the unspoken slogan of "Never sell Los Angeles real estate short" has been tempered somewhat by the bruised and sore spots of depression experience.

Concurrent with the changes in the lending psychology of the banking groups, widespread changes were inaugurated in the type of loans written and the terms offered thereon. Whereas, few amortised loans were written prior to the depression, this type of loan virtually supplanted the straight loan when lending activity was resumed in 1935. The H.O.L.C. lending terms were instrumental in creating a demand for this type of loan among mortgagors generally which demand was transmitted to private lending institutions.

Another pronounced change effected was in the servicing of loans. Excessive leniency permeated the servicing policies of banks prior to the depression, the assumption apparently being that even a defaulted loan was to be preferred to a parcel of acquired real estate. If a mortgagor could convince the banker that he was honestly doing his best, nothing further was done to improve the situation. It is only necessary to note the number of bank loans refinanced by the H.O.L.C. to recognize the extent of default existing among bank loans.

Other post-depression changes in the lending policies and terms of the banking group will be discussed later in a comparative analysis as between types of lending institutions.

b. Savings and Loan Associations

The effects of the depression on lending policies and procedure of this type of institution has already been discussed to some extent in preceding pages. The changes affected in lending - in fact, in all operating policies - however, were due in less degree to the depression itself than to the different type of supervision exercised by the Federal authorities and the more stringent regulations imposed as to operating and lending policies. The whole transition might well be termed as a re-establishment of the savings and loan principles in the industry after a long period in which institutions of this type operated as quasi-mortgage companies or banking institutions in everything but name.

The principal changes effected in actual operating policies have been as follows: the complete elimination of the straight loan and the use of long-term amortised loans; the abolition of the demand deposit and a return to the share subscription philosophy of long-term savings; a reduction in interest and dividend payments on shares and investment certificates to 3½-5%, a figure more in accord with returns offered by competing savings mediums and with present money rates; substantial reductions in interest and commiss  ion charges on mortgage loans; the establishment of sound appraisal procedures; restriction of loans to 1-4 family dwellings; and the restriction of lending operations to territories which can be readily serviced.

c. Insurance Companies

Lending operations of insurance companies were also seriously affected by the depression. During the 1920's nearly all the larger companies were active in this area but in the depression years all but a few of these institutions discontinued their lending operations entirely, the two notable exceptions being the Prudential and the Pacific Mutual. Despite the lenient policy pursued without exception by these companies in the handling of their loan accounts, they were forced to acquire considerable volume of real estate, most of which they reconditioned for rental purposes. By virtue of the type of property they loaned upon, their acquisitions have been of the type not readily disposed of except at sacrifice prices, and this policy the insurance company group has been unwilling to enter upon. Further, as mentioned in the real estate section, they have been forced to acquire large numbers of downtown business and apartment properties as a result of the decentralization of population and business activities now going on. Their losses in all categories of acquired properties would be excessive were they to be faced with the necessity for quick liquidation of their acquirements, and it is doubtful that they will escape loss on most of their acquirements in any event.

This unsatisfactory depression experience has made the insurance group as a general rule, very cautious in their attitude toward the Los Angeles mortgage market, and as a result only a handful of companies are actively lending to any notable