The sharp drop in total assets after 1929 reflects vividly the devastating effect of the depression upon the Savings and Loan group. The general curtailment of business activity was serious enough in itself to effect a heavy shrinkage in assets, but the situation was aggravated by the mal-practices and speculative activity which the associations indulged in prior to the crash. The combination of increasing withdrawal demands on the one hand and increasing defaults on loan payments on the other, placed the associations in a most unhappy situation. Attempts were made to meet withdrawal demands without notice until 1932, many associations borrowing funds from the RFC or local banks for that purpose, and to maintain dividends. Even after the impossibility of meeting withdrawal demands was recognized, the associations continued borrowing for the purposes of dividend payments or to maintain funds for emergency withdrawals. By the end of 1932, however, the high dividends were tossed overboard and compromise dividend rates — usually 4% — were generally accepted by certificate holders.

In 1933, assistance of two kinds was rendered to the beleaguered associations. The H.O.L.C. began to function actively and placed cash and negotiable bonds in the tills of the associations in exchange for defaulting, non-income producing loan accounts, thus providing a much-needed cash reserve for these associations. They were again assisted by passage, on March 10, 1933, of a state law permitting exchange of loans and real estate for outstanding investment certificates, as well as adjustment of interest rates on investment certificates, to conform with the ability of the association to pay. (The law also included one other important stipulation which was not emergency legislation — this limited loan interest rates chargeable by savings and loan associations to 7.25%). The combination of the increasing funds made available through the refinancing operations of the H.O.L.C. on the one hand, and on the other, freedom from the necessity of paying out all available cash to certificate holders, enabled the associations to pay up back taxes and assessments on acquired properties and to recondition these properties and place them on an income-producing or saleable basis.

The period of respite afforded by this emergency legislation was of inestimable benefit to the Savings and Loan group. The legislation was extended to 1937 and then terminated, but the period of dire necessity ended shortly after passage of federal legislation creating the Federal Savings and Loan System and providing for insurance of shares. All but a small group of associations have now reorganized and are insured, or have taken out Federal charters. The remaining group of uninsured state-chartered organizations have not done so either as a matter of policy or because of inability to meet the requirements for insurance. The latter group — now comprising 5 associations which are non-members of the Federal Home Loan Bank — is to all intents and purposes, in a state of virtual liquidation. This group of associations is burdened with an excessive overhang of non-residential properties and are neither receiving new investments nor making any new loans. While none of them is on withdrawal notice, they are operating under an act of legislature passed in 1937 supplanting the emergency legislation referred to above. This Act permits state-chartered associations to segregate their free funds for use purposes as follows:

- 50% of free funds may be utilized for payment of any legal obligations incurred, such as taxes, insurance, etc.
- 25% is to be used for payments on matured notice of withdrawal
- 25% is to be set aside to pay any certificate holder upon request but not in excess of $50.00 upon any one request. (Any funds left after distribution under the above two categories may be utilized to pay off certificate holders upon request under the same stipulated limitations).

It is extremely doubtful that any recurrence of the experience undergone during the past depression can ever occur again in the Savings and Loan group. Out of a total of 70 associations, 58 are now either Federal or insured state-chartered associations, and six more are entitled, as members, to the facilities of the Federal Home Loan Bank, (now seven, one association in Long Beach taking our bank membership after the collection of institutional questionnaires was completed). The careful scrutiny and close supervision of the activities of these Federal and insured associations, which together own about 85% of the total assets of Savings and Loan associations, should prevent any recurrence of the unsound policies and practices which characterized the activities of this type of institution prior to the depression.