"This bank, while primarily a commercial bank, is actively interested in making real estate loans, our operations in this respect being confined very largely to San Francisco, with a few residential loans in the peninsular communities, and about 10% of all such loans being located in the East Bay area. It might be said that we consider our lending territory as being the San Francisco Bay Region.

In making loans we take into consideration the age of the property, and we limit the amount we will loan in different districts. Our maximum terms (except FHA Title II) are 50% of appraisal on 10 year amortization basis with interest at 5%. We will make such loans in all the 'green' areas shown on the Security Area Map, with the exception of the north and east part of 'A-4', the reason for this exception being that this part of the area is on made land which we do not consider stable. Again referring to the map, I would say that we will not make residential loans in 'D-1', 'D-2', and 'D-3' areas, and we would be very careful about making loans in 'D-5', 'D-8', 'D-12', 'D-15', and 'D-16'. In all the other areas shown we would make loans in modified form.

All our loans are based upon appraisals made by salaried employees. At present the demand for residential loans is very limited, and competition is very keen, the other banks being our principal competitors. Very few (less than 5%) of formal applications made to us for residential loans are rejected. Of course, there is considerable elimination before these applications get to the formal stage.

Of the loans which we are making currently, 50% are for new construction purposes and 45% for refinancing. During the past two months, 20% of our commitments have been for FHA Title II loans. I might say that all our applications for loans over ten years are made on the FHA plan. We are concerned, however, with the rapid increase in cost of construction and have determined that when costs go beyond a certain point, we will quit making 80% loans under FHA guarantee.