have the power in conjunction with the Home Loan Bank Board to lend directly to savings and loans.

Mr. MITCHELL. I see no objection to that. I think it should be done. But in point of fact, under the existing law this is quite a stricture on their capacity to borrow directly.

Representative REUSS. And you would favor removing that limitation?

Mr. MITCHELL. Yes.

Chairman PROXMIRE. Would you yield just for a minute on that? I think that is a most interesting and useful observation. Of course you speak for yourself. Do you know if this is the view also of other members of the Federal Reserve Board?

Mr. MITCHELL. No, sir.

Chairman PROXMIRE. Have they ever expressed this to you?

Mr. MITCHELL. No. I just don't know.

Chairman PROXMIRE. You don't know if there is or is not?

Mr. MITCHELL. I don't know if there is or is not.

Chairman PROXMIRE. In your view, however, this would be perfectly proper as well as in the public interest.

Mr. MITCHELL. I think it is appropriate to relax the——

Chairman PROXMIRE. The collateral.

Mr. MITCHELL. The collateral standards that are imposed in the statute, yes.

Chairman PROXMIRE. The only collateral they would have would be mortgages presumably in any substantial amount.

Thank you.

Representative REUSS. In your earlier responses to questions from the chairman and Mr. Brock, Governor Mitchell, I thought I understood you as saying that the Fed couldn't really do very much to help out the Home Loan Bank Board and the savings and loans in times of stringency, because savings and loans lend long and the discount window is short, and thus not much could be done.

I wonder if it is really as gloomy as all that. The problem in 1966 in September was that the savings and loans had a considerable withdrawal of their short-term deposits, and also a failure to make new short-term deposits in anything like the ratios they wanted. I would have thought that short-term discount window help for the savings and loans, either directly or through banking intermediaries, would be meaningful, that it would enable the savings and loans to tide themselves over until they could improve the interest rate of their long-term portfolio.

Mr. MITCHELL. Well, I don't know the degree to which they were getting assistance from the Federal Home Loan Bank System at that time.

Representative REUSS. Very little, actually.

Mr. MITCHELL. Many of them had borrowed for expansion purposes up to the point where the bank board would not extend any further credit to them, and I am not sure that many of them would have been induced by an arrangement of this kind to resume making new loan commitments.

It is true that loans by commercial banks to savings and loans reached a peak about that time of about $550 million, so they were getting some credit. The S. & L.'s in the summer, in July—I guess June is the peak month—had $572 million in loans from commercial