TO PROVIDE FOR LOANS TO CERTAIN OFFICERS OF FEDERAL CREDIT UNIONS AND FEDERAL RESERVE MEMBER BANKS

HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

FIRST SESSION

ON

H.R. 7347

A BILL TO AMEND SECTION 22(g) OF THE FEDERAL RESERVE ACT RELATING TO LOANS TO EXECUTIVE OFFICERS BY MEMBER BANKS OF THE FEDERAL RESERVE SYSTEM, AND TO AMEND THE FEDERAL CREDIT UNION ACT TO MODIFY THE LOAN PROVISIONS RELATING TO DIRECTORS, MEMBERS OF THE SUPERVISORY COMMITTEE, AND MEMBERS OF THE CREDIT COMMITTEE OF FEDERAL CREDIT UNIONS

MAY 2, 1967

Printed for the use of the Committee on Banking and Currency

U.S. GOVERNMENT PRINTING OFFICE
78-824 WASHINGTON : 1967

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TO PROVIDE FOR LOANS TO CERTAIN OFFICERS OF FEDERAL CREDIT UNIONS AND FEDERAL RESERVE MEMBER BANKS

TUESDAY, MAY 2, 1967

HOUSE OF REPRESENTATIVES,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met, pursuant to notice, at 11:07 a.m., in room 2128, Rayburn House Office Building, Hon. Wright Patman (chairman), presiding.

Present: Representatives Patman, Multer, Mrs. Sullivan, Reuss, Ashley, Moorhead, Stephens, St Germain, Gonzalez, Minish, Hanna, Gettys, Annunzio, Rees, Bingham, Galifianakis, Bevill, Kyros, Widnall, Fino, Mrs. Dwyer, Halpern, Brock, Clawson, Johnson, Stanton, Mize, Lloyd, Blackburn, Brown, Williams, and Wylie.

The CHAIRMAN. The committee will please come to order.

Today we will consider H.R. 7347, a bill that does not lend itself to any long discussion.

(H.R. 7347 follows:)

[H.R. 7347, 90th Cong., first sess.]

A BILL To amend section 22(g) of the Federal Reserve Act relating to loans to executive officers by member banks of the Federal Reserve System, and to amend the Federal Credit Union Act to modify the loan provisions relating to directors, members of the supervisory committee, and members of the credit committee of Federal credit unions

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (g) of section 22 of the Federal Reserve Act (12 U.S.C. 375a) is amended by striking out the first two sentences thereof and inserting in lieu thereof the following:

"(g) No executive officer of any member bank shall borrow from or otherwise become indebted to any member bank of which he is an executive officer, and no member bank shall make any loan or extend credit in any other manner to any of its own executive officers: *Provided,* That any member bank may extend credit, on terms not more favorable than those extended to other borrowers, to any executive officer thereof, and such officer may become indebted thereto, in an amount not exceeding $5,000, or, in the case of a first mortgage loan on a home owned and occupied or to be owned and occupied by such officer, in an amount not exceeding $30,000, but any such indebtedness shall be promptly reported by such officer to the board of directors of the bank of which he is an officer. If any executive officer of any member bank borrows from or if he be or become indebted to any other bank or banks in an aggregate amount exceeding that which he could lawfully borrow from the member bank of which he is an executive officer under this section, he shall make a written report to the board of directors of such member bank, stating the date and amount of such loan or loans or indebtedness, the security therefor, and the purpose for which the proceeds have been or are to be used."

SEC. 2. That subsection (5) of section (8) of the Federal Credit Union Act (12 U.S.C. 1757) is amended by inserting the following in the first sentence after the words "shall exceed" and before the words "the amount": "the amount of the unsecured loan limit under this Act plus".

The CHAIRMAN. Mr. Solomon, would you come forward? Do you represent the Federal Reserve Board?

Mr. SOLOMON. Yes, Mr. Chairman.

The CHAIRMAN. What is your position?

Mr. SOLOMON. I am Director, Division of Examinations, Board of Govenors, of the Federal Reserve System.

The CHAIRMAN. You are authorized by the Board to speak on their behalf?

Mr. SOLOMON. I am.

STATEMENT OF FREDERIC SOLOMON, DIRECTOR, DIVISION OF EXAMINATIONS, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Mr. Chairman, I appreciate the opportunity to appear before this committee with respect to the bill, H.R. 7347, and the companion bill, S. 714, which has been passed by the Senate.

These bills would amend section 22(g) of the Federal Reserve Act, which relates to loans by member banks of the Federal Reserve System to their executive officers. Section 22(g) prohibits a member bank from making a loan of more than $2,500 to any of its executive officers, and permits loans up to $2,500 only with the prior approval of a majority of the bank's board of directors. The section further requires every executive officer to file a written report with his board of directors regarding any loan obtained by him from another bank.

The underlying purpose of these restrictions is unquestionably sound. However, they seem unrealistically severe in the light of changes in economic conditions that have taken place since they were enacted in 1933 and 1935. The President's Committee on Financial Institutions in 1963 recognized the desirability of increasing the $2,500 ceiling on the amount that an executive officer may borrow from his own bank. In addition, it would seem appropriate to provide a considerably higher ceiling on a mortgage loan covering the purchase of an executive officer's home. Under present law, such an officer is compelled to obtain home mortgage financing from another financial institution.

The bills would amend section 22(g) so as (1) to raise the "general" loan ceiling from $2,500 to $5,000, and (2) to permit executive officers to borrow up to $30,000 from their own banks on home mortgage loans. Member banks would be prohibited from making such loans on terms more favorable than those extended to other borrowers. Instead of requiring prior approval of such loans by the board of directors of the officer's bank—a time-consuming formality that is unnecessary in view of the other safeguards provided—the bill would require only that the officer report the borrowings to his board of directors. Finally, reports of borrowings from other banks would be required only where they exceed in the aggregate the applicable ceiling—$5,000 or $30,000, depending on the purpose of the loan—on borrowing from his own bank.

The Board believes that these liberalizing amendments would be consistent with the basic purposes of present law and that such liberalization is desirable. Accordingly, the Board recommends their enactment. It also has no objection to the amendment the

Senate added to the companion bill, S. 714, to exempt educational loans up to $10,000.

Since the provisions of section 2 of the bills do not relate to the Board's area of responsibility, we have no comments with respect to that section.

