

Credit Unions Under State Charters, 1953*

STATE-chartered credit unions, like those under the Federal Credit Union Act, are cooperative associations organized to provide thrift and consumer-loan services for their members. The passage of the first State credit union law, however, preceded the adoption of the Federal law by 25 years. Massachusetts in 1909 passed the earliest legislation of this

year that ended December 31, 1952.¹

Reporting Method

Questionnaires that call for composite State credit union data are mailed to all State supervisors early in the year, and the composite report for the United States is compiled as soon as all obtainable State reports are received. The last questionnaire included in the report for 1953 was received in September 1954. Data for the States of Arizona, Indiana, Kentucky, and New Hampshire are as of June 30, 1953, and those for Missouri are as of September 30. The data for all other States are as of December 31. The variations in the cut-off dates are the result of differences in credit union fiscal years or in reporting dates among the States.

¹ See the *Bulletin*, November 1953, pages 11-13. Reports for earlier years were made by the Bureau of Labor Statistics and published in the *Monthly Labor Review*; the last report made on the subject by that Bureau summarized operations in 1951 and appeared in the *Review* for February 1953, pages 155-158.

The unreported items in the incomplete questionnaires usually reflect differences in the reporting requirements established by the State supervising agencies. As in previous years, estimates were made for unreported items in the reports for 1952 and 1953 because of the interest of many persons in the national totals for State-chartered credit unions. Although the influence of any errors in these estimates is probably negligible in the aggregates, the variations between the actual and estimated data for an individual item could be substantial. For this reason the individual estimates are not shown in table 3; they are reflected, however, in the totals for State-chartered credit unions in tables 1, 3, and 4.

Operations in 1953

The growth of the State-chartered credit unions—uninterrupted since 1925 except in the depression and war years—continued in 1953 (table 1). There were more of these associations, and they had more members. Assets, earnings, paid-in share cap-

Table 1.—Development of State-chartered credit unions, 1925-53

Year	Number of credit unions		Number of members	Assets
	Total	Number reporting		
1925...	419	176	108,000	(¹)
1929...	974	838	264,908	(¹)
1931...	1,500	1,244	286,143	\$33,645,343
1932...	1,612	1,472	301,119	31,416,072
1933...	2,016	1,772	359,646	35,496,668
1934...	2,450	2,028	427,097	40,212,112
1935...	2,600	2,589	597,609	47,964,068
1936...	3,490	2,734	854,475	73,659,146
1937...	3,792	3,128	1,055,736	97,087,995
1938...	4,299	3,977	1,236,826	117,672,392
1939...	4,782	4,677	1,459,377	145,803,444
1940...	5,287	5,175	1,700,390	180,649,090
1941...	5,663	5,506	1,907,694	216,557,977
1942...	5,285	5,400	1,797,084	221,114,849
1943...	5,093	5,124	1,791,240	228,314,723
1944...	4,923	4,907	1,629,706	253,663,658
1945...	4,923	4,858	1,626,364	281,524,015
1946...	5,003	4,954	1,717,616	322,082,553
1947...	5,155	5,097	1,893,944	380,751,106
1948...	5,273	5,271	2,120,708	443,049,653
1949...	5,427	5,492	2,271,115	510,726,465
1950...	5,602	5,585	2,482,539	599,165,879
1951...	5,881	5,886	2,732,495	693,613,296
1952...	6,362	6,324	3,035,046	853,709,783
1953...	7,096	6,986	3,380,121	1,040,874,593

¹ Data not available.

type, and by 1934, when the Federal Credit Union Act was passed, a total of 38 States had adopted laws governing the granting of charters and the supervision of credit unions. Today there are local credit union laws in all States except Delaware, Nevada, South Dakota, and Wyoming. The District of Columbia and Puerto Rico also have their own credit union laws.

Responsibility for collecting and reporting on the operations of the State-chartered credit unions was transferred to the Bureau of Federal Credit Unions effective April 1953. The Bureau's first report was for the

* Prepared in the Bureau of Federal Credit Unions.

