.

However, a conscious effort is made by most companies to spread purchases, geographically, with due consideration being given to population factors and the economic conditions of the areas.

For mutual companies, geographical factors do not seem to be as influential as economic and political factors. Important is company judgment as to ability of borrower to pay, so relative economic differences are a factor. There is some effort to achieve geographical diversification by States in which individual companies do business, and some companies plan carefully diversification of bond purchases within a State. There is a tendency to be influenced favorably toward geographical areas with which companies are most familiar, but this is weighted against yields. One-industry towns and depressed areas often are avoided, such as those where physical deterioration is adversely affecting the tax base, where the productive population is moving out, or where there is likelihood of legal challenges of existing financial practices.

For the independent companies it was reported that it appears that the geographic location has very little effect on the determination to purchase the obligations. All companies indicated that they try to have a portfolio widely diversified geographically. Companies may avoid issues of certain geographical areas where the economic, political, or social factors appear less favorable than they would like to see. If the geographic location might affect repayment or marketability, they may decide not to purchase the bonds.

2. OBLIGATIONS OF PRIVATE, NON-PROFIT ORGANIZATIONS

Apparently there has been little or no investment in this area by larger mutual fire and casualty insurance companies. A few buy church and hospital bonds, but the amount involved is not significant. Capacity to meet the requirements of the loan is the major considera-