There are very definite reasons underlying these activity trends of institutional groups. For instance, the increase in volume for the savings and loan associations arises from the constantly increasing flow of funds into the institutions - particularly the federal and insured state-chartered organizations. Shaking free from the effects of the depression years and the loss of public confidence, Los Angeles savings and loan associations are now receiving each year a substantial percentage of public savings. The volume of new funds being received by associations is due not only to improved public confidence resulting from insurance of accounts, but also to the relatively high rate of return paid by the associations.

The increase in bank lending activity on the other hand is due almost entirely to FHA insurance of mortgages, and a larger portion of the total residential lending by these institutions is being diverted each year to FHA loans, both Title I Class 3, and Title II.

The pronounced drop in lending activity by insurance companies has resulted in part from the depression experience of these institutions in the Los Angeles area which has made them extremely wary in their selection of new investments, but more so from their unwillingness to disregard from their general policy of lending only on larger dwellings in the best residential areas. Only a small number of insurance companies with residential mortgage investment in the area are actively lending on residential property.

The advent of insured mortgages in the Los Angeles market has had a very marked effect on local mortgage practices, and will doubtless produce further and pronounced changes in the whole residential mortgage structure in Los Angeles. FHA loans have accounted for an increasing percentage of total institutional lending activity each year, loans of this type representing 40% of the total volume in 1937, 47% in 1938, and 57% during the first 5 months of 1939. This is particularly significant in view of the fact that demand for mortgage money in the Los Angeles area is becoming increasingly centered in requests for construction loans with a corresponding decrease in applications for refinancing. The situation of institutions that are unwilling or unable to engage in FHA activity is not too promising, at the moment.

LENDING BY INDIVIDUALS

Mortgage conditions as they now prevail in Los Angeles have seriously affected lending by individuals. There is no method of accurately determining the extent of such activity and it is even difficult to secure reliable estimates of mortgage investment by individuals. The consensus of local opinion places current volume - including that emanating from fiduciary institutions for trust accounts - at about 25-30% of the total residential mortgage activity, with perhaps an additional 5-10% accounted for by miscellaneous organizations such as schools, churches, cemeteries, etc. Some idea of the effect of current lending terms and policies as well as depression curtailment of investable funds on individual activity may be gained from the fact that estimates of such activity during the decade 1920-1930 placed the volume of individual lending at 50-60% of the total.

LENDING TERMS

Lending terms on other than FHA loans vary but slightly as among the various institutional groups, as shown in the tabulation on page 29. Interest charges range from 5-7.2% (7.2% is the legal limit placed by the legislature on savings and loan mortgages) with 6-7.2% the prevailing charges. Commissions up to 2% are charged but the trend is away from such charges except on new construction loans. The amortized loan is used almost exclusively - even by individuals - with loan periods ranging generally from 5-15 years and a 20-year maximum.

INSTITUTIONS IN LIQUIDATION

There are 32 institutions with total assets of $74,844,600 in process of liquidation at the present time, many of which are companies set up to liquidate segregated assets of reorganized institutions. In addition to this group, 24 other institutions have completed their liquidations. The extent and rapidity of liquidation has been little short of phenomenal and disposal of assets has been accomplished in an orderly manner. Most (85%) of the above assets consist of non-residential security, home mortgages and residential real estate currently equally 3% and 22% respectively of the total home mortgages and properties of all institutions. Owned home real estate (506 parcels for $2,852,000) is no problem.