

tively quite favorable. Savings and loan associations have not been alone in experiencing a sharp dropoff in savings flow since last summer. The other major deposit-type institutions—commercial banks and mutual savings banks—have had a roughly similar experience during this 5-month period. In contrast to 1966, therefore, savings and loan associations have maintained a fair share of total savings flowing into deposit-type institutions.

This recent experience thus indicates the vital need to extend the present authority of the Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, and the Board of Governors of the Federal Reserve System to regulate rates on savings accounts. This experience also suggests that this authority cannot prevent, under all circumstances, a decline in the aggregate flow of funds into savings accounts caused by competition from marketable securities or other influences.

As indicated earlier, the act provides for consultation among the agencies and this injunction has been followed faithfully and with good will. In any consultative procedure, of course, some issues are likely to prove less easy to resolve than others. Nevertheless, these consultations have proven to be a vitally useful part of the continuing effort of this agency and the bank regulatory agencies to solve problems as they arise, and I might say, to understand problems as they develop, and to be able to take into consideration what effects, adverse or otherwise, one agency's action may have on the other agencies.

For all these reasons, the Board endorses wholeheartedly the proposal that the act of September 21, 1966, be extended for an additional 2 years.

As this subcommittee is aware, the Board favors permanent legislation in this area. We understand that consideration is being given to the development by interested agencies of a proposal for such legislation to be submitted to the next Congress. In the interim, a 2-year extension at least will provide us with the authority that will be vitally needed during what appears to be a trying period ahead.

We have been informally advised by the Bureau of the Budget that there is no objection to the presentation of this testimony and that enactment of S. 3133 would be consistent with the administration's objectives.

Mr. Chairman, as to S. 2923, I respectfully defer to the Department of the Treasury, and the Federal Reserve Board, because that legislation is much more in their area and much more understood by them, than by those of us in the Federal Home Loan Bank Board.

Thank you very much.

Senator PROXMIRE. Thank you very much, gentlemen.

I must say that in a complex and controversial area you have made some very helpful, thoughtful, and useful statements.

Governor Robertson, on the assumption that the present situation is inflationary, the economic situation generally—this seems to be the view of the chairman of the Board of Governors of the Federal Reserve Board—I am interested in your statement on page 2 that:

It may be become necessary to adjust the structure of ceiling rates if financial markets continue to tighten, in order to make it possible for the institutions to compete with the market and attract a reasonable share of new savings flows.