

highlight the urgency of channeling a larger share of savings back into the residential mortgage market through savings institutions. Failure to do so could well mean that the realization of vital national housing and urban revitalization goals will be thwarted by a chronic shortage of mortgage money. The Federal savings institutions bill will help to forestall such a potentially serious development by providing savings institutions with the flexible and modern deposit and investment powers they will need to attract an increased volume of funds for investment in residential mortgages in the years ahead.

In a very real sense, the savings account instrument offered by thrift institutions is an extension of the mortgage instrument and the flow of mortgage credit. Improving the one, therefore, will surely improve the other. In this regard, the Federal savings institutions bill provides for a wide variety of savings accounts bearing varying rates of interest, for the right to contract in advance the rate of interest on certain types of accounts, for savings certificates that can be issued to individuals or business organizations, and for the right to use modern banking nomenclature. These provisions will enable savings institutions to tailor savings plans that will appeal to all segments of the savings market, and thereby generate an increased volume of savings. The right to use modern banking and deposit terminology in their operations will be of particular value to the many savings and loan associations that are currently denied this opportunity.

Equally important, the Federal savings institutions bill will provide savings institutions with needed investment flexibility, and with the ability to offer a wider and more attractive range of financial services to individuals and their families. This too will increase their ability to generate an increased volume of funds for residential mortgage investment. As the Council notes on pages 93 and 94 of its report:

The scope for improved portfolio structure of thrift institutions would be enlarged through the chartering of Federal savings associations . . . Adoption of the legislation would increase the institutions' over-all efficiency and competitive strength . . . To the extent that thrift institutions shift to more diversified portfolios, the amount of funds available to the mortgage market will be initially reduced. *In the longer run, however, the savings and loan associations will better serve the mortgage market by maintaining a steadier inflow of funds and by strengthening their own competitive position.* [Emphasis added.]

The bill's provision of limited consumer loan authority is particularly crucial, since the availability of consumer credit will be essential if savings institutions are to maintain their role as the Nation's leading suppliers of housing credit. In this regard, it is essential to recognize that savings institutions can only lend out in mortgages what they are able to attract as savings, and that provision of a more comprehensive range of family-oriented financial services will be one of the most effective means of increasing their attractiveness to savers.

It is widely recognized that consumer credit is one of the most important financial services required by young people, and by families in the earliest stages of the economic life cycle. Meeting the needs of young people, always important, will be more important than ever for savings institutions in the years immediately ahead. In the dec-