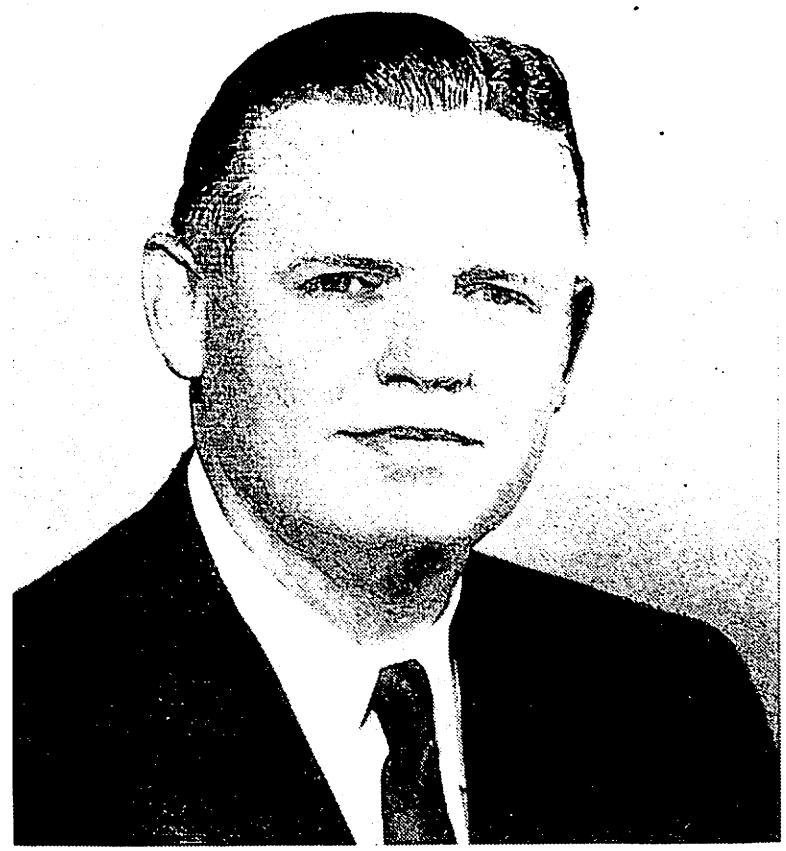
SAVINGS AND LOAN ANNALS 1959

United States Savings and Loan League
221 North La Salle Street
Chicago 1, Illinois



C. R. Mitchell

PRESIDENT

FOREWORD

WITH THE APPEARANCE of this volume the shelf of hard-bound *Annals,* instituted when the United States Savings and Loan League became a full-time operation, has reached a total of 30. What's more, this volume, reporting the proceedings of the League's 67th Annual Convention, all but closes the door on the decade of the 1950s, during which the assets of the business more than quadrupled, rising from $14.6 billion at the close of 1949 to our present $63.8 billion.

Closing the door on one decade means stepping over the threshold into a new one, and our Dallas convention program, more than any within my memory, had a definite "forward look" into a 10-year period that promises the business more challenges and opportunities than any like period in its history.

From the opening session when the League's economic consultant, Arthur M. Weimer, took a look into not only the year—but the decade—ahead, followed by my remarks directed to interpreting the meaning of his and his colleagues' prognostications for our own business right through to the breakfast shop-talk sessions on Friday morning, delegates concentrated on the job to be done rather than on the job that has been done.

Following last year's innovation, all papers presented at the increasingly popular Topical Forums have been included along with the General Session addresses. Operating phases covered by these Forums included: advertising and public relations; business and economic trends; internal operations; investments and mortgage lending; and management and personnel. Forums also were held for association directors and for personnel of recently organized associations.

While the majority of the 20-odd committees met in closed sessions, several did hold open meetings and where the papers presented were of general interest, these have been included as addenda to the committee reports, so that *Annals 1959* comes close to being a verbatim report of the Dallas convention.

C. R. MITCHELL

BOARD OF DIRECTORS OF THE UNITED STATES SAVINGS AND LOAN LEAGUE

1958-1959

Officers

C. R. MITCHELL, *President*..............919 Walnut St., Kansas City 6, Mo.
W. O. DUVALL, *Vice President*..........22 Marietta St., N.W., Atlanta 3, Ga.
NORMAN STRUNK, *Executive Vice President*.221 N. La Salle St., Chicago 1, Ill.

Executive Committee

District Number

1. A. HAROLD MACNEIL...................36 Pleasant St., Concord, N. H.
2. GEORGE L. BLISS...............441 Lexington Ave., New York 17, N. Y.
3. ALBERT R. DEFORD.................25 N. Howard St., Baltimore 1, Md.
4. HUGH L. DOUGHERTY...................740 Boush St., Norfolk 10, Va.
5. FRANCIS L. VESY...............153 Lincoln Way East, Massillon, Ohio
6. FRANK B. YEILDING JR..............213 N. 21st St., Birmingham 3, Ala.
7. E. G. HOLZWEG......................115 E. Main St., Collinsville, Ill.
8. ROBERT L. PALMER...........2nd Ave. & 2nd St., S.E., Pipestone, Minn.
9. CLEO C. INGLE.........................123 E. Fifth St., Tulsa 3, Okla.
10. H. MOSS WATKINS....................700 Ryan St., Lake Charles, La.
11. C. N. BLOOMFIELD...................219 W. 19th St., Cheyenne, Wyo.
12. STUART DAVIS......................1700 Broadway, Oakland 12, Calif.

JOSEPH HOLZKA, *Immediate Past President*
..........................221 Richmond Ave., Staten Island 2, N. Y.

HENRY A. BUBB, *Chairman, Legislative Committee*
..................................534 Kansas Ave., Topeka, Kan.

Directors

HARRY P. HALL.............................300 N. Foster St., Dothan, Ala.
E. L. HUNTER.............................117 Seward St., Juneau, Alaska
JOSEPH G. RICE..........................30 W. Adams St., Phoenix, Ariz.
FRANCIS W. DYKE........................17 N. Sixth St., Fort Smith, Ark.
E. RONALD LONG.......................79 Post St., San Francisco 4, Calif.
E. J. BARNES..........................Third & Ash Sts., Sterling, Colo.
RAYMOND L. MILLER.................1137 Main St., East Hartford 8, Conn.
WILLIAM A. WELSH...................909 Shipley St., Wilmington 2, Del.
CARL C. SMUCK.............1340 Good Hope Rd., S.E., Washington 20, D. C.
JOSEPH S. GUERNSEY..................77 E. Livingston Ave., Orlando, Fla.
GEORGE T. FESPERMAN.....................600 Plant Ave., Waycross, Ga.

BEN H. BOND JR........................907 Fort St., Honolulu 13, Hawaii
JOHN W. HEWITT...............................923 Idaho St., Boise, Idaho
BENJAMIN KEACH.........................100 N. State St., Chicago 2, Ill.
WILLARD T. JORDAN.......................1311 Broad St., New Castle, Ind.
H. H. BENNETT.................110 Second Ave. S. E., Cedar Rapids, Iowa
GEORGE B. DICUS.......................12 E. Second St., Hutchinson, Kan.
WILLIAM GRIMM.......................536 Madison Ave., Covington, Ky.
M. P. ARNOULT JR.................338 Carondelet St., New Orleans 12, La.
ALBERT E. GRANT........................561 Congress St., Portland 3, Me.
EUGENE C. JOHNSON................4106 Frederick Ave., Baltimore 29, Md.
RUSSELL P. BROWN.........................254 Cabot St., Beverly, Mass.
ARTHUR H. CLARKE....................300 Broadway, South Haven, Mich.
CLAYTON C. CROSS........Hennepin Ave. & Eighth St., Minneapolis 3, Minn.
M. P. PAYMENT......................210 N. Congress St., Jackson 5, Miss.
ANDREW W. KUENNEKE JR...........3353 California Ave., St. Louis 18, Mo.
JACK F. HOON.......................Higgins & Broadway, Missoula, Mont.
MAURICE HEVELONE.......................201 N. Sixth St., Beatrice, Neb.
FRANK D. ARNOLD..........................27 W. Liberty St., Reno, Nev.
KARL E. DOWD.............................200 Main St., Nashua, N. H.
VICTOR NEUMARK....................1410 Atlantic Ave., Atlantic City, N. J.
IRVIN A. MENGER..................922 New York Ave., Alamagordo, N. M.
JAMES G. KILLIP.........................377 State St., Rochester 4, N. Y.
J. V. BRITTLE..................................N. Queen St., Kinston, N. C.
GEORGE PLAAS..........................13 S. 4th St., Grand Forks, N. D.
GEORGE W. GARTHE..........................559 Broadway, Lorain, Ohio
RAY H. BABBITT..................................413 D Ave., Lawton, Okla
A. V. LINDGREN.....................411 S.W. Sixth Ave., Portland 4, Ore.
VERNON T. SAMPSON.............716 N. Homewood Ave., Pittsburgh 8, Pa.
HORACE E. DAVILA...........Ponce de Leon Ave., Stop 22½, Santurce, P. R.
RICHMOND P. WHITE.................270 Westminster St., Providence, R. I.
WALTER P. WHITE.....................320 Buncombe St., Greenville, S. C.
MRS. EDITH H. HAWLEY.............109 First Ave., S.E., Watertown, S. D.
PAUL J. WALKER SR.......................E. Washington St., Athens, Tenn.
J. HARRY JEANES....................Franklin Ave. & Fifth St., Waco, Texas
L. EUGENE CLISSOLD...............56 S. Main St., Salt Lake City 1, Utah
HENRY M. BALDWIN.........................150 Bank St., Burlington, Vt.
JOHN H. RANDOLPH JR...............Broad & Third Sts., Richmond 19, Va.
L. C. WETZEL.......................14 S. Second Ave., Walla Walla, Wash.
C. EDWIN JOHNSON.......................104 Adams St., Fairmont, W. Va.
FRED L. KRAMER........................110 N. Fourth St., La Crosse, Wis.
ROBERT G. KIMBALL......................126 S. Wolcott St., Casper, Wyo.

Three Immediate Past Presidents

JOSEPH HOLZKA.................221 Richmond Ave., Staten Island 2, N. Y.
ROY M. MARR.......................158 Madison Ave., Memphis 3, Tenn.
WALTER H. DREIER....................11 N.W. Fifth St., Evansville 8, Ind.

President, American Savings and Loan Institute

CHARLES F. KENNY JR..................196 Fulton Ave., Hempstead, N. Y.

TABLE OF CONTENTS

GENERAL SESSIONS

TOPICAL FORUMS

REPORTS OF ADMINISTRATIVE OFFICERS AND COMMITTEES

CONSTITUTION AND BYLAWS OF THE UNITED STATES LEAGUE

GENERAL SESSIONS

THE CHALLENGE OF THE '60s

by C. R. MITCHELL, *President*
United States Savings and Loan League
Kansas City, Mo.

ALL OF US who are a part of this great business are thankful for the progress and success we have achieved thus far. It is not in the past, however, but rather in the future that lie even greater challenges and opportunities to serve America. It is that "forward look" that is the perspective of this convention. So, while much of interest and importance has occurred in the past years and is worthy of comment, I want to spend most of my time today discussing the rapidly approaching 1960s.

You have just heard an appraisal of the economic outlook from a valued friend and a skilled observer of the savings and loan business, Dean Arthur M. Weimer.[1] I want to express my appreciation to Dean Weimer for helping to contribute to the image and the "forward look" for this convention.

In his remarks, you will recall, Dean Weimer made several references to a report recently completed for the United States League, entitled "The Next Decade and Its Opportunities for the Savings and Loan Business." Each of you will receive a copy this morning. I urge you to read it with great care, for it has been carefully developed and carefully documented. It will be of very considerable help to us in our planning for the future.

$165 BILLION BY 1970!

All of us have read of the tremendous gain in population that lies ahead. This Indiana University report now gives us, for the first time, some specific estimates of what the savings and home financing requirements will be in the next decade.

Basing some of his comments upon the research conducted at the university, Dean Weimer told us that the savings and loan business can, and in fact should, reach $165 billion in assets by 1970. This is a staggering challenge even for a business that has

[1]See page 52 for Dr. Weimer's paper.

become accustomed to rapid growth and to meeting ever-increasing demands for home mortgage loans.

The report projects increases of more than 10 million households and 30% in the real income of American families. It suggests that we face an average annual increase in the home mortgage debt during the 1960s of $15 billion, compared with an average increase during the past decade of $10½ billion. Some eight or nine years from now, home mortgage debt in this country will be increasing by some $17 billion to $18 billion annually to keep up with the demand for homes.

The outlook for mortgage credit is such that the savings and loan business should be prepared to handle an ever-increasing proportion of the total home financing burden. Currently we are doing about 40%. We will have to step that up to more than 50% by the end of the next decade.

Because the Indiana University report clearly indicates that our business is in the best position to carry an ever-increasing proportion of mortgage debt, our savings must grow at an average annual rate of $7.7 billion during the 1960s to accomplish this objective. Our average annual savings growth during the decade just ending was $4.3 billion. By the end of the 1960s our growth should be between $8 billion and $9 billion annually.

The Indiana University report does estimate that our institutions will continue to grow rapidly. Very significant, however, is the fact that the report also emphasizes that this estimate in itself is no guarantee of rapid growth. It merely states that we have the opportunity for unprecedented growth and progress because of the tremendous demands for home mortgage credit in the decade ahead. It is entirely up to the savings and loan business—its managements and boards of directors—to make this estimate of rapid growth come true.

MORE YEARS OF TIGHT MONEY AHEAD

To these highlights of the report that I have mentioned, let me add one prediction of my own. It is this: Money generally will be tight during most years of the 1960s. Of course, there may be periods when economic activity will ease and money rates will decline. We should not, for example, expect that money will be as tight throughout the next decade as it has been the past few months. But, in general, I think that because of economic and population growth there will be more years of tight money than easy money and that money will average out substantially tighter in the 1960s than it has been in the 1950s.

Continuation of tight money means that, while we face the opportunity for greater expansion and greater service, we also face the prospect of continued fierce competition for personal savings. This competition will be similar to what we have encountered in recent months—a battle for savings that has been the most intense since World War II.

It is obvious that the developments and estimates as outlined in the Indiana University report spell out tremendous opportunities for this business. It also is obvious that they entail tremendous responsibilities for savings and loan managers, for the Federal Home Loan Bank System, for our national administration, for Congress and for your trade association, the United States League.

SET AMBITIOUS OBJECTIVES

What does this all mean for the individual association—its management and board of directors? First, it means the establishment of targets or objectives for the future in terms of services to the community, relative competitive position, growth prospects and financial strength. Second, it means that these objectives must be much more ambitious than any in the past or than we might have felt were appropriate before coming to this convention.

These objectives of individual institutions must be ambitious if we are to do the job of home financing everyone will expect us to do. After each of us has clearly fixed these objectives, then we must do what is necessary and proper to attain them.

A $165 billion business is two and three-quarter times bigger than we are today. For some institutions, however, a growth of two and one-half to three times present size will be too slow. Because of area needs, it would not be a suitably ambitious target for management in such cases. For other associations a 10-year growth objective of two and one-half to three times present size would be an overly ambitious objective because competitive conditions and more limited opportunities for earnings would make it virtually unattainable.

But even though the attainable growth targets of individual associations must necessarily vary and even though we face a decade of competition for savings more intense than during most of the past 10 years, it is my firm conviction that the business as a whole can grow to $165 billion by 1970. I believe the savings and loan business will rise to this challenge.

Aside from the tremendous job of developing the savings necessary to do the home financing job that lies ahead, what does a goal of a $165 billion business by 1970 mean in other ways?

A DECADE OF HARD WORK

First, let me say that it means hard work. It has taken a lot of hard work to build today's $60 billion business. We can't rest on our laurels to do this job. We can't, for example, think in terms of two-month vacations for ourselves and one-month vacations for our staffs.

Second, it means this: There are 50,000 people employed in the savings and loan business today. Within five years there will be 75,000 and by 1970, more than 100,000. This year we will employ some 14,000 people to fill new positions and replace those who leave jobs in our institutions; in the year 1970 we will have to employ some 25,000 people.

Third, reaching $165 billion will mean organizing and reorganizing our institutions, and delegating substantial amounts of operating authority to department heads and senior executives, many of whom are not yet on our payrolls. This, in turn, means development of personnel and employment practices and of salary and wage scales of a far more progressive type than most of our institutions now have in effect.

Fourth, it will mean completely reorganizing at least once, and in some institutions a number of times, the data processing systems or bookkeeping and accounting practices. For many it will mean the complete automation of accounting processes if we are to take advantage of the economies possible with larger size. Greater attention to operating costs, of course, will help us maintain satisfactory reserves during the period of rapid growth that is ahead.

Fifth, attainment of such an ambitious 10-year goal means a continuation of the headaches of inadequate space and the work involved in building new offices, enlarging and modernizing existing offices and establishing many more new branches.

TO OBTAIN OBJECTIVE: MORE RESEARCH

Sixth, it means that management must be much more research conscious. I am not referring to test-tube or statistical research but to an imaginative attitude on the part of management, an attitude that is constantly watching for new ideas, for ways of doing things better and for ways to introduce helpful innovations into the savings and home financing business.

Seventh, the development of a $165 billion business will mean more and more advertising. But more than that, it will mean better and more skillful advertising. We are learning now that it is taking more than the mere advertising of 3½% or 4%—yes, even 4¼%—to build this business.

We must develop prestige and service appeals. We will have to employ the most modern advertising skills and the best advertising brains if we are to sell this business and if it is to grow, as it must, in the face of the competition for savings and investments that I anticipate for most of the next 10 years.

Finally, and perhaps most important, substantially more effectiveness will be required on our part to improve our prestige in

the business and financial community. Whether we like it or not, the fact remains that in many areas our institutions still have not attained the public's acquaintanceship or acceptance to the same degree as have some other types of financial institutions.

NEED TO IMPROVE OUR 'IMAGE'

Whether we acknowledge it or not, the fact remains that every survey made on this subject shows that a considerable segment of the public does not consider our institutions as safe as banks, or savings with us as accessible as they are in banks. These questions in the public's mind no doubt exist, in part, because of some of the commercial bank and other competitive propaganda of the past decade. In part, they exist because, in the hurry of our rapid postwar development, we have not taken the time to build the reputation for safety and reliability most banks enjoy and to which we, too, are entitled.

One of our major jobs in our expanding rate of growth ahead is to acquire the same reputation for reliability that banks have, but at the same time keep the traits of friendliness, warmth and concern for the average person's problem which have characterized our operations.

In the quest for improved prestige, better advertising and public relations programs will be indispensable, but let me suggest that in the final analysis our measure of success in building prestige will depend on the willingness of the individual savings and loan officer to understand the problem and then be willing to spend time, money and energy to work toward its solution.