The CHAIRMAN. All right, Mr. Rippey, you represent the Bureau of Federal Credit Unions?

Mr. RIPPEY. Yes, sir.

The CHAIRMAN. State your position with the organization.

STATEMENT OF JOHN S. RIPPEY, ASSISTANT TO THE DIRECTOR, BUREAU OF FEDERAL CREDIT UNIONS, SOCIAL SECURITY ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. RIPPEY. My name is John S. Rippey. I am Administrative assistant to J. Deane Gannon, Director of the Bureau of Federal Credit Unions.

The CHAIRMAN. You are authorized to speak for him?

Mr. RIPPEY. Yes, sir.

Mr. Gannon today is honoring a commitment of over a year's standing to participate in ceremonies at Elmendorf Air Force Base, Alaska, as part of the centennial celebration of that State. He has asked me to express his deep regret that he is unable to be here in order to present testimony on behalf of the Bureau of Federal Credit Unions. Mr. Gannon also wishes to make clear that he will be most happy to respond to questions from members of the committee, either in a subsequent appearance or in writing.

I might add, Mr. Chairman, that this is the first time to my knowledge that Mr. Gannon has been unable to honor a request from a congressional committee to appear and offer testimony.

I have a copy of the statement which Mr. Gannon would have delivered had he been here and I should like to ask that it be included in the record at this point.

The CHAIRMAN. Without objection it will be inserted in the record at this point.

Mr. RIPPEY. We are for the bill but we have a suggestion for liberalization of H.R. 7347 along the lines of S. 714 as passed by the Senate. If you would like, I would be glad to read the statement or leave it for you in the record.

Mr. MULTER. May I suggest the statement be read because I doubt whether any of us had an opportunity to digest it, nor will we have an opportunity.

The CHAIRMAN. Would you want it read or do you want him to point out the differences?

Mr. MULTER. Whichever is easier.

Mr. RIPPEY. It is a short statement. I can read it.

The Bureau of Federal Credit Unions appreciates very much this opportunity to present its views to the subcommittee on that portion of H.R. 7347 which would amend the Federal Credit Union Act. Section 2 of the bill would amend subsection (5) of section 8 of the act by permitting loans to a director or a member of the supervisory

or credit committees in an amount not exceeding that of the statutory unsecured loan limit plus the amount of his shareholdings and any unencumbered shareholdings of a member pledged as security on the loan.

Without going into great detail, our position is that the interests of Federal credit unions would be better served if the committee were to adopt a somewhat different approach, which I shall briefly explain.

The original Federal Credit Union Act, approved in 1934, provided that—

> No loans to a director, officer, or member of a committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof.

The sponsors of the act believed that the limitations on borrowing and the prohibition against the compensation of officials except the treasurer contained in section 13 assured that the officials could not personally profit or gain undue advantage by virtue of their responsibilities.

In 1959, the borrowing restriction was eased slightly to include in the amount an official could borrow the total unencumbered shareholdings of a member who would serve as a cosigner. There is no doubt that the strict requirements of the law have had the desired effect, since no significant regulatory problems have developed in this area. By far the majority of Federal credit union officials have conducted themselves in a completely responsible way. The few who have not have been dealt with promptly and firmly.

As the Federal Reserve Board has pointed out in its discussions of section 1, the underlying purpose of the restrictions imposed is unquestionably sound. We would concur with the Board that a good case can be made that the present restrictions are unrealistically severe in the light of changing economic conditions since 1934.

The liberalization permitted in the 1959 amendments provided an indication that Congress was aware of the difficulties encountered by some Federal credit union officials. However, we feel that the present restrictions still work a hardship on some officials. The restrictions have the effect of placing an impediment in the way of full member participation in the operation of Federal credit unions.

The problem is even more pronounced in Federal credit unions serving largely low-income members, where particular attention is paid to encouraging the poor themselves to participate in the operation of the credit union. There is understandable reluctance on the part of the poor to accept official positions, because by doing so, they lessen to a great degree their eligibility for borrowing from their credit union. There are now approximately 530 Federal credit unions defined as serving low-income groups, but nearly all Federal credit unions have significant numbers of their membership at or near the poverty level. Consequently, the restriction not only limits the chances for full member participation in low-income credit unions, but it also is a factor in credit unions whose members, on average, have higher incomes. The result, in many instances, is that board and committee positions are filled by those who can afford to sacrifice the borrowing privilege while there may be well-qualified members with lower incomes who would be willing to serve but find themselves unable to do so because of the present restriction.

The language of section 2 of H.R. 7347 would limit borrowing by officials to the amount of the present statutory unsecured loan limit of $750, plus the amount they may presently borrow. The additional amount allowed—$750—is relatively small and would not, in our opinion, significantly assist in meeting the problems cited above. We feel that the solution to this problem lies more in the direction of regulating officials' borrowing through disclosure of their loan activity to the board of directors, subject to an overall dollar limitation that takes into account the legitimate needs of the officials consistent with the basic purpose of the present restrictions.

We would therefore recommend that section 2 of H.R. 7347 be amended to incorporate three desirable objectives: First, liberalization of the present restrictions on borrowing by board or committee members of Federal credit unions beyond that in the bill—the figure of $5,000, which is the ceiling set under section 1 of H.R. 7347 for loans to executive officers of member banks in nonmortgage transactions, would seem to be adequate to provide the flexibility needed. Secondly, establishment of adequate safeguards against self-dealing by Federal credit union officials by requiring full disclosure to the board of directors of existing loans and delinquencies, if any, of these officials and approval of each loan by the board in addition to the credit committee. Thirdly, provision of an additional barrier against improper conduct by requiring that any board or committee member submitting a loan application would be disqualified from taking part in any actions involving the loan.

As you know, the Senate has amended and passed bill S. 714, along the lines we have just suggested.

The Bureau of the Budget advises that it interposes no objection to the presentation of this statement from the standpoint of the administration's program.

The CHAIRMAN. Thank you, sir.

I would like, without objection, to insert in the record the statement of CUNA International, Inc., on H.R. 7347.

(The statement referred to follows:)

STATEMENT OF CUNA INTERNATIONAL, INC.

CUNA International, Inc., was formerly known as the Credit Union National Association and is the voice of the organized credit union movement. Our organization is a federation which, in this country, represents 48 State credit union leagues comprising approximately 19,000 credit unions with a total membership of approximately 17 million people.

