FROM:
THE AMERICAN BANKERS ASSOCIATION
THE NEWS BUREAU
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REMARKS OF M. MONROE KIMBREL

President, The American Bankers Association, and Chairman of the Board, First National Bank, Thomson, Ga., before the Luncheon Session of the Third National Mortgage Conference, Sponsored by the A.B.A. Mortgage Finance Committee, Statler Hilton Hotel, Washington, D. C., Monday, May 27, 1963

Whenever I am on a program here in Washington, I am tempted to act as host and welcome the guests. During the past several years as a member of The American Bankers Association's Federal Legislative Committee, and as an officer of the association, I have come to regard this city as my second home.

Those of you who have had a chance to travel around the city in the past day or so will agree that its face is changing constantly. In fact, it is difficult to walk three or four blocks in any direction without running into new office buildings, new stores or new apartment houses.

Someone once said that "New York would be a wonderful place if they ever finished it." The same could be said of this city and many others across the nation. Though the anonymous statement might seem appropriate, I don't necessarily agree with it. It seems to me that a city would lose some of its appeal if its citizens consider it to be finished.

Change doesn't necessarily mean progress. But progress invariably involves some changes. I think the construction going on across the country is indicative of progress and is a good sign for the future of the economy. This is why the McGraw Hill survey of capital expenditures for new plant and equipment--which showed that businessmen planned to spend 7 per cent more than in 1962--was received with such optimism by economists.

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Residential construction is also visible in just about any section of the country in which you travel. As some of the speakers on the program will point out, housing starts during the year are expected to run about the same as last year--about 1.4 million.

I think it is significant to consider both of these factors--industrial and residential construction--together. In a market economy such as ours the demand factor determines where the emphasis on construction should be focused. Unlike the Russian system, we do not have crash programs to bolster any one segment of our economy at the expense of other segments. Ours is a balanced economy--one that strives to meet the demands of industry and the demands of the consumers at the same time.

Our commercial banking system is an integral part--you might even say a characteristic part--of this balanced approach to economic progress.

When the demands and needs shift from one sector to another, commercial banks must be able to adjust to meet the new demands. A good example of this is the commercial bank's role in consumer finances. Following World War II, more and more consumers, benefiting from rising personal incomes, found they needed additional financial services. Look at the services commercial banks now offer to these consumers--special checking accounts, educational loans and home improvement loans, to name just a few.

These services are not supplanting banking's vital role of meeting the demands of commercial customers; they are additional services. One of the reasons why banks are in a position to meet these additional consumer demands is that corporations are making more effective utilization of funds generated internally. This has reduced their credit needs.

This adjustment process, dictated by changes in demand, is, of course, a challenge to the banking industry. But banking has met shifting demands in the past and will continue to do so as additional adaptations are necessary in the future.

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Moreover, few would argue that the changes and adaptations taking place are not in the public interest. Is the corporate customer not being given more banking services from which to choose? Is the consumer not better off with the increased emphasis on services to meet his needs?

Another point seems obvious. These trends are not short-run trends that can be easily reversed. I will not use the word permanent because we Americans seldom consider anything as being permanent, but I would say that changes in the future are likely to include more services for the consumer rather than less. Income projections, population projections and demand projections all point in this direction. And, as you know, the more people have, the greater their ambition to acquire more. I don't think we have to worry about satiated wants.

This is one of the reasons why bankers are showing more and more interest in the mortgage business. It is also one of the reasons why The American Bankers Association has sponsored the Mortgage Market Facilities Act. We are not just looking at today's needs. We are looking at the increasing needs and aspirations of families in the years ahead.

Bankers should know that legislation takes time and effort. And, as Senator Sparkman pointed out this morning, it requires some sense of urgency for Congress to push a bill through the legislative process. It is up to us to demonstrate the need for, and the advantages of, the Mortgage Market Facilities Act.

To this end, the A.B.A. has fully supported and publicly endorsed the Act introduced by Senator Sparkman and Congressman Rains, whom we honor here today.

We will continue to build support for the Act and will encourage others to join us in this effort to improve the secondary mortgage market. We are doing this because we believe that with skill and imagination the mortgage market can be so improved that the role of Government in housing will be limited to areas where special considerations are essential in the public interest. This, however, does not apply to the bulk of housing which provides shelter for the average American family.

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I believe that private enterprise through an improved conventional mortgage market can do the job of financing housing not only today, but in the great housing boom which is expected to start in the latter part of this decade.

Bankers also feel that the best possible market organization for mortgage loans is an additional safeguard for the funds of our depositors. Furthermore, we are determined to create a market organization which will give the small lender the same opportunity in mortgage investments as the large lender. Today, many small banks find the mortgage market so complicated that they cannot participate adequately in servicing the mortgage needs of their communities. At the same time, the Act would facilitate the flow of funds from areas with an abundance of capital to capital-scarce areas.

We have carefully analyzed the Mortgage Market Facilities Act and believe it would be beneficial to all lenders. The creation of mortgage insurance corporations, federally chartered and based upon private capital and private management, would do much to standardize conventional mortgages. The mortgage trading corporations, also federally chartered and operating entirely with private capital and management, would enable all lenders and investors to trade mortgage paper much as is done with commercial paper today. The ability of the trading corporation to issue debentures against insured mortgage collateral will go a long way toward creating a true market for mortgages. We have analyzed actuarial problems, the question of reserves and the question of profitability, and we are satisfied that the Mortgage Market Facilities Act is a good bill. We believe the Congress will want to consider it carefully. And we are confident that others, in addition to The National Association of Real Estate Boards and The National Association of Home Builders, will join with The American Bankers Association in this effort to improve the financing of the nation's homes.

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