

**Financial  
Intermediaries**  
**An Introduction**  
Benton E. Gup



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# Financial Intermediaries: An Introduction

**Benton E. Gup**

The University of Tulsa

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To the Tulsa bankers who provide support for The University of Tulsa Chair of Banking and Finance. Without their support, this book would not have been possible.

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# Preface

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*Financial Intermediaries* is the modern term for financial institutions. This book emphasizes change—the perpetual shifting of assets, liabilities, forms of organization, laws and regulations—in response to new economic developments.

The text was designed for courses dealing with financial institutions. It can also be used to supplement courses in money and banking and financial markets.

*Financial Intermediaries* was written for students who want to know what is happening now in the financial world and what changes are likely to occur in the future. This goal is accomplished by going beyond the traditional approach that concentrated mainly on describing assets and liabilities of major financial institutions. It explains the major trends and problems these institutions are facing as they cope with a dynamic economy. In addition, institutions such as stockbrokerage firms, real estate investment trusts, private pension plans, mortgage banking companies, and some government credit agencies are also covered. Finally, current issues such as the bankruptcy of some pension plans, electronic funds transfer, and the recent collapse of hundreds of stockbrokerage firms are examined.

Students with a minimal background in economics or finance should have no difficulty with the text. The emphasis is on concepts rather than quanti-

tative techniques. The few quantitative techniques discussed here are explained in simple terminology; others can be found in the appendixes.

*Financial Intermediaries* was also written with the professor in mind. Professors and interested readers who wish to go beyond the material presented in each chapter are provided with bibliographies, detailed footnotes, end-of-chapter discussion questions, and appendixes. Some of the appendixes consist of speeches on specific topics by experts in those fields. One appendix contains a speech dealing with bank reserves by Arthur Burns, Chairman, Board of Governors of the Federal Reserve System. At the end of the book there is an appendix containing Flow of Funds accounts covering all the financial institutions and credit markets for a several year period. The Flow of Funds can be used to illustrate financial relationships between various sectors of the economy. For example, students tend to get a better understanding of, say, disintermediation if they can trace the flow of funds out of financial institutions and into marketable securities.

Because *Financial Intermediaries* is about what is happening now, periodicals such as *The Wall Street Journal* and the *Federal Reserve Bulletin* are important supplements. Articles and data from these suggested sources keep the text up-to-date and keep the material relevant for the students.

This is the appropriate time and place to thank those who aided in the preparation of this book. I am particularly indebted to former students—G. Robert Harrison, Bill Simms, Jack Brown, Bill Snow, Virginia Estes Goosen and Sarah L. Wilson—who did a lot of the leg work and research for me. In addition, I want to acknowledge the following persons who reviewed or made suggestions on various chapters: Norman Bailey (University of Iowa); S. Lees Booth (National Consumer Finance Association); William Carlson (Duquesne University); Robert H. Cramer (University of Wisconsin, Madison); Robert Crowe (Memphis State University); Kenneth Frantz (Boston College); William F. Ford (American Bankers Association); William C. Freund (New York Stock Exchange); John Hand (Auburn University); Kenneth Holcomb (University of Tulsa); Panos Konstas (Federal Deposit Insurance Corporation); Frank Mastrapasqua (Capital Management, Inc.); Lucille S. Mayne (Case Western Reserve University); Neil B. Murphy (University of Maine); Walter Polner (ASCU); Allen R. Soltow and Stephen Steib (University of Tulsa); John Stowe (Florida Atlantic University); Gary Tallman (Kent State University); Kenneth J. Thugerson (U.S. Savings and Loan League); G. Dale Weight (Syracuse Savings Bank); and Wilbur Widicus (Oregon State University). Particular thanks is due to T. Gregory Morton of the University of Connecticut for preparing the instructor's manual and the

questions at the end of each chapter. Finally, a very special thanks to my wife, Joanne, who edited virtually every page of this manuscript.

Although the above persons and others sought to improve the text, I am responsible for its errors and shortcomings.

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# Contents

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	Preface	xxiii
	<b>Part 1—Introduction</b>	1
1	The Financial System	3
	Introduction	3
	Intermediation	4
	Business Concerns	5
	Financial Intermediaries	7
	Individuals	10
	Interest Rates	11
	Summary	13
	Questions	14
	Appendix 1A: Primary Securities	15
	Appendix 1B: Expectations Theory	22
	Bibliography	26
2	Portfolio Theory and Flow of Funds: The Tools of Analysis	27
	Introduction	27
	Portfolio Theory	28
	Flow of Funds	37
	Summary	43
	Questions	43
	Bibliography	45

---

## **Part 2—Deposit-Type Intermediaries**

		47
3	Savings and Loan Associations:	
	The Home Mortgage Lenders	49
	Industry Structure	49
	Assets of Savings and Loan	
	Associations	51
	Liabilities of Savings and Loan	
	Associations	55
	Portfolio Adjustments	57
	The Mortgage Market	58
	Summary	61
	Questions	62
	Bibliography	64
4	Mutual Savings Banks and	
	Credit Unions	65
	Mutual Savings Banks	65
	Credit Unions	77
	Summary	83
	Questions	83
	Bibliography	85
5	Commercial Banks	86
	Features of Commercial Bank	
	Portfolios	86