There are about 11,500 Federal credit unions that have a vital interest in this bill.

Since the main concern of CUNA International is with section 2 of H.R. 7347, we will limit our remarks to that section.

Section 2 of H.R. 7347 would amend section 8 of the Federal Credit Union Act to modify the loan provisions relating to directors, members of the supervisory committee, and members of the credit committee of Federal credit unions.

Under the present law, members of Federal credit unions serving on the board of directors, the supervisory committee, and the credit committee, are severely limited as to the amount they may borrow from their own Federal credit union. These officials may borrow only up to their unencumbered shares, which they must pledge as security, and up to the unencumbered shares of a comaker, which also must be pledged as security for the loan. In other words, no Federal credit union official may make a loan from the credit union which he serves unless he pledges his own shares and the shares of a cosigner in an amount equivalent to the amount of the loan that he desires.

Section 2 of H.R. 7347 would liberalize the present law in that it would permit these officials to borrow from their own Federal credit unions up to the unsecured loan limit plus their own unencumbered pledged shares and those of a cosigner. The unsecured loan limit is $750 for Federal credit unions with at least $7,500 in paid-in and unimpaired shares and surplus; 10 percent of the unimpaired shares and surplus when its shares are between $2,000 and $7,500; and $200 when it has less than $2,000 in shares.

The restriction on officer borrowing was first enacted into law in the original Federal Credit Union Act which was passed by Congress in 1934. At that time, the restriction was even more burdensome than it is today. In the original act, officials could not borrow in excess of their own pledged shareholdings. In 1959 the limit was extended to include the unencumbered shares of a cosigner.

The present restriction makes it extremely difficult for Federal credit unions to recruit volunteers who serve without compensation to become an officer because many of them are either unwilling or unable to accept the borrowing restriction. We have found that in some cases officers have been forced to resign after taking office because they found it necessary to borrow and were unable to do so. The restriction, of course, automatically limits the number of persons eligible for office, and it has a particularly burdensome effect on young people who would like to get involved in an official capacity with a particular Federal credit union but who are unable to do so since their borrowing needs are so great during their family-formative years.

While we certainly support the more realistic concept behind section 2, we are of the opinion that the liberalization does not go far enough. We would therefore urge the committee to amend section 2 by substituting the following language:

> SEC. 2. Subsection (5) of section 8 of the Federal Credit Union Act (12 U.S.C. 1757) is amended by striking out the following: "except that no loans to a director or member of the supervisory or credit committee shall exceed the amount of his holdings in the Federal credit union as represented by shares thereof plus the total unencumbered and unpledged shareholdings in the Federal credit union of any member pledged as security for the obligation of such director or committee member." and inserting in lieu thereof the following: "except that loans otherwise authorized under applicable law and regulations made to a director or a member of the supervisory or credit committee shall not exceed $5,000, and any such loans shall be approved by the credit committee and by the board of directors. The member of the board of directors, supervisory committee, or credit committee applying for such loan shall not take part in the consideration of his application and shall not attend any committee or board meeting while such application is under consideration."

The suggested amendment is identical to section 2 of S. 714, the Senate-passed version of this bill.

It is our belief that this suggested language adequately insulates Federal credit union officers from any temptation that may result in a conflict of interest. You will note that, in addition to having the loan approved by the credit committee, it must also be approved by the board of directors. Moreover, the officer applying for the loan is prohibited from taking part in the consideration of his application, and, as an additional safeguard, he is precluded from attending the meeting while his application is being considered.

Present examination procedures of the Bureau of Federal Credit Unions would also impede potential conflicts of interest. It is the usual practice for the Federal credit union examiner to review the minutes of the meetings of the board of directors in addition to checking the records of the credit committee. Irregularities should be easily spotted.

On balance, we are of the opinion that the great need for this liberalization far outweighs any anticipated potential conflicts of interest.

We hope that the committee will agree with our suggested amendment and adopt it.

Thank you, Mr. Chairman and members of the committee for the opportunity of appearing before you.

The CHAIRMAN. The American Banker's Association has also endorsed this bill. Their correspondence will go in the record at this point.

Mr. MULTER. They will not testify?

The CHAIRMAN. They will not testify.

(The material referred to follows:)

THE AMERICAN BANKERS ASSOCIATION,
Washington, D.C., May 2, 1967.

Hon. WRIGHT PATMAN,
Chairman, Committee on Banking and Currency,
U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The American Bankers Association welcomes this opportunity to comment on H.R. 7347, a bill to amend section 22(g) of the Federal Reserve Act by liberalizing the provisions relating to loans to executive officers by member banks of the Federal Reserve System. This bill (sec. 2) also modifies the loan provisions of the Federal Credit Union Act; however, the association is limiting its consideration to those provisions of the bill dealing with the Federal Reserve Act.

At the present time, section 22(g) of the Federal Reserve Act prohibits a member bank of the Federal Reserve System from making loans to any of its executive officers in an amount exceeding $2,500. The bill before your committee, H.R. 7347, would raise this limitation to $5,000 and would also authorize home mortgage loans to such officers up to $30,000. The bill provides that any loan of a member bank to its executive officers could only be made on terms not more favorable than those extended to other borrowers.

Conditions have changed since the initial restrictions were written into law (Banking Act of 1933). For one thing, the purchasing power of the dollar has decreased about 60 percent. Thus, the $2,500 limitation as contained in the 1933 Banking Act would be equivalent to about a $6,000 limitation today if allowance is made for price increases. In addition, methods of financing and the types of goods financed have drastically changed over this period. Loans for automobiles and other types of consumer goods, as well as homes, has become universal practice among U.S. banks.

The American Bankers Association believes that the $5,000 limitation contained in the bill now before you appears to be reasonable and equitable for all concerned. Similarly, the ABA believes that home mortgage loans by banks to their executive officers should be allowed, provided such loans are made on the same terms as those offered to other borrowers. The $30,000 limitation is in line with current provisions pertaining to FHA-insured mortgages and seems to be an appropriate amount. However, we would recommend that language be inserted to clarify that in no case shall the amount loaned be in excess of the legal lending limit of any bank. This was done in the case of S. 714 as it passed the Senate. This could be handled by inserting after the word "credit" on page 2, line 5 the following: "otherwise authorized under applicable law and regulations."

