

STATEMENT OF JOSEPH W. BARR, CHAIRMAN, BOARD OF DIRECTORS  
OF THE FEDERAL DEPOSIT INSURANCE CORPORATION  
Before the  
COMMITTEE ON RULES, HOUSE OF REPRESENTATIVES  
on H.R. 5130

May 13, 1964

Mr. Chairman: It is a pleasure to appear before this Committee and express my views on the granting of a rule on H.R. 5130, a bill limited to increasing the maximum insurance coverage for depositors in insured banks and share account holders in insured savings and loan associations. H.R. 5130 as reported out of the House Banking and Currency Committee contains an amendment which would increase the maximum insurance for bank deposits and savings and loan shares to \$20,000 instead of \$25,000 as was provided in the bill as originally introduced.

The bill as it now stands does not incorporate certain recommendations of the Administration with respect to legislation to increase deposit insurance and insurance for share accounts in savings and loan associations. At the end of the hearings before the House Banking and Currency Committee on H.R. 5130 the Chairman of the Committee inserted for the record a letter from the Secretary of the Treasury, which stated the views of the Administration with respect to legislation to increase deposit insurance and insurance for share accounts in insured savings and loan associations. This letter, in essence, stated that legislation to increase insurance coverage for deposits and share accounts should also include provisions for additional safeguards for insured institutions, including adequate requirements covering reserves and liquidity, standby authority over maximum interest and dividend rates, and strengthened

conflict of interest provisions. These recommendations were based upon recommendations in the report of the President's Committee on Financial Institutions.

On July 8, 1963 Mr. Patman introduced H.R. 7404, which would increase from \$10,000 to \$15,000 the maximum amount of insurance coverage for bank deposits and savings and loan association share accounts. This bill also (1) prescribes liquidity requirements for member institutions of any Federal Home Loan bank, (2) provides for standby authority for this Corporation and the Federal Reserve Board to limit the rates of interest which may be paid by the banks upon time and savings deposits, (3) provides similar standby authority in the Federal Home Loan Bank Board with respect to the payment of dividends on share accounts, (4) extends statutory noncriminal conflict of interest provisions, now applicable to Federal Reserve State member banks, to insured nonmember banks, and (5) makes certain conflict of interest provisions now applicable to insured banks also applicable to institutions which are members of any Federal Home Loan bank.

While these proceedings were taking place in Congress I was an official in the Treasury Department and participated occasionally in the work of the President's Committee on Financial Institutions and I consider the report of the Committee to be an excellent statement of Government policy toward private financial institutions. I endorsed most of its conclusions on the subject matter of legislation to increase insurance for bank deposits and share accounts in savings and loan associations. For these reasons I would support the consideration by the House of Representatives of H.R. 7404 rather than H.R. 5130.