Table 2.—Total amount of loans and of real estate loans made by State-chartered credit unions, 25 States, 1953¹

State	Loans outstanding at end of period		Loans made during period	
	Total	Secured by real estate	Total	Secured by real estate
Total.....	\$507,162,926	\$135,754,962	\$445,795,119	\$22,550,463
Arizona ²	448,520	17,517	516,901	14,200
California.....	63,724,441	11,432,362	69,178,675	(³)
Colorado.....	13,043,034	2,038,121	16,380,733	971,261
Florida.....	12,479,334	1,636,683	22,906,773	(³)
Iowa.....	15,894,172	2,221,868	20,950,194	1,316,512
Kansas.....	8,204,328	457,791	12,634,400	(³)
Maine.....	1,662,932	15,902	2,495,087	2,700
Massachusetts.....	68,845,725	29,292,105	(³)	(³)
Michigan.....	57,708,289	18,311,715	63,477,170	(³)
Minnesota.....	36,377,784	14,850,028	39,436,844	5,681,721
Mississippi.....	717,754	42,803	911,858	28,582
Missouri.....	33,825,121	5,147,881	(³)	(³)
Montana.....	401,382	125,394	(³)	(³)
New Hampshire ²	2,611,489	1,679,737	(³)	(³)
North Dakota.....	3,114,246	399,702	2,642,674	(³)
Ohio.....	46,100,141	5,292,393	70,819,312	(³)
Oklaoma.....	6,205,553	306,197	(³)	(³)
Oregon.....	6,193,536	715,290	7,272,540	157,612
Rhode Island.....	24,294,367	13,781,601	15,133,413	3,163,466
Texas.....	25,065,756	1,121,042	35,225,306	751,366
Utah.....	7,700,989	1,145,221	9,527,504	650,750
Vermont.....	704,642	52,019	(³)	(³)
Washington.....	12,858,837	955,726	16,333,258	277,660
West Virginia.....	1,059,344	145,297	(³)	(³)
Wisconsin.....	57,911,202	24,567,567	53,052,477	9,534,633

¹ States reporting on real estate loans. Data are for calendar year unless otherwise noted.

² Fiscal year ended June 30.

³ Data not available.

ital, loans, and reserves were all up from the totals of the preceding year.

Credit unions chartered under State law numbered 6,362 in 1952 and 7,096 in 1953. The net increase of 12 percent was substantially greater than that of the preceding year (8 percent). At the end of the year membership in these associations totaled 3.4 million—345,000 more than at the end of 1952. The increase for this one year was only slightly less than the total membership of all credit unions in the United States 20 years earlier.

Loans outstanding to members, which had totaled \$570.0 million at the end of 1952, increased 29 percent to \$733.5 million. The growth of \$159.3 million in paid-in share capital brought the total from \$711.1 million to \$870.4 million. Reserves increased nearly \$10 million during the year

and amounted to \$48.9 million on December 31, 1953.

The total assets of all State-chartered credit unions passed the billion dollar mark during 1953 and at the end of the year amounted to \$1,040.9 million—\$187.2 million or 22 percent more than a year earlier. The reporting credit unions had average assets of \$148,900 on December 31, 1953; at the end of 1952 the average had been \$134,900.

An increase of \$10.2 million or 40 percent in the associations' net earnings for the year brought the total to \$36.2 million. The amount of dividends paid to shareholders was 33.2 percent greater than in 1952—\$24.7 million compared with \$18.5 million.

State Ranking

A ranking of the States according

to the number of State-chartered credit unions and assets held by them showed the same six States in the lead at the end of 1953 as in other recent years. Illinois was first both in number (1,125) and in total assets (\$159.7 million). Wisconsin was second in number of operating units, with 623, followed by Massachusetts with 463, California with 365, Ohio with 356, and Michigan with 253.

The Massachusetts associations had the second highest amount in total assets—\$110.9 million. Wisconsin ranked third with \$85.8 million and was followed by Michigan with \$78.0 million, California with \$74.7 million, and Ohio with \$63.0 million.

Forty-four percent of all credit unions operating under State charter were located in these six States. They had 51 percent of the total member-

