

File

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date May 13, 1947

To Chairman Eccles

Subject: Home Loan Bank Legislation.

From Mr. Cherry

Hearings were held before the Committee on Banking and Currency of the House this morning on the bill H. R. 2798, to provide for the conversion of Federal savings and loan associations into State associations; H. R. 2799 to provide for the retirement of Government-owned stock in Federal Home Loan Banks and Federal Savings and Loan Insurance Corporation, and to provide for a reduction in the insurance premium of the Federal Savings and Loan Insurance Corporation from one-eighth to one-twelfth of one per cent; and H. R. 2800 to authorize Federal savings and loan associations to make certain improvement and modernization loans up to \$1,500.

Mr. Morton Bodfish appeared and testified in favor of these bills. Although I was there briefly on account of attending a committee meeting elsewhere, I was impressed by his frequent comparison of Federal savings and loan associations with banks. In urging a reduction in the insurance premium from one-eighth to one-twelfth of one per cent, he stated that statistically Federal Savings and Loan Insurance Corporation was in a better position to take care of losses than the FDIC, and that therefore there was no reason why the rate should not be reduced. No one raised any question as to the difference in the type of assets held by Federal savings and loan associations as compared to the assets of banks, nor did anyone raise a question as to the amount and character of the reserves of the Federal Savings and Loan Insurance Corporation, or the "cushion" protecting the insurer.

He stated that last year the President vetoed the bill providing for a reduction in the insurance premium because no provision was made for a return of Government capital from the Insurance Corporation. He stated that this bill took care of the President's objection in the veto message. No one at the hearing seemed to be familiar with the President's veto message and no point was made that this was only one of the President's objections to the bill.

It is possible that the Committee may take some affirmative action on these bills within the next few days.

AKC