extent at the present time. The only major changes in the lending policies of this
group have been a substantial reduction of interest and commission charges, the
virtual abandonment of the straight loan, and increasing investment in Title II
loans. The group as a whole, while representing the third largest source of mortgage
credit, are declining in importance locally.

d. Mortgage Companies

The depression and the advent of the FHA loan played havoc with this
type of institution in the Los Angeles area. Prior to 1929, these institutions main-
tained a thriving business, particularly in the sale of guaranteed participating
certificates against trustees mortgage loans, but also, in the capacity of mortgage
brokers, through sales of mortgages, to institutions and individuals. The high inter-
est rates charged (7-8% usually) on straight 3 year loans as well as the 6% investment
certificates, established the mortgage company group in an outstanding position
insofar as attracting funds from individuals was concerned. These high rates of re-
turn were most appealing to the great numbers of moneyed individuals who sought
retirement in this area during the halcyon decade of 1920-30.

The rigors of the depression put an abrupt halt to the activities of
this group. One of the two big companies doing the heaviest business in guaranteed
investment certificates - the Pacific Mortgage and Guarantee Company - was forced
into voluntary liquidation in 1933, while the other - the most important Pacific
Coast branch of the Mortgage Guarantee Company - was saved from receivership only by
the generous treatment of the Metropolitan Life Insurance Company in releasing the
Mortgage Guarantee Company from the guarantee of its mortgages. Also, the help ren-
dered by the refinancing operations of the H.O.L.C., and assistance received from the
RFC were not inconsiderable factors in saving this institution. However, this company
was for years in a state of virtual liquidation and its depression lending operations
were very largely limited to the re-writing of matured loans. It has only recently
engaged in the making of new loans.

The mortgage brokerage business engaged in by most of the remaining
mortgage companies operating in the area ceased to all intents and purposes after
1930, as neither institutions nor individuals were seeking further mortgage invest-
ments during the depression years. A large volume of real estate was acquired by
these companies, mostly for the account of their clients, but these acquirements, for
the most part, have been sold.

Improvements in business conditions have brought but slight relief to
mortgage companies. With the advent of the FHA loan, the banking fraternity has
assumed a constantly increasing dominance in loan mortgage activity, while the FHA
loan in itself constitutes a competition which mortgage companies, acting in the
capacity of broker for individuals, find exceedingly difficult to meet. Only one
mortgage company - The Syndicate Mortgage Company, a subsidiary of Investors Syndicate
of Minneapolis - is using any really substantial volume of business for its own ac-
count and much of this business is in FHA loans. Of the business done by the remain-
ing 10 companies, by far the greater portion constitutes credit furnished by the
insurance companies which they represent. In an effort to compete with the low inter-
est, long-term, amortized FHA loans, the larger mortgage companies themselves are now
offering low interest, long-term, amortized loans but not on a 90% of appraisal basis.
This intense loan competition has had a two-fold effect on the mortgage companies -
the loss of their investment market on the one hand because the low return on mort-
gages is not attractive to individuals and the loss of mortgage demand on the other
through the more favorable FHA terms. There is widespread resentment against the
Federal Housing Administration among the whole fraternity.

e. Individuals

Individuals in pre-depression days constituted the greatest single
source of mortgage funds. During the 1920-30 period, it has been estimated that
individual money accounted for as high as 50-60% of the total mortgage loans made.
In addition to the loans they made either directly or through mortgage brokers, these
individuals also constituted the chief source of funds tapped by the institutions
issuing real estate mortgage and guaranteed investment certificates.

This source of mortgage money was nearly completely stopped during the
depression, and has never regained its momentum. Competition from low interest, long-
term, amortized loans of the FHA type has been instrumental in diverting individual