THE SAVINGS AND LOAN SITUATION AND HOLC ACTIVITIES IN LOS ANGELES COUNTY, CALIFORNIA

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Based on a Survey of Economic, Real Estate, and Mortgage Finance Conditions

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1. Savings and loan associations are paying too much for mortgage funds and are exceeding substantially the rate paid on savings and certificates of deposit. The rate of return on mortgage investments is at present very high, and the association is paying an increasing portion of the total mortgage activity to the shareholders or institutional lenders. This eliminates the probability of further extension of questionable practices by these associations.

2. There are at least a considerable number of associations operating in the area from the standpoint of the stability of the community. The majority of local associations have less than 1,000,000 in assets, i.e. less than 12.5 per cent of the total. Associations of this size would be among the first to suffer from the serious credit conditions prevailing in Los Angeles. Moreover, many of these associations have a larger proportion of their loan accounts represented by Government investment. For instance, in each of 10 associations having less than 1,000,000 in assets, the ratio of Government investment to private loans is special. The aggregate government investment for these associations at the time of the survey was 50 per cent of their total private accounts.

Enforcement

Division of Research and Statistics
Federal Home Loan Bank Board
Washington, D. C.