

Tight Money Slows Home Loans

By FRED L. FREDRICKS
In recent articles, I have written about Loans in regards to Home Financing. The importance of the money market can never be underestimated. When Loans become hard to get every phase of our economy is effected. The recent stock market decline must be due, in part, to the tight money situation. Savings and loan associations, who finance the large majority of single family residences, are out of the money for new loans. The situation is very serious. Out of all the savings and loans in Southern California, loan commitments are also impossible to obtain.

What has caused this lack of funds? When will it change? Are our savings and loans financially solvent? Savings and loans have five major ways of receiving money, which enables them to make loans, which in turn keeps our economy booming in California. Let's examine what's happening. The first way is to receive money on deposit from savings accounts. Since the first of the year many people are changing their accounts to a bank because they now can receive a comparable or higher interest rate on their money. In the past savings and loans have enjoyed this

incentive to depositors. In the first five months of 1966, savings and loans have had withdrawals of 570 million dollars. Much of this money is going to other financial institutions. The second way savings and loans acquire money is by borrowing from the Home Loan Bank. They could borrow up to 17 1/2 per cent of their assets. The government has withdrawn this line of credit, and those institutions with loans outstanding must pay them back before making new loans. The third way is to sell large blocks of loans to other financial institutions to ac-

quire money to make more loans. Because of the lack of credit from the federal government, few lenders are purchasing loans. The fourth way is by having existing borrowers pay their loans in full. By virtue of money being scarce, few loans are being paid off prior to maturity. The final way is through amortization of existing loans. This is the monthly payments a savings and loan receives from loans now held in their portfolio. This money is going to pay the Home Loan Bank and to honor any withdrawals from depositors. It appears money for home

financing will be hard to get for some time unless the government re-evaluates its position. Savings and loans have contributed much to our economy in the past and public confidence and support should be expressed by leaving their savings in the savings and loans. Real estate loans are probably the most secured investment a financial institution can invest in. Maybe the real estate industry has had it pretty easy in the past, however, in today's sophisticated economy, one industry cannot be crippled without all industries eventually feeling the squeeze.



SHIPBOARD TOUR . . . Members of the South High School senior class attending Saturday night's prom aboard the USS Kearsarge listen as a serviceman points out some of the weapons displayed for them. From left are Bob Faulkerson, Nancy Tymstra, Linda Levanas, and Mike Eggers. The shipboard prom was arranged after a last-minute cancellation of the contract made by a Westchester hotel. (Photo by R. T. Rische)

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