In addition, in its consideration of S. 714 the Senate added a provision to allow loans up to $10,000 for the purpose of education of an executive officer's children. The American Bankers Association would favor this proposal should your committee desire to incorporate it into H.R. 7347.

The American Bankers Association recommends that your committee favorably report H.R. 7347.

Sincerely yours,

LEWELLYN A. JENNINGS, *Chairman.*

Mr. ST GERMAIN. May I ask one question? I am always amused by some of these statements the way they start. It says here that CUNA International represents 19,000 credit unions, 17 million people and they support this bill. I am wondering how many of the 17 million people who have money in credit unions are even aware of the fact that this bill exists.

The CHAIRMAN. You would be surprised, Mr. St Germain.

Mr. ST GERMAIN. I think there would be very few.

The CHAIRMAN. In Texas there are over a million members and it will surprise you how these people meet regularly and they discuss all these things and they write the Members. They have written to me about it. I believe they have knowledge of this bill.

Mr. ST GERMAIN. I happen to be a member of four credit unions and I have not heard anything from any of them.

The CHAIRMAN. Have you attended their meetings?

Mr. ST GERMAIN. Very few people attend meetings.

Mr. MULTER. Mr. Chairman.

The CHAIRMAN. Mr. Multer.

Mr. MULTER. Following along the line taken by Mr. St Germain, I say he is quite correct. I took the trouble to contact some officers of credit unions over the weekend and I doubt whether any of the credit unions were asked whether or not they support this bill. I know the officers of the credit unions I have talked to are not in favor of the provisions of this bill.

I am shocked that either the Federal Reserve Board or the agency having jurisdiction, HEW, having jurisdiction over credit unions, would come here and indicate to us that it is a safeguard to report to the board of directors after the fact that a loan has been made. What good does it do to know a loan has been made after it has been made? There is no provision to call a loan because the board disapproves it after it has been made. This is no safeguard whatsoever. I think if we can amend this bill so as to put in the proper safeguards, we should consider it. But as it is now, there is absolutely no safeguard to anybody to require an officer of the bank or an officer of the credit union to report to his board after he has borrowed money, that he got the money. This is of no use to anybody.

I have had a lot of experience with credit unions and I have had some experience with banks. I say that self-dealing is the worst thing that can happen in any of these institutions. If there is going to be safeguards we must write them into the bill in order to make sure to protect particularly these small institutions.

I understand from the testimony of HEW here, that there are 530 so-called small credit unions. Is that right?

Mr. RIPPEY. They are serving our 530—serving largely low-income groups.

Mr. MULTER. What is the average number of assets of those 530?

Mr. RIPPEY. Very small. But they run from a few hundred dollars to maybe $40,000 or $50,000.

Mr. MULTER. Take the $50,000 institution. How much can it lend to any one member of the credit union?

Mr. RIPPEY. Ten percent or $200, whichever is greater.

Mr. MULTER. There are very few in the $50,000 class.

Mr. RIPPEY. Very few.

Mr. MULTER. In this 530.

Mr. RIPPEY. That is right. Most are much smaller.

Mr. MULTER. You say here this is going to help the 530. They will get no benefit out of this with the $5,000 limit.

The CHAIRMAN. These are the smaller ones.

Mr. RIPPEY. The purpose of the statement was to, in that regard, in mentioning low-income credit unions, was to point out that the present law would require that in order for an official to borrow he would have to have his own savings in the credit union or secure a comaker who had unencumbered savings in the credit union and we regard this as an encumbrance on the full participation of the poor in the credit unions by requiring them to save in order to borrow x dollars. We thought a slight liberaiization along the lines of S. 714 would be appropriate. I'm not saying this would be a magic cure-all.

The CHAIRMAN. Would you yield to me for a question?

Mr. MULTER. Of course.

The CHAIRMAN. Has there been any widespread misuse of their position by directors, credit or supervisory committee members?

Mr. RIPPEY. Mr. Chairman, there have been no significant regulatory problems up to now as the statement pointed out.

Mr. MULTER. That is because of the limitations in the borrowing.

Mr. RIPPEY. No question the limitation are very strict. We do find occasionally that the limitations are ignored and in that case we do move against the officials.

Mr. MULTER. When they are ignored there is criminal liability attached.

Mr. RIPPEY. Yes, in some cases.

Mr. MULTER. And when there is no criminal liability, all you can do is to sue and try to get the money back.

Mr. RIPPEY. This would be the same—our weapons would be the same as they are now. And we found them to be quite satisfactory. That is simply that the officers are required to recall their loans.

Mr. MULTER. Is it not your statement that in many instances, these are people who would not give up the right to borrow and therefore, they do not serve, is that not purely speculative?

Mr. RIPPEY. We wouldn't have any statistics to prove it. On the other hand, we do know of instances where this has happened.

Mr. MULTER. How many?

Mr. RIPPEY. I wouldn't be able to give you a specific answer, Mr Multer. I think that we could obtain some information on that subject.

Mr. MULTER. I think it would be very interesting to have that information.

Mr. RIPPEY. We did not initiate this bill. It was our feeling that since this subject was going to be taken up, that a more realistic figure should be arrived at than what was proposed in the bill as introduced in the House and in the Senate. Because we did not initiate it, we do not feel that this is a major problem. We are not here today to say this is a problem to which a great deal of attention should be directed. Our position is simply that if action is going to be taken, that a realistic loan figure should be established.

Mr. MULTER. Do you think it is realistic to take these credit unions, particularly these small credit unions and jump the amount that may be borrowed up to $5,000 unsecured, when that is the maximum that we are going to allow a bank to lend its officers?

Mr. RIPPEY. The $5,000 figure is a figure obviously that was arrived at with reference to section 1 of the bill. We do not regard that as sacred.

Mr. MULTER. Who arrived at the figures?

Mr. RIPPEY. The Budget Bureau.

Mr. MULTER. Was it submitted to them for approval?

Mr. RIPPEY. It was agreed after a little telephoning and so forth among the agencies that an appropriate figure would be what the Federal Reserve Board had proposed for executive officers in member banks.

Mr. WIDNALL. Would the gentleman yield?

Mr. MULTER. Yes.

Mr. WIDNALL. If you did not initiate the bill, who did initiate the bill?

