"Our average residential loan in San Francisco is from $4,500 to $6,000. Normally, only 25% of our loans are for construction purposes, but at the present time they constitute from 50 to 60% of our new residential business. About 30% of our current loans are made in connection with the refinancing or recasting of our own portfolio. Approximately 60% of all the bank's loans are residential, and of this, 60 to 66% are currently being made under FHA Title II. This is partially accounted for by the fact that last year we adopted a policy of converting all our straight residential loans into amortized loans and have been making use of the FHA to accomplish this.

"When we first began to make FHA loans, it was with the distinct thought of cooperating with our Government, but we are now making these loans because we think it is a highly desirable form of investment. The rate of return is a little less than our average on this class of business, but this is more than offset by other advantages.

"Our records show that 2 2/3% of our local residential mortgages were delinquent on December 31st for a period of 90 days or more. This, however, is largely upon amortization payments of principal, as less than 1% of our loans are delinquent in interest for 60 days or more. This is probably accounted for by the fact that in San Francisco our loans generally provide for 30 days interest payable in advance.

"We have made advances to mortgagors for needed repairs and payment of taxes but regard even a request for such advances as a danger signal.

"Our loan servicing is done by our branches, who keep in close contact with borrowers. In general, our branches each employ their own methods.

"All real estate acquired is automatically sold to the Capital Company, and the only cases where we have sold properties have been where the borrower, after we have acquired title, has brought in a buyer. In such cases we have deemed it good policy to sell direct, as the borrower then feels that we have done everything possible to preserve his equity.

"Construction costs have gone up very rapidly in the past year and are now approximately at 1929 levels. Our Loan Committee is determined that, if construction costs continue to rise, they will lower the percentage of appraisal that will be loaned, correspondingly. Our President, Mr. L. R. Giannini, believes, however, that