

"Money has been coming from savings and loan associations all over the State," say Mr. Grossman. "It's simply fantastic."

A few banks began selling small CD's even before the recent increase in interest rates on time deposits. Citizens & Southern National Bank, Atlanta, one of the first banks to offer them in \$25 denominations, says it has sold \$125 million worth since December 1964. "We're still selling them at a right good clip," says a Citizens & Southern spokesman. "We've got a lot of savings and loan money, and we think we've even got money out of the stock market."

To fight back, some savings and loan associations are paying a "premium" of one-half percentage point on savings maintained for 3 years.

There may be limits, however, to what most savings and loans can do to counterattack. Most depend largely on the interest they can get on mortgage loans to homebuilders, and homebuilding activity in the key California area has been relatively sluggish in the past 2 years. California savings and loans officials estimate that the profits-to-assets ratio of State-chartered savings and loans declined to an average of 1.23 percent in 1964 from 1.35 percent in 1963, and they anticipate a further decline when the 1965 returns are in.

Similarly, some mutual savings banks in the New York City area recently have been raising their interest rates—generally to 4½ from 4¼ percent—partly to meet small CD competition from nearby commercial banks. This competition stems, in large part, from Franklin National Bank of Mineola, N.Y., which is selling \$25 certificates that pay 4.80 percent. In addition, Meadow Brook National Bank, Jamaica, N.Y., is offering \$2,500 certificates at 5 percent, and New York City's Bankers Trust Co. and First National City Bank are both paying 4.75 percent on CD's of \$2,500 and more.

The biggest banks on the west coast have so far resisted issuing small CD's, though one—Wells Fargo Bank of San Francisco—recently reduced the minimum size of its CD's to \$5,000 from \$10,000. A decision by any of California's big banks to issue much smaller CD's, in the view of a State regulatory official, would "greatly intensify the squeeze on Savings and Loans."

So far, Governors of the Federal Reserve have displayed little concern over the small CD trend, and have shrugged off suggestions by some Savings and Loans officials that bank CD's be restricted severely—to a \$100,000 minimum, for example—to reduce competition for small savers' money.

The Fed launches a survey

The Fed apparently feels that small CD's remain the exception rather than the rule. Nonetheless, it's noteworthy that the system recently conducted a survey of banks to determine, among other things, how widespread is the use of small CD's. The results have not yet been compiled, according to a Federal Reserve spokesman.

Bankers offering small CD's report relatively few savers are switching deposits out of banks' 4 percent savings accounts to buy the higher-yielding time deposits. One reason, bankers say, is that persons with savings accounts in banks, if they were concerned about collecting maximum interest, would have shifted their accounts to a savings and loan long ago.

The bankers are coming up with rather complicated nomenclature to dress up their new CD's. Pomona's Island Bank, whose CD's differ only in detail from those offered by many other banks, calls them "bonds" and is offering four separate "series." The smallest, "series D discount bonds," consists of bonds offered at a minimum of \$19.50 each. At the end of 5 years, a D bond matures at \$25. Its effective yearly interest rate amounts to 5.64 percent. Meantime, it can be redeemed with 5 percent interest after 90 days.

"Series K growth bonds" are sold for \$500 and up; the 5 percent rate is compounded monthly and yields 28.2 percent over a 5-year period, or an average annual yield of 5.64 percent. Buyers of "series C income bonds," sold in minimum denominations of \$500, receive an interest check twice a year, at a 5-percent quarterly compound rate. Finally, for the person who has everything but a monthly interest check, "series CM income bonds" are sold in denominations of \$1,000 and pay the buyer monthly interest at the 5-percent annual rate. The holder of a \$1,000 CM bond, for example, receives a \$4.16 check monthly.