Table 3.—Operations of State-chartered credit unions, by State, 1952 and 1953

State and year	Number of credit unions		Number of members	Loans outstanding end of year	Paid-in share capital	Reserves	Total assets	Net earnings	Dividends on shares
	Number active	Number reporting							
Total, 1952.....	1 6,362	1 6,324	1 3,035,046	1 \$560,982,497	1 \$711,147,388	1 \$38,879,577	1 \$853,709,783	1 \$25,931,905	1 \$18,547,203
Total, 1953.....	1 7,096	1 6,986	1 3,380,121	1 733,529,119	1 870,436,258	1 48,874,892	1 1,040,874,593	1 36,199,982	1 24,716,669
Alabama: 1952.....	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
1953.....	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Arizona: 1952 ^a	9	8	1,139	188,811	157,834	6,368	215,081	5,484	1,326
1953 ^a	9	9	2,512	448,520	399,205	12,785	464,967	18,248	12,119
Arkansas: 1952.....	28	28	6,904	722,677	983,904	40,018	1,081,752	35,342	24,835
1953.....	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
California: 1952.....	295	290	203,842	47,716,739	47,635,813	2,109,457	57,743,138	2,076,785	1,460,378
1953.....	365	365	238,834	63,724,441	62,868,313	2,463,580	74,683,147	2,980,532	1,785,947
Colorado: 1952.....	83	83	41,276	10,009,005	10,394,077	396,466	12,541,435	387,420	244,713
1953.....	95	95	49,877	13,043,034	13,655,914	477,674	15,671,215	627,755	316,889
Connecticut: 1952.....	106	107	19,750	3,140,431	3,958,707	68,222	4,296,532	149,848	135,529
1953.....	124	126	4,869,878	6,034,850	113,545	6,628,594	222,953	222,953	77,567
District of Columbia: 1952.....	17	17	18,398	2,342,473	3,152,791	198,333	3,543,096	126,446	89,500
1953.....	16	16	2,287,044	3,155,156	199,356	3,556,854	134,811	98,799	89,799
Florida: 1952.....	136	140	42,064	8,638,546	10,380,145	488,057	11,556,130	(2)	293,483
1953.....	178	170	49,739	12,479,334	13,456,175	622,385	15,321,440	742,871	405,928
Georgia: 1952.....	118	117	47,140	8,624,857	288,979	726,741	11,585,318	(2)	(2)
1953.....	136	135	49,884	11,032,912	380,037	663,028	14,522,474	(2)	(2)
Idaho: 1952.....	6	5	475	46,364	68,438	742	74,324	2,445	406
1953.....	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Illinois: 1952.....	1,015	1,015	491,384	76,116,409	122,646,287	4,628,588	133,280,666	4,639,820	3,333,528
1953.....	1,125	1,125	526,408	97,726,613	146,012,305	7,859,846	159,676,878	6,020,332	4,146,433
Indiana: 1952 ^a	148	148	(2)	10,098,226	14,590,945	660,179	15,996,990	(2)	(2)
1953 ^a	148	148	* 100,000	12,777,487	17,514,866	1,404,449	19,302,043	* 510,000	* 250,000
Iowa: 1952.....	224	210	(2)	12,084,977	15,460,935	664,781	17,752,359	497,015	397,143
1953.....	250	232	74,042	15,894,172	19,156,123	798,266	22,115,225	678,501	529,129
Kansas: 1952.....	107	106	43,543	5,957,829	5,718,050	287,407	9,488,880	345,961	(2)
1953.....	118	118	44,363	8,204,328	10,471,951	335,025	11,580,172	498,110	312,032
Kentucky: 1952 ^a	120	120	(2)	7,484,928	9,324,897	567,438	10,516,626	(2)	(2)
1953 ^a	127	127	48,170	9,228,258	11,186,565	656,674	12,623,784	(2)	(2)
Louisiana: 1952.....	105	103	(2)	3,899,201	4,119,988	235,130	4,843,376	(2)	(2)
1953.....	99	99	(2)	4,878,975	5,133,940	295,266	5,890,213	312,900	176,245
Maine: 1952.....	8	8	7,908	1,297,334	1,501,137	109,060	1,723,891	52,945	34,475
1953.....	8	8	8,369	1,662,932	1,727,246	126,945	2,082,825	69,608	47,423
Maryland: 1952.....	45	45	33,371	4,637,749	5,602,937	321,671	6,562,279	270,407	190,559
1953.....	46	46	36,027	6,560,613	6,620,435	387,310	8,625,502	288,744	244,677
Massachusetts: 1952.....	467	467	350,984	58,199,169	79,268,844	7,454,879	97,013,944	(2)	(2)
1953.....	463	463	363,599	68,845,723	89,280,911	8,360,368	110,941,833	(2)	(2)
Michigan: 1952.....	174	174	143,814	43,170,861	52,460,258	2,603,508	62,296,415	2,067,349	1,402,015
1953.....	235	210	164,627	57,708,289	65,143,062	3,079,239	77,979,508	2,680,943	1,814,630
Minnesota: 1952.....	295	295	107,690	27,721,181	29,904,040	1,528,594	37,127,141	929,311	810,064
1953.....	316	316	118,527	36,377,784	37,225,139	1,764,152	45,572,780	1,224,064	1,063,540
Mississippi: 1952.....	6	7	3,424	237,806	346,647	44,056	472,283	24,488	22,909
1953.....	6	6	5,011	717,754	649,538	47,011	789,135	43,673	30,615
Missouri: 1952 ^a	402	397	147,308	25,715,531	35,115,037	1,403,018	39,574,596	806,738	774,271
1953 ^a	424	418	162,441	33,825,131	42,829,002	1,809,919	48,629,205	1,149,392	1,036,410