Mr. RIPPEY. There was a bill that had been introduced the previous year or possibly 2 years ago that had been—I don't recall

whether it was acted on but it had been pending up to 2 years so it was just included, I assume, as part of this legislative program of the Federal Reserve because it was similar.

Mr. WIDNALL. Does that mean that the last time you initiated the bill?

Mr. RIPPEY. No, sir, we did not.

Mr. BROCK. Will the gentleman yield?

Was it not just for banks this last year?

Mr. RIPPEY. One was the Credit Union and one was the Federal Reserve. They have been joined.

The CHAIRMAN. If Mr. Widnall will yield, I can tell you who initiated the bill. It was Credit Union International Association, representing 17 million members of credit unions in the United States.

Mr. MULTER. I do not think you really mean they speak for the 17 million members. I think Mr. St Germain is quite right.

The CHAIRMAN. It came out of their convention.

Mr. MULTER. Yes, it was attended by officers who are elected as delegates by the various credit unions. It is very rare indeed that these delegates or these officers will report to the members of the credit unions themselves what happened at these conventions. I know this from actual experience, and as a matter of fact, very few of these credit unions have more than an annual meeting, at which they elect officers and that is the extent of the participation of the members of the credit unions. They put their money in, they hope it is safe, and they come along and borrow. Some of them do and some do not. They get a higher interest rate than they get at some of the savings banks. For years I think in this committee we brought up the subject of why do we not have these accounts insured in these credit unions? It is time you come forth with a plan of insurance for these depositors. These poor people cannot afford to lose this money and we ought not to loosen these restrictions or liberalize these lending policies if it endangers the safety of their money.

The fact of the matter is, whenever any credit unions have gone broke it was because of the misappropriation or the bad borrowing policy or lending policies of the officers.

The CHAIRMAN. Will you yield, Mr. Multer?

Mr. MULTER. Certainly.

The CHAIRMAN. Less money has been lost by credit unions than by banks and savings and loans combined. The greatest tribute you can pay to any thrift organization is the fact that it has been so honestly and faithfully, and I will say religiously, enforced and administered. It is a great tribute to these organizations. When you read their record you will be proud of it. They have done a wonderful job. These people are not bankers, nor financiers, nor even businessmen. Some drive trucks and some are janitors. They are in different walks of life, but they come together and run these credit unions in a way that is commendable. This committee, I know, would be proud of the record of their accomplishments, their achievements, and their honesty, and the service they give to the people, especially among low-income groups. The good a credit union does for a community compares favorably with that of the church, in my opinion.

Mr. MULTER. Mr. Chairman, I'm in complete agreement with what you say and I hope nothing I have said is going to be misconstrued.

Now, most of our banks in New York City started out originally as little lending groups and then became credit unions and then industrial banks and finally full commercial banks and they have done a good job by and large. We have some banks today that are badly run. We need restrictions to regulate every kind of financial institution because some bad people get into them. The fact of the matter is wherever these institutions have gone bad—and there have been some in recent years—almost every credit union that went under and was liquidated with a loss to its members because of bad management, self-dealing, and worse.

The CHAIRMAN. That is not true. You say every credit union went under. During the depression so few were liquidated that it was not even noticeable.

Mr. MULTER. Maybe your experience is different.

The CHAIRMAN. I was one of the sponsors of the Federal Credit Union Act.

Mr. ST GERMAIN. The representatives of the Credit Union International Association are here. I wonder if they could read us the resolution adopted in their national convention that endorses this.

The CHAIRMAN. I am told they do not have that. There is no doubt about it being passed. The statement that was placed in the record previously indicates that the organization has endorsed it and that group speaks for the organized credit union movement.

Mr. MULTER. I do not question that at all.

The CHAIRMAN. Let us not delay it. We are either for this or against it. Let us vote on it.

Mr. MULTER. No, Mr. Chairman, without provisions for the proper supervision and regulation of these financial institutions. We have done that before only because we find it is necessary.

Mr. Rippey, how many credit unions have been liquidated in the last 10 years?

Mr. RIPPEY. I can't give you an exact figure here. We do have that. I would be glad to submit it for the record.

Mr. MULTER. Can you give us an approximate figure?

Mr. RIPPEY. I'm sorry, I can't.

Mr. MULTER. Am I right or wrong in saying wherever these credit unions have been liquidated it is because of bad management or embezzlement on the part of the officers?

Mr. RIPPEY. Mr. Multer, we have a rather broad definition of liquidation which includes voluntary and involuntary.

Mr. MULTER. Let us talk about the involuntary.

Mr. RIPPEY. Closing of defense institutions, plant—that sort of thing. Most, by far the majority of Federal credit unions which do liquidate for any reason liquidate at 100 percent or more which means the members get back their money and, in some cases, an additional amount.

The CHAIRMAN. A wonderful record.

Mr. MULTER. These are voluntary.

Mr. RIPPEY. Voluntary or involuntary, because for example, the Department of Defense has closed down some military bases stateside and these credit unions have been forced to liquidate because the field of membership has disappeared.

Mr. MULTER. Let us talk about those involuntary liquidations not because of the base closing or because the company closed or moved

away and the credit union had to dissolve because there was no longer a membership available. Talk about the other involuntary ones.

Mr. RIPPEY. I can't give you an exact or almost—or anything close to an exact figure, Mr. Multer, but the point is, that in any kind of liquidation, the members by and large get more than 100 percent on the dollar.

I have been handed a page—not our current annual report, but the 1964 annual report, page 37, which says:

> An obviously important question is the extent of losses of savings of members as a result of liquidation of Federal credit unions.
>
> For the period from 1936, when the first Federal credit union completed liquidation, through 1964, members' shareholdings have totaled $68,746,567 in the 4,371 Federal credit unions that have completed liquidation. A total of 3,443 of the credit unions, which held $62,094,193 in shares, returned to their members 100 percent or more of their shares. These credit unions paid their members liquidating dividends totaling $4,507,257; 928 of the liquidating credit unions returned to their members less than 100 percent of their shares. Shareholdings in these credit unions totaled only $6,652,374. The losses to the members amounted to only $1,214,287, or about one-fourth as much as the liquidating dividends in those credit unions that returned more than 100 percent.

That is 1964.

Mr. MULTER. What, if anything, has your department done about coming up with a plan to insure the deposits in the credit unions?

