"We consider that the whole of the San Francisco Bay Region will eventually be our lending territory. Up to this time, however, we have largely confined our loans to San Francisco but have lately made some loans in Vallejo.

"The demand for loans is great, but competition is stiff and is being conducted upon what seems to us a dangerous basis. We are continually coming in contact with cases where heavier loans are being made than we consider sound or that we would care to take. In such cases we have invariably found that the higher loan was predicated upon an appraisal greater than our own. Consequently, we have come to the conclusion that the securing of loans depends to a large extent upon how much you are willing to appraise the property. This has created a vicious situation and is bound to lead to hazardous lending. The chief offenders in this are the banks which make FHA Title II loans.

"We feel that we can speak with personal knowledge in regard to this matter for the reason that we, as President and Secretary of the association, do its appraisal work. In making our appraisals, we take into consideration the age of the property, character of its construction and the district in which it is located, and in making our loans consideration is given to the reputation, character and circumstances of the applicant.

"Currently, 66% of our loans are for construction purposes, the balance being largely purchase money loans. We have not as yet qualified for FHA Title II loans but may have to do so in order to meet competition. We feel that the FHA has performed a real service for the country and has materially aided the capital goods industries. Now, however, since its mission has been performed, it is our feeling that it should be retired from the mortgage loan field. Otherwise, there is a danger of over-stimulation, and, as a matter of fact, this danger may already be a reality, as construction costs are now fully as high as they were in 1929 and are still headed upward."