See footnotes at end of table.

ship, 53 percent of all loans outstanding, and 55 percent of the total assets.

While Michigan ranked fourth in total assets held by the State-chartered associations, it was first in terms of average assets per credit union. The average assets of \$346,000 held by the credit unions in that State were more than \$100,000 greater than the average in Massachusetts, the State with the second highest average.

Real Estate Loans

Thirteen of the reporting States indicated that, while real estate loans were permitted, the credit unions were not required to segregate such loans in their year-end reports. The 25 States that showed their real estate loans separately are listed in table 2. They had loans totaling

\$507.2 million outstanding at the end of 1953, and of this amount \$135.8 million or 27 percent represented real estate loans. Twelve States reported, in addition, the amount of real estate loans granted by the credit unions during the year. Of the \$217.2 million in total loans that the associations in these States granted, \$22.5 million or 10.5 percent consisted of real estate loans. As in 1952, Massachusetts had the largest amount of real estate loans outstanding at the end of 1953 (\$29.3 million), and Wisconsin was second (\$24.6 million).

Available data on real estate loans made by State-chartered credit unions are insufficient at this time to warrant any general conclusions as to total volume or trends. It seems clear, however, that in the States that re-

ported such data, longer periods before maturity are allowed on real estate loans, on the average, than on loans of other types. Where State laws are silent on real estate lending by credit unions, the amount of such lending is determined primarily by the limitations on loan maturities. Of the eight States that reported on the amount of real estate loans made during both 1952 and 1953, half had decreases in the latter year and half had increases. The greatest decline (\$359,530) was reported by Colorado; the largest growth (\$825,618) occurred in Minnesota.

Federal and State Credit Unions

The Federal Credit Union Act was patterned, in general, after the State laws in existence at the time it was

Table 3.—Operations of State-chartered credit unions, by State, 1952 and 1953—Continued

