"All principal and interest payments on outstanding bonds of the State of California have been made when due. Bonds unpaid and outstanding on July 1st, 1938 amounted to $61,313,000.00. As will be seen from statement attached, the Board has built up reasonable reserves to protect its operation against unforeseen contingencies. While exact figures are not available, it can be stated that contract delinquency is proportionately the lowest that it has been since the depression period.

"On April 20, 1938, the Board was granted authority to employ additional inspectors and appraisers. This authority was used by the Board for two purposes:

"First, to permit the employment of sufficient men to make an appraisal of the present value and condition of the properties held by the State of California as security for its loans. These inspections and re-appraisals are now being made.

"Second, to permit the Board to employ adequate help to obtain the consent of 75% of the 17,106 contract holders to insure their lives at a group rate for the balance due on their respective contracts. Insurance companies specify that if this consent were obtained within sixty days after execution of contract, physical examination of contract holders would be waived. This is thought to be a very constructive move, but unfortunately, up to the present time the Board has been unable to obtain this group insurance at what they consider a favorable rate. They will continue their efforts, however, as they think it is most desirable that upon the death of the contract holder, the home be turned over to the wife and children or heirs, free and clear of debt.

"The proceeds of the last bond issue of $15,000,000.00 is now practically exhausted, and whether the next Legislature will see fit to authorize additional bonds is doubtful. At the present time, therefore, we are practically upon a liquidating basis.

"We have profited much from the operation of the Home Owners' Loan Corporation and have adapted many of their practices to our own operation. We are particularly impressed with the surveys in the various cities which are being made by the Division of Research and Statistics and sincerely hope that we may be able to obtain permission from the Home Owners' Loan Corporation to make use of the Security Area Maps and Area Descriptions which have been constructed of the California cities."