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April 2, 1935.

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Mr. H. J. Grant, President,
Zion's Savings Bank and Trust Company,
Salt Lake City, Utah.

Dear President Grants:

This will acknowledge your letter of March 30, in which you enclose a typewritten memorandum containing suggested amendments to The Banking Bill of 1935, together with arguments to support such an amendment. I am mindful of the desire on the part of the stock savings banks of the country for legislation similar to that suggested, as numerous requests have been made in that direction, both by correspondence and by personal conference in my office.

It is true that existing law grants to mutual savings banks and to Morris-Plan banks several exemptions from the regulations of the Federal Deposit Insurance Corporation which do not seem either just or logical. In a general way, all institutions which invite savings or thrift accounts compete for their business and so far as is practicable in the field of regulation, it would seem that they should all be subject to the same restrictions in order that their competition may be fair. I can, therefore, agree that the mutual savings banks in fairness should not enjoy the benefits of deposit insurance along with stock savings banks and yet be permitted to pay a higher rate of interest on the funds which they invite from the public. Nor should they be permitted to receive interest on their own balances carried with banks while the stock savings banks are prohibited from doing so.

My agreement with the above proposition, however, does not lead me to the same conclusion in seeking a solution or an adjustment. To extend to stock savings banks the exemptions now unfairly extended to the mutual savings banks would only aggravate instead of alleviate the trouble. For the same argument against granting a special status to the mutuals is certainly even more forceful when applied to the competitive situation as between

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Mr. H. J. Grant, President - 2.

stock savings banks and the commercial banks of the country, both members and nonmembers of the Federal Reserve System. There is approximately \$10,000,000,000 of time funds in the commercial banks as against approximately \$1,500,000,000 in the stock savings banks. In most cases the stock savings banks are located in communities where commercial banks likewise do a savings business. If the strictly savings banks should be able to pay a higher rate of interest on their savings accounts than the commercial banks and should likewise be permitted to receive interest on daily balances maintained with other banks while the commercial banks in the same community were prohibited from so doing, it would, in my opinion, constitute extremely unfair competition and could only result in the gradual displacement of the savings deposits from the commercial banks to the strictly savings banks.

My own reaction to the unfavorable situation existing under present legislation is that the mutual savings banks should not enjoy the preferential treatment they now receive and they should be subjected to the same restrictions as the other members of the Federal Deposit Insurance Corporation or should not be granted membership therein. In fact, they seem to resemble more closely in structure and operation the building and loan or savings and loan institutions and could properly be made eligible for membership in the Federal Savings and Loan Insurance Corporation. This particular question is not the especial concern of the Federal Reserve Board, however, but of the Federal Deposit Insurance Corporation, which has sponsored Title I of The Banking Bill of 1935. I have had occasion, however, to discuss this matter only recently with Mr. Leo Crowley, Chairman of the Federal Deposit Insurance Corporation, and find that he shares my view as regards exempting the stock savings banks from the regulations of the Federal Deposit Insurance Corporation.

In the same mail that brought your letter I received one of similar import from Willard R. Smith of the Zion's Savings Bank and Trust Company, which also enclosed the same memorandum enclosed in your letter, together with a copy of H. R. 5357 with the suggested amendments shown in the text. I am sending him a copy of this letter.

With best wishes, I am

Yours sincerely,

(Signed) M. S. Eccles

M. S. Eccles,
Governor.

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