State and year	Number of credit unions		Number of members	Loans outstanding end of year	Paid-in share capital	Reserves	Total assets	Net earnings	Dividends on shares
	Number active	Number reporting							
Montana: 1952.....	5	5	1,217	(²)	307,121	14,539	344,752	15,320	7,711
1953.....	8	8	1,257	401,382	411,585	19,884	473,173	22,607	7,789
Nebraska: 1952.....	63	63	(²)	2,956,858	(²)	154,893	4,414,011	164,379	115,291
1953.....	70	70	21,217	4,216,389	5,155,700	185,126	5,657,142	238,736	153,402
New Hampshire: 1952 ³	13	13	5,572	2,128,770	775,458	113,764	3,036,780	85,481	16,926
1953 ⁴	16	16	6,896	2,611,489	986,075	2,067	3,496,671	107,917	20,265
New Jersey: 1952.....	62	60	37,212	2,971,731	8,452,277	290,744	8,975,531	255,702	198,026
1953.....	67	67	39,116	3,527,811	10,268,300	349,657	10,923,873	329,758	258,973
New Mexico: 1952.....	14	14	2,123	162,084	151,182	3,609	117,118	4,417	(²)
1953.....	25	25	3,438	280,848	250,182	7,430	299,091	9,581	6,182
New York: 1952.....	190	190	140,445	20,893,711	28,028,689	2,732,131	32,857,878	1,035,485	706,184
1953.....	193	193	146,991	24,791,416	30,437,988	2,925,770	35,821,093	1,218,606	782,711
North Carolina: 1952.....	202	190	55,256	7,653,892	9,570,080	561,459	12,234,721	292,728	239,065
1953.....	215	203	60,809	9,567,088	11,206,502	672,798	14,058,017	347,572	286,707
North Dakota: 1952.....	58	64	12,227	2,976,934	4,399,638	112,943	4,684,902	81,546	31,865
1953.....	64	69	13,508	3,114,246	4,774,948	130,364	5,143,752	106,814	40,952
Ohio: 1952.....	317	317	178,133	34,206,663	45,639,884	1,814,279	50,873,936	1,756,670	1,165,338
1953.....	356	341	195,977	46,100,141	56,280,484	2,214,599	63,033,983	2,512,736	1,580,488
Oklahoma: 1952.....	41	41	(²)	4,425,123	5,835,477	321,666	(²)	(²)	(²)
1953.....	41	41	28,315	6,205,553	244,746	420,591	7,692,783	146,502	(²)
Oregon: 1952.....	35	35	18,757	4,467,879	4,757,031	234,292	5,371,312	198,212	133,496
1953.....	36	36	21,641	6,193,536	6,031,589	306,954	6,960,079	314,358	181,834
Pennsylvania: 1952.....	87	87	55,009	7,902,963	10,852,714	606,141	13,513,748	378,245	303,332
1953.....	94	94	58,287	9,615,290	12,245,448	686,346	15,573,272	462,355	368,417
Puerto Rico: 1952.....	72	68	20,170	1,787,606	1,535,685	28,222	2,007,060	28,903	(²)
1953.....	82	80	25,908	2,555,828	2,320,431	50,846	2,931,470	68,706	35,441
Rhode Island: 1952.....	48	48	66,143	20,805,972	15,774,895	1,309,801	28,830,345	558,204	373,176
1953.....	53	51	72,198	24,294,367	18,619,336	1,629,881	32,996,021	982,885	460,981
South Carolina: 1952 ⁷	8	8	4,865	(²)	(²)	(²)	686,313	(²)	(²)
1953 ⁷	17	14	3,616	404,057	305,000	8,500	749,057	33,000	25,000
Tennessee: 1952.....	95	95	46,424	9,226,208	11,537,028	542,230	13,746,861	520,737	372,019
1953.....	115	103	53,022	12,015,376	14,757,049	640,533	16,746,912	683,439	428,022
Texas: 1952.....	188	188	65,961	16,581,996	18,142,806	572,170	21,652,609	861,380	719,323
1953.....	283	270	90,730	25,065,766	26,098,741	698,667	30,410,553	1,335,381	1,004,735
Utah: 1952.....	74	74	19,180	5,675,350	5,822,991	116,179	6,496,819	359,855	(²)
1953.....	80	80	22,886	7,700,989	7,777,531	175,042	8,599,588	320,210	230,033
Vermont: 1952.....	38	36	5,743	425,782	444,287	10,603	484,066	18,222	(²)
1953.....	50	50	7,658	704,642	741,974	18,938	819,545	32,210	(²)
Virginia: 1952.....	44	44	(²)	2,835,909	2,333,810	265,668	3,533,166	(²)	(²)
1953.....	60	60	18,106	3,811,699	3,104,099	297,232	4,587,742	(²)	(²)
Washington: 1952.....	114	113	54,890	8,911,526	10,700,764	652,540	12,052,626	515,694	319,803
1953.....	121	121	63,440	12,858,837	14,069,541	791,430	16,119,697	766,239	444,874
West Virginia: 1952.....	30	30	6,451	903,133	543,901	61,841	1,030,043	4,202	13,326
1953.....	27	27	6,398	1,059,344	687,031	64,495	1,227,385	7,947	27,660
Wisconsin: 1952.....	577	577	230,429	44,498,385	63,953,523	3,661,942	69,822,659	2,260,565	1,521,895
1953.....	623	623	249,462	67,911,202	78,591,245	4,655,119	85,770,900	3,140,365	1,966,620

¹ Total contains estimates for unreported data.
² Data not reported.
³ Fiscal year ended June 30. ⁴ Adjusted.

⁵ Estimated by Indiana State Credit Union Supervisor.
⁶ Fiscal year ended September 30.
⁷ Data furnished by South Carolina Credit Union League.

