ties indulged in were open to question, the outcome has in a large measure confirmed the judgment and acts of the management. This is also indicated by the market price of the company’s investment certificates which has risen from $60 in December, 1934 to $75 in August, 1936, and is now quoted at par ($100).

No new loans have been made by this company since 1931, but in a full-page advertisement appearing on April 7th, 1937, applications for loans on residential and business property are solicited and investment in their certificates invited. This indicates that the change in policy referred to in the accompanying interview has become operative. The newspaper announcement included the following significant and noteworthy statements:

"Pacific States Savings today owns and operates real estate at a book value of over $30,000,000 regarded by a number of authorities as one of the strongest real estate portfolios in the west.

"While Pacific States Savings now holds a certificate from the Federal Housing Administration enabling it to make home loans on the Government-insured mortgage plan, it is realized in the field of business properties that this institution perceives its best loaning prospects. And in this field it plans largely to concentrate. First, because its successful experience in operating its own income properties has qualified Pacific States Savings to choose outstandingly desirable loans on security of this type. Second, because the field for long-term loans in excess of fifty percent on high grade income property is far less crowded and competitive today than the home loan field...with the result that favorable interest, and especially better security, are available. Finally, because Pacific States Savings’ experience indicates that high-grade income property is less subject to obsolescence than the average home, more dependable as to income, and more stable in value over long periods...all vital advantages to the building and loan investor, whose certificates under all conditions is essentially a long-term investment.

"To preserve for its certificate holders the advantages inherent in its ownership of choice income properties and in the making of business property loans, this institution obviously does not at present consider taking steps to procure certificate insurance by the Federal Savings and Loan Insurance Corporation. For under present regulations, this insurance is designed for institutions confining themselves mainly to mortgages on residential property. To comply, Pacific States Savings would have either to dispose of a large proportion of its valuable income properties or otherwise separate them from its structure, and then confine itself to a very limited percentage of business property loans. Moreover, the insurance has limitations not, perhaps, generally recognized. It does not make a building and loan association more liquid in normal operation; for it takes effect only when the association has been declared in default. Even then, the investor gets only 10% of his money at once. For the balance he receives the Insurance Corporation’s non-interest-bearing, debentures having maturities of one and three years...unless another insured association is willing to take over his certificate.

"In its judgment Pacific States Savings is not justified in seeking protection of this nature while it entails the abandonment of the Company’s present loaning policy with respect to desirable business properties, and the sacrifice of its choice business, agricultural, hotel and apartment properties, which have so thoroughly demonstrated their value and earning power."

Attention is directed to the questionnaire, Agent’s Note, and interview of Mr. R. W., Jr., Vice President, which will be found in the Los Angeles Survey Report, with Appendix Page 187.