FDIC
FEDERAL DEPOSIT INSURANCE CORPORATION

NEWS RELEASE

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Statement by

Frank Wille
Chairman, Federal Deposit Insurance Corporation

before the

Committee on Banking and Currency
House of Representatives

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Mr. Chairman and Members of the Committee on Banking and Currency:

The Federal Deposit Insurance Corporation has a very significant interest in the efficient operation of the nation's financial structure. It insures deposits up to the statutory maximum in more than 97 percent of the nation's 14,500 banks. It regularly examines and supervises, along with State banking departments, approximately 8,400 commercial banks and mutual savings banks which are not members of the Federal Reserve System. It establishes for these nonmember banks the maximum rates of interest which they can pay on deposits received from the American people. And increasingly, by direction of the Congress, it is concerned with the fair treatment of bank customers and shareholders and with the competitive climate within which financial services are offered to the public.

Your hearings have been prompted by the third round of high interest rates, disintermediation, and credit imbalance within seven short years. They will, of necessity, consider many of the deficiencies and conflicting forces at work in our present system of financial regulation. Let me assure you that we at FDIC share your desire that these hearings may lead to a sounder financial structure in the future, and I welcome, for that reason, this opportunity to testify before you today.

The deposit rate actions taken by the Board of Governors, the FDIC and the Federal Home Loan Bank Board in early July have obviously been popular with the vast majority of American savers who had had no increase in bank deposit rates since January 1970, despite the 17 percent rise in the cost of living which occurred during the intervening period. The fact that these same changes have been severely criticized by thrift institution spokesmen and many in the housing sector, however, is only one indication of the conflicting and competing forces at work in our financial structure and how difficult it is to strike a balance between them under existing law.

Our action in July was taken after sharp increases had occurred in open market interest rates during the preceding six months. This is seen most dramatically in the behavior of three month Treasury Bill yields, commercial paper yields and the prime rate. At the end of December 1972 the three month Treasury Bill yield was 5.07 percent. The average yield in March 1973 had risen by more than 100 basis points to 6.08 percent. An almost identical rise occurred in the second quarter of 1973 bringing the yield in June to 7.19 percent -- a six month rise of 212 basis points. The rate of prime commercial paper of 4-6 months maturity was 5.59 percent at the end of 1972. By the end of March, the comparable rate was 7.13 percent and by the end of June, it was 8.28 percent, a six month rise of 270 basis points. A somewhat similar pattern was observed in the prime rate during the first six months of 1973. At the end of December 1972, the prime rate was 5.75 percent whereas by the end of June, this rate had risen to 7.75 percent, or a six month rise of 200 basis points.

During this same six month period, consumer-type time and savings deposit rates were at or near the maximum ceiling rates at most Federally-insured depositary institutions. This meant that the spread between the rates they could pay and those available on the open market had widened substantially. Increasing publicity was being given to the ever-higher rates available on open market

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instruments and to the steadily increasing prime rate. Not surprisingly, under these circumstances, deposit flows during the first six months of 1973 appeared to indicate a slowdown in the rate of growth of consumer-type deposits for both commercial banks and thrift institutions. The annualized growth rate in combined savings and loan association and mutual savings bank deposits was 11.6 percent, in contrast to a rate of growth of 17.4 percent during the first six months of 1972. Similarly, the annualized rate of growth in consumer-type time and savings deposits of insured commercial banks declined from 13.7 percent during the first six months of 1972 to a rate of 9.2 percent during the first six months of 1973.

It appeared, in early July, that yields on three month Treasury Bills and on prime commercial paper could go significantly higher than they were in late June and that a failure to increase deposit rate ceilings substantially could lead to serious disintermediation from all depositary institutions. At the same time, the size of the increases which might be authorized by the agencies had to be tailored to the earnings capabilities of the institutions least able to turn over their assets quickly, i.e., the nation's savings and loan associations and mutual savings banks. Fortunately, the spread between portfolio yields being realized by these institutions and their deposit interest costs in early 1973 was extremely high, by historical standards, and the spread continued to widen during the first six months of the year. After discussion among the three agencies, it was our consensus that substantial rate increases could be safely ordered, that the largest increases in rate should occur in the time deposit category, and the smallest increases in the passbook savings rate. The net result was the rate structure announced on July 5, including the establishment of an experimental, ceiling-free category for time deposits of at least $1,000 to be held 4 years or more which all depositary institutuions were authorized to offer. We also moved to impose stiffer penalties on the early withdrawal of funds from time deposits issued at the new rates, in an effort to lengthen the average maturity of deposit liabilities at all institutions -- a move of particular significance to thrift institutions whose assets consist largely of long-term mortgages.

