

NATIONAL LEAGUE OF INSURED SAVINGS ASSOCIATIONS,
 Washington, D.C., April 5, 1966.

HON. WILLIAM A. BARRETT,
 Chairman, Subcommittee on Housing, Committee on Banking and Currency,
 House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The National League of Insured Savings Associations would like to submit for the consideration of your committee several amendments to pending housing legislation dealing with the investment powers of the savings and loan business.

As you know, savings and loan associations in recent months have experienced a tremendous squeeze on earnings which has curtailed their ability to attract new savings funds and consequently reduced the availability of home financing throughout the United States. The squeeze on earnings has been produced by rising interest rates on savings funds and reduced rates on mortgage loans with which I am sure you are familiar.

The National League believes that the primary function of the savings and loan business is to provide funds to finance homeownership—year in and year out, regardless of the vagaries of the money market. The earnings squeeze of the past 2 years demonstrates the necessity for broader investment opportunities for savings and loan associations so that they may secure the earnings necessary to attract and hold savings money for home financing purposes over long periods of time.

Frequently, home mortgage loans are written for more than 20 years duration and this fact of business life means that savings institutions must remain competitive in the savings market throughout this period to finance such mortgage loans until they are paid off. If savings rates rise sharply, the earnings from long-term mortgages may not be sufficient to absorb these additional costs and thus efforts to acquire new savings funds or indeed to hold funds which have already formed the basis for loans will be adversely affected. In addition, as we have seen recently, reduced mortgage rates on new mortgages may not be sufficient to justify the cost of acquiring new savings funds.

In part the problem can be alleviated by broadening the lending operations of the savings and loan business into areas where earnings can be enlarged to meet higher savings costs. In this way, the supply of money for home financing can be maintained—particularly during those periods of money market stress which have characterized the post-World War II period.

The proposals advocated by the league have been discussed in previous meetings of the Subcommittee on Housing and by the full Committee on Banking and Currency.

Thank you for this opportunity to submit the league's recommendations for amendments to the housing bills now pending. If we can be of any further assistance to you, please let us know.

Sincerely,

WILLIAM J. KERWIN, Assistant Executive Director.

DIGEST OF FEDERAL SAVINGS & LOAN ASSOCIATION AMENDMENTS OF 1966

Section 1 gives the bill the short title of "Federal Savings & Loan Association Amendments of 1966."

Section 2 would permit the board of directors of a federally chartered association to designate it either as a Federal savings and loan association or a Federal savings association.

Section 3 would permit Federal savings and loan associations to act as custodian of deposits of self-employed persons under the Keogh-Smathers Act.

Section 4 would enable Federal associations to invest in revenue obligations of Federal and State agencies and in stock of the Federal National Mortgage Association in addition to their present authority to invest in certain Federal, State, and local obligations.

Section 5 would extend the educational loan authority of Federal associations to include loans to students at vocational schools.

Section 6 would authorize Federal associations to lend funds for the acquisition of durable household goods and mobile dwellings. It would also authorize Federal associations to make secured or unsecured loans for any purpose up to \$5,000 under board regulations to any person except a private business corporation for profit.