---

  

---

	Assets	87
	The Behavior of Assets	90
	Liabilities	93
	The Behavior of Liabilities	94
	Demand Deposits and Money	98
	Summary	103
	Questions	103
	Bibliography	105
6	The Federal Reserve System	106
	Organization	107
	Federal Deposit Insurance	
	Corporation	110
	Reserve Requirements	111
	Open Market Operations	112
	Summary	116
	Questions	117
	Appendix 6A: The Structure of	
	Reserve Requirements	118
	Bibliography	126
	<b>Part 3—Insurance and</b>	
	<b>Pension Plans</b>	127
7	Life Insurance Companies	129
	Insurance	129
	Life Insurance Premiums	131

---

	Life Insurance in Force	134
	Liabilities of Life Insurance	
	Companies	138
	Assets of Life Insurance	
	Companies	139
	Summary	143
	Questions	143
	Bibliography	145
8	Private Pension Plans	146
	History	146
	Types of Pension Plans	148
	Assets of Private Noninsured	
	Pension Plans	150
	Issues Concerning Pension	
	Plans	153
	Summary	162
	Questions	163
	Bibliography	164
	<b>Part 4—Other Types of</b>	
	<b>Financial Intermediaries</b>	165
9	Transition in the Stock Market	167
	Trading Activity	167
	The Clearing and Transfer	
	Process	170
	The Initial Response	173

---

	Commission Rates	178
	Why Firms Fail	182
	Summary	186
	Questions	186
	Bibliography	188
10	Investment Companies and Real Estate Investment Trusts	189
	Investment Companies	189
	Real Estate Investment Trusts (REITs)	204
	Summary	207
	Questions	208
	Bibliography	209
11	Consumer Credit Institutions	210
	Developments in Credits	210
	Credit Institutions	214
	Summary	224
	Questions	224
	Bibliography	226
12	Federal Credit Agencies	227
	Categories of Agencies	227
	Mortgage-Related Federal Credit Agencies	228
	The Farm Credit System	234
	Miscellaneous Credit Agencies	238

---

	Current Problems	239
	Summary	243
	Questions	243
	Bibliography	245
13	Mortgage Banking Companies	246
	Mortgage Lenders	246
	Assets of Mortgage Banking	
	Companies	247
	Liabilities of Mortgage Banking	
	Companies	249
	Mortgage Loan Servicing	250
	Problems Concerning the FHA	251
	Summary	252
	Questions	252
	Bibliography	254
	<b>Part 5—Structure</b>	255
14	Bank Holding Companies	257
	The Development of Bank	
	Holding Companies	260
	Federal Legislation	262
	The Future of Bank Holding	
	Companies	266
	Financial Soundness and Public	
	Benefits	271

---

	Selected Issues	273
	Summary	275
	Questions	276
	Bibliography	277
15	Branch and Unit Banking	278
	The Structure of Banking	278
	The Pros and Cons of Branch and Unit Banking	286
	Summary	292
	Questions	292
	Appendix 15A: The Changing Structure of the California Savings & Loan Industry	294
	Bibliography	300
16	The Hunt Commission:	
	A Financial Format	301
	Issues and Answers	302
	Summary	308
	Questions	310
	Appendix 16A: Press Release by U.S. Senator Thomas J. McIntyre	312
	<b>Flow of Funds Report</b>	317
	Index	387

---

# Figures

---

## Figures

1A-1	Relationship between the market price of a 6 percent, twenty-year, \$1,000 bond and market interest rates of 8 percent and 4 percent	17
1A-2	Weekly bond yields	18
1A-3	Stock prices and trading	19
1B-1	Illustration of current and expected rates	23
1B-2	Flat yield curve	23
1B-3	Normal yield curve	24
1B-4	Upward-sloping yield curve	24
1B-5	Downward-sloping yield curve	25
2-1	Selected interest rates	29
2-2	Stock price changes: the New York Stock Exchange profile	31
2-3	Probability of predicted values	33
2-4	Utility schedules	35
2-5	Two-asset portfolio	35
6-1	The Federal Reserve System: relation to instruments of credit policy	107
6-2	Short-term interest rates and borrowings of member banks	115
7-1	Comparison of basic policies issued at age 25	131
8-1	Number of beneficiaries	149
8-2	Distribution of assets of private noninsured pension funds	150
9-1	The transfer process of stocks	171
9-2	Stock price indices and trading volume	173



---

## Figures

9-3	Corporate security yields	174
9-4	Stock prices and trading	176
9-5	New York Stock Exchange member firms: commission income and selected expenses	177
10-1	Mutual funds	193
11-1	Short- and intermediate-term consumer credit	213
11-2	High legal interest rate	221
11-3	Low legal interest rate	222
11-4	Consumer installment credit held by selected large banks, retailers, and consumer durable goods manufacturers	223
12-1	How farmers share in control of the cooperative farm credit system	235
15-1	Number of commercial banks and offices in the United States	279
15-2	States according to status of branch banking	281