Given the rapid rise in open market interest rates which had been experienced since the first of this year and the likelihood that the rise would continue, the deposit rate actions taken by the agencies were designed to ensure (1) that depositary institutions would have some means of checking the massive outflow of funds to money market instruments which seemed likely, (2) that the approximate competitive balance between commercial banks and thrift institutions would be maintained, (3) that some flow of mortgage money would continue to be available, (4) that the earnings of depositary institutions would not be so adversely affected as to threaten their survival and (5) that the average saver would receive some of the benefit of the higher rates available to institutional investors and those individuals with large sums to invest. The agencies also wished to accomplish these objectives in a manner consistent with their view of the longer-run reforms needed in our financial system. Not least, we sought to encourage the American public to save rather than spend at a time when inflationary pressures remained strong.

If our only concern had been to see that savers with less than $100,000 received the benefit of higher rates available in open market instruments, we would have

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increased deposit rate ceilings even more than we did. But this might have permanently damaged the financial condition of many savings and loan associations and mutual savings banks before they had been granted the longer run additions to their operating powers that are necessary to their survival in a freely competitive market place. If our only concern had been to protect the earnings and net worth of depositary institutions, we would have made no change at all in the deposit rate ceilings. But this would have run the risk of massive outflows of funds from all institutions, liquidity problems for some, and a virtual drying up of funds for mortgage lending.

While it is still too early for definitive answers as to how successful the deposit rate actions were in accomplishing the various objectives of the agencies, a number of observations can be made based on the evidence to date.

First, the rate-conscious depositor with less than $100,000 to invest has clearly benefited. Prior to the changes, regular passbook savers at commercial banks were entitled to a maximum of only 4-1/2 percent per annum. This maximum was increased to 5 percent per annum, while the passbook rate available generally at mutual thrift institutions went up to 5-1/4 percent. More importantly, depositors with less than $100,000 that were willing to commit their funds for minimum periods of one, two and one-half or four years had an opportunity to obtain significantly higher rates than the maximum 5-3/4 percent previously available on the longest time deposits at commercial banks or the maximum 6 percent previously available on the longest time deposits at mutual thrift institutions. Rates at least 3/4 percent higher per annum are now broadly available on deposits of two and one-half years or more, while thousands of savers have also been able to take advantage of rates between 7 percent and 8 percent or more on the new ceiling-free certificates with maturities of at least 4 years.

The deposits so transferred represent, of course, funds retained by the nation's commercial banks and mutual thrift institutions that might otherwise have gone into open market instruments -- funds that in the normal course will now be available to these institutions for determinable periods at least two and one-half years into the future. We also know that at least some new funds were received by almost all depositary institutions in these longer-maturity time deposit categories.

It is equally clear, however, that the July rate changes were insufficient to prevent a heavy net outflow of funds from mutual savings banks and insured savings and loan associations in July and August. At the FDIC, we firmly believed that the net outflow would have been far worse without the July rate changes The yields on three month Treasury Bills and 90 day commercial paper in these two months have reached almost 9 percent and 10.5 percent per annum, respectively. Data on Treasury Bill offerings and on the issuance of Federal agency obligations have confirmed an increasing volume of purchases by individuals. There are, moreover, an increasing number of mutual funds, including no loan funds, which concentrate on high-yield bonds and short-term instruments that are bringing returns well in excess of 8 percent per annum within the reach of even the smallest investor.