As in the past, when it has rendered great service to this business on occasions too frequent to mention, I would expect the United States League to furnish vigorous and farsighted leadership to further expand the usefulness of this business to the American public.

NATIONWIDE RESEARCH PLANNED

While the League can of course be counted on to conduct much of the research for the business and to continue to study new and better ways of operating our business and selling it to the public, many of our institutions will no doubt want to develop their own economic research units and to develop market research programs in their communities.

In anticipation of the tremendous business-wide drive for savings in the 1960s, I am glad to report that a comprehensive national motivation research program soon will be undertaken to examine public attitudes toward saving and toward our institutions. As a result of this program—which will be financed jointly by the U. S. League and the Savings and Loan Foundation—we should be better able to understand what the public wants from us and what will cause the people to save with us. We are confident that the survey will result in far-reaching improvements in our public relations and advertising programs.

ACCELERATED SAVINGS RATE A MUST

I would also hope that the League, through its official bodies, will attempt to see what can be done to expand the rate of growth in personal savings. We recognize that the statistics on savings leave much to be desired. However, such information as we have suggests that, despite the growth of our institutions, the over-all rate of savings on the part of the American people is exactly what it was 30 years ago.

One of the commonly accepted economic theories in this country is that the American people would save more as their standard of living rose and incomes increased beyond the essential needs of everyday life. Unfortunately, this does not appear to have happened. The record shows this:

Incomes have spurted in the past 30 years, but there has been no corresponding increase in the rate of savings. During the 1920s American consumers saved about 6% to 7% of their disposable income. In recent years, with incomes much higher, the percentage saved has averaged a fraction over 7%.

The hard, cold facts are that an increased rate of saving has become a matter of urgent national need, not only to finance the housing expansion of the 1960s, but for other facets of our national economic growth. As one writer put it so well not long ago: "What American adults do about saving may determine whether national prosperity continues, and whether their children live in a free world or are dominated by Russia."

Confronted with such a challenge, I believe the time has arrived when present conventional savings practices and incentives for saving no longer may be adequate.

For the economy to move forward, and certainly for us to produce the houses that it appears the American people will not only need but demand, we must have additional savings capital. If the savings do not come from private individuals and private business, then we face the threat that the money will come from public sources. This, in turn, means greater taxation as well as the hidden tax of greater inflation.

I hope it will be possible to make a searching review of the whole question of savings and saving incentives. The objective should be that of providing more incentives for saving and the creation of an atmosphere favorable to saving. Possibly the United States League could initiate such a study, recruiting the best brains it can find inside and outside the business for service in this connection.

In meeting the challenge of leadership throughout the 1960s for greater saving, the Savings and Loan Foundation will play an important part. I can only repeat what I have said on numerous occasions during this year: The work of the Foundation is useful and vital to this business, and every association should support its program. We need its national promotional effort.

FHLBB CAN TAP NEW SOURCES

A moment ago I mentioned that conventional methods for recruiting savings no longer suffice. This brings to mind the responsibility of the Federal Home Loan Bank Board—not only to supervise our institutions but also to help us gain the savings we will need to meet the home credit demands of the 1960s.

The Federal Home Loan Bank Board took a praiseworthy step in this direction last year when it issued five-year advances for the first time. Since that time, the Board also is to be commended for having had the Federal Home Loan Banks survey our institutions on one or two occasions to determine whether further long-term advances are appropriate. I hope that this practice will be continued; that in times when the economics are a little more favorable, many more of our institutions will take advantage of long-term advances; and that long-term advances will become more broadly and regularly used by associations.

Inaugurated two years ago by the Federal Home Loan Bank Board, the "participation loan" program is being accepted and used more and more widely. In their present form, however, the regulations for participation loans do not aid us in recruiting new savings. I believe the rules should be amended to provide for the sale of participation interests to buyers outside the savings and loan field. Savings and loan associations then would have the opportunity to sell participations to pension funds or similar pools of capital. With such changes, the participation program could easily and immediately provide us with another source of money and a way to bring new pools of long-term savings into the home financing field.

I have enumerated some of the ways in which the individual savings and loan association, the United States League and the Federal Home Loan Bank Board can help this business meet its responsibilities in the decade ahead, particularly the staggering volume of savings needed for American home financing. I shall now comment on the responsibility the elected officials in the national administration and Congress have in this connection.

POLITICAL CLIMATE A KEY FACTOR

First of all, it should be recognized that our political leaders already are well aware of the magnitude of the pressures for additional mortgage credit in the 1960s. It should be recognized as well that, to the extent that these demands are not met by private sources, the temptation will be strong to resort to various direct loan devices, which in turn must be supported either by deficit financing or by increased taxes.

The alternatives, of course, to these distasteful and politically controversial measures will be to encourage the development of enough savings to do the job through existing channels and existing institutions.

I, for one, am convinced, first, that Congress will understand the need for more savings to meet the mounting demands for home credit; second, that Congress will be reluctant to employ questionable and dangerous methods to meet these demands; and third, that Congress will want to use existing savings institutions to recruit the savings necessary to do the job.

Because of these beliefs, I also am convinced that the efforts of the American Bankers Association to cripple our institutions through a ruinous change in our tax status are doomed to failure. The leaders in Congress are aware of the vital role our institutions play in keeping our nation prosperous, and I cannot conceive of these responsible men agreeing to the program that the ABA is trying to force on Congress. I have an abiding faith in the wisdom and fairness of Congress, and I do not believe that it will act contrary to the public interest, despite all the pressure that the commercial banks may bring to bear upon it in the coming sessions.

You probably wonder—as I often have—if the leadership of the American Bankers Association really has thought through the implications of the commercial banking attack on our tax status.

BANKS WON'T DO HOME LENDING JOB

I wonder if the commercial banking fraternity is aware of the fact that the United States probably would have been completely socialized by now had it not been for the home financing accomplishments of thrift institutions. It surely must know what the unfavorable implications would be for privately owned commercial banks if a socialized mortgage credit situation prevailed today.

I wonder why the commercial banks do not recognize that if the ABA-sponsored Mason bill had been on the books for the past five years, the volume of American home building and buying would have been slashed drastically and this country might not have enjoyed its recent years of prosperity. Make no mistake about it, if the Mason bill had been on the books during the past five years, this business would not have grown at all. It might very well have shrunk in size.

I wonder how many commercial bankers are aware of the fact that if the Mason bill had been on the books for the past five years, our institutions probably would have made only $30 billion in home loans instead of the more than $53 billion in loans we actually made. Would the commercial banks have come up with the missing $23 billion in home loans? You and I know they would not have. They have historically supplied only 18% to 20% of the home mortgage credit, investing on the average 7% of their resources in home loans.

I wonder how many commercial bankers realize that if the Mason bill had been on the books for the past five years, savings and loan institutions would have financed the construction of only 980,000 new houses instead of the 1,750,000 new houses that we actually financed. Would the commercial banks have financed the other 770,000 new houses? They would not have, and the chances are that the great majority of them would have been built with public money—either by direct lending or in the form of public housing.

I wonder how many commercial bankers realize that if the Mason bill had been on the books for the past five years, our institutions would have financed about 1,370,000 home purchases instead of the 2,490,000 we actually financed. Would the commercial banks have financed the difference? Would the commercial banks have plugged the gap? On the basis of the record and tradition of the commercial banks, the answer is obvious: They would not have. Home mortgage lending is only an incidental part of commercial bank lending, while home financing is our principal reason for existence and our great exclusive service to the economic and social growth of our country.

PRESERVE STRONG THRIFT SYSTEM

The problem boils down to this: Homes for the American people are going to be built and financed one way or another. The commercial banks, it seems to me, have just two alternatives: either they can acknowledge and support the idea that a system of strong, rapidly growing savings institutions is necessary to do the job, or they can acknowledge and support the idea that much more public housing and government direct lending are necessary.

Certainly all of us in the savings and loan business will acknowledge fully that a strong commercial banking system is essential to our national welfare. By the same token, I think it is time for the commercial banks to realize that a strong system of thrift institutions, geared to attract sufficient savings to meet the home financing needs of the country, is just as essential to the national welfare and prosperity. But whether the banks realize it or not, I think that Congress, fortunately, realizes it.

OUR TAX STATUS IS JUSTIFIED

Before concluding, I should like to make two or three more observations.

First, if there is any defeatism in our business over this tax battle, it should be remembered that our tax status is entirely proper and sound. It produces equitable federal tax revenues that are entirely in keeping with our basic function or mission, that of being home financing specialists. It is a function assigned to us by Congress, and throughout our history we have been limited to that function—a differential that Congress always has recognized, understood and approved, but one that commercial bankers choose to ignore.

Our tax status is based on differentials and not preferentials. Our tax status can be justified and defended.

Second, let me make another thing clear: No cause was ever won by thinking, "We're licked before we start." It is the position of the United States League that, while a vigorous, bruising battle lies ahead, we certainly have a fine case and look for success. We are not cocky or complacent. On the contrary, we are united and optimistic.

Another observation I want to make is that no one in the savings and loan business should be apologetic about our tax formula. Let's remember several things about it. First, our institutions are taxed just like commercial banks; that is, we are able to deduct, as do the banks, operating expenses, the cost of money and certain additions to reserves.

Second, the only difference between our tax status and that of commercial banks is in the amount we can allocate to reserves for bad debts. The reason for this difference is that our lending is concentrated in long-term home loans, while the loans of commercial banks are short term and turn over quickly, providing frequent opportunity to avoid loss or to increase yields to absorb loss.

Third—unlike the commercial banks—we pay out all our earnings after expenses and bad debt reserves, and these earnings then are taxed in the hands of our savers. The truth is that, so long as the home financing needs of this country are so great, we will have to grow rapidly and soundly. Because this growth is so necessary to the economic and social growth and health of our country, we won't pay very much in taxes directly. But remember—as I said a moment ago—this is because of the differential in our nature and our assigned function.

CAN EXPECT TOUGH TAX BATTLE

In this matter I want to make it crystal clear that the Mason bill is commercial-bank-inspired. For some years it has been apparent that our growth, our progress and increasing public recognition were arousing the deep envy and resentment of many commercial banks in the nation. The first main bout appears likely to be in Washington, D. C., with taxes the vehicle of attack. The ABA and the IBA, whose policies are the responsibility of their commercial banking members, have officially endorsed the Mason bill. We may as well be prepared for a rough battle. Washington, D. C., may be the first focal point, but the battle may spread into other issues and into state and local areas. Some anti-savings and loan and anti-mutual savings bank extremists will seize this opportunity to use innuendoes and unfair and unfounded tactics to change the public image of our business.

We hope this does not happen. We also hope our members never will insist that we invade the congressional halls to introduce commercial banking legislation. In this tax fight we must be prepared—and we must not be complacent. Like myself, most of you have devoted most of your lives to building the finest reputation and public image for the institution we serve. I am sure all of us are determined to preserve, defend and build our true image and service to the American people. We cannot permit our reputation to be marred by innuendoes, untruths or false propaganda—no matter what or where or when.

Thus, today I have talked to you of the future. Indeed, we stand on the threshold of the 1960s, a decade of great challenges and great opportunities. The challenges and complexities should not be minimized. But the ability, courage, energy and willingness of the people in this business to work together provide ample reason for believing that the challenges will be met and the opportunities realized, and that the savings and loan business always will continue as one of the full and great members of the nation's fiscal family.

OUR RESPONSIBILITIES IN THE NEW ERA

by the HON. LYNDON B. JOHNSON

United States Senator

Johnson City, Texas

OVER THE YEARS I have learned that all men are experts on your business and mine—on how much you ought to lend and how much men in my field should spend. I do not come as an expert on your business. I do come, though, to talk with you about one vital area in which our two fields are closely entwined.

The institution of finance, especially that of savings, and the institution of government stand on the same foundation: the foundation of public confidence. A confident public is your opportunity. A confident public is your government's first responsibility. Thus your opportunity and the opportunity of our whole enterprise depend directly upon the responsibility of your government.

MONUMENT TO PUBLIC CONFIDENCE

The savings and loan business itself stands today as a monument to American confidence through nearly three decades. Public confidence, not only in your business but in our government and in the future, has afforded the climate in which you have grown. When I first went to Washington in the 1930s, there was only $115 million in Texas savings and loans; today the assets are moving toward $2 billion. In all sectors of our economy this same story is the story of our generation.

When we strip away the superficial, the hard fact of these past 30 years has been a revolution in public confidence. In 1929, residential construction in the nation amounted to only $3 billion; today it has increased by fourfold or more. In 1929, only 300,000 men went into debt to start new homes for their families; within 20 years, new starts were exceeding 1 million a year and ought to

be above that level now. From prewar to postwar (1940-1947), mortgages held by savings and loans doubled from $4.4 billion to more than $9 billion. By any measure, this is a record of a nation with confidence that reached deep through all the strata of the society to build a base for American prosperity.

TIME FOR OUR NATION TO MOVE ON

Some will say, as some have been saying for a good long time, that these gains are the fruits of our governmental policies in the 1930s. Personally, as a Democrat, I have no serious objection to that being said. I never object to anyone singing the praises of my party. While I would keep the melody, I believe it is time for the nation—and for both its parties—to move on to the next verse.

I remember reading a letter that one of our early presidents, John Adams, wrote to another great American, Thomas Jefferson. In that letter Adams said:

> While all other sciences have advanced, that of government is at a stand; little better understood; little better practiced now, than three or four thousand years ago. What is the reason? I say, parties and factions will not permit improvements to be made. As soon as one man hints at an improvement, his rival opposes it. No sooner has one party discovered or invented an amelioration of the condition of man or the order of society, than the opposite party belies it, misconstrues, misrepresents it, ridicules it, insults it and persecutes it.

John Adams would certainly feel at home in our nation's capital today. For today, like 146 years ago when he wrote those words, we very often find that parties and factions will not permit improvements to be made.

That is what concerns me in this realm of public policy as it relates to the public confidence. In no single area of public affairs has our knowledge increased more rapidly, or our application of that knowledge moved more slowly, than in the area of our understanding about finances and about the nature of our economy.

The change that is most important to us is the change that has occurred since 1929—the increase in the middle-income bracket of our population. Thirty years ago, there were only about 8 million families in the middle-income range; today there are more than 28 million. Middle-income families in 1929 received only $46 billion of income yearly; today, middle-income families receive over $175 billion.

In our times a great middle-income sector has been created within this nation. Here are the home buyers, the automobile buyers, the property owners, the debt payers, the savings account owners of the nation.

Never before has any nation in so short a time created so vital a class of responsible citizens. And the successful operation of our government and the successful operation of our economy depend upon the confidence of the members of these middle-income families.

We have made a revolution here in America. That revolution must be served. That revolution is not being served now.

NEEDS OF THE MIDDLE-INCOME FAMILY

The public discussion in American affairs is aimed, all too often, at the extreme. The great middle of American life is ignored, and out of that neglect is born a problem more severe.

There are pressing needs among our middle-income families: needs for larger homes and extra rooms, needs for paying the staggering costs of two or three or even four children in college together, needs for maintaining the standards of living which have nothing to do with the Joneses.

The greatest need of all is to guarantee those in the middle a chance to continue their rise, a chance to improve their lot each year. This is the source of confidence. Take away the chance for next year to be better than the last and you will begin to cross-section America, freezing men in static classes rather than freeing them to ride the upward wave of a growing land.

For one extreme of our society, the desire is to keep the lid on. For the other extreme, the promise is to take the lid off. The middle is not served by either course. Either course, like the course of governmental policy, can only breed among those families a fear that undermines their ultimate confidence.

To serve those families who stand on the middle rungs of the economic ladder—the new majority of America—we must pursue a course of prudent progress. We must be responsible to their needs and respectful of their capabilities and responsible to their new role in American life.

There are limits to what a man can do on an income of less than $7,000 a year—severe limits. America will not be America if we are indifferent to those limitations and allow the vitality of these families to drain away.

GUARANTEE OF GROWTH: EMPHASIS ON CONFIDENCE

We must guarantee these Americans a growing America and a chance to grow with it. We must guarantee them prudence in public finance and progress in public policy. We must be faithful to the trust that our policies have created for us, for the middle-income families of our nation are today the strong backbone of our economy. Aristotle once said—and we can agree with him now—that "the best political community is formed by citizens of the middle class . . . for the addition of the middle class turns the scale and prevents either of the extremes from being dominant."

To serve this trust, our first and greatest emphasis must be upon confidence. There is no true and lasting cause today for America to proceed into the management of its fiscal affairs with an attitude of defeat and despair. The talk we hear of bankruptcy, the talk we hear of collapse, is not responsible talk. It is not the talk of a nation blessed with a strong middle-income segment of families who aspire to be confident and to believe in their country.

Partisan politics is no just and proper cause to hold to the concepts of the 1930s, when those concepts already have completed their work. Partisan politics is no cause to turn back to the past and recklessly forecast disaster for the future against the measures of the past.

Fiscal policy is as much a part of our nation's strength as military policy or foreign policy. As we have drawn the line at politics in foreign affairs at the water's edge, so we need now an era of nonpartisan candor in regard to our fiscal well-being.

We need to build the public confidence, not destroy it. We need to serve the public's needs, not deny them. We need to work for a growth economy, not a static nation.

These are our needs. Our needs are our responsibilities.

The science of government must, during the 1960s, catch up with itself. We must honor what our past vision has wrought by exercising the vision now to serve the strength of our people. In their strength is the foundation of our economy, and in their confidence will be tomorrow's prosperity and tomorrow's greatness for America.

WHERE DO WE STAND?

by the HON. WILLIAM B. WIDNALL
United States Congressman
Saddle River, N. J.

MR. PRESIDENT, you presented a wonderful report, and I heartily concur with your appraisal of the skirmish ahead. I want you to know that I intend to be on your side of that skirmish and I know you have many friends in Congress who will support my own efforts to see that an equitable situation prevails. I thought both Doctor Weimer and you were most convincing in your appraisal of the future and the opportunities and possibilities for the savings and loan associations of the United States.

It is a real pleasure to be with you today. As President Mitchell stated, I have attended quite a few savings and loan meetings, and I always find the experience gratifying and rewarding. I have worked with your officers for many years now, and I can tell you that I have the highest respect for your legislative leaders—Henry Bubb, Norman Strunk, Steve Slipher and Glen Troop. These men, as well as many others, such as Emil Gallman and Warren Hill of the New Jersey League, have always been a source of invaluable information to me when it comes to prospective savings and loan legislation. I find them all to be objective, fair and mindful of the needs of other segments of our economy and respectful of the problems we Congressmen have, too. A working relationship like that is hard to beat, and I am sure it has resulted in better federal legislation.

