the small group of institutions enumerated above, this group of institutions is
therefore accounting for the greatest portion of new residential construction loans,
leaving to the remaining and vastly larger number of lending institutions only the
decreasing demand for mortgage refinancing. And the banks rank near the top in this
type of lending activity also, as the table on the preceding page indicates. The
non-FHA, residential mortgage portfolios of banks accounted for about a third of the
total non-FHA residential mortgage accounts of institutions. Thus, the situation
facing the mortgage lending institutions which are unable or unwilling to undertake
extensive FHA lending activity is not very satisfactory at the present moment.

Turning now to the second question - whether or not this trend of
concentration will continue in the future - there are several basic factors indicat­
ing that the trend will continue;

(a) There has been no indication given that the Congress will curtail
the FHA program as distinguished from the refinancing of existing loans.

(b) The extensive FHA promotional activity which is being strongly
supported by all local publicity mediums, local realtors, building contractors,
building-labor groups, etc., indicates that there is little likelihood of the FHA
loan losing any of its present high degree of popularity among prospective home-
buyers in Los Angeles.

(c) The low interest return on FHA mortgages renders it virtually im­
possible for any institutional groups other than banks, insurance companies and
comparable institutions, such as the Investors Syndicate, to make loans of this type
unless a radical reduction is affected in the rates paid in interest and dividends
on money received from the public, or unless some other source of low cost funds is
made available to them. This is particularly true of the savings and loan group.

It is almost impossible to escape the conclusion that insofar as
future competitive position is concerned, there is little promise for the mortgage
lending groups or institutions in Los Angeles that are not doing FHA lending. This
statement may be considered questionable in the face of the increased lending activ­
ity of the savings and loan associations in Los Angeles, as revealed in the table
on page 74 preceding. However, closer examination of that table will show that the
record of the savings and loan group has not been very prepossessing. To
emphasize this fact, a section from that table is reprinted here.

<table>
<thead>
<tr>
<th>Percent of Total Home Mortgage Credit Furnished</th>
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<tr>
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<tr>
<td>------</td>
</tr>
<tr>
<td>Amount</td>
</tr>
<tr>
<td>Savings &amp; Loan Assns.</td>
</tr>
<tr>
<td>Banks &amp; Trust Co's.</td>
</tr>
</tbody>
</table>

(1) To May 31, 1939

Thus we see that the institutional credit furnished by the savings and loan group as
a percent of the total furnished by all institutions attained its peak in 1937, and
that this activity ratio in 1938 and the first 5 months of 1939 never again approached
the 1937 peak. On the other hand, the banking group showed a substantial increase
in its ratio of residential mortgages to the total volume for all institutions in
each successive period. It is manifest that in a mortgage market wherein demand for
new construction loans is increasing and the demand for refinancing of existing loans
is diminishing, as is the case in Los Angeles, those institutions which must depend
largely on the latter type of business are facing a difficult problem. It is fortunate
that the greater portion of savings and loan assets in Los Angeles are held by
associations coming under the direct supervision of the Insurance Corporation. In a
situation wherein the supply of money available for mortgage loans is increasing and
the market demand for mortgage funds decreasing, as is the case in the savings and
loan group, a recurrence of the loose lending practices which characterized this
industry in the 1920's could easily be envisioned under less strict supervision.