Mr. RIPPEY. We have done quite a bit. This is a question that is as old as the Federal Credit Union Act, and I think here I cannot speak for Mr. Gannon or the department, but I think that I would be upheld in saying that more and more consideration is being given to thinking about some means by which the workingman's savings can be protected—whether this means a Federal-type share insurance or some other means, is still open to question. But we have, as a matter of fact, filed a report with Congress in previous years. I cannot tell you the year.

The CHAIRMAN. Do you not have more insurance coverage on possible risk than any other financial institution in this country?

Mr. RIPPEY. Yes, sir, we have a very good bonding program.

Mr. MULTER. What kind of coverage? They bond their officers; is that right? Credit unions bond their officers. There is no other insurance of any kind.

Mr. RIPPEY. That is right.

Mr. MULTER. Has the department ever submitted to Congress a proposal for insurance of these shares or deposits?

The CHAIRMAN. We consider it on its merits. It does not belong in here. The credit unions themselves have been considering this since 1934.

Mr. MULTER. Yes, and 33 years later we still have no plan. Until we get such plan to insure these deposits we ought not to liberalize this loan authority.

The CHAIRMAN. You are against the bill, that is all right.

Mr. MULTER. I am not against the bill. I am against it as it is.

Mr. CLAWSON. Will you yield for a question?

The CHAIRMAN. Mr. Clawson?

Mr. CLAWSON. I wanted to ask Mr. Rippey if he is familiar with the problems that I understand the House of Representatives Credit Union had a few years ago?

Mr. RIPPEY. No, I am not.

Mr. CLAWSON. What can you do to protect the investor from losses that they might have experienced?

The CHAIRMAN. Not one penny was lost. I know about that.

Mr. CLAWSON. How were they covered and who came to the rescue?

Mr. RIPPEY. Being a Federal credit union we would have records on that and I would be happy to look into that and supply it for the record. I just don't have any knowledge firsthand, firsthand knowledge.

Mr. CLAWSON. Was money embezzled, Mr. Chairman, at the time?

The CHAIRMAN. Not to my knowledge. There might have been some, but the bonding company paid, and there were no losses for which anybody had to make good.

Mr. Brown?

Mr. BROWN. Mr. Rippey, as I understand the bill as it is presently drafted, the loan limit would be the same as it was—the limit would be $750 plus an additional $750 and that for those credit unions with assets of less than $7,500 it would be 10 percent plus 10 percent of the unencumbered assets of such credit union.

Mr. RIPPEY. Mr. Brown, I would prefer to put it another way. I am not sure I would agree with it the way you phrased it. But if you can consider for a moment the unsecured loan limit, the statutory unsecured loan limit, as separate and apart, that is $750 and that means anything under that amount may be loaned to a member without security. Over that amount there must be adequate security. Then there is another restriction which is a loan to a member may not be more than $200 or 10 percent of the unimpaired capital.

Mr. BROWN. Are you not just doubling that as far as officers?

Mr. RIPPEY. No, sir, those are still there. Our proposal and the proposal in H.R. 7347 would leave these two restrictions as they are today. There would be no change in these. But we are talking about simply providing a $5,000 ceiling. This is on what officers might borrow if these other restrictions qualified the officer to borrow that much.

In other words, we don't waive those other restrictions. The $5,000 limit does not waive the other restrictions in the bill. The other restrictions in the bill are still there.

Mr. BROCK. Would the gentleman yield?

For clarification, is that $5,000 or 10 percent?

Mr. RIPPEY. No, sir, the 10 percent is still there, the $200 is still there. If the officer can only borrow $200, the $5,000 would be inapplicable for that credit union.

Mr. BROCK. Do you not think it might be in the interest of membership to have a little bit lower percentage of ceiling on officers than you do on the general membership of a credit union?

For example, what I might suggest as an alternative is to put a 5-percent ceiling on officers whereas your general membership would be 10 percent and then if you want to go to $5,000, that means you would have $100,000.

Mr. RIPPEY. I see nothing unreasonable about that. I don't see any problem.

Mr. BROCK. Thank you.

The CHAIRMAN. Are you ready for the vote?

Mrs. SULLIVAN. Mr. Chairman, I move that we take the bill up now.

The CHAIRMAN. You mean to pass the bill?

Mrs. SULLIVAN. H.R. 7347.

The CHAIRMAN. The clerk will read the bill.

Mr. CLAWSON. Mr. Chairman, from the testimony that we have heard here, the Senate bill seems to be superior. I wonder if we should not consider that bill.

The CHAIRMAN. We will pass this bill and we will substitute it for the Senate bill, the Senate will not approve some of this, and some they will approve. What they do not agree with, we will get together on.

Mr. CLAWSON. Was the Senate bill referred to our committee?

The CHAIRMAN. Yes, the traditional way is for the House to pass this bill and then the rule will provide that after the bill is passed it may be substituted for the Senate bill.

Mr. MULTER. I think Mr. Clawson's point is that we ought to consider the amendments here which the Senate adopted and determine whether or not they are good or bad.

The CHAIRMAN. Let us have the clerk read the bill first.

The CLERK. H.R. 7347, a bill to amend section 22(g) of the Federal Reserve Act relating to loans to executive officers by member banks of the Federal Reserve System, and to amend the Federal Credit Union Act to modify the loan provisions relating to directors, members of the supervisory committee, and members of the credit committee of Federal credit unions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (g) of section 22 of the Federal Reserve Act (12 U.S.C. 375a) is amended by striking out the first two sentences thereof and inserting in lieu thereof the following:

"(g) No executive officer of any member bank shall borrow from or otherwise become indebted to any member bank of which he is an executive officer, and no member bank shall make any loan or extend credit in any other manner to any of its own executive officers: *Provided,* That any member bank may extend credit, on terms not more favorable than those extended to other borrowers, to any executive officer thereof, and such officer may become indebted thereto, in an amount not exceeding $5,000, or, in the case of a first mortgage loan on a home owned and occupied or to be owned and occupied by such officer, in an amount not exceeding $30,000, but any such indebtedness shall be promptly reported by such officer to the board of directors of the bank of which he is an officer. If any executive officer of any member bank borrows from or if he be or become indebted to any other bank or banks in an aggregate amount exceeding that which he could lawfully borrow from the member bank of which he is an executive officer under this section, he shall make a written report to the board of directors of such member bank, stating the date and amount of such loan or loans or indebtedness, the security therefor, and the purpose for which the proceeds have been or are to be used."