I am delighted to know Bruce Alger, the fine Republican congressman who comes from Dallas. He is a very able representative and is a real fighter for good government. We also have from Texas two very eminent men: Sam Rayburn, speaker of the House, and Senator Lyndon B. Johnson, the very able member who leads the United States Senate.

Many people think that a member of Congress magically should know all the answers and should have his finger on the pulse of what is going on everywhere, not only in our own country but throughout the world. Of course that is a physical impossibility. Over 10,000 bills are introduced into Congress each year, and one cannot know what is in each one of them.

CONTINUING EDUCATION NEEDED TODAY

Certainly the world does not expect any of us to know everything, but if we are to make progress we cannot maintain a status quo in learning or skill. You may have seen a recent statement by Secretary of Labor James P. Mitchell, in a talk entitled "Good Jobs Are for Those Who Train." The figures compiled by his department show the unemployment rate among unskilled workers to be two and a half times as high as among the skilled worker and eight times as high as among professional and managerial workers.

Not long ago, many of our young people ended their formal education on graduation from high school or earlier. Today, to maintain one's place in the world, education must be a continuing process. Farmers, mechanics, beauty culture operators and skilled workers have to continue schooling to survive. Just recently, in the New Jersey county in which I reside, 600 teachers held a 10-week Space Age Workshop. Why? So that they could catch up with their Space-Age-minded pupils who had passed their teachers in Space Age knowledge.

What does this have to do with the savings and loan business? Change and pressures for change are forcing you to advocate and adopt entirely new programs in order to meet competition. How pleasant it might be if we could go back to the days when one could borrow, as my father did from the Hackensack Mutual Savings and Loan Association, on an 11-year loan—directly from the lender—no middleman, no discounts, minimum closing expenses and full value in the home, and not price-inflated by unseen costs. This we know will not happen, but we can endeavor to meet our responsibilities in this area better than in the past.

Harold B. Dorsey, in a feature article in the *Washington Post* of October 26, 1959, stated:

> Sooner or later, we must learn as England did, that we can no longer afford the luxury of inefficient industries and workers, or inefficiency in any sector of the economy. Further inflation here seriously threatens our already poor international balance of trade position—it threatens our economy—with a prospect of a lower volume of demand for our goods and services.

Have we the courage to face the facts as West Germany, France and England have done? Time will tell. However, it is a most important decision for the American people—a decision that Congress has to make in the immediate future.

SURPRISES IN FIRST SESSION OF 86TH CONGRESS

The first session of the 86th Congress was one of the most interesting and unusual Congresses in which I have been privileged to serve. You will recall that in the fall of 1958, to put it mildly, we Republicans did not win every major contest. The press and most of the other media described the new Congress as predominantly liberal. There were predictions that legislation emanating from this new group would be ultraliberal and budget-busting. Political prognosticators overlooked or failed to anticipate the leadership that would be exercised by the administration.

I am positive that if it had not been for President Eisenhower and the Republican leadership in Congress, the first session of the 86th Congress would have passed considerably more liberal spending programs than finally resulted. I say this without fear of contradiction, as the record speaks for itself. In practically every piece of legislation, the majority-controlled committees of Congress reported out bills that far exceeded the administration's request. For my purpose here, I need only to mention the housing bills. The Democratic-controlled Congress passed two housing bills that were vetoed, and it was only after substantial cuts had been made that the White House gave its approval to the third proposal—a reduction of almost $4.8 billion from the original housing bill.

Perhaps the biggest surprise of all came on the labor bill. While this might not seem as vital to you as more specific legislation on housing and on savings and loans, in the long run it is of major importance not only to your business but to the entire nation. If, in 1958, a correspondent or writer had predicted that this Congress would pass what was considered a conservative labor bill, he would have been laughed off the pages of our press. Again the political soothsayers underestimated the power of the American citizens' control over Congress. This public reaction in favor of legislation to curb abuses in the labor movement was the key factor in making it possible for the 86th Congress to pass a strong and sensible labor bill. The response of Congress to this demand should reaffirm the public's faith in our system of government and should educate the cynics and the pessimists who feel that labor or any other single group can continually dominate Congress.

Another interesting fact about this session of Congress which came as a surprise to some was the reactivation of the so-called "conservative alliance" between some of the Southerners and most of the Republican members of the Congress. The operation of this group was so effective that we were actually able to hold the line on our spending programs better than when we had a larger number of Republicans in Congress. Keep in mind, however, that this feat was accomplished only because we had the full and complete leadership and support of President Eisenhower. I am not attempting to make a political speech but I do think it is important to get this point across, because I am sure that many members of the majority in Congress will take credit for a balanced budget and a reasonable legislative program whereas in reality it was the administration's persistent efforts which enabled us to balance the budget.

LEGISLATION FAVORABLE TO SAVINGS ASSOCIATIONS

Some of the actions this Congress took are of more specific interest to you folks. This session of Congress was one of the most successful ones in many years insofar as your business is concerned. As far as I know, you received just about everything you sought from the Congress. This is a good indication that your requests were reasonable and in the public interest, and bodes well for your success in the coming skirmish with the banks.

First of all, two sections of the housing bill deal exclusively with savings and loans, namely, the loans for home site development and an increase in the participation loan ceiling. As you are well aware, the Housing and Home Finance Agency and some high administration officials were opposed to this land development provision. I did not share their concern and I thought that they were unduly antagonistic toward what I believed was a reasonable extension of your lending authority. Many state-chartered savings and loan associations already had this authority and, if used properly, it can increase the usefulness of federals to the public. However, with all the objections raised by the Housing and Home Finance Agency, it is incumbent upon you to make certain that this new program works fairly and effectively. Any misuse of this program would result in bad public relations with Congress. Any abuse of this new authority would let down the Congress after it has expressed its faith in your business that such authority would be administered with common sense and complete fairness.

The participation loan program is a fine program that can help more evenly distribute home financing funds throughout the country. I supported this provision and of course was pleased that the administration raised no objections.

There were three bills passed by Congress that dealt in their entirety only with the savings and loan business: the very important holding company act, the clarification of insurance of accounts in community property states, and the so-called San Francisco Bank bill granting the Federal Home Loan Bank Board permission to increase the board of directors of certain Federal Home Loan Banks.

This was quite an accomplishment by your business, and the reasons we in Congress supported you are very simple: you have been fair, you have been objective, and your requests are reasonable and in the public interest. I hope that you will continue to advocate such programs and that you will be "intelligently selfish" and realize that in the long run your interest must be good for the public's interest.

You have a tremendous responsibility in financing over 40% of home purchases; and as projected here today, it will be 50% in the not too distant future.

I urge you to do the job as economically as you can. Frankly, I was more than a little disappointed that when the FHA rate was increased to 5¾%, it was still believed necessary to charge several points discount. I realize that this is not entirely of your making and I realize the economic facts of life. I also realize that we in Congress and you as mortgagees will have to devise programs for the future that will enable us to do a better job of financing homes for the American people. Perhaps your proposal for a secondary market for conventional loans will materially aid or assist in this field. I urge you to concentrate your efforts on improving the nation's ability to finance housing.

THE TREASURY'S 'MAGIC FIVES'

Something new was added to the management problems of the savings industry this year. That something new is a level of government interest returns substantially above that paid by your institutions to your savers, and widespread publicity of that fact. It is a potential new source of competition for the savings of your customers.

Actually, although the interest return differential has existed for some time, it was the Treasury's recent offering of four year and 10 month, 5% notes, the "magic fives," which dramatized this fact. Some of you in institutions experiencing withdrawals by your customers for the purchase of the new Treasury "magic fives" were suddenly, and in a few cases probably painfully, aware of this development. Most of you probably still have the experience ahead of you.

It might be worth while to discuss some of the implications of this new competition for savings.

Actually, the interest return differential in favor of marketable government securities over the return on savings accounts has existed for some time. I have been interested in that fact and on many occasions have queried my friends in the savings and loan business as to whether or not they were noting any tendency of their savers to shift savings accounts to government securities. Invariably the answer was "no," and invariably the explanation was, "You see, our people are small savers. They are not sophisticated investors."

While the average size savings account in your institutions is just over $2,000, you nevertheless do have a substantial number of savers with larger balances, which in relation to total volume of savings are quite important to you. I think that maybe you have misjudged a bit the financial sophistication of your savers. Within your own business you have educated them to rate differentials. Within an area, a ¼% or ½% rate differential transfers funds from one savings and loan association to another, and a ¾% or 1% rate differential even shifts savings funds clear across the country. I think you will make a mistake if you let this "our savers are not sophisticated investors" concept lull you to sleep against the pull of a 4¾% or 5% government security return as against a 3½% or 4% return to your savers. Particularly is this true when this new challenger for savings is United States government credit which has caught the public fancy to such a phenomenal degree as have the "magic fives."

Prior to the announcement of the October offering of approximately $4 billion Treasury notes, market experts were guessing that it would consist principally of a short-term type of investment with maybe a $200 million to $500 million offering in four- or five-year notes. If such a note offering were to be made, current yields then existing in the government securities market quite clearly indicated a 4⅞% or 5% coupon. With the announcement, the first big element of surprise came in the amount, which was set at $2 billion. The next big element of surprise came in the way the public went for it. Some 108,000 subscribers for amounts up to $25,000 accompanied their subscriptions with full cash payments to assure full allotments. They purchased a total of $940 million.

I think it is safe to conclude that probably the Treasury itself was surprised at the response of the "unsophisticated investors," because the issue was offered only in the form of bearer notes; that is, the notes are fully negotiable in the hands of the holder. There is just no question about it: that offering demonstrated that the unsophisticated investors can be educated fast.

There will of course be additional Treasury cash offerings from time to time, with the next one probably coming the latter part of this month. No one now can foretell what the rates or terms will be, but you can be sure they will be attractive in relation to the then existing market. Additional small "unsophisticated investors" probably will be gunning for the new issue. The "magic fives" caught so many small investors by surprise that they were not then educated and so missed the boat.

Some of this new crop of potential government security investors were doubtless frustrated by the November refunding operation just completed, in which the new four-year 4⅞% notes could be acquired only in exchange for existing outstanding obligations. After all, buying an existing issue to obtain the exchange privilege for a new issue is a little too sophisticated an operation for a new-crop investor. Accordingly, it appears to me that a very substantial number of new-crop investors will be ready to go for the next Treasury cash offering.

MEETING THE CHALLENGE OF THE 'MAGIC FIVES'

Your business can do something about this new problem. While you have to live with it, you need not suffer in public relations; in fact, you probably will gain, if you live with it in an intelligent sort of way. Let me give you an example.

The executive vice president of one of the large New York savings banks told me that early on the day of the offering of the "magic fives," it became apparent that there was terrific customer interest in the issue, so the bank hurriedly set up special desks and installed a crew to answer customer inquiries and enter customer subscriptions. A neighboring savings bank competitor wanted no part of shifting funds from savings accounts to government securities. A savings customer of both institutions, when told by the second institution that it could not enter a subscription for him, pulled down his balance in that institution, went over to the first institution, entered his subscription and paid for the notes with funds drawn entirely from the other institution which had refused him the service. This customer told the officer of the institution that had accommodated him that originally he had intended to pay for his subscription by drawing down equal amounts from his two savings accounts. You do not have to be from Madison Avenue to realize that the one bank was hurt from a public relations point of view, at least as far as that customer and his friends were concerned.

So I say, get ready to live with this new form of savings competition if you have to, but do it in an intelligent sort of way. Just in case there is widespread interest in the next cash offering, be ready for it. Have the mechanics of your subscription entering line cleared, have your desks ready and, above all, have some informed personnel ready to man them.

You may have noted from the press that the Treasury Department extended the registration privilege to the four-year 4⅞% notes just offered in the November refunding. Also, the press reports that the Treasury will arrange to extend the registration privilege not alone to the October issue of the "magic fives," but also to the earlier issued 4¾% notes dated last July 20 and due May 15, 1964. That evidences recognition by the Treasury of the widespread and perhaps growing interest of the new-crop small investors in Treasury marketable issues. Doubtless the next cash offering will carry the registration privilege.

Your personnel handling customer interest in that issue should be prepared to explain not alone the added safety factor provided by registration but also the penalty in market price that attaches to registered securities as against unregistered bearer securities which are freely negotiable in the hands of the bearer.

Please do not get the impression that I am urging you to go out of your way to aid your savers in drawing down account balances and buying marketable government securities. What I am saying is that, with the present level of government security interest rates, some of this shifting is inevitable and that with some of you it will become an even more important competitive problem. Before you become too disturbed over it, take comfort from the fact that for the past two or three years your institutions have been benefiting by the transfer of funds from savings bonds to associations. This competition in a sense simply means that some of these funds are going back home.

SUPPORT REMOVAL OF CEILING ON LONG-TERM GOVERNMENTS

There are of course certain things the savings and loan business can do to eliminate this new competitive problem, and I don't mean by jacking up your own dividend rates. For instance, you can throw your support back of the Treasury's request that the Congress remove the 4¼% ceiling applicable to over-five-year Treasury securities so that the Treasury will be able to do its financing under the most favorable market terms existing at any given time.

Sale of long-term Treasury issues in appropriate amounts at appropriate times can lessen inflationary pressures, relieve the acute congestion now present in the short-term market and save interest costs with general benefit to the entire community. I am aware of the argument that sale of long-term Treasury bonds can pre-empt long-term money from the mortgage market. With certain types of long-term investors, such as insurance companies, that can be true; and that is one of the problems in determining "appropriate amounts at appropriate times" for long-term Treasury offerings. That argument, of course, has little application to you as lenders, because only to a very limited extent do you invest funds in long-term governments.

As a matter of fact, strictly from a selfish viewpoint, your business stands to suffer more from a relatively short-term, highly competitive Treasury security than you would ever lose to a moderately competitive long-term Treasury issue. Your savers, as new-crop, potential Treasury investors, will be much more tempted by a security which they know will return their investment intact at maturity in three, four or five years than they will by a long-term government security which they know can and does fluctuate in price. Your savers read the papers and are certainly not unsophisticated investors as far as that fact is concerned.

INSIST THAT CONGRESS CONTROL SPENDING

Another thing your business can do is to insist that the Congress get control of spending. You will have a specific opportunity in connection with housing legislation in the next session of Congress. As you know, for the past four or five months, private housing starts on a seasonally adjusted annual basis have shown a tendency to decline. Already we hear rumblings of an additional billion dollars or more for Fanny May special assistance purchase of mortgages. That is just that much more government spending, and it is just that much more government competition with you on the lending side of your operations.

Apparently lost sight of is the fact that the 5% increase in private housing starts estimated by the experts for the year at the start of 1959 has grown to an estimated 15% increase as the year has progressed, notwithstanding the recent slackening in starts. Also lost sight of is the high level of employment which, but for the disruptive effects on general business of the steel strike, would be at an even higher level. With the strong underpinning our economy enjoys as of now, it is difficult to foresee any emergency justifying any additional billion or more of Fanny May federal spending. You can be sure, however, that the doom prophets both in and out of the Congress will be pushing for such a spending program. You can do yourselves and the country a service by vigorously opposing any such measure.

OUTSTANDING GAINS IN MORTGAGE LENDING

Certainly, in this tight money market, the savings and loan business has performed well—even, I might say, beyond the call of duty. The year 1958 was the best in your history, with your institutions making $12.3 billion of mortgage loans, or more than 8% over your previous record year—1955. Then along came 1959, and in the first nine months you have made $11.8 billion of mortgage loans, almost up to the $12.3 billion of such loans for the entire year of 1958. On a straight comparative basis, relating the first nine months of 1959 to 1958, you have shown a whopping gain in mortgage lending of over 33%.

Important factors permitting this big gain were a $4.5 billion net increase in savings and indicated loan repayments of $6.5 billion. Balancing the flow of funds in and out of the associations indicates a draft on balance sheet position (reduction of cash items or increase in debt) of about $800 million, suggesting that you have even been drawing on the future a bit in your lending. However, notwithstanding that fact, we can look forward with assurance to another good year with more than $52 billion of mortgage balances on the books. From them you should have over $8 billion of repayments available for new

mortgage lending. The volume of lendable funds from that source alone would exceed the total of your new mortgage lending in 1953 and would approximate two-thirds of the business you did in 1958.

POLITICKING IN THE NEXT SESSION OF CONGRESS

And now a word about the second session of the 86th Congress. It is no surprise to you that next year will be a congressional election year. Further, it is no surprise to you that in an election year there is considerable politicking in the halls of Congress. This year we had to have three housing bills before we finally passed one that President Eisenhower would sign. If this year's maneuvering is any indication of what will come in the second session, then my best guess is that there will be very little housing legislation.

Those members of Congress who feel that an ultraliberal housing bill is necessary—at least for their election if not for the nation's economy—will, I presume, seek to send to the White House one of the biggest housing bills seen in many a year. I presume that such a bill would fall to the same fate as the first two bills of this session. It will then be incumbent upon the majority party either to openly compromise and write reasonable legislation or face the possibility of no housing legislation. Herein the political lines will be sharply drawn. The American public will have to decide about this time next year whether it wants free-wheeling federal expenditures, further inflation and fiscal foolishness or whether it wants a sound and reasonable program which calls for fiscal responsibility, a sound dollar and reasonable government aids to the housing industry. I hope, of course, that they choose the latter. I can promise you that I shall be working for that with every ounce of energy I can command. I am looking forward to this next session and to a continuation of my fine relationship with you and your business in behalf of the best housing legislation possible.

A SHORT LOOK BACKWARD AND FORWARD

by HORACE RUSSELL, *General Counsel*
United States Savings and Loan League
Chicago, Ill.

ON DECEMBER 31, 1959, I retire as general counsel of the United States Savings and Loan League. It is with a great deal of satisfaction that I contemplate these 22 years of service in that position, the previous six years as general counsel of the Federal Home Loan Bank Board and the previous eight years in a local association in Atlanta, making a total of 36 years that I have studied the savings and loan business.

Especially I appreciate the experiences that I have had, and I shall always be grateful for the many kindnesses shown to me and the many friends I have in the savings and loan business. It is most pleasing to be able to say that in my opinion the United States Savings and Loan League is rendering the best service of any trade association in the world. It has had great leadership in the past; but Mr. Norman Strunk, the present chief executive, is using his great executive capacity uniformly to get good results in all departments.

The legal situation of the League and the business is very satisfactory. For the future, T. B. King, Washington counsel, is particularly suited to his responsibilities. As counsel and director of the Loan Guaranty Service of the Veterans Administration for many years, he did the best job I have ever seen in Washington. His knowledge, experience and ability can be invaluable to the League. William Prather for eight years has done an outstanding job in Chicago and is nationally recognized as outstanding in savings and loan law. Mrs. Jean Gillis Harth and Thomas Pfeiler in Chicago are well trained for fine work in our very specialized field of law.

