

Senator Robert Morgan  
Address to  
Southeastern Conference,  
U. S. League of Savings Associations  
Bal Harbour, Florida  
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I know all of you are concerned about the future of  
Savings and Loan Associations, and especially about the effect  
Congress has on that future.

I came to the Senate convinced that the American economy  
was based mainly on two industries--the housing industry, and the  
automobile industry. If you look at all the interconnected kinds  
of production and jobs that are directly and indirectly related  
to these two industries, it is amazing how large a portion of the  
economy it covers. If you hurt the housing industry, you hurt  
savings and loans, you hurt banks, carpenters, plumbers, electricians,  
unskilled workers, all types of transportation, you hurt the base of  
your local governments, you hurt the states and the federal government.  
In the automobile industry, you hurt the auto workers, the textile

companies, the steel mills, the various lenders, the whole  
tire and rubber business, the oil and gas companies, and  
even areas dependent on tourism. In the time that I have  
been in the Senate, I have not seen or heard anything that would  
change my mind about this basic fact of our economic life.  
We have to keep the housing industry and the automobile  
industry strong.

Now I know you'd be interested in the automobile business  
too, but let's talk about housing and the role of the Savings  
and Loan.

I'm very proud to note that we, as a nation are rather unique  
among the nations of the world. We have never been solely concerned  
with being powerful or prosperous. There's always been a healthy  
concern in our government and in the philosophy of our leaders,

for the welfare of the individual. Sometimes, this humane and helpful inclination has been misdirected or taken to extremes, but the impulse is there, and that's one of the nice things about this country. For example, we are the only country in the world, that I know of, in which the government is committed in writing to providing a climate in which happiness can occur. "The pursuit of happiness," is one of our unalienable rights.

In more recent times, this country has made it a matter of policy that every American has a right to a decent home. That is in the law, and has been since 1948. Sometimes that goal has been pursued vigorously, and sometimes it has been shifted to the back burner. I hope we are now entering a period in which the Administration and the Congress will get things moving in the housing field.

I have just recently been appointed Chairman of the Rural Housing Subcommittee of the Senate Banking, Housing and Urban Affairs Committee. I was somewhat encouraged about the future of housing programs to learn that the Farmers Home Administration, just last month, had made its first loan under the Guaranteed Single Family Rural Housing Loan Program. This will be a fine program, I think, that could help to improve housing for one of the most under-housed segments of the population, the rural families with a moderate income.

This is an example of both the good and the bad in our housing situation in this country. Here is a good program, with the especially attractive feature that it uses the services of the local, hometown lenders to make the loans--and that's one of the most sensible things I've heard about in a long time.

What's bad about that program is that Congress gave the authority for the program way back in 1972, but this is one of those things shifted to the back burner. The Agriculture Department sat on it and didn't do anything about it until just last year. This is what happens when there is a lack of leadership pushing toward that national goal we mentioned earlier. I can assure you that to the extent that I have any influence or any opportunity for leadership, I will be pushing housing as hard as I can in the coming months.

I think the use of home town, local lending institutions to make these Farmer's Home loans is a great idea. I understand that your association has done a lot of good work during the past two months in educating your members about how to make these loans. I'm sure many of you participated in the clinics designed to teach the mechanics of this new program. This is an example

of how the government and the private sector can work together for the benefit of all. I will have more to say about this later.

I know all of you are interested in the possible changes in the laws governing financial institutions. Of course, your biggest interest right now is in what's going to happen to Regulation Q.

(INSERT LATEST NEWS ON REG. Q)

You can't always get what you want, but sometimes, if you go ahead and tell people what you really would like to see happen, and explain your position attractively, you might change their minds next time around.

Although I agreed to the 7 month compromise, I thought that Regulation Q should be extended, for at least a year. A short 3-months extension is too brief, and leaves everybody in the position of not knowing what's going to happen in the relatively near future. Home buyers and builders, and lending institutions would not be able to plan ahead, or to know what their actions in the next few months would cost them. Savings and Loans, for example, typically make loan commitments to home buyers and builders months in advance of settlement, and such a short extension would make it very hard to continue doing business that way.

On top of everything else, we've had the coldest, hardest winter anybody has ever seen. The Weather Bureau said it was the coldest month of January in the history of the Republic. Along with all the other effects of the big freeze, housing starts plummeted, just at the time when we all hoped there was a meaningful upswing in progress. The housing industry is trying to recover again, and I think a long extension, or a permanent fixing of the rate differential is what we really need, not more uncertainty.

I sympathize with the desire of consumer savers to be able to shop around for the highest rates on their deposits. But, its a trade-off situation. We can either encourage more thrift, in general, or we can encourage the thrift that ultimately produces houses. If you raise your interest payments

to your depositors, to compete with the other bank or saving institution down the street, that increase is going to cost you money; and you will have to pass along most of that cost to your clients, the home buyer who needs a loan.

Now, I think the rates for home loans are already too high, and I think they would go higher with unrestricted bidding for savings deposits.

I support the full 100% insurance for public funds deposits.

In 1974, Congress took an important step toward opening your doors to the deposits of State and local governments--"public funds" authority. However, it put a \$100,000 limit on 100% FSLIC insurance coverage for these accounts--partly in response to arguments from commercial banks and municipal bond dealers who said that public funds insurance would adversely affect the

market for securities used to collateralize public fund deposits in banks.

At that time, Congress directed the independent Advisory Commission on Intergovernmental Relations to study the situation and report back in two years. We just recently received that report, and it says that full deposit insurance will lead to better financial services and higher interest returns for governments. It won't affect the securities markets much, and it will remove the diverse requirements for collateralization that are a barrier to efficient allocation of financial resources. The Commission also recommended that deposits in any particular financial institution should be limited to a reasonable percentage of savings and/or total capital.

In short, full public funds insurance would help

the revenues of hard-pressed local governments, and at the same time, open up another source of funds for the housing-specialized activities of the Savings and Loans.

We talked earlier about the way Savings and Loans had cooperated with the government in getting the Farmers' Home program going. That kind of cooperation is an excellent example of the kind of system I've advocated for a long time. I've wanted to see the government use the services of the local home loan institutions to "deliver" the government housing programs.

I have an idea that is so simple that everybody is sort of skeptical about it. Briefly what I would like to see is this: Take the Federal Housing funds and put them directly in the home-loan institutions, and let them do the job of making

the loans. After all, the home-loan institutions have some

great advantages over a government bureaucracy:

--they already exist,

--they are local, home-town institutions that know the local community, and what's more important, they care about that community and its people,

--they are in business to make a profit, and I don't know of any better way to be sure somebody does a good job, than to make their livelihood dependent on efficient, satisfactory performance--which you have in the private sector a lot more than you do in the governmental bureaucracy.

I submit this idea to your consideration, and would appreciate your comments, and any suggestions you may have as to how we might work this out.

I am proud of my association with Savings and Loan Associations, and happy to be a part of what I consider to be the very worthwhile aim of providing for good homes for our people. Mr. Edgeworth and Mr. Troop, of your Washington office, told me that this audience today represents close to \$75 Billion in assets, and that over 90% of these are in

residential mortgage loans, all over the Southeast, in the cities, towns and rural areas. I think you're doing a great job, and I will tell you that my general philosophy on matters concerning the future of financial institutions is something like this: I will work for the interest differential, and whatever measures I think will encourage a healthy, strong specialized Home-Loan Industry. I will oppose anything that I am convinced will deter the home-loan industry from its task, or tempt it away from its special duty. Better housing is what I want, and I'm sure that is what you want too. Together, we can do the job. Thank you.