

If the added authority to regulate rates paid by savings and loan associations as well as by banks and the more flexible authority with respect to bank interest rates are retained, the supervisory agencies will continue to be able to take prompt and appropriate action in this area in the future, whenever necessary. It is essential, in our opinion, that the authority not be permitted to lapse. The Corporation therefore favors the enactment of S. 3133.

The Corporation believes that the advantages of the flexible interest-rate authority have substantially been demonstrated since enactment of the original legislation and that consideration should be given to the need for permanent legislation and its appropriate scope and form. We understand that the Department of the Treasury has been requested to work with the other interested agencies, including the Council of Economic Advisers, toward developing a legislative proposal along these lines for possible transmittal to the Congress early next year.

The Bureau of the Budget has advised that it has no objection to the submission of this letter and that enactment of S. 3133 would be consistent with the Administration's objectives.

Sincerely yours,

K. A. RANDALL, Chairman.

FEDERAL HOME LOAN BANK BOARD,

Washington, D.C., March 28, 1968.

HON. JOHN SPARKMAN,

*Chairman, Committee on Banking and Currency,
U.S. Senate.*

DEAR MR. CHAIRMAN: In response to your request, the Federal Home Loan Bank Board submits its views as to S. 3133 of the present Congress.

This bill would amend section 7 of the Act of September 21, 1966 (80 Stat. 823), which, as amended by the Act of September 21, 1967 (81 Stat. 226), provides that the authority conferred by the Act of September 21, 1966, shall be effective for a two-year period beginning on that date. S. 3133 would change the two-year period to a four-year period, thus extending the authority for an additional two years.

The Act of September 21, 1966, conferred standby rate-control authority on the Federal Home Loan Bank Board with respect to interest and dividends on deposits, shares, or withdrawable accounts of Federal Home Loan Bank members (other than those whose deposits are insured under the Federal Deposit Insurance Act) and of institutions insured under title IV of the National Housing Act. The Board was authorized to prescribe different rate limitations on the basis (among others) of the amount of the account, or on such other reasonable bases as the Board might deem desirable in the public interest.

In the banking field, the act converted the then existing mandatory rate-control authority of the Board of Governors of the Federal Reserve System and the Board of Directors of the Federal Deposit Insurance Corporation into standby authority and authorized those agencies to differentiate on the same bases as those provided the Federal Home Loan Bank Board.

Each of the three agencies was directed to consult with the other two before exercising this authority. In addition, the act provided stronger provisions as to reserves of member banks of the Federal Reserve System and authorized the Federal Reserve banks to buy and sell in the open market, under direction and regulations of the Federal Open Market Committee, any obligation which is a direct obligation of or is fully guaranteed as to principal and interest by any agency of the United States.

The Federal Home Loan Bank Board considers it essential that the standby authority conferred on it by the Act of September 21, 1966, as amended, be continued. Further, the Board believes that continuance of the authority thus granted to the Federal Reserve banks to buy and sell agency obligations would be in the public interest.

While we would prefer that there be no time limit, we regard the provisions of the bill as definitely desirable, even on the basis of an additional temporary extension, and recommend that the bill enacted.

The Bureau of the Budget has informally advised us that there is no objection to the presentation of this report and that enactment of S. 3133 is consistent with the Administration's program.

With kindest regards, I am,

Sincerely,

JOHN E. HORNE, Chairman.