Mr. HORNE. Unquestionably, Mr. Chairman, the differential that exists, and which the Federal Reserve Board and FDIC have agreed to establish, has enabled the savings and loan associations to compete much more successfully than would otherwise have been the case. As I pointed out in my testimony, there are other sources that compete with savings and loan associations for savings other than just the deposit type institutions. That is one of the reasons that I so strongly urge that this particular legislation be extended because it would make it possible for us to consult as we are presently doing. It would make it possible for the bank and regulatory agencies to maintain a slight differential similar to what we presently have. And it would enable the savings and loan associations to enjoy a more competitive situation than would otherwise be the case with their chief competition.

But also, as I indicated, this legislation is not a panacea for all the difficulties that savings and loan associations might have. There are other instruments that people sometimes invest in, which pay a higher rate of return. These instruments provide for more of a differential over what associations pay for savings than is the differential between associations pay for savings and what banks pay for savings.

Senator PROXMIRE. Do you think this is enough? It seems to me that, whereas if it has helped, and you have all made a case, looking at the record from the time this was enacted in 1966, the situation improved—I am not sure this was the major factor but undoubtedly a factor—is this enough? We are all disappointed that our housing starts are still at a level of 1.5 million or so. It is still far below the potential. On the other hand, we do recognize we are in an inflationary situation. Housing uses up scarce resources.

Is this enough? Should we have more?

Mr. HORNE. I think in all fairness, Mr. Chairman, I would have to say that the present differential is a fair differential. We have to keep in mind here that both the banks and the savings and loan associations have different tools that they use. I am talking primarily of the fact that both have what we think of as a regular passbook savings and they have what banks call certificates of deposit or time accounts. We began giving out to people 2 or 3 years ago a certificate. So far as the outright differential between savings accounts are concerned, our ceiling is 4.75. The ceiling for the banks, so far as passbook accounts are concerned is 4 percent. This is a .75-point spread.

So far as CD's used by banks and certificates used by associations, there is a .25-point spread.

Senator PROXMIRE. In favor of S. & L.'s?

Mr. HORNE. In favor of S. & L.'s. It is true that the banks, many of them, make use of what they call the golden passbook. They call it a golden passbook. It is a 90-day notice account. We are thinking very seriously—and we have already consulted with the other agencies about it—of giving the associations a similar tool which they can use at 5 percent if they want to. It is not an in and out situation like a regular passbook, but the 5-percent rate and the term passbook, even though qualified, do have psychological effect.

I give you this explanation so that you would have a full background, Mr. Chairman.

To get back specifically to your question, is there enough differential presently in existence, I think I would have to say in fairness that we think that there is.