

# NEWS RELEASE



## FEDERAL DEPOSIT INSURANCE CORPORATION

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"OUR NUMBER ONE BUSINESS" -- A CHALLENGE AND AN OPPORTUNITY  
FOR THE MUTUAL SAVINGS BANKERS

By

K. A. RANDALL, CHAIRMAN

FEDERAL DEPOSIT INSURANCE CORPORATION

Washington, D. C.

before

45TH ANNUAL CONFERENCE

of the

NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS

at the

Washington Hilton Hotel  
Washington, D.C.

11:30 A. M.

Monday, May 17, 1965

"OUR NUMBER ONE BUSINESS" -- A CHALLENGE AND AN OPPORTUNITY  
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As you know, I am here substituting for my predecessor and good friend, Joe Barr, whom you initially invited to speak to you. Joe, as all of you are now aware, has moved on to that venerable financial institution of our government that continues to be engaged in the never-ending struggle to keep its checks honored -- the United States Treasury. Thanks to the strength of the American economy, the soundness of its banking system, and the competence of the banker, the Federal Deposit Insurance Corporation has yet to be threatened in this particular way. I pointed out to Joe this rather conspicuous distinction between the two institutions, his and mine, saying that, offered satisfactory terms, we might be willing to insure him, but his retort was, "Never mind, the buck always stops here." I suppose we must agree that the buck does, indeed, stop there -- but only if he is talking about our tax dollars.

I would like to use the time that you have given me to discuss with you the most important challenge that faces our nation and our institutions today. It is, of course, the task of educating our young people. The President has called this our "number one business," and

I am sure none of us here will want to take exception to such an urgent priority. For there is really nothing that matters more. Our system of government, our productive economic machine, our stature in the community of nations, our very way of life all look for support in the future to the trained brainpower of our young citizens. A current teenage colloquialism, if we mean importance rather than fashion, puts it better: "Brains is in."

But I do not wish to imply that we have done badly along this line in the past. Our country is strong and prosperous because, in large measures, every family has assumed as a primary responsibility the goal that each child achieve a rung on the academic ladder at least a little bit higher than that achieved by his or her parents. One quarter of all Americans are now in classrooms. Since the turn of the century, college enrollment has increased 80-fold. The United States has one-fourth of the institutions of higher learning in the world, and along with them a third of the professors and students of college level. But the task for the individual as for the nation has been and always will be a continuously unfinished one. Here is one place where it is never quite enough to do as well as we did yesterday. We must progressively do better, or we inevitably do worse.

It cannot easily be disputed that we do have some very serious problems in higher education today. More than one hundred thousand of our brightest high school graduates each year will not enter college

-- unless opportunities for higher education are somehow greatly expanded. One study found that 45 percent of American high school youth scoring in the top 20 percent in scholastic aptitudes fail to go on to college. About half are from families with incomes under \$6,000, and only one-fifth from families with income of \$9,000 or more.

Despite all of our opulence, financial problems are still with us. Numerous scholarships that are available save the day, in many individual instances. But, here again, for every college scholarship awarded to a pupil from a family with an income under \$3,000, four are given to students from families having incomes above \$11,000. In addition, costs continue to mount. Annual expenditure for maintaining a student in college is now estimated at \$1,560 in public institutions and \$2,370 in private schools. By 1980, it is estimated, these respective figures will have increased to \$2,400 and \$3,640.

Indeed, this is not all by any means. By 1970, our colleges must be prepared to admit 50 percent more students than the presently overcrowded facilities can care for. Right now, an additional 32,000 college teachers are needed. Yet, less than 14,000 Ph.D.'s are turned out annually, and fewer than half of these enter college teaching ranks. You may not realize that only about half of our four-year college libraries meet minimum standards set by the American Library Association, and less than 20 percent of our two-year schools can qualify on this score.

We, of course, can go on and on reciting our deficiencies and lamenting the enormity of our problems. But what are we doing, and what more can we do? Certainly, we have done a great deal. We have done a great deal through our government, and we have done a great deal through our private endeavors.

Public expenditures in 1964 for higher education alone, excluding veterans assistance, totaled \$3.8 billion, the greater part expended at the State and local levels. Less than \$1 billion was spent in 1950. The National Defense Act, just recently extended and expanded, has provided for loans to 600,000 students, and fellowships have been awarded to 8,500 students at the graduate level. There are many other public programs.