Table 4.—*Credit unions in the United States, 1953*

Item	Total	State-chartered	Federal
Number in operation.....	13, 673	7, 096	6, 578
Members.....	6, 635, 543	3, 380, 121	3, 255, 422
Amount of loans outstanding.....	\$1, 307, 502, 648	\$733, 529, 119	\$573, 973, 529
Paid-in share capital.....	1, 638, 007, 350	870, 436, 258	767, 571, 092
Reserves.....	75, 053, 792	48, 874, 892	26, 178, 900
Total assets.....	1, 895, 106, 600	1, 040, 874, 593	854, 232, 007
Net earnings.....	69, 609, 060	36, 199, 982	33, 409, 078
Dividends paid on shares.....	47, 294, 099	24, 716, 669	22, 577, 430

adopted. The basic purposes of the two kinds of credit unions are, of course, essentially the same. In most States, therefore, a group interested in the organization of a credit union can make a choice based on relatively minor differences in the State and Federal laws.

Table 4 presents a comparative

summary of selected data pertaining to Federal and State-chartered credit unions at the end of 1953.² The combination of the data for the two types of association gives a clearer picture

² For the most recent data on Federal credit unions see *Report of Federal Credit Union Operations for 1953* (Bureau of Federal Credit Unions, 1954).

than is otherwise possible of the progress of the whole credit union movement. As the table shows, at the end of 1953 more than 13,000 credit unions were in operation in the United States; they had about 6.6 million members and total assets of more than \$1.9 billion. These totals all represent advances from the totals in 1952, when there were more than 12,000 credit unions in operation that had slightly less than 6.0 million members and total assets of a little over \$1.5 billion.

California, with a total of \$186.5 million, led all other States in the amount of assets held by Federal and State-chartered credit unions; Illinois was second with \$181.8 million; and Michigan was third with \$144.1 million.

Notes and Brief Reports

Federal Unemployment Insurance Legislation, 1954*

In 1954 Congress passed, and President Eisenhower approved, legislation extending the coverage of the unemployment insurance system to about 3.7 million workers and 270,000 employers. The new law provided the first significant change in the coverage provisions of the Federal Unemployment Tax Act during the 19 years since that law was adopted. A change in the provisions for financing the administration of the unemployment insurance system and a revision of the District of Columbia law were also enacted during the second session of the Eighty-third Congress.

Public Law No. 567.—The first of these three laws to receive Presidential approval was Public Law No. 567, the "Employment Security Administrative Financing Act of 1954," which was signed on August 5, 1954. This law provides that, beginning with the fiscal year ended June 30, 1954, the excess of collections from the Federal

unemployment tax over employment security administrative expenses is to be used to establish and maintain a reserve of \$200 million in the Federal unemployment account. This reserve is to be available for loans to States with depleted reserve accounts, to assist them in the financing of their unemployment benefit payments; the loans are to be repaid, without interest. Any amount in excess of the \$200 million is to be returned to the States, to be used for benefit payments or administrative expenses.

The provision makes possible greater assurance of the solvency of benefit funds. Federal unemployment tax collections will be used only for employment security purposes. The reserve of \$200 million that is to be built up and maintained will enable States whose payment funds fall to dangerously low levels to obtain loans. Any excess funds in addition to those needed to maintain the loan fund are to be allocated to the State accounts (in the Federal unemployment trust fund) in the proportion that their taxable payrolls bear to the aggregate taxable payrolls of all States. The amounts thus allocated are to be used for benefit payments or, under specified conditions, to supplement the

funds granted to the States for administrative expenditures. Congress will continue to appropriate funds annually to finance the administrative expenditures of the Federal-State employment security program.

The act thus makes permanent the earlier temporary measures for Federal financial assistance to States. It replaces legislation, enacted in 1944 and amended in subsequent years, that provided for a special account in the Federal unemployment trust fund. The excess of Federal unemployment tax collections over appropriations for employment security administration could be appropriated to this account, and from it loans—repayable but not bearing interest—could be made to States whose unemployment reserve funds were near exhaustion.

Under the new law, any State whose reserve account on the last day of any quarter is less than the amount of benefits paid in the 12 months ending on that day is eligible for a loan. The maximum amount that a State may borrow in any quarter is the largest amount of benefits paid by it in any one of the four preceding quarters. The loan is to be repaid either by a transfer of funds from the State's trust account to the Federal unemployment account or by a reduction in the allowable credit of 90 percent against the 3-percent Federal tax.

* Prepared in the Department of Labor, Bureau of Employment Security, Division of Program Policy and Legislation.