SEC. 2. That subsection (5) of section (8) of the Federal Credit Union Act (12 U.S.C. 1757) is amended by inserting the following in the first sentence after the words "shall exceed" and before the words "the amount": "the amount of the unsecured loan limit under this Act plus".

Mr. MULTER. I have an amendment to offer here. I move to strike out line 11, line 12 and line 13, all those words after the $30,000—

but any such indebtedness shall be promptly reported by such officer to the Board of Directors of the bank of which he is an officer.

And to substitute—

but only after the Board of Directors have approved such loan and that no such loan shall be approved unless the borrower submits in advance a financial statement.

The CHAIRMAN. I think that would be done anyway.

Are you ready to vote on it?

As many as favor the amendment say aye.

[Chorus of ayes.]

The CHAIRMAN. All opposed?

[Chorus of noes.]

The CHAIRMAN. The ayes have it.

Mr. MULTER. I have another amendment.

At the end of section 1, add on that—

Any loan made to any executive officer or member bank shall contain a provision that if, upon furnishing the foregoing statement indicating that he has borrowed more than the aggregate amount permitted by this section, the loan may be called.

The CHAIRMAN. I think that would be done anyway. Any objection to the amendment?

Mr. Williams?

Mr. WILLIAMS. We have heard some pretty widely divergent viewpoints this morning on this bill—on questions that have been raised here this morning that have not as yet been answered. Now we are considering amendments that are just being read and we do not have it before us in printed form. We have had no opportunity to discuss the impact of these amendments.

I would like to ask a question, Mr. Chairman. Would it be advisable to consider some of these divergent viewpoints, and get the answers to the questions that were raised this morning, discuss the impact of the amendments perhaps in executive session so that everybody can express himself freely before we take final action on this bill?

The CHAIRMAN. May I state, Mr. Williams, that this bill has been pending for over 2 years. Members have had correspondence about it, I know. I know that I have. You have to do something if you would legislate. We can pass on this bill here. If it is not in accordance with the wishes of any Member he can offer an amendment on the floor of the House. It will be an open rule and then we will substitute the bill that is passed, as the rule provides, for the Senate bill. Then it goes to the Senate. The Senate will consider the part they will accept and what they will not accept, advise the House and then the House can consider it. If there is no agreement, conferees will be appointed from each body and they will meet and reconcile the differences. There is no way to legislate by taking everything that is said in testimony and saying, we ought to have every one of these things reconciled. We would like to do that but we would never have any legislation. Legislation is a result of compromise. There is not a Member of the House or Senate—on any bill—that does not sacrifice his views or convictions in some way and aquiesce in order to bring out legislation. We have to compromise.

Mr. WIDNALL. Mr. Chairman. Off the record.

(Discussion off the record.)

Mr. STANTON. Could we not turn this over to the Bank Supervision Subcommittee?

The CHAIRMAN. Why do you not make a motion to delay it?

Mr. WILLIAMS. Will the gentleman yield?

The CHAIRMAN. Make a motion to postpone it if you want to.

Mr. WILLIAMS. Will the gentleman yield for a clarifying comment?

The CHAIRMAN. Let us not filibuster.

Mr. WILLIAMS. I want to explain my comments a little further.

First of all, I cannot speak for this bill pending before this committee for 2 years.

The second thing is, I want it clearly understood that I have very few credit unions in my district. I have received absolutely no correspondence on this subject whatsoever.

The third point that I would like to make is this: While amendments can be offered to any bill on the floor, it would seem to me to be advisable that the legislation which is reported to the floor of the House by this committee should be as sound as possible when it is presented, and that was my reason for talking about a little additional discussion in executive session so that divergent viewpoints could be explored and we could come up with a bill that could be supported to the fullest possible extent by all members of this committee on the floor of the House.

The CHAIRMAN. We only have 15 minutes and we have to vote this bill or kill it or postpone it. Make some kind of motion.

Mr. WILLIAMS. My intent is not to kill this bill but just to understand it a little better.

Mr. LLOYD. Mr. Chairman.

Mr. WILLIAMS. We have 15 minutes this morning but we have a substantial amount of time in this 90th Congress.

The CHAIRMAN. Mr. Blackburn?

Mr. BLACKBURN. I make a motion this be referred to the appropriate subcommittee.

The CHAIRMAN. It already has been referred to the subcommittee and reported out. It is before our committee.

Mr. MULTER. Mr. Chairman, we are not against this bill. Why cannot you have an ad hoc committee appointed for this bill, five members, six members to meet immediately. I think they can bring it back next week with the proposed amendments.

The CHAIRMAN. We do not have time. It would delay the bill and probably kill it.

Mr. WILLIAMS. With a report from the committee and with some discussion.

The CHAIRMAN. We can reconcile the differences.

Mr. Rees?

Mr. REES. I would like to move the previous question on Mr. Multer's second amendment.

The CHAIRMAN. All in favor of the previous question say "aye."

[Chorus of ayes.]

The CHAIRMAN. All opposed say "no."

[Chorus of noes.]

The CHAIRMAN. The ayes appear to have it.

Mr. REES. Can I request the second amendment be read so we know what we are voting on?

The CHAIRMAN. We do not know when we will get back to it. One possibility is to postpone it and that will possibly kill the bill. I do not think any member wants to filibuster.

Mr. MULTER. We can bring it up next week and still get it on the calendar next week.

Mr. BLACKBURN. Mr. Chairman.

The CHAIRMAN. The regular order is that the reporter read the amendment.

(The amendment was read by the reporter as follows:)

At the end of section 1 add on that any loan made to any executive officer or member bank shall contain a provision that if, upon furnishing the foregoing

statement indicating that he has already borrowed more than the aggregate amount permitted by this section the loan may be called.

The CHAIRMAN. As many as favor the amendment say "aye."
[Chorus of ayes.]
The CHAIRMAN. All opposed?
[Chorus of noes.]
The CHAIRMAN. The ayes have it.
All right, the reading of the bill has been concluded.

Mr. BLACKBURN. Mr. Chairman, the fact that this would be read in this committee when we do not even have the full section as being amended before us, none of us can possibly understand what effect this language is going to have on the act.

The CHAIRMAN. That is part of the legislation.

Mr. BLACKBURN. I move it be referred to the subcommittee so we can intelligently pass on this.