In the two or three weeks immediately following the July rate changes, there was some evidence, from a few areas of the country, that the competitive balance between commercial banks and thrift institutions and between mutual savings banks and savings and loan associations might be altered by the unfettered ability of commercial banks and mutual savings banks to offer the new ceiling-free time

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deposits of 4 years or more, whereas insured savings and loan associations could not, under Federal Home Loan Bank Board regulations, accept such deposits once they reached 5 percent of total time and savings deposits. The Board of Governors and the FDIC acted, however, on July 26 to impose a similar 5 percent limitation on commercial banks and mutual savings banks, and the danger of significant competitive imbalance between different institutional types appears now largely to have subsided. Moreover, an amendment to the 5 percent limitation adopted last week by the Federal Home Loan Bank Board for insured savings and loan associations and by the FDIC for insured mutual savings banks affirmatively favors these institutions by allowing them to issue ceiling-free time deposits upon the maturity of outstanding certificates so long as their total ceiling-free certificates do not exceed 10 percent of total time and savings deposits.

To be more specific on these various points, the following information may be helpful.

As of July 31, 1973, about 64 percent of all insured commercial banks, including a large proportion of small as well as large banks, were offering regular savings deposits at the new ceiling rate of 5 percent. About the same percentage of banks were offering new ceiling rates of 5-1/2 and 6 percent, respectively, on time deposits of less than $100,000, with maturities of less than one year and of one to two and one-half years. (See Appendix Table 1.) As of the end of July, about half of all insured commercial banks also appeared to be offering "consumer-type" time deposits with maturities of two and one-half to four years, the majority of which were offering such accounts at the new ceiling rates.

As to the new 4 year, $1,000 minimum denomination, ceiling-free time deposits, only about 38 percent of all insured commercial banks offered these instruments by the end of July, and preliminary estimates place the dollar amount of their holdings in this category at $3.3 billion, or approximately 1 percent of their total domestic time and savings deposits. (See Appendix Table 2.) During August, additional commercial banks began to offer these ceiling-free accounts, and aggregate outstandings appear to have risen substantially. For many individual banks, however, the restriction that such instruments not exceed 5 percent of their total domestic time and savings deposits has inhibited any further growth of their outstandings in this category.

The source of funds going into the new ceiling-free certificates issued by commercial banks cannot be pinpointed accurately. The fact that regular savings deposits at commercial banks have dropped rather substantially may indicate that many passbook savers drew down their balances to purchase these new time deposits. A special FDIC survey of nonmember banks issuing these certificates revealed that most of them estimated that at least 75 percent of their outstandings in this new category result from intrabank transfers. It is equally possible that increasingly higher yields on Treasury Bills and notes and other competing market instruments attracted more and more of these commercial bank passbook funds. Available evidence also suggests that holders of certificates with lower yields switched over to the new instruments, a phenomenon that will probably not continue now that such transfers require a forfeiture of interest. Moreover, preliminary figures issued by the Federal Reserve indicate that large member banks had a loss of

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approximately $200 million in consumer-type time and savings deposits in the four weeks ended August 29, as compared with a gain of approximately $300 million in the previous five weeks.

Rate increases in July and early August were even more prevalent among mutual savings banks than among commercial banks. About 72 percent of all FDIC-insured mutual savings banks were offering a 5 1/4 percent interest rate on regular savings deposits at the end of July. Among the large number of such banks offering certificates of one to two and one-half years' maturity, almost two-thirds were offering them at the new ceiling rate of 6 1/2 percent. (See Appendix Table 3.) Moreover, insured mutual savings banks, many of which are located in urban areas where competition for consumer savings is brisk, offered the new ceiling-free, 4 year time deposits relatively more frequently than commercial banks. At the end of July, about 57 percent of the 322 reporting savings banks were offering such instruments and their outstandings totaled more than $2 billion. (See Appendix Tables 3 and 4.)

This was about 2.5 percent of total time and savings deposits in these banks, as compared with the commercial bank figure of about 1 percent on the same date. The 31 mutual savings banks offering these accounts at rates in excess of 7.5 percent, moreover, had a total of $834 million in such certificate accounts on July 31 compared to the $305 million held on the same date by all insured commercial banks offering such certificates at rates in excess of 7.5 percent. (See Appendix Tables 2 and 4.) By the end of August, the holdings of these new instruments by a sample of FDIC-insured mutual savings banks had about doubled. (See Appendix Table 5.) As a growing number of FDIC-insured mutual savings banks reach the point where the total amount they hold in ceiling-free certificates exceeds the applicable percentage limitation based on their total time and savings deposits, such instruments will become a less effective force in stemming the outflow of funds unless they are able to take advantage of the limited additional leeway granted to mutual thrift institutions last week by the FDIC and the FHLBB for maturing certificates.

