

ade ending in 1975, the number of people in the relatively low-saving 20 to 29 age group will have grown by almost 12 million, compared with an increase of less than 4 million in the relatively high-saving 30 to 59 range. In the following decade, however, the picture will be reversed, with the number of young adults growing by about 5½ million and the number of people in the 30 to 59 age group increasing by almost 13 million.

The implications of these figures are clear. If savings institutions can provide the financial services needed by the rapidly growing group of young adults in the years immediately ahead, their chances of gaining the savings of this same group in later years will be substantially enhanced. And this would mean a significantly increased longrun flow of housing credit, since savings institutions would continue to channel the bulk of their savings growth into residential mortgage loans—the single most important family financial need.

The increased investment flexibility provided by the Federal savings institutions bill would also promote a more stable flow of housing credit over the business cycle, thus alleviating the chronic and worsening tendency of the residential mortgage market to swing widely between conditions of feast and famine. In part, this would result from an increased ability to strengthen earnings and maintain savings growth and mortgage flows over all stages of the business cycle. In addition, with more flexible loan and investment powers, savings institutions would be able to supplement reduced saving flows in periods such as 1966 by converting nonmortgage assets into mortgage loans, thereby cushioning the decline in mortgage credit and housing during such periods. On the other hand, in periods when savings growth is large relative to basic mortgage demands—such as in the early 1960's—savings institutions could continue to promote thrift by channeling funds into alternative investments, funds which could later be converted into mortgage loans should the need arise.

As the House Banking and Currency Committee stressed in its report on the Federal savings institutions bill, these advantages of flexible investment powers for the flow of residential mortgage credit were dramatically demonstrated during the mortgage credit squeeze of 1966. Reflecting their relatively broader and more flexible loan and investment powers—including the right to make consumer loans in 10 States—mutual savings banks were far better able to maintain savings growth and a high level of local mortgage flows than were savings and loan associations. Local savings bank mortgage lending was further bolstered during this period of severe financial strain through the conversion of other assets into mortgage loans, as savings banks channeled an amount equivalent to 108 percent of savings growth into mortgages. Savings and loan associations, by contrast, were able to channel only 89 percent of the combined increase in their savings and borrowings into mortgages in 1966.

In view of the bill's likely benefits for housing, it is little wonder that the House Banking and Currency Committee Report summed up the need for H.R. 13718 in the following manner:

More money for housing. Those four words sum up the primary basis of the need for this legislation. Its passage is badly needed, and long overdue, to help the average American family obtain a decent place to live at a price it can afford.