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During the first session of the 94th Congress, there was considerable concern among the members of the financial industry. This concern contered on the emergence in both houses of Congress of what appeared to be "activist" banking committees. Major legislation which would have tremendous impact on the financial structure was introduced, compounding the fear among some that Congress was going to bulldoze financial institutions which have served the people well for many years.

The truth is that whether these committees have been "activist" or not, they have been active. The Committee on Banking, Housing, and Urban Affairs, on which I serve, held

eight legislative meetings in 1974. In 1975, it held 48 -- an increase of 500 per cent.

But I think that we ought to take a look at what has really happened. The financial structure of this nation has not been bulldozed. It is true that the Senate passed the Financial Institutions Act, which would revise the relationship between commercial banks and savings and loan organizations.

In part, it may have been that the passage of the Financial Institutions Act resulted from the committee's new-found agressiveness, and --- probably to a greater extent -- from recession, the sick housing industry, and the problems

thrift institutions were having competing for capital.

But the recession is receding, and the pace of Congressional action on this bill seems to me to be slowing. It is certain the Financial Institutions Act will be thoroughly examined in the House, and in less of an "emergency" atmosphere. For three quarters now, funds have been flowing into the savings and loan banks at record rates, after seven quarters of crisis.

So, let us step back from "the brink of doom" for a while, and consider what is past, and what is ahead.

Now, I don't believe the Banking committees in the House and Senate are going to become dormant. I believe that behind

these bills, aimed at financial organization and practices, there are two fundamental issues which are as old as the hills, and which will continue to come up, in various forms.

It would be entirely accurate to see the Financial Institutions Act and other bills as part and parcel of these two fundamental issues which have been around as long as there have been banks and ambitious or needy people who want to borrow from them. One issue is that of how loan capital will be extended to the mass of people, and the other is the related issue of bank safety.

This first issue has had a long history in the annals of our nation. It used to be that the demand for easier credit came from the frontiersman and from the small farmer -- from

the men whose risks were great and whose credit-worthiness was small. Throughout our history, we as a democratic nation have faced the problem of how the average person, as well as the people lowest on the totem pole and climbing up, were going to get enough loan capital to make their way into the good life this nation promised.

Now, there is no more real frontier, and very few small farmers. But the need for loans to the common man has not gone away. The frontier, one might well say, is in our urban centers, which is where most people have wanted to live lately. The truth is that whereas the frontiersman used to want a grubstake, and whereas the farmer used to want great leverage to start his farm, now the young family on the way up wants

a big loan with small downpayment for a home it can less and less afford.

Let us not forget for a moment that this is not just a question of shelter alone. It is a question of shelter, and also of the desire for the masses of people to attain security and financial well-being. This is the bedrock financial issue in America.

The cabin in the pines used to be the goal of American upward mobility and the drive for financial security. Then it was the small farm. Now it is the house in a good neighborhood. That old promise of democracy is still with us. And the old problem of how to safely provide the money to do it is also still with us.

What has this got to do with the Financial Institutions Act? A great deal. The fact is that the crucial issue for many of us in the Senate became the bill's possible impact on this question of housing.

I voted against the Financial Institutions Act because I thought there was too great a chance it would hurt the household mortgage market. I was not convienced that any increased attraction toward mortgage investment would be created to get commercial banks and insurance companies back into the business. There would be, instead, a net <u>decrease</u> in the investments savings and loans are willing to make in mortgages, because the law would permit them to enter other areas of financial enterprise.

In other words, it appeared to me the problem with the housing market was a deep-seated economic one, which would not be solved merely by blurring the distinction between commercial banks and savings and loans.

The other issue I mentioned, the matter of bank safety, is also being raised again. It is, of course, related to the old problem of making bank lending practices as democratic as possible. That frontier need for capital, and the risks that went with it, caused a chronic problem of bank failure in this country, and it was a problem we thought was solved.

Now, with the failure of a couple of banks in the "new frontier" -- namely, the big cities -- this old issue has come up again. Now, Chase Manhattan and Citibank have been reported

as having troubles.

Bank safety is the underlying issue, the historical issue. But it will become the battleground for those who want to revise the federal government's financial regulation structure, and -- because Chase Manhattan and Citibank are so huge --- for those who favor antitrust action against big banks.

These are valid issues, and I mean to take them seriously. Hopefully, we will find out in our committee hearings whether the trouble at Chase and Citibank is cause for alarm, a tempest in a teapot, or simply a serious matter which is being properly handled.

Of course, this question of bank safety is combined with the question of making loan practices as democratic as possible, in the proposal to create a so-called financial "superagency" in the federal government. Therefore, this bill could become the other big issue before the banking committees in the coming year. The bill, S. 2298, would combine the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Thus a single agency would be created which would be concerned with bank examination and safety on the one hand, and on the other with monetary policy, the supply of money, and interest rates --- all crucial to housing.

For me, the problem is the quality of government regulation. I am going to keep an open mind on the proposal to combine the various federal regulatory agencies. My question will be, will this improve the quality of government action in the financial marketplace?

You know, we have had some disappointments lately. The Real Estate Settlement Procedures Act, or RESPA, was designed to help that American citizen as he makes the most important investment of his life, in an area in which he really has little expertise. But instead, the law added cost and two weeks of delay to an already harassing process, and made the consumer's lot worse. So Senator Garn and I had to introduce a bill to go back and amend the law.

Then there was the anti-redlining measure. Clearly, you can see how this is aimed at the old problem of the person who has more desires, ambitions and needs than he has credit references, and who also wants to invest in a high-risk location.

Perhaps the law was needed to counteract the situation in which somebody in a skyscraper miles from the action sets inflexible policy which ties the hands of the loan officer in a branch bank. But I wonder if here in North Carolina we aren't still human enough to make a judgement on the basis of the individual case.

In any event, we were able to ease the reporting requirements, and therefore the cost, of the bill, and to exempt the

smallest institutions.

A third problem of quality has to do with the Federal Reserve's ability to hit the targets set for growth in the money supply. We brought the Fed out into the open somewhat, and got them to promise to keep the money supply growing at a moderate rate of five to seven and a half percent. But what has happened? In the last two months, the growth rate has been only two percent. We must hope our rather fragile recovery will not be stopped. We must remember that especially for the housing industry, excessively "tight money" and a high discount rate inflate the cost of money and depress business.

So in closing let me say once again that I believe this problem of the quality of government is crucial. The government

itself is an overgrown monopoly, so its mistakes have big results. For the sake of the financial institutions of this country, I hope it will prove true, as I have predicted, that great changes in government policy toward the banks -- if they occur -- will be preceeded by an equally great debate, carried on without great haste.