

20 years: the proportion for mortgage notes ranged from about 60 to 100 percent during these years, with any balance as bonds. (It may be noted that the terms "bonds" is used broadly to cover evidences of debt other than mortgage notes.)

c. Factors influencing purchase

The general tenor of replies was that (i) availability of bond ratings, (ii) intended use of proceeds, (iii) geographical location of borrower, and (iv) public relations considerations are of little influence with respect to investments. Of the factors listed, intended use of proceeds is of greater influence than the other three items. More important than these are yield, security of debt service, credit standing, and feasibility of the project.

With respect to availability of bond ratings, these bonds generally are not rated. A rating or lack of rating is not an element in the analysis of such loans. The "lack of rating * * * in fact, may mean the yield on the security will be sufficiently high to be attractive."

As to intended use of proceeds, comments included such statements as that the company would want to be satisfied "that the intended use of proceeds is in the public interest" and "* * * that the proceeds will be applied to the construction of a feasible project which is undertaken in response to a demonstrable need with competent support." Another company answered, "The financial soundness of the borrower governs the purchase far more than the intended use of proceeds but the soundness of the project is, of course, considered."

Geographical location of the borrower is generally of no influence in these purchases. Only one company assessed location as of significant influence. One company commented that geographical location in a nationwide sense is not a determinant except "as the project may be affected by the economics of a particular area (which geographically may mean anything from the immediate neighborhood to a city, county, or more)." Another company noted that geographical location has had some influence on purchases which have been affected to some extent by the location of its mortgage loan offices. One company noted that geographical location is of importance in the case of local service facilities such as hospitals, which should have a sufficient population base, but of less importance in the case of schools where national reputation attracts students from a wide area.

Public relations are for the most part of little or no influence in making these loans. A few companies elaborated as follows:

Any favorable public relations that may accrue to us as lender are important collateral benefits but not a primary consideration.

* * * our company has recognized the need to lend assistance in financing such local facilities as YM and YWCA's, homes for the aged, nursing homes, and educational facilities. We recognize, too, of course, our obligation to earn a fair and competitive rate of return on behalf of our policyholders.

Public relations considerations have a limited influence on our disposition to seriously investigate a particular loan proposal. However, the final investment decision is objective and competitive in the light of current market conditions and alternative opportunities.