Looking backward, the savings and loan business was a very simple business for its first 60 years. For nearly all of that

period it was local and mutual. It was not publicly inspected, examined or supervised, and yet it rendered one of the greatest services in the field of thrift and home ownership. In the 1880s the good will of the business had grown to such an extent that promoters, good and bad, entered the business and organized what were known as "national building and loan associations." Many of them milked the business very heavily for a number of years. The result was very heavy losses in the depression of 1893-1898 and great injury to the good name of the business.

Looking forward, need I say more about the activities of the current promoters whose savings and loan holding company stocks are being listed on the stock exchanges and sold over the counter, and at prices several times any reasonable value? The Savings and Loan Holding Company Act is a step in the right direction. To protect fully the good name of the savings and loan business, however, requires careful study and close watching.

BIRTH OF THE U. S. LEAGUE

In 1892 the United States Savings and Loan League was organized, primarily to protect local mutual savings and loan associations against the activities of the national building and loan associations. The very diligent and fine work which was done at that time was pointed primarily to the protection of local and mutual character, protection against the activities of the promoters and their national building and loan associations, and the securing of public inspection, examination and supervision. It is enough to say how fine this work was and to point out that there were almost no losses from 1900 to 1930 and that the losses in the long depression from 1930 to 1935 were nominal. In no year were aggregate losses more than about ¼ of 1% of aggregate assets. In other words, after deducting all losses, the business through this long depression earned and paid a net rate in the aggregate of about 4% per annum.

Looking forward, need I say more about the dangers of widespread and interstate operation and about some of the new practices of buying mortgages throughout the United States, the establishment of branches and agencies in widespread areas, and the purchase of participations in mortgages? Outside the savings and loan business, mortgage participations in the last long depression were the most disastrous of any mortgage lending. These questions deserve very careful study.

THE LATER YEARS

The Federal Home Loan Bank Act of 1932, Home Owners' Loan Act of 1933, Federal Savings and Loan Insurance Corporation statute enacted in 1934 and improvements in state laws in this period have provided not only (1) safety, which was the objective in 1893, and (2) comparatively high earnings, which have prevailed for more than 100 years, and (3) much greater convenience, but also (4) much greater availability of funds. The modern savings and loan association is a far cry as a corporate vehicle from the par value capital stock corporation organized under the general corporation laws of earlier times.

The modern savings account concept with a variety of savings account contracts suited to the needs of the customers has tended to cause the public to accept the savings and loan business as its preferred savings medium. The modern, flexible mortgage contract has changed the attitude of the public from one of sharp criticism of the building and loan mortgage to one of the highest commendation of the modern savings and loan mortgage. All of this has been accomplished within the bounds of safety, availability and convenience, with a reasonable yield.

During this period, two theories of supervision have developed. One is that the supervisor should promptly enforce law and regulation specifically as violations are discovered. The Federal Home Loan Bank Board since 1954 has been given power to enter its specific order—and to have it enforced by contempt proceedings—which includes the power to send to jail if the order is not obeyed. The other theory is that the law and regulations should not be too specific but should authorize broad discretionary power so that the supervisor can exercise his best judgment in each case. In pursuit of this theory, some supervisors have neglected or declined to enforce law and regulations specifically. Instead they have built up a basket full of charges over a period of years and finally sprung a legal trap against a management which the supervisor has decided to remove. Then, upon an adjudication that all these acts charged constitute operation "against the public interest" or "unsafe and unsound," the institution is seized and the management is ousted.

The trouble about this procedure is that a management may be entirely able to defend itself against specific charges but unable to defend against the legal trap. It is the old problem of the rule of law or the rule of men. It is the American theory against the European theory. It is one theory under which men are able to defend their liberties against the other theory under which the government, or even the petty bureaucrat, is able to deprive citizens of their life, liberty or property without due process of law.

The League has requested an amendment of the federal law so that the Federal Board would be required to proceed specifically to enforce law and be prohibited from seizing institutions which are solvent if the alleged wrong could be otherwise corrected. Such an amendment would not only protect many individuals in management but many fine institutions, the business as a whole

and the public interest. Need I say more about the necessity for the League and the business continuing to be alert?

The prospect as we look forward shows that we have about 23 million families saving money in savings and loan associations with average balances of about one-half of one year's earnings, and we have about 3 million families purchasing homes on a basis which leads to debt-free home ownership through savings and loan associations. These are great accomplishments. The prospect is that the present rate of increase in this business will continue. We have more than 50,000 people working for savings and loan associations under the best working conditions in the history of the business. Nearly half of these people are members of the American Savings and Loan Institute, and nearly one-fourth of them are actually studying the business by mail or in local study groups or chapters. Not only are working conditions and compensation better than ever before in the business, but also the best provisions are being made for retirement. All of these are good prospects. It should be pointed out, however, that further studies and improvements must be made in the laws of the land, in our savings contracts and in our mortgage loan contracts and practices. Further progress must be made in the development of better-educated personnel for such a going business and particularly for executive management.

TAX PROBLEMS

Perhaps the greatest problem of the savings and loan business in the next few years is the problem of taxes. I, personally, have the greatest confidence that the federal income tax status of the savings and loan business can be maintained. This is because the United States Treasury now derives (collected as income tax against the owners of savings accounts) approximately $5.00 per thousand dollars of assets of the savings and loan business in annual revenue. This is about the same amount of revenue derived by the government from banks and their stockholders and their savings depositors per thousand dollars of their total assets. It is also about the same amount of revenue that the government will derive from the insurance companies under their new tax formula, and the government gets no tax from the policyholder-owners or their beneficiaries of the great mutual life insurance companies. However, this is a situation which deserves the most diligent attention and the most vigorous defense, because the National Tax Equality Association, the Bankers Committee on Tax Equality and others are spending very large sums and are materially misrepresenting the situation.

State taxes will probably present the greatest problem in the next few years. This situation should be viewed with regard to the total tax burden. In view of the fact that it is generally admitted that American homes are about the most heavily taxed assets in the country and in view of the fact that any kind of tax or taxes on the mutual savings institutions of these same home owners has to be paid by them, it is surprising that this should be a problem.

At present, state taxes vary from very little in a few states to very heavy multiple taxes in other states. In some states it is as high as five or six mills on total assets or higher. The states are levying ad valorem taxes, mortgage taxes, franchise taxes, gross receipts taxes, savings accounts taxes, recording taxes and others on the associations. Under federal law, national banks can be taxed in only one way, and state banks generally get themselves taxed the same way. Investigation indicates that generally the state and local taxation of bank assets does not exceed about one or two mills on total assets. As the associations are confronted with excessive taxation, experience indicates that the best solution of the problem is to take the bank tax law; change the language from "full value of the capital stock" to "full value of the capital, surplus, reserves and undivided profits" (meaning the excess of assets over liabilities, including liabilities on withdrawable accounts); and enact the law for savings associations, making it exclusive, as it is for the banks.

SOME ADMONITIONS TO SAVINGS AND LOANS

Finally, then, as I retire I urge that we prize highly the corporate vehicle, the savings system, the mortgage contract, and our savings and loan business as now organized and operated, including its special terminology, and endeavor to improve and perfect it. I urge that savings and loan people not yield to the temptation to adopt exclusive bank terminology and endeavor to be looked upon as commercial bankers. I urge that the greatest care be exercised in extending branch operations, interstate operations, widespread purchase of mortgages, and mortgage participations and other innovations. I think the facts are that we can preserve our local savings and loan business with its own terminology and substantially within its own present field of operations and attain a better reputation and standing than commercial banking or any other field of finance.

Some of us recollect that the bankers were not in very good odor in 1893, 1921 or 1933, and we would hesitate to see the savings and loan business seek or accept the same status. There are good reasons for specialized local thrift and home financing institutions, and good reasons why they can be made the most favored savings and home financing medium of the future. To preserve our present gains and to attain that status, however, we need to preserve our specialized character, including some specialized terminology.

THE CONTRIBUTION OF HORACE RUSSELL

FOR 35 YEARS Horace Russell has made an outstanding contribution to our business through his leadership, keen insight and untiring dedication: first, to the savings and loan institutions in Georgia; later, on the national scene in Washington, D. C., in the very important formative years of the Federal Home Loan Bank System; and, for the past 22 years, as general counsel of the United States Savings and Loan League. As he approaches retirement it is fitting for this organization to express its esteem and appreciation to this man who has contributed so substantially and uniquely to its well-being and its members.

To Horace Russell, more than any other individual, goes the credit for the almost single-handed shaping of the modern concept of savings and loan law. Not only is this true in the field of actual legislative drafting, litigation, opinions and interpretations, but it is especially true from the standpoint of his development of a legal philosophy for the business. Mr. Russell's ardent advocacy of the positive approach to law and business more than any other factor has brought about the modernization and improvement which exist today in the savings and loan legal area. Like other men of stature in his profession, he conceives it to be the lawyer's function to expedite rather than hinder, to help his client rather than to present reasons why a program would not be possible, to be a businessman as well as a theorist.

Horace Russell has no peer in his profession, and is an educator as well. He teaches without seeming to teach. He suggests the proper approach to a problem, but requires the student to make his own decision. He works diligently and accomplishes much, but without seeming to labor and without vanity in his accomplishment.

Unusual among lawyers is his belief in and adherence to simplicity. The concise, short Home Owners' Loan Act, drafted by him, is a splendid illustration of his work, as is the Model Savings Association Act, designed to promote modernization and uniformity of state savings association laws.

His pioneering achievements on behalf of the business are almost too numerous to mention. Perfection of the savings account contract is an example. The flexible mortgage contract with its open-end clause and package provision was largely his creation.

We have said nothing of the human qualities that make Mr. Russell the lawyer and man he is. He is intelligent, penetratingly so. His humor is natural and spontaneous. He is courteous and friendly to all. In addition to integrity and absolute honesty, he is loyal to his profession and to his affiliations and, above all, to his principles and ideals. He is broad-minded and adaptable; he seeks out the new idea, rather than considering it reluctantly. Most important, perhaps, his mind is forever young and filled with enthusiasm. Grounded in the long history and great traditions of the law, Horace Russell is nevertheless a modern lawyer.

> NOW, THEREFORE, BE IT RESOLVED, That the Board of Directors of the United States Savings and Loan League, on behalf of its member institutions, the savers and borrowers in those institutions, and the entire savings and loan business, tender its heartfelt gratitude to Horace Russell for his splendid service and devotion, for his great and unique contribution to the material and philosophical well-being of that business and, hence, of the nation.

MUTUAL THRIFT INSTITUTIONS IN THE MODERN AMERICAN ECONOMY

by JOHN DELAITTRE, *President*

National Association of Mutual Savings Banks

Minneapolis, Minn.

YOUR COURTESY in asking me to speak here today is reminiscent of the past, particularly so because it was exactly 10 years ago this month that you asked my chief, Henry S. Kingman, to be the first mutual savings banker to address a savings and loan convention.

Henry Kingman, who is now chairman of the Board of Trustees of our bank, is a great savings bank leader and has long been a man of vision. He helped pave the way for our two thrift industries to draw together. In speaking to you 10 years ago he said: "It seems to me that the savings banks and savings and loan associations ought to gather around the table and present a united front." As his successor in our bank, as his 10th successor in the presidency of the National Association of Mutual Savings Banks, it is an honor for me to be following his hope and his footsteps to this platform today.

Let us take a brief look at what has happened to our two thrift systems in those same 10 years. Taken together, savings and loan associations and mutual savings banks late in 1949 had just over $30 billion in savings accounts. Today that figure has dramatically become more than $85 billion. In the meantime your industry has sailed well past us in total size, but we remind you that mutual savings banks operate in only 17 states, whereas you cover all 50. In those 17 states, mutual savings banks have $34 billion in savings, and your institutions have about $24 billion. We are trying to give you strong but friendly competition, and we believe you agree it should be that way.

In the same 10-year period, mutual savings banks have substantially increased the proportion of their assets invested in mortgages, and our two industries have increased their combined total investment in home mortgages from $15 billion to $65 billion, using round figures. This illustrates the tremendous service we both are performing in the creation of more and better American homes, resulting in more truly American families. It gives me a deep sense of satisfaction to know that the savings of millions of Americans, invested through our thrift institutions, have produced a better way of life through home ownership. You of the savings and loan associations of the United States may be justifiably proud of the outstanding part you have played in the housing field.

GROWTH OF OUR TRADE ORGANIZATIONS

The past 10 years have also produced marked strengthening of the trade organizations representing our respective industries. Your United States Savings and Loan League, now completing its 67th year, has greatly increased its stature. Particularly do I commend it for its educational facilities through motion pictures and publications. The American Savings and Loan Institute and the Society of Savings and Loan Controllers are splendid adjuncts to the U. S. League. Congratulations are in order to Bob Mitchell, president, and Norman Strunk, executive vice president, for their devoted leadership of the U. S. League. It has been a pleasure to work and confer with both of them.

Our own National Association of Mutual Savings Banks has likewise gained strength and maturity in recent years. Representing, as it does, nearly all of our industry, we expect it to speak for us effectively in national matters, be they in Washington or elsewhere. We are happy with the untiring work of our executive vice president, Dr. Grover W. Ensley, and his staff. Recently our national association opened an office in Washington, D. C., in addition to our main office in New York. Next June we will open a Graduate School of Savings Banking at Brown University, which is planned to be in addition to the Management Development course our industry has sponsored in recent years at Dartmouth College. From these brief remarks you are aware that we, too, have a national organization which serves us well.

Before leaving this subject, however, I do want to mention and stress the importance of another organization which exists exclusively to serve the cause of thrift, which is open alike to savings and loans and to savings banks, which is a most appropriate common meeting ground for our thrift industries and yet which neither of us supports in anywhere nearly sufficient numbers. I refer to the National Thrift Committee, which has its home office in Chicago under the direction of its devoted executive secretary, Miss Helen White. We have urged our savings banks to avail themselves of membership in the National Thrift Committee. At various times the National Thrift Committee has sponsored stimulating thrift conferences on local or regional bases, and I am now going to be so bold as to suggest that it consider holding a truly National Thrift Congress! What could be more appropriate for the promotion of thrift across the nation and for the preservation of the soundness of the national economy.

NEED FOR THRIFT AND THRIFT INSTITUTIONS

If mutual thrift institutions have played a vital role in the economy in the past, is it likely that they will be less important in the future? Those who would answer in the affirmative betray a lack of understanding of the central economic problem confronting the nation. It is widely agreed by thoughtful people in all walks of life that the economy will face for a long time to come the problem of achieving economic growth without falling prey to inflation. It is equally widely agreed that an increasing flow of savings is indispensable to the solution of the problem.

Only through increased thrift can the tremendous needs of American families for housing, of business for plant and machinery, and the government for long-term funds be realized without inflationary increase in the money supply. Only if the flow of savings to the housing industry is adequate, can we have much hope of preventing further expansion of direct federal lending in the housing field.

The prime role of thrift was well expressed in a recent statement by William McChesney Martin Jr., chairman of the Federal Reserve Board:

> In any list of national needs, savings must be given prominent rank. Not only because savings are means by which responsible individuals provide for the protection of their families as well as for their own security, but also because savings are the source of loanable funds needed for more and better schools and hospitals and improved housing and highways and other facilities. Thrift benefits the individual, the family, the community, and the nation. Practicing thrift is essential for us all.

As the need for savings will be great, so will the need for sound, alert thrift institutions. Providing the savings needed by our growing economy is not a part-time job or a job that can be handled adequately by institutions which are interested in thrift only intermittently.

In keeping with American tradition, we believe that more, rather than less, competition for savings would be beneficial to the economy. Let it be competition in service and reward to the saver, however, without specious tax arguments or hostile efforts by one industry to "smack down" another.

DISTINCTIVE QUALITIES OF MUTUAL THRIFT INSTITUTIONS

At the root of much of the criticism which we have received from some members of the financial community is a lack of understanding of the nature and functions of mutual thrift institutions and their unique role in the financial system. There are those who question the need for mutual thrift institutions in the future. They contend that the conditions which gave rise to and justified the growth of mutual savings banks and savings and loan associations no longer exist and that our customary functions can be assumed by commercial banking. This contention, combined often with a misunderstanding as to the tax status of mutual thrift institutions, has led some to give their support to certain individuals and associations that are now seeking to cripple the thrift industry to their own advantage.

Two qualities distinguish our mutual thrift institutions and have made them indispensable to the economic well-being of the nation. The first is that we are specialists in the promotion and encouragement of thrift. The second is our mutual form of organization.

The specialization to which I refer dates back to our beginnings. Savings banks were founded by public-spirited citizens who recognized the need for specialized institutions to provide people of modest means with facilities and incentives for personal saving. Savings and loan associations were founded with the principal objective of providing a pool of funds from which members could borrow to buy or build a home. Both groups have perfected their original specialities, while at the same time responding to economic changes which have tended to bring them more closely together, even to the point of striking similarities with respect to their operations, their investment policies and the regard with which the public holds them. Most emphatically we contend that our two types of institutions today are as much needed as they ever were, not only by their individual savers and members, but also by the entire financial community and nation. Our functions cannot be performed consistently and effectively by department-store type financial institutions.

The second distinguishing quality of our two businesses is their mutual form of organization. Mutuality is, in fact, the real and basic issue implicit in all the arguments of our critics and detractors. There is the clear inference in much of what they say that mutual business organizations have no proper place in an economy where private enterprise is the more general rule. Nothing could be further from the truth. Mutuality is not merely a matter of tradition, although that, too, is important. Mutuality need not be justified by the experience of nonprofit institutions in the field of philanthropy, although they also are in the best sense an American heritage. Mutuality has a rightful place in the

business world, existing concurrently and competing fully with stock-owned enterprises and organizations. How is this so?

We believe in free enterprise and ~~in~~ the free action of the money markets. Capital should flow where it is naturally inclined or attracted by the possibilities of reasonable and adequate return on private investment. A moment's thought will convince anybody that there are certain borderline areas in a free economy into which private capital will not freely move because it has no likely chance of being well rewarded. Would anyone seriously contend that we are socialistic because our postal services are nationalized? In how many cases do you find municipal water facilities under private ownership? How frequently of late have the mass transportation facilities in our metropolitan areas shifted from private public ownership? Is there not a legitimate place in our economy for mutual insurance companies, for mutual investment funds and—if for them—for mutual savings banks and savings and loan associations? In all of these areas the possibility of income or capital gains to the private investor is too small to attract the capital required for efficient and effective service to the great masses of our consuming public.

One of the safeguards or safety valves of a free enterprise system is that it leaves room for individuals to engage directly and for themselves, by mutual or common efforts, in fields where private capital is not likely to go. If this opportunity did not exist, it is likely that the state would have to perform these functions through public ownership, because the services performed are essential to a well-rounded economy and cannot be ignored. If we did not have mutual savings banks in this country, there is a good chance that we would have state savings banks, as many European countries actually have.