As with commercial banks, regular passbook depositors at FDIC-insured mutual savings banks appear to have been the source of much of the funds going into new ceiling-free certificates at the same banks. Despite these internal transfers, however, insured mutual savings banks experienced a net outflow of funds in July, which appears to have continued in August, although at a reduced rate. As a result, the annualized rate of change in savings bank deposits (after making a seasonal adjustment and adjusting further for interest credited) was about a negative 3.5 percent in July and a negative 1 percent in August. These figures indicate a slowing in August in the disintermediation experienced in July, at least for FDIC-insured mutual savings banks. (See Appendix Table 6.)

The fact that mutual savings banks and insured savings and loan associations continue to experience a net outflow of funds has been disappointing to the agencies, and we will continue to monitor the situation closely in an effort to determine what further changes in our interest rate regulations could be helpful in reversing or reducing these outflows. While continued outflows from these institutions will result in substantially lower commitments for future mortgage lending, it appears that many FDIC-insured mutual savings banks maintained a high rate of actual mortgage lending during July, the last month for which

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figures are available. We recognize, however, that net deposit inflows, stepped up secondary market operations, and increased earnings capacity will be necessary in the longer run to enable mutual thrift institutions to maintain their historic commitment to the residential housing market.*

The July rate changes, as I mentioned earlier, were consciously tailored to the limited capabilities of mutual thrift institutions to increase their earnings quickly. These institutions, however, were in a much better position this year to pay higher rates on deposits than they were in either 1966 or 1969. In those earlier periods of disintermediation, it could be claimed that mutuals were so substantially "locked into" relatively low-yielding long-term assets that their immediate viability would have been threatened if they had had to pay the substantially higher deposit rates necessary to attract and retain funds against direct market investments. Because of this, deposit rate ceilings were kept artificially low relative to the yields available on corporate and government securities purchased directly in the market. Substantial disintermediation occurred as a result -- increasing in intensity as the period of high market rates continued and the public became more and more aware of the investment alternatives available. On the earnings side, these outflows of funds contributed to a shortage of mortgage funds that drove mortgage rates up significantly -- higher, possibly, than they might have gone with higher deposit rate ceilings and continued inflows of money. In time, these higher mortgage rates improved the income of most thrift institutions. Usury statutes were also amended in many states as an aftermath of the shortage of housing funds in 1966 and 1969, thereby raising permissible mortgage yields and further improving the net earnings of savings and loan associations and mutual savings banks.

By June 1973, the average Federally-insured mutual savings bank had gross income estimated at 6.55 percent of assets, interest expense estimated at 4.78 percent of assets, and operating expenses estimated at 0.81 percent of assets. This indicated a net income before securities transactions and taxes of 96 basis points, a figure that had increased steadily since early 1970. Since we do not expect the additional expense of the new deposit rate ceilings to exceed this figure, and since the higher yields on recently acquired assets will continue to improve the average portfolio yield, most thrift institutions should be able to sustain the new rates out of current and projected earnings. At the same time, little may be left over to augment reserves or other net worth accounts, which are currently <u>lower</u> (as a percentage of assets) than they were in 1966 and 1969.

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* Savings and loan associations are by far the largest lenders in the mortgage market, holding 44.3% of total residential mortgages outstanding in 1972. Behind the savings and loan associations are commercial banks with 14.6%, mutual savings banks with 13.5% and life insurance companies with 9.3%. Together these four types of financial institutions hold 81.7% of outstanding residential mortgages. The remaining 18.3% is held by federal government agencies, individuals, and others. Among the financial institutions, savings and loan associations are the most specialized, allocating 76.8% of their total assets in 1972 to residential mortgages, while the less specialized mutual savings banks in 1972 allocated 55.9% of their total assets to such mortgages. Both commercial banks and life insurance companies are highly diversified lenders, with commercial banks investing only 8.6%, and life insurance companies 16.5%, of their total resources on a nationwide basis in residential mortgages.

