

February 23, 1989

**STATEMENT BY CHAIRMAN GREENSPAN AND CHAIRMAN WALL**

Arrangements have been established for the provision of liquidity support to savings and loan associations by the Federal Reserve Banks and the Federal Home Loan Banks.

The Federal Home Loan Banks, which are the first line of liquidity support for savings and loan associations, will continue to provide liquidity for thrifts that meet normal collateral standards. Under the new arrangement, Federal Home Loan Banks and Federal Reserve Banks will participate in a shared lending program to meet the liquidity needs of savings and loan associations that do not have access to normal sources of liquidity, including not only Home Loan Bank advances, but also brokered funds and funding derived from repurchase agreements.

Since insured deposits at savings and loan associations are guaranteed by the Federal Savings and Loan Insurance Corporation, and the Congress and the President have pledged the full faith and credit of the United States behind the FSLIC's deposit guarantee, it is not anticipated that there will be significant withdrawals from savings institutions.

Loans made by the Federal Reserve Banks and the Home Loan Banks, under the shared lending program, will be collateralized by assets held by the borrowing thrift, and guaranteed by the FSLIC. Under the S&L reform and restructuring legislation proposed by the Administration, the guarantees made by the FSLIC under this shared lending arrangement would be assumed by the Resolution Trust Corporation.

The Treasury is also participating in this program by advancing funds under its statutory line of credit to the FSLIC, and these funds will, in turn, be made available to thrifts as part of the shared lending.