Mr. Ernest A. Brown, Secretary
Home Mutual Deposit-Loan Company:

"Currently our loans are largely for construction purposes, which we are making on a basis of 60 to 80% of appraised value according to the location of the property. Our appraisals are made by three of our directors who do the work on a fee basis. We are not making FHA loans, nor will we do so as long as we can supply our needs upon our own terms."

Mr. S. C. Simon, President
Northern Calif. Bldg. & Loan Ass'n:

"We are making very few refinancing loans, most of them being purchase money and for construction purposes. Since the first of the year more than 50% of our loans have been in this category. Building costs are having the effect of increasing the value of our holdings. They have been going up so rapidly that they have now reached a point where they are 20% above 1929 costs."

Mr. C. F. Adams, Jr., Vice President,
Pacific States Savings and Loan Co.:

"Our determination to concentrate on commercial real estate loans instead of home loans is largely predicated upon the fact that competition for home loans has become so keen and the percentage of appraisal loaned so high that we do not believe that they offer the safety of investment provided by loans on income property. We feel that there is an excellent opportunity to enter the less crowded field of business property loans and believe it is in keeping with good building and loan practice to do so."

Mr. Leo I. O'Brien, Asst. Secretary
Prudential Insurance Co. of America:

"Ten percent of the loans which we are making now are construction loans, 20% are refinancing and recasting, the balance being new loans on existing properties. Fifteen to 20% of our loans are being made under FHA Title II to show our desire to cooperate with the Government. However, these loans are also our highest rate loans and constitute a profitable investment. Building costs went down in 1933 considerably, but just how much we do not know, as there were no established rates. They are now back to about what they were in 1929."

Mr. George J. Panario, President,
Capital Company:

"Building costs are fully as high now as they were in 1929 and are still going up. One element in this high cost, which is not shown by wage scales or material prices, should be taken into consideration, and that is the present-day building trades laborers. They are not only less thorough with their work but they perform less in a given space of time. The average bungalow is now costing around 4 per square foot, but it should be borne in mind that there are a great many more built-in features and other conveniences and refinements in the bungalow of today than those built in the '20's. However, if costs advance much further, lending on new construction is going to be a hazardous undertaking. One of the hazards at the present moment lies in the fact that the demand for lumber is so great that in many cases green lumber is being used, and in such cases depreciation, or, rather, deterioration will inevitably be very great. FHA Title II loans, together with the high degree of competition existing among lending agencies, is a prime factor in advancing costs. An actual instance came under my observation recently. A speculative builder bought a lot for $800 and put up a house costing $4,000, making his total cost $4,800. A conservative, amortized loan on the property would not have been more than $3,000. The property was sold for $6,000 and financed through an FHA loan of $4,800, which was exactly what the property had cost the builder."

The following tabulation visualizes this transaction:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot cost to builder</td>
<td>$800</td>
</tr>
<tr>
<td>Cost of improvement</td>
<td>$4,000</td>
</tr>
<tr>
<td>Total</td>
<td>$4,800</td>
</tr>
<tr>
<td>Bank's loan to builder</td>
<td>$3,000</td>
</tr>
<tr>
<td>Builder's sale price</td>
<td>$6,700</td>
</tr>
<tr>
<td>Realtor's commission</td>
<td>$300</td>
</tr>
<tr>
<td>Cost of house to purchaser</td>
<td>$6,000</td>
</tr>
<tr>
<td>Purchaser's cash payment</td>
<td>$1,200</td>
</tr>
<tr>
<td>F. H. A. 80% loan</td>
<td>$4,800</td>
</tr>
</tbody>
</table>

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