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In those prior periods when deposit rate ceilings were raised, accumulated reserves and earnings retained in past years carried many thrift institutions over a temporary short fall in current earnings. Today, we are looking primarily to current rather than past earnings. I assume that over the long run one of two things will happen: either (i) the necessity for high deposit rates, particularly in the longer-maturity time deposit categories, will subside (thereby lowering the interest expense of these institutions and permitting net worth ratios to rise once again to more desirable levels), or (ii) legislative action will be taken at an early date to ease the earnings pressure under which mutual savings banks and savings and loan associations are currently forced to operate. These possibilities are by no means mutually exclusive. Hopefully, both will occur.

I am encouraged by the Staff Report of your Subcommittee on Domestic Finance to believe that significant legislative changes, at long last, may be in the offing which bear on the situation I have been discussing. This Report appears to agree with two basic objectives for reform of the present financial structure which are also supported by the President in his recent message to the Congress concerning "Recommendations for Change in the U. S. Financial System." These two objectives, if we put to one side other issues raised by both sets of recommendations, are: the eventual removal of deposit rate ceilings and a significant expansion of the asset and deposit powers of the nation's mutual savings banks and savings and loan associations so that they may compete effectively in an environment without deposit rate ceilings.

Removal of deposit rate ceilings would give all deposit institutions an opportunity to compete effectively with market instruments in future periods of monetary restraint, thereby blunting the forces of disintermediation, attendant liquidity strains and sudden reductions in the availability of lendable funds. These benefits cannot be realized, however, unless deposit institutions are in a position to respond promptly to increases in market rates, particularly on time deposit instruments attractive to depositors. Their ability to do so will obviously depend on the yields in their asset mix, their cash flows, the speed with which they can change to higher yield investments if this should be necessary, and the level of retained earnings available for temporary use if current earnings cannot meet a significant increase in the interest expense on deposits.

The asset and liability powers recommended both by the President and your Subcommittee staff can be easily supported on the grounds either of increased competition or of increased public convenience. Consumer credit markets, for example, are demonstratively imperfect, resulting in higher than necessary rates for many borrowers. Permitting thrift institutions to make consumer loans would markedly increase the number of credit sources available to borrowers, and the increased competition sure to result would encourage the lowest possible interest costs consistent with efficient operation. Granting such institutions (including credit unions) broader authority to make real estate and construction loans should have the same result, as well as benefitting the housing market. Allowing checking account services at thrift institutions would constitute another form of deposit competition and might serve as a convenience for thrift institution customers who do not utilize commercial banks. To the extent these services attract or retain deposit customers, the stability of their deposit structures should be smoother than might otherwise be the case.

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The recommendations for expanded asset and liability powers are likely, in my judgment, to increase competition and public convenience without substantial increase in risk to the financial structure as a whole. They should also assist deposit institutions in maximizing earnings. But it probably overstates the effect of these recommendations to claim for them as well an inevitable, beneficial effect on credit flows to residential housing in future periods of tight money. At best such an effect can only be indirect -- through increased earnings, through the ability thereby to pay rates on deposits high enough to discourage direct market investments, and through increasingly stable and predictable deposit flows. Even under such circumstances, a net plus for housing would be felt only if institutional managements were determined to commit new funds to residential housing in such proportions that the total would approximately equal the percentage of total assets presently invested in residential mortgages by all financial institutions.

The President would encourage savings and loan associations and mutual savings banks to maintain their present high levels of investment in residential housing and would encourage other institutional lenders to increase their commitment to investment in residential housing by means of a special tax credit based on gross mortgage income. Your subcommittee's staff report suggests another approach to the same end, namely a special asset reserve requiring all financial institutions to invest a certain percentage of their assets in residential mortgage loans. While it is difficult to assess the effectiveness of either a tax credit or a special asset reserve requirement in the absence of recommendations as to specific rates and investment levels, it is apparent in both sets of recommendations that there is much common ground in assessing some basic problems that need correction and reform in our financial structure.

In closing, I would express again my hope that these hearings will lead to a stronger and sounder financial structure for all Americans.

