tial loans which we are making currently are under this plan, and practically all of our construction loans are made through the FHA.

"Building costs have risen very rapidly and we believe are now fully as high as they were in 1929 and are still going up. This is causing us no little concern, and we are making no commitments for construction loans except under FHA Title II and are really hesitant about making them through this channel, as we feel that the FHA is inclined to be too liberal in their appraisals. We regret this, as there will undoubtedly be a reaction sooner or later which may work to the detriment of the whole plan of Government insurance for residential loans. We have been the leaders in encouraging the use of FHA Title II loans and would like to continue to negotiate them indefinitely but do not feel that we can go beyond certain limits, even with the Government's guarantee back of the loans. So far, we have made no move to curtail production, but under the circumstances, we may feel called upon to do so. In the meantime, we are centering our efforts upon income property loans, as competition in this field is very much less severe and is, we feel, upon a much sounder basis. Currently, considerably less than 50% of our loans are residential in character and about 80% of these are FHA."

Mr. J. O. Tobin, Vice President,
Mr. J. J. Kelley, chief Appraiser,
Hibernia Savings and Loan Society:

"Currently, construction loans amount to only about one-half of one percent of our volume, 90% of our loans being for refinancing, and 9% are new loans upon existing houses. About 25% of our current loans are under FHA Title II. We are making these loans partly to cooperate with the Government and partly to take advantage of this form of investment. A majority of our high rate, long term loans are made under the FHA guarantee. We explain our own loan terms and FHA Title II terms to the applicant and let him make a choice. Building costs have been going up very rapidly, being now, if anything, a little higher than they were in 1929. This is having the effect of increasing both property and rental values."

Mr. Leslie W. Hansen, Secretary,
Bay View Federal Sav. & Loan Ass'n:

"Competition, particularly with the banks, is growing, and it is becoming more difficult to obtain sound loans, particularly so as the percentage of appraised value which will be loaned is becoming more and more the chief factor. Perhaps it might be more accurate to say that competition seems to be getting upon a basis of appraisal value. For instance, we know of a recent instance where the Federal Housing Administration appraised a property for $3,000 upon which the Federal Home Loan Bank appraiser placed a value of $2100. Currently, our loans are averaging around $2200, and since the first of the year, 11% of them have been for construction purposes, 29% for refinancing, and 60% were purchase money and reconditioning. We have made no Federal Housing Administration Title II loans but may be forced to do so by reason of competition. We believe that the Federal Housing Administration is responsible for the tendency to over-appraise properties for lending purposes, which, in our opinion, is a very unhealthy situation."

Mr. Mortimer M. Swing, Executive Vice President,
Citizens' Federal Savings and Loan Association:

"Competition is very keen and seems to us to be upon an unsound basis, as it is predicated upon the amount that will be loaned upon a given property. Of course, the interest rate also cuts some figure. The banks which are making FHA Title II loans, particularly for new construction, seem to be the worst offenders, and the amounts which they are lending seem unjustifiably high. For this reason, we have made no loans for new construction purposes since the first of the year. Building costs are at least as much as they were in 1929 and are going up very rapidly. This will inevitably advance the market value of existing construction, and had we held our acquired properties, we would probably have profited by doing so."