So, mutuality needs to make no apologies for its existence. It justifies itself in the thrift industry by promoting individual savings, by combating inflation and by adding greatly to the national welfare. It is entitled to and must receive, under the statutes of taxation and all other laws and regulations properly pertaining to it, the kind of treatment which may fairly give it a chance to survive and prosper. Congress, in removing the specific exemption of mutual savings banks and savings and loan associations eight years ago, wisely and of necessity recognized the fact that these institutions could accumulate only through retained earnings the surplus and reserves necessary for the protection of savers and shareholders.

More objective observers are well aware of the distinctive features of mutual thrift institutions, as shown by the committee report adopted last month by the National Association of Supervisors of State Banks, an impartial group with long experience with both commercial banks and mutual savings banks: "The Committee recognizes the fundamental differences in character and operations between commercial banks and mutual savings institutions." To those of us who devote our lives to the thrift industry, it would seem undeniable that mutual thrift institutions have unique qualities and functions that are beneficial and useful to the public.

MISCONCEPTIONS OF THE PRESENT TAX PROVISIONS

In view of the vital importance of a healthy, vigorous thrift industry to a sound, expanding economy, the issue of taxation is one of major significance not only to those concerned directly but to the public generally. Shortsighted tax policies could weaken the thrift business to the detriment of the saver and the whole economy. Enlightened tax policies, on the other hand, would contribute substantially to the achievement of economic growth and price stability. It is unfortunate, therefore, that the current tax controversy is replete with misunderstandings. It is commonly implied, for example, that mutual thrift institutions are "beyond the reach of the federal income tax," a charge which of course ignores the fact that we are subject to the same tax rate and general regulations applying to all corporations, including commercial banks. The only significant difference is in the way savings banks and savings and loans are allowed to determine deductions for additions to bad debt reserves. This difference is particularly vital in view of the degree of risk exposure involved in mortgage lending and long-term investment. Whether the tax position of savings and loan associations and mutual savings banks is examined with reference to the broad provisions of the corporate income tax or to the treatment of other mutual thrift entities, it clearly is misleading to use the words "tax favoritism" in referring to our institutions.

A second misconception stems from comparisons made between the amount of taxes paid by commercial banks and the amount paid by mutual thrift institutions. These comparisons ignore the fact that the greater part of the taxes paid by commercial banks is attributable not to their savings departments but to their commercial business, from which most of their profits are derived. They ignore also the fundamental fact that mutual thrift institutions have little net income properly subject to corporate income taxation, because they provide their services at cost. Any earnings retained by mutual thrift institutions are retained solely for the purpose of protecting the saver and, for practical purposes, cannot be realized by the saver. Commercial banks, in contrast, retain profits which stockholders realize either through dividend distributions or increases in the value of the banks' stock. Differences between commercial banks and mutual thrift institutions with respect to the amount of taxes paid reflect the basic differences between stock-owned institutions which earn taxable profits and mutual institutions which do not.

Another popular misunderstanding is the comparison frequently made by commercial bankers between the so-called "tax-free bad debt reserve of 12% of deposits" that has supposedly been granted to mutual thrift institutions, and the bad debt reserves permitted commercial banks. As anyone who cares to look it up will see, mutual thrift institutions are not allowed a "12% tax-free reserve." The deduction permitted for additions to bad debt reserves is only the difference between surplus, undivided profits and reserves, and 12% of deposits or share-capital. Numerous institutions which had accumulated surplus, undivided profits and reserves in excess of the 12% ceiling before the present bad debt reserve provisions were adopted by Congress never have been allowed a deduction for additions to bad debt reserves. In contrast, commercial banks may take deductions for additions for bad debt reserves, irrespective of their capital ratios, and in this respect are more favorably treated than mutual thrift institutions.

Some of our critics hold to still another misconception. They claim that savings banks and savings and loan associations are able to pay a higher rate of return to savers because of their tax position. As better informed commercial bankers have admitted, higher rates of return paid to savers by mutual thrift institutions reflect mainly higher gross earnings, lower expenses, the fact that they have no stockholders, and their dedication to the encouragement of saving. Mutual thrift institutions for decades have paid higher rates of return to savers than have commercial banks, even before the corporate income tax became as large a factor in the economy as it is now.

A final misconception, too often promoted by our critics, is that the tax laws affecting us have hurt commercial bank profits and handicapped their ability to compete for savings. The fact of the matter is that commercial banks have increased their share of the gain in the total volume of savings accounts held from one-fifth in 1955 to about two-fifths in 1958. Their time deposits and certificates are today a larger pool of individual savings than contained in either the savings banks or the savings and loan associations. Furthermore, commercial bank profits after taxes are at record high levels. It is impossible to demonstrate that commercial bank earnings or growth in time deposits have been adversely affected by the alleged favoritism shown the thrift industry. The facts seem to prove otherwise.

PROPOSED NEW TAX LEGISLATION

Most misleading of all are the catchwords used for the latest tax measure aimed at the thrift industry. Allegedly in pursuit of "tax equality" and for the purpose of improving federal tax revenues, the newly proposed legislation would greatly increase taxes paid by mutual savings banks and savings and loan associations, while reducing taxes paid by commercial banks. This legislation would substitute inadequate provisions for additions to bad debt reserves of mutual thrift institutions and would set up discriminatory standards for deductions of interest and dividends paid to savers.

Under H.R. 7950, the latest in a series of tax plans proposed by commercial-bank-inspired groups, annual deductions for additions to bad debt reserves by mutual savings banks, savings and loan associations and commercial banks would be limited to only ½ of 1% of uninsured loans or to an amount which, together with previous net transfers, would bring reserves up to 5% of uninsured loans—whichever is smaller. Furthermore, deductions for interest or dividends paid by savings banks and savings and loan associations would be limited to a proportion of so-called "net income," the proportion being determined by the Commissioner of Internal Revenue with reference to the average percentage of "net income" paid out in the past 10 years. The unfairness and inequality of the bill is that no such limitation would apply to deductions claimed by commercial banks for interest paid on their time deposits. H.R. 7950, which was introduced in Congress late in June of this year, is better known to some as the Mason bill.

REAL ISSUES IN THE TAX CONTROVERSY

In the heat of controversy we do well to remember that the Congress, responsible to all the people, writes the tax laws—not our competitors. The complex issues of taxation must be resolved in light of the broad public interest, not on the basis of the misleading allegations of our competitors. The House Ways and Means Committee, which has undertaken a comprehensive study of the income tax code looking toward review and reform of the tax structure, has laid down certain criteria as guides for appraising income tax provisions governing taxpayers generally, among which are: (1) equity and fairness; (2) allowing free play of the market in allocating resources; (3) providing a climate for economic growth.

All impartial men will accept these guidelines as a reasonable basis for tax reform. How do the tax proposals of our competitors stand up against the standards established by the Ways and Means Committee?

Despite the "tax-equality" banner, the tax changes proposed by commercial bank groups obviously fail to meet the criteria of equity and fairness. The proposed limitation of deductions of interest paid to savers would be downright discriminatory. All taxpayers are permitted to deduct interest paid as expense

under the Internal Revenue Code. It is unthinkable that the Congress would deny this right to our industry, while preserving it for commercial banks. Commercial banking representatives attempt to support this proposal with the allegation that mutual thrift institutions seek to avoid taxation through increased payout to savers, without regard for the safety of the savings entrusted to them. This allegation does no credit to either the mutual thrift institutions or the supervisory authorities who regulate their activities. As savings bankers, we are proud of our long record of paying the highest rate consistent with safety and adequate surplus.

The proposed changes in bad debt provisions are also plainly inequitable. They fail to recognize the fact that, unlike commercial banks, mutual thrift institutions have no source of surplus or reserves other than retained earnings and that the long-term investments of mutual thrift institutions are exposed to the adversities of the business cycle in a way that those of commercial banks are not. Your president, Bob Mitchell, very clearly pointed out the necessity of such reserves to thrift institutions in his well-thought-out address to savings bankers last May. They fail also to take account of the possibility of substantial depreciation in insured or guaranteed mortgages and government securities, and make no provision for those banks and associations that have accumulated reserves aggregating 5% of uninsured loans.

As a result of these changes in interest and reserve deductions, the tax burden would be shifted from stockholders of commercial banks to millions of families of modest means who place their funds in mutual savings banks and savings and loan associations—all for the sake of "tax equality." It is clear that the backers of this legislation are not concerned about tax equality. It is equally obvious that their principal objective is not just to raise the Treasury's revenue. What they propose is that Congress grant commercial banks a tax reduction, despite their increasing profits, and cover the reduction by hampering the thrift institutions.

The proposed plan for taxation of mutual thrift institutions would also tend to distort the presently satisfactory flow of savings and of capital funds, and thus tend to distort the free play of the market in allocating resources. The obvious purpose of the proposal is to reduce the advantages to the saver of placing his funds in a mutual thrift institution and to enhance the position of commercial banks. Through discriminatory tax measures applicable to mutual thrift institutions alone, it is sought to shift the tax burden to us and to attract a greater share of the flow of savings to commercial banks than they would receive if the forces of competition were permitted to act freely.

Due to their inflationary implications, adoption of the tax changes advocated by our opponents would militate against a climate favorable to sound economic expansion and thus would be opposed to the third of the House Committee's criteria. At a time when the nation is seeking to achieve the delicate balance between sustainable growth and price stability, the proposed changes would weaken the ability of thrift institutions to encourage thrift and would reduce the availability of long-term funds for the financing of the housing industry, the federal government and corporate business. It would result in greater resort to commercial bank financing of the federal debt and more direct federal financing of housing, both with inflationary consequences.

I am confident that if and when serious consideration is given to the new tax proposals, it will be concluded by objective observers that they fail to meet any reasonable standards of tax reform, but rather are motivated by the desire for competitive advantage.

In the foregoing, I have sought to justify the principle of mutuality in the midst of a predominantly private enterprise system and to show that modern and progressive taxing philosophy should continue to recognize differences which are legitimate and lasting. If commercial banking representatives feel otherwise, they should clearly state the willingness and intention of commercial banks to perform the functions which we have performed in our economy for generations. They should state that as a matter of public policy they will remain in the savings business in good times and bad, in periods of low interest rates as well as high, whether the possibilities of profit on their time deposits are large or small. They should, furthermore, willingly take up the responsibility of home mortgage financing, a field which by logic and tradition has belonged to savings banks and savings and loans. There is little in the history of commercial banking to indicate that the industry would do these things as a matter of long and consistent practice, nor have there been any significant statements from the banks that they recognize these obligations. Until such statements are made and backed up by a sufficient period of actual performance, the critics of the mutual thrift industry would do well to let us alone.

ABA ATTITUDES

In addressing you last year at San Francisco, my immediate predecessor, William A. Lyon, warned "that we have not heard the last of the campaign to oust mutual savings banks from the ABA and to try to change the tax treatment of all mutual thrift institutions." Sad but true! Since then the American Bankers Association has drafted and endorsed H.R. 7950. As a result, more than half of the mutual savings banks dropped their ABA memberships. Those of us who remain, do so in the hope that the ABA may regain its statesmanship. But the hope becomes increasingly forlorn as we are faced with the inconsistency and apparent insincerity of the ABA.

How inconsistent their attitude has been is illustrated by the wavering position of Gaylord A. Freeman Jr., a prominent commercial banker from Chicago, who recently became vice president of the ABA Savings and Mortgage Division. In his June publication, "Mutual Competition," Mr. Freeman espoused and attempted to defend the punitive tax legislation to be sponsored by the ABA. His approach to the question three years ago was very different, when he urged commercial bankers not to attempt to weaken mutual thrift institutions through harmful taxation but to seek improvement in their own bad debt reserve position. Mr. Freeman would have served better both the commercial banking industry and the thrift industry if he had adhered to the advice he offered his fellow commercial bankers in a speech in 1956 at an ABA conference: "In considering tax legislation, as in considering anything else, we must ask ourselves what will make our banks safer and bring our stockholders a larger return—not how can we best smack down a competitor."

In "Mutual Competition," Mr. Freeman analyzed the history and growth of mutual thrift institutions and suggested to his fellow commercial bankers ways of improving their competitive position in the savings field. With some of his points all of us can agree. He realizes that mutual thrift institutions have prospered because over the years they have met basic financial needs of the people that were not being satisfied by commercial banks. We applaud when he urges his fellow commercial bankers to reappraise their management and improve their services, in the belief that all segments of the financial community are dependent on the strength and vitality of the others. Furthermore, recognizing that an increasing volume of savings is basic to economic growth and the integrity of the dollar, we welcome any effort that commercial bankers may be willing to make to encourage thrift.

Let there be no doubt, however, that we disagree emphatically on the tax issue. The tax bill which Mr. Freeman supports is a menace to the thrift industry and would be a blow to the millions of families who place their savings in and finance their homes through mutual thrift institutions.

Mr. Freeman reached a high point of disdain when he attempted to produce a "Report Card" comparing management of your industry, our industry and commercial banks. He rates each in terms of courage, soundness and aggressiveness. The mutual savings banks get straight *B*s all the way through. But you are to be congratulated, for you get two *A*s and a *C*. However, I suspect Mr. Freeman had his tongue in his cheek, for he defined courage as being the willingness to make real estate loans of a size and quality which the more conservative and cautious would not make. So he gives you *A* for courage and, by the same reasoning, only *C* for soundness. As you may have guessed, he gives commercial banks *C* for courage and *A* for soundness!

The tactics of the ABA leadership in creating and dealing with the tax proposal are shocking to those of us who have felt the brunt of the attack. In my opinion the ABA does not expect that this bill will become law and I suspect it was introduced as a result of internal struggles for domination of the ABA. To me this is evidence of insincerity.

To cap the climax, at a recent press conference it is reported that Lee P. Miller, immediate past president of the American Bankers Association, repeatedly charged the mutual thrift institutions—yours and ours—that it is "unpatriotic not to pay taxes." Why this slur on thrift institutions that have served the nation well for 150 years and, by their devotion to thrift and housing, have contributed to its economic strength and its traditions of individual freedom and self-reliance? I suspect that Mr. Miller must now regret the impetuosity of his statement. He owes an apology to all those in the thrift industry—those savings bankers who are still members of the ABA and those who have withdrawn. Since he included your own savings and loan business in his name-calling, he owes you an apology too.

In closing, I want to thank you for inviting me here today, and in return I am happy to extend an invitation to your incoming president to address our annual meeting in Washington next May. This mutual exchange of visits is a continuation of the important process of our two industries "gathering around the table and presenting a united front."

RESPONSIBILITIES OF MANAGEMENT

by BEN H. WOOTEN, *President*
First National Bank
Dallas, Texas

MY FIRST CONTACT with savings and loan associations was just a little more than 30 years ago. I was the departmental examiner of the State Banking Department of Texas, and the supervision of savings and loans was transferred by statute from the Board of Insurance Commissioners to the State Banking Department. I was given immediate contact with the associations.

Throughout these years it has been my privilege to watch the savings and loan business develop from a movement to a mammoth enterprise and to see men and women grow in savings and loan stature. One could hardly overestimate the economic value of a savings and loan association to a community in the promotion of thrift and home ownership. The American home, other than the church, is the most valued institution on our continent.

The telephone, telegraph, television and radio are America's nerves, sensitive to every economic heartbeat. Its manufacturing plants and its irrigated farms are her muscles and sinews. Her men and women are her intellect. Her homes are her heart—and you have won her heart.

You are successful executives. Success is not rare, but it is rarely complete. You are excellent managers. Superior management is the only effective advantage that one enterprise has over another in our competitive economy. Never before in our history have the attitude and responsibility of management so greatly affected our economic, social and spiritual life as now.

My subject is "The Responsibilities of Management." Since we are all managers of businesses, let us put ourselves under examination and carefully weigh our attitude toward the savings and loan business as a whole: our customers, employees, our community and our country. Let us test our courage to determine whether or not we have the fortitude to stand for and promote the principles and objectives that we know to be right, good and proper—the principles and objectives of business, politics and government under which our nation has become the greatest on earth with an economy envied by others. Let us determine whether or not we place soundness over growth.

CHANGE VERSUS AGGRESSIVE CONSERVATISM

Conditions are ever changing—new machinery, new methods and new materials. Savings and loan is not static. Change is inevitable, and most of the leaders of the savings and loan business are cooperating with these changes and taking full advantage of them. Some bring about changes while others struggle to keep their business the same as yesterday. Businessmen who endeavor to keep their business the same as yesterday like to think of themselves as conservatives. A conservative has been defined as a person who believes that nothing should ever be done for the first time. I like the term "aggressively conservative."

There are many different kinds of thinking. There is such a thing as positive thinking. It has great power. One writer states that much of the best of life is lost by failure simply to seek out the answer to our problems on the basis of positive approach. By being positive, we can win victories. By being negative, we get only the leavings of life—the crumbs from life's banquet table. Let us think up and out; the business that reaches out will not fade out.

It is a responsibility of management to generate employee enthusiasm. Such enthusiasm is really of more importance than employee knowledge; however, knowledge is basic, and enthusiasm is the gasoline applied to the engine of knowledge. More officers and employees are mediocre because of the lack of enthusiasm than because of the lack of knowledge. Knowledge without enthusiasm might be likened unto an electric wire without any current. An employee who cannot get steamed up about his job may kill the enthusiasm of the people who actually generate the ideas and do the work.

How often do we express appreciation for a job well done? Appreciation is the most beautiful, the most powerful and the most neglected of all words. If we truly possess the full sense of the breadth and height and depth and quality of appreciation, we can fend off any blow life has to offer; we can soar to the high places and attain all of our heart's desires. Our deepest hunger is for appreciation. Food loses its flavor, drink its refreshment, shelter its comfort, without appreciation. There is magic in expressing appreciation to a good customer or a good employee.

Let us never lose sight of the fact that management is not the directing of *things*—it is the directing of *people*. And good management listens as well as talks. A good manager knows that a high degree of performance can be attained only through leadership.

Most businesses keep their building and equipment in good repair, but all too many of us fail to keep our manpower in repair even though we know it is the motivating power.

PROVIDING A STRONG LINE OF SUCCESSION

One of the major responsibilities of management is to be sure that there is a strong line of succession in the various departments of the organization, including a successor for oneself. Stockholders and customers have a right to know who is going to run the business when the present management passes out of existence for any reason. The greatest criticisms of management that come to my attention today are that these people want to stay on after they should retire and that they fail to make adequate provisions for management to succeed them.

