III. MORTGAGE LENDING INSTITUTIONS AND ACTIVITY

HISTORY OF FINANCIAL INSTITUTIONS

Sacramento's banking resources and facilities are entirely out of proportion to the size and economic importance of the city. This condition, resulting from the use of local banking facilities for the deposit of state funds makes difficult any measurement of the depression experience of banks. Despite the fact that this city suffered from the depression to a lesser degree than most other cities surveyed, two of the larger banks with assets aggregating $34,015,500 were closed in 1933. However, their subsequent liquidation has turned out well for the depositors - one bank, having repaid depositors in full, has funds remaining to disburse to stockholders, and it is reported the other will repay not less than 90% of depositors' claims. Public confidence in the banking group is currently strong.

The savings and loan group has not benefited from the marked business recovery in the city. Despite federalization of two of the three associations, assets at the close of 1937 were but 67% of the 1931 peak and 5% under 1936. That this shrinkage will continue through 1938 is evidenced by the 3% asset decrease of the two federals during the first 10 months of 1938. Of the four associations operating in 1928, one was subsequently merged with an Oakland, California institution and one entered voluntary liquidation in 1932. One small new association was chartered in 1930 and in 1937 became one of the two federal conversions.

Shrinkage in Savings & Loan Assets

<table>
<thead>
<tr>
<th>Year</th>
<th>1929</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
<th>1934</th>
<th>1935</th>
<th>1936</th>
<th>1937</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Assns.</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Assets (Index: 1935=100)</td>
<td>100</td>
<td>112</td>
<td>100</td>
<td>93</td>
<td>88</td>
<td>81</td>
<td>80</td>
<td>75</td>
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</table>

Banks report a loss of $13,410,500 in deposits during the past year but this figure is meaningless because of the turnover in the state government deposits. Savings and loan associations report a loss of $234,900 in private share investments. Banks pay ½ to 3% interest on savings while dividend rates of 3-4% are maintained by the savings and loan group.

RESIDENTIAL MORTGAGE INVESTMENT AND ACTIVITY

A very pronounced shift in local residential mortgage financing has occurred since 1933. Prior to that year, individuals constituted the greatest source of mortgage money and, through local brokers, made the majority of residential loans. Since 1933, the banking group, by virtue of their Title II activity, have supplanted individuals as the principal lenders, and it is doubtful that individuals will ever again assume a dominant position because of inability or unwillingness to meet institutional lending terms. (For lending terms of institutional groups, see page 9. Details for each reporting institution are available in the Sacramento report.)

The bulk of mortgage activity currently consists of new construction loans. Examination of loans made during 1937 and the first 10 months of 1938 by the two FSAIs reveals that 35% of their activity fell in this category, 20% represented purchase of homes, refinancing accounted for 25%, and all other loans 25%. Experience among other types of institutions, particularly banks, would probably increase the ratio of new construction and purchase of homes categories to a marked degree. Ample mortgage funds are available and competition among local institutions for new mortgage business is keen.

The 5 banks and trust companies virtually dominate institutional mortgage activity, having done 85% of the dollar volume of business of all institutions during 1936-37 and 7 months of 1938 and made 64% of the number of loans. The mortgage portfolio of this group equals 35% of the number and 47% of the dollar amount held by institutions. Title II loans equal 76% of their present dollar total of mortgages. The following table illustrates the importance of the banking group as compared to other institutional mortgage lenders, both as to investment and activity.