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TABLE 1

MOST COMMON INTEREST RATES PAID BY INSURED COMMERCIAL BANKS ON NEW DEPOSITS, JULY 31, 1973, SURVEY
(Number of Banks)

Type of Deposit	No. Banks Issuing Instrument	Distribution of Number of Banks by Most Common Rate Paid (In percent)											
		3.50 to Less	3.51 to 4.00	4.01 to 4.50	4.51 to 5.00	5.01 to 5.50	5.51 to 6.00	6.01 to 6.50	6.51 to 7.00	7.01 to 7.50	7.51 to 8.00	8.01 to 8.50	8.50 to 9.00
Total time and savings IPC	13,898	....	....	....	....	....	....	....	....	....	....	....	....
Savings Deposits	13,575	485	1,541	2,882	8,667	....	....	....	....	....	....	....	....
Time certificates IPC in denominations of less than $100,000 With maturity of-													
Less than 1 year	13,142 *	....	30	65	4,269	8,779	....	....	....	....	....	....	....
1 to 2-1/2 years	13,164 *	....	....	....	266	2,285	10,609	....	....	....	....	....	....
2-1/2 to 4 years	8,067	....	....	....	22	63	1,060	6,922	....	....	....	....	....
4 years or more:													
Denominations less than $1,000	330 *	....	....	....	45	4	85	195	....	....	....	....	....
Denominations greater than $1,000	5,249 *	....	....	....	18	14	109	98	3,058	1,668	264	17	2

SOURCE: Federal Deposit Insurance Corporation and Board of Governors of the Federal Reserve System.
* Includes a few banks no longer offering these instruments.

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TABLE 2

MOST COMMON INTEREST RATES PAID BY INSURED COMMERCIAL BANKS ON NEW DEPOSITS, JULY 31, 1973, SURVEY
(Amount of Deposits)

Type of Deposit	Total Amount Outstanding (in millions)	Distribution of Amount of Deposits by Most Common Rate Paid (in percent)											
		3.50 to Less	3.51 to 4.00	4.01 to 4.50	4.51 to 5.00	5.01 to 5.50	5.51 to 6.00	6.01 to 6.50	6.51 to 7.00	7.01 to 7.50	7.51 to 8.00	8.01 to 8.50	8.50 to 9.00
Total time and savings IPC	307,518	....	....	....	....	....	....	....	....	....	....	....	....
Savings Deposits	124,722	1,604	12,131	41,525	69,412	....	....	....	....	....	....	....	....
Time certificates IPC in denominations of less than $100,000 With maturity of-													
Less than 1 year	43,460	....	20	51	12,229	31,160	....	....	....	....	....	....	....
1 to 2-1/2 years	48,944	....	....	....	378	5,214	43,351	....	....	....	....	....	....
2-1/2 to 4 years	9,325	....	....	....	19	53	2,668	6,585	....	....	....	....	....
4 years or more:													
Denominations less than $1,000	660*	....	....	....	49	10	240	357	....	....	....	....	....
Denominations greater than $1,000	3,322*	....	....	....	41	15	131	135	1,229	1,452	207	92	6

SOURCE: Federal Deposit Insurance Corporation and Board of Governors of the Federal Reserve System.
*Includes small amount of deposits held by banks no longer offering these instruments.

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TABLE 3

MOST COMMON RATES PAID ON IPC TIME AND SAVINGS DEPOSITS IN FDIC-INSURED MUTUAL SAVINGS BANKS, JULY 31, 1973, SURVEY
(Number of Banks)

Type of Deposit	No. Banks Issuing Instrument	Distribution of Number of Banks by Rates Paid (in percent)								
		4.50 or Less	4.51 to 5.00	5.01 to 5.50	5.51 to 6.00	6.01 to 6.50	6.51 to 7.00	7.01 to 7.50	7.51 to 8.00	8.01 and Over
Total time and savings IPC	322	....	....	....	....	....	....	....	....	....
Regular savings deposits	322	5	86	231	....	....	....	....	....	....
Time accts under $100,000: With maturity of-										
Less than 1 year	195	....	4	60	131	....	....	....	....	....
1 to 2-1/ years	314	....	....	1	115	198	....	....	....	....
2-1/2 to 4 years	234	....	....	....	27	15	192	....	....	....
4 years or more: Denominations less than $1,000	28	....	....	1*	13	1*	13	....	....	....
Denominations of $1,000 or more	185	....	....	....	7	2	95	50	31	....