American industry is on the greatest man hunt in its history for capable executives, and the competitive squeeze is getting keener every day. There are many reasons for this, the first being that industry has just about doubled its size during the last 12 years and, due to this rapid growth, firms have needed more executives quickly and have not had time to train them. It is a fallacy to think management can get executives from other firms; they, too, are looking. The firm that does not train its own executives will soon find itself without any dependable sources of supply. The human element is the most important asset a firm has, and we must train our own team. It is a responsibility of management to carry on regular training activities throughout the years, and those who do not do so will find their deficiencies ultimately reflected in the profit account. Long-range views in the organization require long-range development of managerial personnel. Let us make no mistake about it: providing adequate, well-trained successors steeped in company policies is a must in management responsibility.

Insofar as our individual businesses are concerned, our job is one of selling, because business is truly where we find it and, in order to find it, we must search for it.

James X. Cahill once wrote about a salesman:

> And in those days, behold there came through the gates of the city a salesman from afar off, and it came to pass as the day went by he sold plenty. And in that city were they that were the order takers and they spent their days in adding to the alibi sheets. Mightily were they astonished. They said one to the other, "How doth he getteth away with it?" And it came to pass that many were gathered in the back office and a soothsayer came among them. And they spoke and questioned him saying, "How is it that this stranger accomplisheth the impossible?"

The soothsayer made answer: "He ariseth very early in the morning and goeth forth full of pep. He complaineth not, neither doth he know despair. While ye gather here and say one to the other, 'Verily this is a terrible day to work,' he is already abroad. And when the eleventh hour cometh, he needeth no alibis. He knoweth his line and they that would stave him off, they give him orders. Men say unto him, 'Nay,' when he cometh in, yet when he goeth forth, he hath their names on the line that is dotted. He taketh with him the two angels, 'Inspiration' and 'Perspiration.'—Verily I say unto you—Go and do likewise."

We may well ask: Go and do what? Go and sell home ownership, self-reliance through thrift and the tenets of Americanism, good old U.S.A. constitutional style.

It seems that we shall continually have before us the shadow of the Russian bear, and we must provide adequate defense and striking power in order to survive. While paying the price of preparedness, let us be sure that we do not permit our country to be converted into a welfare state. The term "welfare state" is nothing more than a soft-spoken palatable name for socialism, and socialism always leads to individual servitude to a centralized state.

Patrick Henry said, "Give me liberty or give we death." All too many of our people are changing that. They forget "liberty or death," and follow the philosophy of "Give me."

It is a responsibility of management to use every tool at its command in preventing the conversion, figuratively speaking, of Independence Day into Dependence Day.

FREEDOM MUST BE PRACTICED

Our most precious American heritage is freedom, but the lesson history teaches is that freedom is never safe. Men do not long posses freedom unless they work at it. Freedom is easily lost. It is lost when dictatorship takes over. It is lost just as surely when people lack self-reliance and put too much dependence on government. Freedom is lost when the demands of the state overbalance the rights of the individual. It is lost when the individual is deprived of his right to speak up, to work at a job of his own choosing, to take risks, to compete in business, to earn a profit and to keep his own fair share of what he earns. Freedom remains only when men, in their daily lives, practice it, apply it and protect it. It is management's responsibility to do just that.

The United States Chamber of Commerce tells us what it means to practice freedom:

1. The practice of freedom means to assume responsibility for solving local and national problems.
2. It means to work for the long-range good of the country, rather than for any immediate advantage.
3. To practice freedom means to keep well informed about public affairs—to know the big issues of the day.

4. It means to take an active interest in legislation—and to have a say about the kind of proposed laws that are being considered for passage.
5. It means to take an active interest in politics—to nominate and elect men of character and ability to public office.
6. To practice freedom means to keep our American living standards increasingly high.
7. It means to encourage integrity, initiative and self-reliance and not to call on the government to do for the people what they can do better for themselves.

As leaders of employees, let us resolve here and now that we shall take an interest in politics. Business is going into politics, or socialism is going into business. An active interest in politics is a prerequisite of good citizenship, and we have been silent or semisilent entirely too long regarding the fundamental American principles.

We are today burdened with a staggering debt of approximately $290 billion, and the demands are for more and more subsidies, even though deficit financing is at times resorted to. It is imperative that we heed the lessons of history as related to the fate of nations that traveled the inflation road.

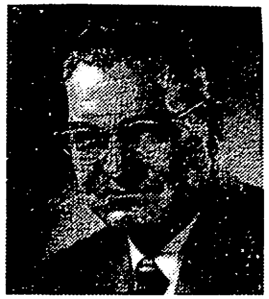
You are strong, efficient, dynamic men and women of action, and each of you can be a molder of public opinion in your own community. It is my prayer that we shall have the courage of our convictions and that we shall voice these convictions in stockholders' meetings and employee gatherings and through the press, radio and television, and in the ballot box—for of such is the responsibility of management.

1960 AND THE PROMISE OF THE 1960s

by ARTHUR M. WEIMER, *Dean*

School of Business, Indiana University

Bloomington, Ind.



THIS CONVENTION MARKS the end of a great decade—great in terms of general economic and social advances, and especially great in terms of accomplishment for the savings and loan business. You all know the record and it is hardly necessary to review it.

During the 1950s the real output (not including inflation) of the American economy increased by a full 50%. Personal incomes in terms of constant dollars advanced in nearly the same proportion. Job opportunities increased, although there were some downward shifts, particularly in agriculture. Growth has not been continuous, being interrupted during the recession periods of 1953-54 and 1957-58.

Nearly 12 million dwelling units were constructed, or an average of around 1.2 million houses a year. Again, there were fluctuations around this average, but the over-all effort was a highly significant one. Savings advanced substantially, and the savings accounts in your institutions increased more than three times. Home mortgage lending and the home mortgage debt moved up very sharply.

All this represents a period of tremendous accomplishment. At the same time, the end of the 1950s leaves us with a number of unsolved problems. For example, there is the growing difficulty of expanding the number of jobs; unemployment is likely to be a persistent problem during the decade ahead. Another is the problem of increasing per capita income; in terms of 1958 prices, per capita income dropped between 1956 and 1957 and again between 1957 and 1958 and has advanced again since that time, but with the rapid increase in population it will be more difficult to bring about a rise in per capita income even though

total personal income rises substantially. There are continuing problems in the field of international relations as well as in industrial disputes, in monetary policy and in the achieving of economic growth without encountering periods of "boom and bust." We also face complex problems in the area of urban economics and of living and doing business in our increasingly complicated urban communities. Despite these continuing problems, we can certainly feel a sense of tremendous accomplishment in regard to the 1950s.

This convention marks the threshold of the 1960s. If we want to be technical, the new decade does not really start until a year hence, because there never was a year zero. But for practical purposes most of us will think of the new decade as beginning with next year.

In order to help you set your goals and develop your plans for the 1960s, the United States Savings and Loan League over two years ago established a grant which enabled a group of us at Indiana University to develop some projections and guidelines for the years between now and 1970. Norman Strunk and his Executive Committee and other officials of the League are to be commended for supporting such a forward-looking study. Those of us at Indiana University who were privileged to work on it appreciate greatly the support that made this work possible.

The study was directed by Dr. W. George Pinnell, who is currently serving as acting dean of the School of Business while I am on a sabbatical leave. He was aided greatly by Professor Edward E. Edwards, whom most of you know from his long association with the Graduate School of Savings and Loan and from his work with me in the analysis of business and real estate trends for the United States Savings and Loan League for more than 10 years.

Working with other faculty members of the university and a group of advanced graduate students and several people outside the university who are expert in this field, the study has been carried a long way toward completion. A preliminary report will be provided for you at this 1959 convention.

I plan to present a few highlights from this report; but before doing so, I think it would be well for us to consider the outlook for the year ahead. The problems of 1960, after all, are closer to us than those of later years and hence are of most immediate concern.

OUTLOOK FOR NEXT YEAR CLOUDED BY UNCERTAINTIES

As is always true, the pattern for the year ahead is clouded by uncertainties; but currently the uncertainties seem, to me at least, to be greater than usual when I face the task of estimating the trends of development for the year ahead. A few months ago it looked as though this might be a routine job. Then it appeared that the recovery from the 1957-58 recession would ripen into a period of gradual expansion which would easily continue through 1960. This pattern of expectations, however, has been changed substantially by the lengthy steel strike, by other strikes and by their repercussions throughout the economy. Economic expansion gave way to hesitation and decline. Output dropped, unemployment rose and personal incomes moved downward. Despite this, the money markets remained tight and monetary policies continued to reflect the expectation of a very rapid period of economic advance.

The year ahead is clouded not only by uncertainties in the field of industrial relations and monetary policy but also by international problems and by the fact that the fall of 1960 will bring a presidential election. Despite the hopes raised by the Khrushchev visit, international tensions persist and will throw a long shadow on 1960 and the years thereafter. For example, we face some difficult problems in the field of international payments. Major election years often hold more than their usual share of uncertainty but, beyond this statement, I hesitate to comment on the political scene. It is a long time, politically speaking, until next fall and, as you know, much can happen to change the current political picture. As of now, however, I would not expect the elections to have a major unsettling effect on the economy.

So what is likely to be the pattern of economic development during the year ahead? At the present time, two general types of patterns are being projected.

One of these anticipates a very rapid period of expansion following the resumption of steel production, with upward pressures on prices and a period of shortages of goods and services related to steel, followed by some leveling out and decline, with the result that 1960 would end somewhat less strongly than it started. The other anticipates a slower recovery from the steel situation—a relatively slow improvement until about midyear, but with the year continuing strong throughout.

My own views tend toward this latter pattern. My reasons for favoring it are as follows:

First, the steel strike may tend to prolong rather than shorten the period of economic expansion. Earlier in 1959, the uncertainty regarding the steel strike undoubtedly brought a more rapid period of expansion than would have come otherwise. Without the strike, we might now face some retrenchment. Thus, the strike may prolong the expansion period.

Second, it will take a long time to rebuild inventories, even though business firms will make strong efforts to do so. In all probability current production will move rapidly into current use. Winter weather will limit the movement of ore on the Great Lakes and will slow down the rate of steel production. Ordinarily

this situation would lead one to expect some increase in steel prices, and this may happen in terms of grey market operations. In terms of the steel companies, however, it is unlikely that prices will be raised sufficiently to ration steel among those trying to buy it in the next few months. Steel will have to be rationed on a nonprice basis. While shortages brought on by the strike may bring some upward pressures on prices, it seems to me that we have a reasonable chance of averting significant upward price movements. By midyear the supply situation should be generally improved.

Other sectors of the economy probably will continue the forward movement that was generated prior to the steel strike. Tight money and high interest rates will, of course, tend to inhibit expansion in some lines. For example, house building appears to be in for some reduction, perhaps in the range of 100,000 to 150,000 fewer units than during the current year. Multiple dwelling units will probably hold up well. Conventional financing should be available in reasonably good volume. Despite the higher rates on FHA mortgages, however, insurance companies and other lenders are finding more desirable investment opportunities in commercial loans and in securities than in home mortgages. Even so, 1960 ought to be a reasonably good house building year.

Business spending for plant and equipment will not be held back very much by the high cost of money. A large portion of these programs will be financed by plowed back earnings—and earnings have been good. Some expansion in this field over the current year seems probable, and the high levels of plant and equipment programs reached in 1957 may be approximated.

Despite the loss of income resulting from the steel strike and its repercussions throughout the economy, consumers are expected to spend at a fairly good rate in the year ahead. While consumer debt has expanded, it moved downward slightly in late summer and probably can stand further expansion. Personal incomes should advance to new high levels and, as a result, consumer purchases probably will expand. It may be that the effects of the steel strike will prevent the 1959 Christmas season from setting new records, but consumer spending ought to move into new high ground next spring. Automobiles probably will come in for the best year since 1955; in fact, the automobile industry is likely to have as good a year as the steel situation will allow.

There will be some expansion of government spending, particularly on state and local levels. While some of these projects will be postponed or lengthened out because of the money and credit situation, the tax-exempt municipal market has fared reasonably well during the current period and probably will continue to do so.

As savings and loan managers, you are of course well aware of some of the problems you will face. Competition for savings will continue to be keen; undoubtedly the demands for capital will remain high for some time. I doubt, however, that interest rates will move much above their current levels. Many of you have been concerned about the Treasury's offering of the "magic" 5% bonds. Competition for funds from government sources, as well as from private agencies, probably will be keen for some time. Mortgage lending demands, however, are not likely to be as heavy as during the current year, although there may be increasing demands for conventional home financing by savings and loan associations.

I doubt that you will face any major personnel problems. There are not likely to be major delinquency or collection problems. Some may be encountered in the immediate future, however, particularly in areas strongly affected by the steel strike.

Our Committee on Trends and Economic Policies will report more completely. Its report will indicate some slowdown in house building, a reduction in the pace of real estate activity (although it is likely to continue at good levels), some softening in the market for older houses, continued upward pressures on mortgage interest rates and concern with the problem of attracting savings in sufficient volume.

PROJECTIONS FOR THE COMING DECADE

Let me turn now to a brief consideration of the decade of the 1960s. Since our report outlines our projections with some care, I shall not undertake to do more than present a few of its highlights. Let me emphasize, however, that the report presents projections and not predictions—general expectations of what may happen rather than specific attempts to pinpoint developments.

To illustrate the problem of long-range projections, let me suggest that we move back 30 years. Suppose we were meeting now in 1929 rather than in 1959 and suppose we projected our expectations for the 1930s on the basis of the expansion of the 1920s. You can easily see how wrong we would have been. And we may be wrong now, although our hopes appear to be more solidly based than would have been the case in 1929. It would be foolish to predict miracles.

As a minimum, our projections should help us to establish objectives for the development of each of our institutions and to make plans to achieve these objectives.

Among its major findings, the report entitled "The Next Decade and Its Opportunities for the Savings and Loan Business" includes the following: Savings and loan associations will continue to grow at a rapid rate during the 1960s and will have total assets of $100 billion by 1965 and $165 billion by 1970. Even with this growth, they will hold less than half of the total

residential mortgage debt by 1970 and during the 1960s will account for only slightly more than half of the net increase in residential mortgage debt. But the potential is great.

Growth of this magnitude will be necessary if the large volume of anticipated residential construction is to be financed. We anticipate an average of between 1.3 million and 1.4 million new housing starts annually. Of course there will be variations around this average, and probably the later years of the 1960s will see higher levels of house building than the earlier years. We might even reach a 2-million house year in the next 10 years and still average only 1.3 million or 1.4 million units annually. This volume of house building will require total expenditures of nearly $250 billion for new dwelling units, alterations and additions, since housing units are likely to become more costly not in terms of price inflation but in terms of added quality. There are strong indications that people want to improve the quality of their housing.

This estimate of residential construction appears to be conservative in the light of some estimates which have already been made. It seems to be a reasonable projection, however, in terms of population growth of around 33 million—carrying us to a total population of more than 200 million by 1970, an increase of between 13 million and 14 million in the number of persons employed and an increase of about 25% in output per manhour. If these developments occur as estimated, gross national product—now approaching $500 billion—should reach $750 billion in 1970.

The big decade for home construction which appears to lie ahead will result not only from population growth or from general economic expansion but is based on (1) an estimated increase of over 10 million in the number of nonfarm households; (2) an increase of about 25% in annual income per household, bringing it to more than $9,000 a year in comparison with a little over $7,000 now; plus (3) a significant rise in the proportion of family expenditures going into housing (we estimate that there will be a jump of from $780 annually spent for housing per household to more than $1,200 by 1970).

These estimates could be thrown off, of course, by the emergence of a shooting war, by unfavorable governmental programs and policies or by a significant change in the attitudes of people or their willingness to work for economic growth. In general, however, we expect that Congress will continue to provide legislation which will help to improve the quality and quantity of housing and which will make better housing available to all—including minority groups—and also that government programs will continue to look to the private sector of the economy as the major source of funds for financing home ownership.

Some people will think these expectations utterly fantastic. Others will think them altogether too conservative. Still, they give us a starting point for planning. President Mitchell has considered some of the implications of these projections for the savings and loan business and for each savings and loan manager.

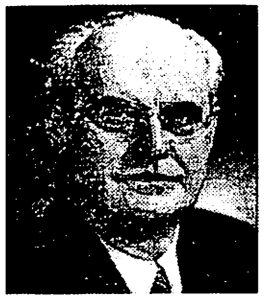
I believe these projections to be as sound as any that can be made at the present time on the basis of present knowledge. I commend them to you for careful study. They will have no real significance, however, unless they result in forward-looking plans which you are able to translate into action. I feel confident that you can reach or exceed our expectations—that you will not rest on past performance but will continue to attack your problems with vigor and will strive mightily to attain the new goals you set for a new decade.

PROGRESS AND OBJECTIVES

by ALBERT J. ROBERTSON, *Chairman*

Federal Home Loan Bank Board

Washington, D. C.



IT WAS JUST a little over three years ago that I became chairman of the Federal Home Loan Bank Board and it was only a few weeks afterward that I first attended and spoke at an annual convention of the United States Savings and Loan League. I have since talked at your meetings in 1957 and 1958. These have always been pleasant occasions for me and I am delighted to be with you again.

This year we passed a significant landmark—the 25th anniversary of the Federal Savings and Loan Insurance Corporation. When the Corporation was created a quarter-century ago, no one could predict its future with any degree of certainty. I think it is safe to say that its record of achievement to date has far surpassed the most optimistic expectations. Through the years, by providing safeguards for its members and by building public confidence, it has strengthened the savings and loan business immeasurably. We expect the Corporation to continue to increase its effectiveness.

Another of the Board's units marked its 25th anniversary last month—the Division of Examinations. This is probably the most familiar to you of all the Board's operations.

The accomplishments of the Division of Examinations are a source of pride and satisfaction. We should remember, however, that, without the continued cooperation you have manifested, our examiners would not be able to do the fine job they are doing. Currently almost all member institutions are being examined on a 12-month basis, and the cost per million dollars of assets is being steadily reduced.

It is inevitable that the complexities of supervision should increase with the impressive growth we are witnessing in the number, size and business activity of supervised institutions. The internal stresses exerted by shifts in the flow of funds, in the cost of money, in lending activity, in increased expenses and reduced profit margins make themselves felt in the supervisory process. I should also mention competition, not only from the outside, but within the industry itself.

Nevertheless, we shall continue to direct our energies to the preservation of the high financial character and integrity of supervised institutions. We are fully aware, however, that diligent and conscientious supervision is no substitute for faithful observance of sound practice and a recognition of the trusteeship involved in handling other people's money.

FHLB SYSTEM: A CREDIT RESERVOIR

Let me talk for a few moments about credit. Credit can act as a stimulant to the industry. If used in moderation at the right times, it can be a "shot in the arm" for sluggish situations. Used too frequently or in excessive doses, it may give a false sense of well-being and have harmful consequences.

The Federal Home Loan Bank System serves as a vast credit reservoir for its member institutions. The principal function of the System's 11 District Banks is to provide a source of secondary liquidity by making advances to meet unusual or heavy withdrawals or seasonal mortgage demands. In this way the temporary disparities between savings inflow and mortgage disbursements are equalized.