The education of our people is multiform in character; it is as diverse as the most cherished goals and aspirations of each individual student, and as complex as the functions and activities of the populace as a whole. I like to think, therefore, that our task here is less one of a massive standardized program at national or State levels of government, although supplemental Federal and State support is certainly essential. Rather, here, as in so many other areas, our efforts as individuals and as privately-motivated institutions can ordinarily do much better. There is much evidence to support this belief.

Private business in this country has a long and distinguished history of rendering aid to higher education. Since World War II, such aid has markedly increased. In 1963, corporate financial contributions to colleges and universities totaled \$225 million, a five-fold increase since 1950. Industry aid takes numerous forms. There are cash contributions to educational institutions, scholarships and loans to students, contributions of material and equipment to institutions, provision of teaching aids, contribution of company manpower, and the like.

Industry-sponsored scholarships can be awarded at a cost to a corporate sponsor of \$1,500 per student per year through the National Merit Scholarship Corporation, which, as you know, also conducts annual nationwide competitions for scholarships among high school seniors. About 170 corporations participate in this program. There are various other scholarship and award programs, and lectures and seminars under various sponsorships by the non-financial segments of private enterprise.

Nor are the financial institutions dragging their feet. Education is certainly not a new idea to you or your own institutions, Mutual savings banks have always encouraged systematic savings for higher education of young people. It is not without significance that we find names like "Dime Savings Bank," "Dollar Savings Bank," "Boston Five Cents Savings Bank," that suggest long-range thrift programs to finance education and other major goals.

The American Bankers Association has for a number of years financed a variety of programs -- graduate fellowships in economics, workshops for college faculty members, annual symposiums, and the like. Just recently announced is a new program envisioning the establishment of economic education centers at colleges and universities.

However, the challenge of educational loans for those of you in the banking industry, and especially in the mutual savings segment of the industry, are to me the most exciting. Only a few industrial companies make loans directly to students. The attitude is widespread that the business of lending money for education as for other purposes is best left to the banks. Here really is a restricted area of operation for the banker. Largely as a result, in a number of states, nonprofit corporations have been formed by individuals, businesses, and trusts for the purpose of guaranteeing noninsured, low-interest loans advanced by banks to deserving students. The United Student Aid Funds, founded in 1960, today operates the largest private student loan program in the country. Students attending some 634 colleges and universities may borrow on their own signature low-cost, long-term, funds of up to a maximum of \$4,000 from more than 4,800 cooperating banks in 49 States. As of June of last year, loans aggregated \$26 million under this program, with less than 0.8 percent of the total advances in poor standing.

Among the State plans for guaranteeing unsecured educational loans to students, the Massachusetts Higher Education Loan Plan -- dubbed HELP --

is the oldest. During the first seven years of this program -- it was established in 1956 -- over \$9.5 million in loans were made to 14,500 students. I understand there are some 35 mutual savings banks now participating, with loans of \$391,000 extended.

In New York State, student loans are made available under a program of the New York Higher Education Assistance Corporation, in which savings banks were authorized to participate in 1960. Last September, the savings banks of the State had a total of some 51,000 student loans outstanding, amounting to more than \$40 million, and the commercial banks had made over 85,000 with a value of \$63 million.

In New Jersey, a plan was initiated in 1959. The seven mutual savings banks participating in it last December had granted more than 500 loans aggregating over \$559,000. In New Hampshire, 63 banks -- about two-thirds of all banks in that state -- participate in a plan that has extended over \$440,000 to students attending 167 institutions of higher education. Among other active programs that have come to my attention are those in Maine, Rhode Island, and Vermont. I believe that there are now some 12 or 15 states that have successful educational loan plans in operation, and many more states have similar proposals or legislation pending.

The area of educational loans is one that has just begun to be developed. I believe that it offers attractive and forward-looking opportunities to your industry.

But this is really not the vital thing that is at stake here. Higher education is a more serious matter. In our practical day-to-day affairs

we have become accustomed to accepting the notion that educating our youth is a good thing and probably worth a reasonable burden. But even pausing for a casual look at this notion inspires awe at its true significance. Real scholarship involves mastery of complex structures of thought in relation to other vital structures. It explains how discoveries are made and heightens the excitement in new knowledge and new ideas. It teaches initiative, how to shape learning and marshal resources to reach desired ends. It teaches the arts of communication, and fosters deeper understanding of men and respect for their boundless creativity. It leads to effectiveness in the affairs of the world. It does all of these things and more.

There is really no nobler undertaking for any of us than to provide limitless educational opportunity for our youth. Banking has a strategic role in these processes. It is a challenge that we dare not neglect.

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