

Two provisions of the act of September 21, 1966—Public Law 89-597—amended by S. 3133 are of direct interest to savings and loan associations.

Section 4 of that act empowers the Federal Home Loan Bank Board to limit by regulation the rates of dividend payable by Federal Home Loan Bank System members or by savings and loan associations having savings accounts insured by the Federal Savings and Loan Insurance Corporation. Before taking action under this grant of power, the Board is to consult with the Federal Reserve Board and the Federal Deposit Insurance Corporation.

Section 6 of that act empowers Federal Reserve banks to buy and sell in the open market, under the direction and regulation of the Federal Open Market Committee, any obligation that is a direct obligation of or fully guaranteed as to principal and interest by a U.S. agency. This includes obligations issued by the Federal Home Loan Bank System.

RATE CONTROL

Historically as a matter of principle the National League has opposed the idea of exercise of control over dividend rates on savings by any governmental agency. Philosophically in a mutual savings and loan association this is a decision for management, to be made after considering association assets available for paying dividends on savings.

In the light of the then instability of the savings markets, the National League agreed to support enactment of the act of September 21, 1967, it agreed to support a further extension of the life of that act, but requested that appropriate administrative or legislative action be taken to authorize savings and loan associations to accept time deposits as a method of meeting the growing competition for savings resulting from so-called "golden passbook" accounts offered to savers by commercial banks. The House Committee on Banking and Currency did not adopt such an amendment, but some members suggested that it be determined whether the Federal Home Loan Bank Board would grant the power administratively. The Board has not seen fit to take such action. The House committee decided to recommend extension of the act of September 21, 1966, for only 1 year instead of the 2-year extension contained in the bill as passed by the Senate without hearings. The bill passed in the form of a 1-year extension, keeping the act of September 21, 1966, in effect until September 20, 1968.

The National League supports S. 3133 which would extend the act of September 21, 1966, for an additional 2-year period through September 20, 1970. But in so doing it requests that the Federal Home