I. CONCLUSIONS

SAVINGS AND LOAN ASSOCIATIONS

1. Savings and loan associations are paying too much for private money in comparison to the return paid on other types of savings media, and particularly in view of the present low-return mortgage market.

2. In attempting to compete with the low-rate, long-term FHA loan, it appears that Los Angeles associations are utilizing lending practices that are unsound and hazardous -- encouraging second mortgage paper running to the builder, financing poorly constructed dwellings in bad location in new pressure-developed areas, and allegedly over-appraising. Moreover, in view of current trends in local home mortgage lending, it is manifest that so long as the FHA continues to insure home mortgages as at present, the banks in the Los Angeles area are going to take on an increasing portion of the total home mortgage activity to the detriment of other types of institutional lenders. This indicates the probability of further extension of questionable practices by Los Angeles associations.

3. There appears to be an undesirably large number of associations operating in the area from the standpoint of the needs of the community for mortgage funds and the sources of mortgage funds. Exactly 50% of local associations have less than $1,000,000 in assets -- 66% less than $1,500,000 (for insured associations only, these ratios are 46% and 65% respectively). Associations of this size would be among the first to suffer from the vicious competition currently prevalent in Los Angeles. Moreover, many of these associations have a large proportion of their share accounts represented by government investment. For instance, in each of 10 associations having less than $1,000,000 in assets (8 Federal - 2 state-chartered insured), the ratio of government investment to private share accounts ranged from 64% to 158%, while the aggregate government investment for the 10 associations at the time of the survey was 85% of their total private accounts.

HOLC

Delinquency in loan accounts is light in Los Angeles in comparison to other sections of the country; potential acquisitions of properties are no problem; and sales of acquired properties have reduced the overhang substantially. While the overhang appears heavy in comparison to that held by institutions, local properties owned equal but 3% of active mortgage accounts and but 8% of the dollar total of HOLC mortgages outstanding. HOLC sales volume will probably taper off in the ensuing months because of the slower market for "used" dwellings, and because the properties now on hand are in the less desirable and more difficult to sell class. Higher average losses on future sales are indicated due to the high book value (estimated $5510) of properties owned in comparison with average sales prices ($4390 through May 1939).