The Bank System, however, was never intended as a source of primary liquidity, even though some associations seem inclined to use their borrowing privilege in this manner. The word "secondary" means that an association is responsible for its own primary liquidity requirements in times of normal operations. For the most part, advances are designed to help an association through periods when savings inflow and mortgage demand are out of balance.

In the past year and a half, Federal Home Loan Banks have had to pay increasingly higher prices for money, with rates rising steadily to the recent peaks of 5.4% for nine-months money obtained in October and 5⅛% for six-months money being received next Monday. These increased costs must of course be reflected in the interest rates charged to members for advances. Current interest rates on new short-term advances range from 5% to 5¼%, depending upon conditions in the respective Bank districts and the average cost of borrowings from each Bank.

The Board's decisions in connection with the issuance of consolidated obligations are reached after determining the needs of the System and then conferring with the Treasury Department

and the Open Market Committee of the Federal Reserve Board as to the various aspects of the issue, including offering date, rate of interest and maturity.

In addition to the Treasury itself, there are five federal agencies going periodically to the money market. We are one of them. Unless all offerings are coordinated and related to each other, marketing chaos could result. On the other hand, with careful planning and coordination, the maximum benefits of the money market can be obtained for all concerned. Our last offering of $240 million is a good case in point.

We all know that money is tight—that for the time being there is not enough of it to give everyone all he wants, all at the same time. In the absence of governmental credit controls, which I do not think any of us advocate, or the starting of the printing presses, which I feel sure none of us wants, the other choice is the voluntary rationing of credit. This means using it wisely, prudently and where it will do the most good for the greater number. As both borrowers and lenders, this is part of the responsibility of all of us to our respective communities and to the economy as a whole.

I should like, at this point, to look at some of the things that have transpired during the current year in regard to regulatory developments. It has been an active year. A number of steps have been taken with respect to regulations which have strengthened and protected your operations, some of which I shall discuss briefly.

PARTICIPATION LOANS: REGULATORY DEVELOPMENTS

For example, the Board recently took action in connection with the Participation Loan Program. Requirements that transactions in the purchase and sale of participations be without recourse were imposed. And the term "without recourse" was defined, not only for the purpose of the new requirements, but also for hitherto existing regulations regarding the sale of loans.

When the Participation Loan Program was first announced, it never occurred to us that these participations might be sold with recourse. Contingent liabilities are very treacherous things for any financial institution, particularly when these contingent liabilities cannot be measured.

Because of the risks and the undesirability of the practice of financial institutions having contingent liabilities, the Board felt it necessary to amend the participation regulation. In addition, the new amendments prohibit an insured institution from selling or disposing of all or any part of a participation retained by it as set forth in the existing regulations—except to a Federal Home Loan Bank by way of security only—unless, at the close of the sale or disposition, it has at least a 50% participation in the loan. These regulations became effective November 1, 1959.

Another amendment was adopted which simplified the restrictions on the use of give-aways in promoting savings.

The Board currently has under study a proposal for still another amendment which deals with accounting methods of insured savings and loan associations. The new proposal would require, in general, that finders' fees, commissions and similar items in connection with making mortgage loans be amortized over a period of years. This regulation would be in line with long-established accounting practices. While it would present problems to some newly organized associations, it would have the over-all effect of equalizing income and building up a layer of fat for possible lean years in the future.

LAND ACQUISITION, DEVELOPMENT: LOAN REGULATIONS

I should like also to discuss briefly the regulation which the Board recently adopted to implement a new provision of the Housing Act of 1959 which deals with loans by federally chartered associations for the acquisition and development of land. Time does not permit a detailed examination but I shall attempt to touch the high points.

In brief, the regulation permits federals with general reserves, surplus and undivided profits in excess of 5% of withdrawable accounts to make loans for the acquisition and development of land for primarily residential usage, provided that the aggregate investment in this type of loan shall not be an amount greater than 3% of the association's withdrawable accounts. Furthermore, no federal association may lend to any one applicant an amount greater than 15% of the total which the association is authorized to lend under this regulation. In computing this 15%, loans of this type made to certain affiliated interests also must be included.

These loans can be made only for a maximum of three years. They must be secured by a first lien on real estate, the development of which is to be financed by the loan, and which is located within the association's regular lending area. The mortgage or other instrument securing the loan must provide that the loan is in default if development is not started within nine months.

The regulation provides that the principal obligation of the loan shall be specified in the security instrument and shall not exceed 60% of the value of the security as of the completion of the development. It further provides that the loan shall not exceed such principal obligations, or 60% of the value of the land at the time the loan is made and prior to the commencement of the development, plus 60% of the cost of the development, whichever is the lesser.

The disbursement limitations are as follows: Before the commencement of the development, the association cannot disburse an amount greater than 60% of the value of the land at the time the loan is made and prior to the commencement of the development. After development has begun and before it has been completed, a disbursement, together with all prior disbursements, may not exceed a combination of 60% of such value and 60% of the cost of the development at the date of the disbursement. In no event may an association disburse more than 85% of the principal obligation of the loan prior to the completion of the development.

The regulation also establishes requisites for setting up and maintaining appropriate records.

One last note on this regulation. No federal association may participate with another lender or lenders in making a loan which is of a type that the association can make only under this regulation, or purchase or sell a participating interest in this type of loan, or purchase in its entirety any loan of this type.

OBJECTIVES OF FHLB REGULATIONS

You may have wondered at one time or another just what the Board's attitude is toward regulations and what the philosophy is behind them. I shall attempt to clarify our position.

The term "regulation" usually carries with it a negative connotation. It is the Board's desire, however, to make regulations a positive factor in the continued growth and expansion of the industry.

It has been our experience that, in order to insure safety, it is necessary to insure the conditions which are conducive to safety. These conditions are created and shaped by man's judgment—good or bad—just as much as they are by statute or law. Excessive zeal to grow and the pressure of competition can have serious effects on the course of your affairs. These are things which, admittedly, cannot be regulated out of existence. We all know that human nature cannot be changed by statute. On the other hand, it is possible to eliminate or alleviate many of the conditions which permit undersirable factors to exist or which aggravate their growth.

The arm of government is thrust into your operation in almost exact inverse ratio to the amount of self-discipline which the industry and the people in it manifest. We do not wish to become the arbiter of every problem which arises; the guidance of the savings and loan business is your responsibility. The greater the demonstration of ability for self-direction, the more we shall strive to help you discharge that responsibility. I think that we can say, just offhand, that it is not what is *done* but what is *overdone* that brings on the Board's restrictive regulations. It is when a situation is getting out of hand or shows signs of getting out of hand, even though it be within only one community, that the Board is moved to act.

You must bear in mind that ours is a nationwide system, and when we make a regulation it applies just as much to Maine as to Southern California. Consequently the Board does not want to make restrictive regulations unless there is a need for them to correct situations which, if they became widespread, would be harmful to everyone.

Some of the Board's regulations are designed to check undesirable or unsafe practices. Another purpose is to prevent unsafe practices from developing out of hand. Examples of regulations in this category are nonrecourse requirements and the proposal regarding the amortization of fees. A third reason for Board regulations is to keep pace with new developments in the industry and with changing economic conditions.

Regulations are the guidelines of the industry, a framework built to support progress without discouraging initiative. The Board, I assure you, is a firm believer in the principle of private enterprise, and we have confidence in the vitality and generative powers of the industry's leadership. We therefore restrict our activities to those functions assigned to us by the Congress and we try to avoid any unnecessary intervention. This does not mean that we are attempting to minimize our share of the responsibility for the soundness and the forward movement of the savings and loan business. But we feel that it is both appropriate and effective for the individual associations, through and with their trade associations, to shoulder the primary share of the responsibility.

PERFORMANCE SATISFYING, PROSPECTS BRIGHT

And now it may be interesting to see how the savings and loan business is progressing. From all indications, the performance has been satisfying to the citizens in your communities. During the first nine months of this year we have witnessed the most outstanding demonstration of public confidence and popular preference in savings and loan history. Assets, net savings gains and mortgage lending volume all have been setting new record highs.

Consider, if you will, the savings picture. As of September 30, savings and loan associations had logged over \$4.6 billion in net savings gains, an increase of some \$578 million over the same period of last year. Based on the trend thus far, we anticipate a 12-month net savings inflow to savings and loan associations of approximately \$6.9 billion for a new record.

Lending operations are also much higher than ever. The nine-month totals of mortgage lending for all savings and loan associations came to more than \$11.9 billion. This represents an increase over the figure for the comparable period of last year of more than \$3 billion, or 35%. Once again, projected estimates for the entire year point to a figure in the vicinity of \$15 billion, nearly \$3 billion higher than the previous record.

In closing, let us take a look at the economic forecast for 1960. Current tight money conditions may continue well into next year, with sufficient influence to take the edge off the current boom in the savings and loan field. New lending may rise by about a billion dollars to a 1960 total approaching the \$16 billion level. This estimated increase is less than the phenomenal \$3 billion gain which will be "totted up" in 1959. For 1960 as a whole, however, net inflow of savings should be close to \$7.5 billion, a half billion more than in 1959.

The year 1960 should be another good year, and we hope you will share in it.

ONE STEP AHEAD

by WILLIAM K. DIVERS, *President*
Savings and Loan Foundation
Washington, D. C.

IT IS A GREAT PLEASURE once more to have an opportunity to participate in the program of the United States Savings and Loan League. This, I believe, is the eighth time I have addressed one of your annual conventions.

This morning I should like to tell you, with visual assistance, the story of the Savings and Loan Foundation and of how it has been moving ahead, step by step. With the advertisement which will appear next month, the national advertising fund of your business will complete five years of telling your story through national advertising media. But let us go back to December 1954, almost five years ago, when the first Foundation ad appeared.

Now, if we may have the lights off, we shall see the first ad of the savings and loan business in national media. This ad [Slide 1] which appeared in *Life, Saturday Evening Post* and *Time* magazines, was an innovation in many respects. It was the first ad of our business, as a business, in these magazines and it was the first savings account advertising campaign to use national media. To set the stage properly, I think we should remember that the assets of all insured savings and loans at that time—just five years ago—amounted to $28 billion and the number of people who were saving at our associations was only 13.5 million [Slide 2].

EDUCATING THE PUBLIC ABOUT OUR BUSINESS

Throughout 1955 the first series of black-and-white ads appeared [Slide 3]. These ads undoubtedly educated many millions of people about our business for the first time. Many of them

had only a hazy idea of our services and functions. Many of them had misconceptions. They thought we built houses or that we were in the real estate or insurance business. Some of them thought we sold some peculiar type of shares and that they would have to wait to get their money back if they wanted to withdraw it at any time.

When *Reader's Digest* began to accept advertising for the first time, your Foundation took one step ahead and had this attractive ad in the first issue [Slide 4]. It brought a message about our business to 12 million homes and an estimated 36 million readers.

We also ran an occasional institutional ad [Slide 5]. This ad, incidentally, was awarded a citation by the Freedom Foundation of Valley Forge. By the end of 1955, our ads had appeared in 160 million copies of prominent magazines.

Now I want to show you just four of our 1956 ads. This ad in January 1956 [Slide 6] was something of a landmark because it was the first time we used the slogan, "Where you save does make a difference"—a slogan which has been picked up and used by many of our members.

This ad [Slide 7] commemorating the 125th anniversary of our business was particularly popular with our members, and more than 1,000 newspaper mats were used to reproduce it in communities from coast to coast.

Here we took another step ahead. This is our first color ad [Slide 8]. You will note that the layout we used in 1956 was different from that we use today. There was more copy then than we use now. We used four illustrations instead of the one we use now in most of our ads. The signature used was still that of the Savings and Loan Foundation.

In November 1956 our first ad appeared on one of the covers of the *Saturday Evening Post;* this one was on the inside back cover [Slide 9]. You will note that the ad now carries as a signature the membership emblem of the Foundation. And this is an example of an ad we did not use [Slide 9-A]. We thought the illustration might be all right for perfume or coffee—but not for our business.

This is our first spread—a two-page ad which appeared in January 1957 in the *Saturday Evening Post* and *U. S. News and World Report* [Slide 10].

Another popular ad emphasizing the safety of our accounts appeared in September 1957 [Slide 11]. We impress people with full-color ads in prominent magazines. Which ad do you think can give better assurance of safety to the public—an ad like this in *Life* and *Saturday Evening Post* or a two-column ad in your local newspaper? Do you suppose that General Motors, General Electric or Procter and Gamble would plan a campaign for a product without using national media? Of course not!

TELLING THE STORY OF OUR BUSINESS

What an insured savings and loan association can mean to you: this ad is typical of ones sponsored by the Foundation which tell the story of our business [Slide 12]. Each of you properly tells the story of your own institution. We tell the people the story of the savings and loan *business*. No amount of rate advertising or give-aways or financial statements can take the place of telling the story of *our business* to the public.

We have also run series of ads in the news magazines directed to the better-than-average-income readers and designed to promote the prestige and prominence of the savings and loan business. Former President Herbert Hoover generously consented to cooperate in inaugurating this series [Slide 13]. These ads have appeared in *Time, Newsweek* and *U. S. News and World Report*.

Some of these ads were designed to tell the story of the importance of our business to our national economy—the jobs we create in your community, the vast quantities of materials used in homes we finance—the dynamic story of "savings and loan money on the move" [Slide 14].

We have also encouraged home ownership with ads such as this [Slide 15]. You will please notice the signature of the ad, which now uses the FSLIC emblem and in which the Foundation emblem no longer appears. In 1958, when we had grown to a position where we had the support of more than half of the assets of all insured associations, our ads dropped the Foundation emblem, although the Foundation's name still appears in small print as the sponsor.

In 1958 we made our first venture into radio [Slide 16]. All four major radio networks were used over one week end. Over 30,000 spot announcements encouraged people to save—at their nearby insured savings and loan associations.

THIS YEAR'S ADVERTISING

Now we come to this year—by far the most important and, I think you will agree, much the best advertising.

First, we started off with the sponsorship of the first half of the East-West All-Star Football Game, with an estimated total audience of 35 million viewers. This gave us an opportunity for eight minutes of commercials built around the football theme—a good opportunity to reach this vast audience and tell it the story of our business [Slide 17].

This year we also sponsored a 12-page ad in *Coronet* magazine [Slide 18]. This was another innovation in the financial field, and it drew a commendatory editorial from the *American Banker*. *Coronet,* with a circulation of about 3 million, reaches an estimated 12 million readers. Our members believe national advertising will reach and impress people who would not otherwise be reached or impressed.

Also in January we ran this attractive spread in the *Saturday Evening Post* and *Life* magazines, with a combined circulation of 12.3 million and an estimated combined readership of 56 million [Slide 19]. *Look* magazine has a circulation of 5.8 million and an estimated readership of 29 million, about the same as *Life* and the *Post*. This ad appeared in February in *Look* and the *Post* [Slide 20]. During each month except December, one of your ads appears in two of these magazines, bringing your message to more than 50 million readers. This ad was very popular, particularly with young women [Slide 21].

GETTING ATTENTION WITH OUR ADS

But it is not sufficient to place the ad in a magazine and deliver the magazine to a medium- or upper-income family in your community. Our ads must compete with other ads. Throughout 1959 our ads have consistently attracted substantially better-than-average attention from the readers of these magazines. I need not tell you people, because many of you displayed this ad in your own association and know of the interest displayed in the house and the plans for it [Slide 22].

This ad in June was probably more popular with the managers of insured savings and loans than any other ad we have sponsored [Slide 23]. This one ad alone appeared in more than 30 million copies of magazines. It was timely. It was dramatic. The text was short. According to our research studies after the ads appear, this ad scored particularly well with men.

During the last week end in June we repeated our radio saturation program and added some commercials on the NBC-TV "Today" program of Dave Garroway, with an estimated cumulative audience of 8 million on TV and 62 million on radio [Slide 24].

We also had an ad with a warm, attention-getting photograph in a spread in *Life* and *Look* in July [Slide 25]. We have frequent requests from all over the world for permission to reproduce our illustrations—with credit to the Savings and Loan Foundation, of course. A request has been granted by us for the publication of this ad in the magazine *America,* which is published by the U. S. State Department and circulated in Russia, to show the contentment and security enjoyed in this country from savings held in our institutions.

An intangible but vital ingredient in all of these ads is the positive, happy moral, "no tension" quality which they convey. The people in our ads are leading fuller, richer, more harmonious lives the Insured Savings and Loan Way. They are providing more for their families—more of the extras for which better-educated, higher-income people strive. This last point is especially important because it is those families in the top half of the market that represent the best prospects for business development. In total, these ads demonstrate that the "intelligent" money is getting what it wants and getting more out of life the Insured Savings and Loan Way.

Here is a different type of ad we used in August [Slide 26]. In terms of getting the attention of the public—and you have to get attention before you can tell your story—this was one of our most successful ads. According to the *Starch Survey,* 60% of the 12 million male readers and 62% of the 12 million women readers of the *Saturday Evening Post* were drawn to this ad on the inside back cover—higher scores than the average for all products which appeared in four-color, full-page ads in this issue and a phenomenal score for an ad by financial institutions. We had numerous requests from teachers for copies of this ad suitable for framing. In laying out this ad, we flipped over two of the pictures and you will notice the freckles appear on one side of the boy's nose in two illustrations, and on the other side in the other two. The public wanted to know on which side of his nose this boy really has his freckles. Readers of the *Post* wrote to the editor and told him this ad is so entertaining he should have put it on the front cover. People wrote in to ask if the barber was left-handed and the *Barbers' Journal* asked permission to reproduce the ad in a forthcoming issue.

On Sunday, September 27, we used another national advertising medium for the first time—another step ahead. This ad [Slide 27] appeared in 45 million copies of Sunday supplements such as *Parade, This Week, Family Weekly* and *American Weekly,* as well as several large independents. In each of these ads we urge the public to go to their nearby insured savings and loan to open an account.

With the insertion of the ad in the Sunday supplements in September, the total number of copies of magazines and supplements in which savings and loan ads had appeared was 854 million [Slide 27-A]. We are not trying to play a numbers game, but this total certainly expresses the cumulative impact which our education and advertising program must have.

Now let us see what our business has done during the five years of national advertising [Slide 28]. This is the chart we watch closely. In my opinion, the future growth of our business depends on the number of savers we can add each year. We cannot hope to compete with all types of investments at all times—5% U. S. Treasury notes, for example. Fifty per cent of the families in the United States do not have savings accounts. Our market is still practically unlimited.

The Foundation is attempting to open up new markets [Slide 28-A]. We assure the public of the safety of our savings accounts and the excellent returns we pay on savings. We encourage people to save for their major purchases rather than pay high interest rates for consumer credit. We point out the joys of home ownership and the advantages of saving with your association for a down payment [Slide 29].