SOURCE: Federal Deposit Insurance Corporation
NOTE: Data are also available by size of bank.
*Any deposit category that contained less than $500,000 is shown as zero; however, the number of banks having this category is represented.

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TABLE 4

MOST COMMON RATES PAID ON IPC TIME AND SAVINGS DEPOSITS IN FDIC-INSURED MUTUAL SAVINGS BANKS, JULY 31, 1973, SURVEY
(Total Amounts Outstanding)

Type of Deposit	Total Amounts Outstanding ($ Millions)	Distribution of Amounts Outstanding by Rates Paid (in percent) 4.50 or Less	4.51 to 5.00	5.01 to 5.50	5.51 to 6.00	6.01 to 6.50	6.51 to 7.00	7.01 to 7.50	7.51 to 8.00	8.01 and Over
Total time and savings IPC	82,791	82,791	....	....	....	....	....	....	....	....
Regular savings deposits	59,300	625	5,116	53,559	....	....	....	....	....	....
Time accts under $100,000: **With maturity of-**										
Less than 1 year	1,439	....	90	383	966	....	....	....	....	....
1 to 2-1/2 years	13,383	....	....	14	2,295	11,074	....	....	....	....
2-1/2 to 4 years	5,584	....	....	....	2,137	59	3,388			
4 years or more: Denominations less than $1,000	370	....	....	0*	365	0*	5			
Denominations of $1,000 or more	2,046	....	....	....	59	12	941	200	834	....

SOURCE: Federal Deposit Insurance Corporation.
NOTE: Data are also available by size of bank.
*Any deposit category that contained less than $500,000 is shown as zero; however, the number of banks having this category is represented.

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TABLE 5

TIME AND SAVINGS DEPOSITS IN A SAMPLE OF FDIC-INSURED MUTUAL SAVINGS BANKS
Selected Dates, July and August 1973

Total Time and Savings ($ Millions)

FDIC Region	No. of Banks	July 31	August 17	August 29	Percentage Changes July 31 - Aug. 29
Boston	14	5,447	5,426	5,403	-0.8
New York	16	24,538	24,528	24,498	-0.2
Philadelphia	5	5,147	5,144	5,121	-0.5
Richmond, Minneapolis, San Francisco Combined	4	2,560	2,542	2,532	-1.1
Total	39	37,692	37,640	37,553	-0.4
		Four-Year, $1,000 Minimum Denomination Certificates ($ Millions)			
Boston	14	98	158	184	+ 88.3
New York	16	829	1,498	1,809	+118.2
Philadelphia	5	167	247	286	+ 71.4
Richmond, Minneapolis, San Francisco Combined	4	74	101	127	+ 72.4
Total	39	1,167	2,004	2,405	+106.1

MEMORANDUM ITEM: Ratio of 4-year, $1,000 minimum denomination certificates to total time and savings deposits: July 31 = 3.1%; August 17 = 5.3%; August 29 = 6.4%.

SOURCE: Federal Deposit Insurance Corporation.

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TABLE 6

Growth in Savings and Other Time Deposits in Commercial Banks and Nonbank Thrift Institutions, 1969-1973
(seasonally adjusted annual rates, in percent)

		Commercial Banks	Mutual Savings Banks	Savings and Loan Associations
1969		1.4	4.0	3.1
1970		11.5	6.8	8.1
1971		15.4	13.5	19.3
1972		12.9	12.0	19.5
1973				
	January	12.9	10.6	23.3
	February	5.7	6.1	10.4
	March	9.6	7.5	13.5
	April	8.7	5.0	7.0
	May	8.6	5.8	10.7
	June	8.1	8.8	13.2
	July	5.5*	-3.5	2.9
	August	**	-1.0	-3.0

*Preliminary data.

**Not available.

NOTE: Commercial bank data include savings deposits, time deposits, open accounts and time certificates of deposit (CDs) other than negotiable time CDs issued in denominations of $100,000 or more by weekly reporting commercial banks.

SOURCE: Board of Governors of the Federal Reserve System.

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