III. MORTGAGE FINANCING

A. General History of Operations During Past Nine Years

1. Banks and Trust Companies

Sacramento's banking resources, amounting to $138,619,300 as of June 30, 1938, are entirely out of proportion to the size and economic importance of the community owing to the fact that it is the state's capital, and its banks are the primary depositories of the state's funds. Records of their deposits, clearings, and debits are, therefore, valueless as a gauge of the local situation.

As has been stated, Sacramento suffered very much less than the average city from the depression. Nevertheless, as outlined on Report Page 8, two of its largest banking institutions—the California National Bank and the California Trust and Savings Bank—went into receivership in 1932, and $34,019,600 of the city's banking resources were frozen pending liquidation.

At the time of its suspension, the California Trust and Savings Bank held more residential mortgages than any other bank in the city. In fact, it was the only banking institution at that time that was at all active in the residential mortgage field. The State Banking Department, which directed liquidation of this institution, pursued a liberal policy toward the bank's mortgagees, and it is thought that no undue hardship was suffered by borrowers on account of the failure.

This same liberal policy toward mortgagees was pursued by all the local financial institutions which, in a large measure, accounts for the comparatively small number of residential requirements in the city. None of the present banking institutions were particularly active in the residential mortgage field until the advent of the Federal Housing Administration in 1935.

2. Building and Loan Associations

While the building and loan associations of Sacramento suffered some shrinkage of assets due to withdrawals, this was comparatively small in amount, and although lending operations were curtailed, they were never wholly suspended. There were no failures or liquidations of Sacramento building and loan associations.