appraisers. I personally pass upon every loan application before a definite commitment is made.

"We have no qualifications as to the age of the property upon which we will lend, considering that this is largely a matter of appraisal. The amount of our loans and the terms upon which we make them is, to a large extent, governed by the districts in which the properties are located. In San Francisco we will make loans upon our maximum terms—which are 5% interest, 10-year maturity, 20-year amortization basis, and 60% of appraised value—in all of the 'green' and the following 'blue' areas shown upon your Security Area Map: 'B-2', 'B-3', 'B-4', 'B-7', 'B-9', 'B-12', 'B-13', 'B-14', 'B-19', 'B-22', 'B-24', 'B-27', and 'B-28'. In the balance of the 'blue' areas we would probably lend up to 60% but on a shortened amortization period. We will make loans upon modified terms in all the areas shown on the map except 'D-1', 'D-2', 'D-3', 'D-4', 'D-5', 'D-8', 'D-12', 'D-13', and 'D-15'.

"Our loan delinquency rose to startling proportions during 1933 and 1934 but is not bad now and is getting better, although still above what we consider normal. Our delinquency is largely occasioned by the fact that during the 'lean' years, many of our borrowers got behind in their payments and have not as yet been able to catch up. As long as they are making headway, however, we do not feel that it is a matter of concern.

"We own very few residential properties, about 10 altogether in San Francisco. We have accomplished our liquidation of acquired residences largely by exchanging them for apartment house properties, the most of which we have now sold. The situation here in San Francisco was quite favorable to such an operation. Many apartment house owners were in danger of losing their equities and were glad to exchange their holdings for our acquired residences. We would then take up the lien on the apartment house and offer the property for sale on more generous terms than we would ordinarily offer. Another method which we employed to liquidate these properties was to sell them on special terms to syndicates of real estate dealers and speculative builders. By using these methods, we got rid of our dwelling house properties without having to recondition them.

"We were careful to place only a limited number of properties on the market