

Mr. MITCHELL. It is essentially what we did in 1966, when we set up these relationships. This just reaffirms what was done at that time.

Representative REUSS. Of course, I like this. It seems to me that while the Home Loan Bank Board is the lender of first resort for the savings and loan system, its rescue ability is limited.

Mr. MITCHELL. Yes.

Representative REUSS. This was proved by the stringency of September 1966. And I think it is all to the good that the Fed stands ready to back up the Home Loan Bank Board, in seeing that financial intermediaries, largely savings and loans, aren't bereft of lending power because of overall monetary stringency.

Mr. MITCHELL. Could I just put in the record here, Mr. Reuss, that on the first of July 1966—

Representative REUSS. 1966?

Mr. MITCHELL. Yes, July 1, 1966, we did adopt a policy entitled "Credit Facilities for Nonmember Depository-Type Institutions," and it says among other things:

The Board advised the Federal Reserve banks that in order to provide for prompt implementation of such a program, if needed, it had taken the following action, effective immediately and until September 1, 1966.

This was subsequently renewed.

"Member banks in your district are permitted, pursuant to"—the sections of the act—"to use as security for advances from your Bank, whether under section 13 or 10(b) of the act, assets acquired from mutual savings banks and other banks that are not members of the Federal Reserve System, but only in accordance with, and subject to, specified limitations."

There were other provisions covering S. & L.'s.

Now, this program was adopted and is the same program that is reaffirmed in the letter, and it was adopted and renewed on two occasions. It is not presently in effect, because there seems to be no need for it.

Representative REUSS. How do you make certain that a bank to whom you give access to the discount window under these circumstances is actually going to turn around and re-lend that money to a beleaguered savings and loan?

Mr. MITCHELL. Since we have never done it, I just assume—

Representative REUSS. But how would you do it?

Mr. MITCHELL. Well, we would do it, I presume, because the bank would come to us saying it has the request for funds for this purpose, and the funds would be dispersed just on that basis and for that purpose, and withdrawn after the loan was repaid.

Representative REUSS. In your report itself, on page 18, you point out that you are somewhat inhibited in lending directly to savings and loans under the existing law by the fact that advances must be secured by "direct obligations of the United States."

Mr. MITCHELL. Yes.

Representative REUSS. And savings and loans don't have enough of those direct obligations in their portfolios to be meaningful borrowers.

Mr. MITCHELL. Yes.

Representative REUSS. Why wouldn't it be a good idea to ask Congress to amend that provision of the law? It would seem to me that in a time of severe housing stringency, for example, that the Fed should