The CHAIRMAN. The members have to do it. That is why we have a good staff to do it.

Mr. STANTON. I have a motion. I make a motion we adjourn and allow you and Mr. Multer to come up with some further suggestions on this bill.

The CHAIRMAN. If you are going to kill the bill that is a good way to do it.

Mr. STANTON. I do not want to kill it.

The CHAIRMAN. As many as favor the motion to adjourn, let it be known by saying "aye".
[Chorus of ayes.]
The CHAIRMAN. All opposed; no.
[Chorus of noes.]
The CHAIRMAN. The noes have it.
Mr. ANNUNZIO. I move the previous question.
The CHAIRMAN. The previous question is moved. Call the roll.
The CLERK. Mr. Patman?
Mr. PATMAN. Yea.
The CLERK. Mr. Multer?
Mr. MULTER. Nay.
The CLERK. Mr. Barrett?
Mr. BARRETT. Yea.
The CLERK. Mrs. Sullivan?
Mrs. SULLIVAN. Yea.
The CLERK. Mr. Reuss?
Mr. REUSS. Yea.
The CLERK. Mr. Ashley?
(No response.)
The CLERK. Mr. Moorhead?
Mr. MOORHEAD. Nay.
The CLERK. Mr. Stephens?
Mr. STEPHENS. Yea.
The CLERK. Mr. St Germain?
Mr. ST GERMAIN. Nay.
The CLERK. Mr. Gonzalez?
Mr. GONZALEZ. Yea.
The CLERK. Mr. Minish?
Mr. MINISH. Yea.

The CLERK. Mr. Hanna?
(No response.)
The CLERK. Mr. Gettys?
Mr. GETTYS. Yea.
The CLERK. Mr. Annunzio?
Mr. ANNUNZIO. Yea.
The CLERK. Mr. Rees?
Mr. REES. Yea.
The CLERK. Mr. Bingham?
Mr. BINGHAM. Yea.
The CLERK. Mr. Galifianakis?
Mr. GALIFIANAKIS. Yea.
The CLERK. Mr. Bevill?
Mr. BEVILL. Yea.
The CLERK. Mr. Kyros?
Mr. KYROS. Yea.
The CLERK. Mr. Widnall?
(No response.)
The CLERK. Mr. Fino?
Mr. FINO. Nay.
The CLERK. Mrs. Dwyer?
Mrs. DWYER. Nay.
The CLERK. Mr. Halpern?
Mr. HALPERN. Nay.
The CLERK. Mr. Brock?
Mr. BROCK. Nay.
The CLERK. Mr. Clawson?
Mr. CLAWSON. Nay.
The CLERK. Mr. Johnson?
Mr. JOHNSON. Nay.
The CLERK. Mr. Stanton?
Mr. STANTON. Nay.
The CLERK. Mr. Mize?
Mr. MIZE. Nay.
The CLERK. Mr. Lloyd?
Mr. LLOYD. Nay.
The CLERK. Mr. Blackburn?
Mr. BLACKBURN. Nay.
The CLERK. Mr. Brown?
Mr. BROWN. Nay.
The CLERK. Mr. Williams?
Mr. WILLIAMS. Nay.
The CLERK. Mr. Wylie?
Mr. WYLIE. Nay.
The CLERK. Fourteen yeas and 15 nays, Mr. Chairman.
The CHAIRMAN. The motion did not prevail.

Mr. MULTER. Before the next is offered I would like to have the statute read, which is being amended by section 2, so we will know what we are doing.

Mr. CREWS. The section of law in question deals generally with the powers of Federal credit unions and it begins by enumerating them, 1, 2, 3, 4, 5, and I have given you this summary so I do not have to read all the stuff that intervenes between the beginning and where that language is put in.

The existing law reads as follows:

A Federal credit union shall have subsections in its corporate name during its existence and shall have power, 1, 2, 3, 4, 5.

Now, the last sentence of the fifth paragraph is the one which deals with loans to officers and it reads as follows under existing law:

Loans shall be paid or amortized in accordance with rules and regulations prescribed by the director after taking into account the needs or conditions of the borrowers, the amounts and duration of loans and interests of the members and the credit unions, and such other factors as the directors deem relevant, but such rules and regulations should not require payments more frequently than annually.

Mr. MULTER. I am afraid you read the wrong part of it. I am sure it is unintentional.

Mr. CREWS. I have read exactly what the bill calls for.

Mr. MULTER. May I do it, Mr. Chairman? This is subsection 5 of section 2 of this bill that seeks to amend subdivision 5 of section 8. Subsection 5 of section 8 begins with the words, "except by no loan to a director or member of the supervisory committee," and so forth. Am I not right there?

Mr. CREWS. I think so, but I will say that I have not found it myself. It sure sounds plausible.

Mr. MULTER. Subsection 5, section 8.

Let us see what we are doing with that sentence.

Mr. WILLIAMS. I think that bears out my contention that this needs a little more examination. There is no intent to kill the bill whatsoever. We are just trying to understand what we are doing here and I do not see why this cannot be referred with some way to come up with a written report, a little discussion to explain the impact of this and then we can move this bill through intelligently.

The CHAIRMAN. Suppose we do this. We will be through here in a few minutes because the House will be in session. Tomorrow at 9:15 we will take up the export-import bill and vote on it soon after 10 o'clock. We will not be able to come back to this until Friday morning. I do not think the members would be happy coming back here on Friday morning to finish this. They want more time because of what has come up here.

Suppose we put it over until Monday morning at 10 o'clock and we will get our amendment ready.

Mr. CLAWSON. Mr. Chairman, when you suggest Monday morning, I believe the room has been reserved for Monday. The hearing room has been reserved.

The CHAIRMAN. Not against a meeting of the whole committee. Who would have it?

The CLERK. The reservation could be moved to one of the subcommittee rooms.

Mr. CLAWSON. We have a delegation of women from California.

The CHAIRMAN. We will give you a room.

Mr. MULTER. Let us meet at 9 o'clock on Tuesday morning. It should not take more than a half hour.

The CHAIRMAN. That sounds all right.

If you are all in agreement we will meet at 9 o'clock on Tuesday morning. Without objection so ordered.

The committee will stand in recess until 9:15 tomorrow morning.

(Whereupon, at 11:55 a.m., the committee adjourned, to reconvene on May 3, 1967, at 9:15 a.m.)