NATIONAL ADVERTISING A NECESSITY

Most people in our business now realize that national advertising is a necessity for a business our size. Each of you manages your own association, but you work together on legislation and on improved business practices through the U. S. League. Now our business is working together on the use of national advertising and it is paying off [Slide 30]. And the national advertising fund of our business is getting increased support in number of members and amount of subscriptions, both of which are at an all-time high [Slide 31].

The 1960s will see a startling increase in population—great new markets for our business [Slide 32]. A substantial increase in income is also predicted for the 1960s, and a much greater increase in discretionary dollars [Slide 33]. No longer will people have to devote most of their income to shelter and meat and potatoes. They will have monies to save or to spend, and our job will be to hammer away at the benefits of saving [Slide 34].

The increased support of the Foundation will enable us to repeat our message at frequent intervals to the vast audience of consumer magazines such as *Life* and to obtain the benefits of repeating our message to this audience [Slide 35]. We shall continue to tell the story of the benefits your business brings to the individual, to the family, to the neighborhood, to the community and to the national economy.

Our business has done particularly well in the upper-income group and we shall next year again use the leading news magazine to expand our influence in this group [Slide 37]. The rapidly growing middle-income group, with its many prospects for new savings accounts, will also read your message frequently [Slide 38].

On the first Saturday in January we shall repeat the sponsorship of the first half of the East-West All-Star Football Game, with an enlarged line-up of TV and radio stations [Slide 40]. And a new 12-page ad telling the story of our business will appear in the April 1960 issue of *Coronet* [Slide 40]. Greater emphasis will be given to the story of the savings and loan business *as a business.* [Slide 41].

Our budget [Slide 42] will also permit reserving part of our funds for sponsorship of special events on TV if they become available. We tried to get the professional football championship game on TV this year, but it had already been sold. We have signed up for one quarter of the game on NBC radio—the only part available.

And our members will be identified with a successful, attractive, effective national advertising program on an even greater scale [Slide 43].

THE FOUNDATION'S COMMERCIAL

Here comes our commercial! If you have not already done so, please send in *your* subscription to the national advertising fund of our business and share the cost of this cooperative, nonprofit campaign. All of our members have signed this agreement, and all pay dues at the same rate [Slide 44]. Don't wait until someone asks you again. Help us stay one step ahead by handing *your* subscription agreement to me or to one of the trustees at this convention [Slide 45].

In closing, let me show you this institutional ad which appears this month in *Saturday Evening Post* and *Look* [Slide 46]. The text is short; let me read it to you:

> . . . and let us also give thanks for the human dignity which we enjoy as free individuals . . . for the preservation of the peace . . . for the prosperity of our great Nation . . . for its thrifty and self-reliant citizens . . . for our homes and the family happiness they bring . . . for the challenge of the unlimited opportunities which lie ahead.

The savings and loan business is a wonderful business. We all experience a great sense of gratification in promoting thrift and home ownership. If we conduct the affairs of our own associations with wisdom and foresight and responsibility, and let the Foundation expand our markets and tell our story in national media, then truly we can give thanks today for "the unlimited opportunities which lie ahead."

STAND UP AND BE COUNTED

by the HON. H. ROE BARTLE, *Mayor*
Kansas City, Mo.

I AM THRILLED to have the privilege and opportunity to be here this morning. I came here for two reasons: first, because of my deep and abiding interest in the savings and loan fraternity, which I think I have proved down through the years; and second, because of my deep and abiding affection and respect for the man who has given such dynamic leadership during the past year to this great United States Savings and Loan League.

I have heard a number of comments this morning about commercial bankers, and perhaps they are true. But if you come to Kansas City, you will find no commercial bankers making open season upon savings and loan associations. Nor do we hear the leaders of your associations saying unkind things about the commercial bankers. Some way, we harmonize our lives and try to support one another. No small part of that harmony is due to the vision, courage and intelligence of the man who has been your national leader during the past 12 months.

A TRIBUTE TO PRESIDENT MITCHELL

Bob Mitchell is a great citizen—a participating citizen, a man who has that vital urge to be a real part of the community of which he is a member. He is a man whose hands happen to be clean and whose soul is decent and whose heart beats high in interest in those who are round about him. We love him and we respect him in Kansas City.

As Webster, that great master of the king's English, said, if you work with glass and brick and build temples, some day those temples will crumble into dust. But if you work with the immortal souls of men, you give them a just fear of God and cause them to love their fellow men and you engrave on the tablet something which will last through all of time.

While Bob Mitchell has been a leader in commerce and business in my community, he has been building for eternity because he has loved his fellow men. And so, Bob, will you stand up here, please. [Mr. Mitchell rose and came forward.]

Bob, I have had the seal of our great municipality made into a pair of cuff links for you, and I hope you will accept them from my hand. I have also had made for your lovely life partner a pair of earrings with the seal of Kansas City, and I hope you will accept, for her, this small gift from my heart and hand. Speaking for all the citizens of Kansas City, we are very, very proud of your life partner and of the magnificent contribution that you have made in your intelligent leadership during the past year as president of the United States Savings and Loan League.

I was greatly stimulated and interested this morning when your illustrious savings and loan counsel of so many years stood at this podium and proclaimed some of the many shortcomings of all of us who relate ourselves to the field of finance. He made some references to the savings and loan associations going through a Gethsemane back in the 30s; and I want to assure you, having been vitally interested in five commercial banks at that time, that we were going through a rather trying period, too.

THE NEED TO STAND UP AND BE COUNTED

I have been asked to speak to you this morning on a subject I am always glad to use: "Stand Up and Be Counted."

There has never been a time in the history of this great nation when we needed more to stand up and be counted than as of this moment. The president of the National Association of Mutual Savings Banks is willing to stand up and be counted—and he is a long way from home! And I know there are many others in this vast audience who are leaders in their respective communities and who are willing to stand up and be counted for the things that make their community a healthier and a finer place in which to live, to earn an honest dollar and to bring forth another generation.

No matter where we travel, we hear people claim we want a strong and dynamic America, but too many of us are laboring under the impression that a strong and dynamic America is built in Washington. It is not! America is built in the villages and hamlets across the country—that is where America is built, and that *is* America. And it makes no difference whether the Democratic Party or the Republican Party is in power. America is made out of the hearts and minds and souls and well-being of her men and women and little children. They are America.

When you stop and analyze it, the reason that America is

strong today is that men and women live in homes that they are proud to call their own. They may have only a very small equity in that home, but it is *their* home. And when you have good, wholesome homes in America, you have a great America and you will bring forth a generation that will make America still stronger on the morrow.

One of the most American of institutions that I know anything about happens to be the savings and loan association. You have helped to put faith into the souls of men. You have helped to build them so they have respect for themselves even though they have calluses on their hands and dirt and grime on their faces, and by the sweat of their brow earn their daily bread. You have given them status as you have made it possible for them to have in their own name a little piece of ground and upon that piece of ground a house that was converted into a home.

It would be difficult for me, as titular head of my great city, to pay tribute enough to the savings and loan associations of my city. They have helped my Kansas City—and it is *my* Kansas City—to expand her horizons and to make that city a finer and a better place in which to live.

I have seen the day when I think there are too many leaders, whether in the field of commercial banking or in the field of savings and loan associations or in the great industries of America, who are afraid to stand up and be counted for the things that are worth while.

There are five things that I wanted to tell you to stand up and be counted for, but I am going to limit them to one because of the time element.

STAND UP AND BE COUNTED POLITICALLY

In the body politic, we certainly need men of faith and men of courage and men of determination. Mr. deLaittre talked about a report card a while ago. I think that every citizen ought to have a report card on his participating citizenship and ought to judge himself. The Gospel of Matthew says, "Judge not, that ye be not judged." I don't want anybody else to evaluate my citizenship, but I do want to sit down by myself and analyze what I have done, where I have shortcomings and misgivings, where I have failed to measure up to the glorious opportunity that I may have had to make my community and my country stronger and finer and better. I want to be honest enough with myself to realize that sometimes I thought it might be more diplomatic to hold my tongue than to stand up and be counted, insofar as the body politic is concerned, for those things that would make my community a better and happier place in which to live.

Oh, I realize that we are not supposed to talk about politics any more, but we still have political science—the science of government. When I was president of an institution of higher learning, I used to say to the clear-eyed, clean-cut young men, "Why don't you equip yourself to become a leader in political science?" and invariably the answer was, "I know it is interesting, I know it is challenging, but politics is nothing but a dirty game."

Don't tell *me* how dirty it is! But you have to be willing to face it, if you are going to stand up and be counted. The only reason that politics is dirty at any level of government is that there are not enough clean, wholesome, God-loving men and women who are willing to stand up and be counted.

There are too many alleged leaders in the community who are willing to sit idly by and hold their tongues and let the political parasites move in with all of their selfishness and greed and dominate the face of this thing called politics.

All our great service organizations—Rotarians, Kiwanians, Lions and the rest—are basically and fundamentally alike—civic groups composed of men who are the leaders in their communities. Yet too many of them sit down and eat and belch and adjourn. They are afraid to take a stand on anything. "Roe," they tell me, "glad to have you say anything you want to, but please don't mention politics." Go to a Chamber of Commerce meeting, and it's the very same thing. You can't even mention the word "politics" in church any more.

Whatever political party you belong to, you should stand up and be counted, politically. I don't care what platform or what party you recommend. I am a very active member of a certain political party, and I am not going to tell you which one because that would not be fair. I was born in Virginia, educated in Tennessee, married in Kentucky; but so there will be no question in your minds, I am not a Republican.

Now may I hasten to proclaim with great emphasis and as one who believes in party loyalty that I have voted for a goodly number of Republicans in my lifetime. It so happens in Kansas City that I tell the world before the election just how I am going to vote, and I have never apologized for voting for those affiliated with the Republican Party.

When the primary is out of the way—and I think the primary is even more important than the general election, because that is when you select the candidates who will hold high the party's banner when the day of the general election arrives—and when I go to the polls I take my report card of citizenship with me. And if someone who is without character, capacity or ability is nominated by my party, then I vote for the man on the other ticket, if he is clean and can prosecute the public trust with effectiveness and efficiency and honesty and forthrightness. I am going to vote for the character of the man every time, before I vote for any party man.

Too many men today say they just believe in the man, but

they only say it. I believe in the party and I think all of us ought to be a part of a political party. And when we have exercised our rights and duties as party members, then we decide who are the men of character, who are the men of capacity, who are the men who will join hands to make our community and our country, our state and our nation, better places in which to live.

We in America have developed what I think is a very unfortunate approach to politics. The minute you offer yourself to a public trust, many things will be said about you that are not true. Today, if you want to elect a man to Congress, do you talk about his capacities, his abilities or his experience? No, you do not. You make an attack on the man running against him; you open up the closet door and break out all the skeletons. In this politics business, you take a nickel's worth of truth and blow it up to a thousand dollars' worth of lies about a man you want to see defeated. You don't talk about the man you are running, but about the man you want to defeat. You reach down and find all the mud and throw it in his face. Why? Because you want to elect the other man.

Are you afraid that someone will not put an account in your association if you perchance have a political opinion? Do you realize that you have a great new community? Do you recognize that the mine run of individual who does business in your association, whether he is investing his savings or making a payment on a mortgage, is doing it because he believes in your integrity, your mental capacity and your leadership in your community? Then why shouldn't you speak out and let him know how you feel on the positive side of the ledger?

I long for that day to come in America when I can have one political point of view and you can have another and we can stand and proclaim our honest convictions one to the other, yet smile and shake hands and walk out together without damning one another because we have a different point of view politically. The only way we can have a strong government is to have a two-party system.

OUR NATION: THE HOPE OF THE WORLD

This great nation of ours is the only hope the world has in these times of chaos and turmoil and strife on every hand. Where this world is going to travel, I do not know. Where our America is going, I cannot say. We have become so scientific-minded that we are thinking in terms of going to the moon and about sputniks and about the stratosphere, instead of thinking in terms of those things that are still vital.

I have been in the Pentagon many times, and one of these times there was a three star general pacing up and down in front of me. "Do you realize," he ranted, "that Russia is five years ahead of us—that it will be on the moon in six months and that it will take us at least two years?"

When I was a buck private in the rear ranks, I had always wanted to tell off a general. At last the opportunity had presented itself. "General," I said, "you can talk all you like about the stratosphere, but I have been too busy to hear the sputniks' beep, beep, beep. You talk about going to the moon. Well, I don't want to go to the moon. I like it right here on terra firma. And you know, General, if all the Russians want to go to the moon and stay there, that would suit me fine. I'd love it. But *I* still don't want to go to the moon."

He looked at me in astonishment. "Your Honor, what is more important than the advancement of science?"

"General," I replied, "I would not retard for a moment our research to bring about all those things which will help mankind. I am for that, 100%. But the hearts and minds and souls and physical well-being of the men and women and little children of America are more important to me than the stratosphere or a trip to the moon."

I believed that when I said it to the general, and I believe it this morning. We are dealing not only with dollars and cents and sound paper, but with human equations every passing day.

Your employees, as they touch the lives of humble men and women—yes, even little children—have an opportunity to build spirit. They have an opportunity to make a better community in which to live. I want to tell you one simple story—to give you the spirit of a six-year-old child.

THE AMERICANIZATION OF DENNIS BROWN

Back in 1939, Mrs. Bartle and I decided to bring to our home for the duration, two little children who had been affected by the war. Through the State Department we receievd two lovely youngsters, a girl of nine and a boy of six. They happened to be from England, but I would have taken two children out of Berlin, Rome or Tokyo.

The children stayed with us for six and a half years, and became a part of our hearts. We took them through an appendectomy, a tonsillectomy, the measles and the chicken pox and the whooping cough; and when you sit up nights with feverish youngsters, you become as attached to them as to your own flesh and blood.

I shall never forget the day I asked Jennifer how she was getting along in school. With all the dignity of a Ph.D., she replied, "Dear Uncle Roe, I get along lovely. I enjoy my school work immensely. I do want to pause and thank you, Dear Uncle Roe, for the opportunity that I am having here in America. I am enjoying it immensely."

"And how are *you* getting along in school, Dennis?" I asked.

"Okie-dokie, Uncle Roe, okie-dokie." He was fast becoming Americanized.

One day Dennis came in late for dinner, and I admonished him. "Don't you realize, young man, that we sit down to eat as a family and that none of us can eat until all of us are here? The food is cold now—we have waited 30 minutes for you."

"But I'm the first baseman on the ball team, Uncle Roe, and we had to finish the game."

"I'm glad you like the game of baseball," I replied.

"Why shouldn't I like it?" he came back. "I'm an American, ain't I?"

Whereupon Jennifer spoke up. "Dennis Gordon Brown, it is true that Uncle Roe is doing much for us and we are happy to be in America, but I must remind you that you are still a subject of His Majesty the King."

To which Dennis responded, "That king don't mean nothing to me. I belong to Uncle Roe, and I'm American."

All I could say was, "Son, let's go in to dinner."

When Dennis first arrived in this country, he used to sing a song that all England sang during those hellish war days when they knew not whether their island would stand against the military might of Hitler. It was a song of courage and a song of faith. Some of you will remember the words:

> There'll always be an England, and England will be free,
> If England means as much to you as England means to me.

Six months later he was still singing that song, but he had changed one word!

> There'll always be an America, and America will be free,
> If America means as much to you as America means to me!

There is no way I can repay my debt to America, but there is one way I can try. I can have enough intestinal fortitude to stand up and be counted, before almighty God—stand up and be counted for the things that are worth while and constructive, that will make a stronger and a healthier America. And if I had my way, I would have everyone in this vast audience—and everyone who represents the savings and loan business—paraphrase the song with Dennis Gordon Brown and, as you live daily in your community, proclaim to the world:

> There'll always be an America, and America will be free,
> If America means as much to you as America means to me.

OPPORTUNITY FOR YOU

by WIN R. KAMP, *President*

American Savings and Loan Institute

St. Louis, Mo.

THERE IS A fairly well authenicated story, told among businessmen, about a $50,000 movie that was produced to be shown only once and to only one man. And, so the story goes, the film resulted in the sale of $22 million worth of railroad diesel engines. Accurate or not, this tale emphasizes the startling impact that a really good film directed toward its proper audience can have.

For the first time in the history of the savings and loan business, you can now have a professionally acted and produced employee training film that has been specially and specifically filmed in color and sound for savings and loan associations. This film, entitled "Opportunity for You," is an effective new medium for the orientation and training of your own personnel.

Written and directed by Michael Stevenson of the Knickerbocker Federal Savings and Loan Association in New York City, this Institute film is technically excellent in every detail. Produced with the collaboration of an expert in each subject area, it offers the finest in color quality, authenticity and content. "Opportunity for You" is a 15-minute sound filmstrip, written and produced specifically for internal use by individual associations. It is the kind of training film that is ideal for both indoctrination of new employees and refresher training of all employees. It can be shown at repeated intervals to the same audience without becoming boresome; and with each showing, some new points or lessons are picked up by the viewers.

Aptly titled, the film is concerned with the unlimited opportunities available to those in the savings and loan business today. Basically, two broad types of opportunities are considered: (1) the impressive career opportunities ahead for those who have

the education, training and know-how to take advantage of them; and (2) the chances every employee has daily to serve his customers well and thus help his association grow. These major themes are developed to include many valuable ideas, pointers and techniques which should be an essential part of every association's personnel training and customer relations program.

Employees at all levels can benefit from the important messages presented in "Opportunity for You." The film is essential viewing for everyone whose work involves customer contact. Special care has been taken to adapt it to the needs of associations of every type and size.

As has so often been pointed out, your tellers, receptionists and switchboard operators are your first line of contact with your customers. Consider for a moment, if you will, the expense you go to to get these customers into your offices and the mechanical equipment you provide so that they may be promptly cared for, your advertising budget and the machines necessary for the operation of your office. The basic cost of supplying your employees with their tools for operation is substantial. But without proper and adequate training of your personnel in the handling of their customers, all your other good efforts can prove useless.

"Opportunity for You" provides one big step in any employee training program. Other filmstrips will be developed, so that you may plan to have a very complete library of training films.

This first training filmstrip is available for purchase by individual associations at the very low cost of $100 for the filmstrip and the accompanying record. If good customer relations mean anything, then the price of $100 is nominal, considering that the film can be shown easily to all new personnel and repeated occasionally for all personnel—it is less than one-fourth the cost of an electric typewriter. Another factor worthy of consideration is that the filmstrip may be carried as a capital asset, and thus its cost may be written off over a period of time.

In sound and color, with picture lessons for every employee and staff member, "Opportunity for You" presents to the business the training tools of the future. Those of you who have seen the filmstrip have been most enthusiastic about its value as an employee indoctrination and training aid. I consider the film an absolute must in the employee training field for any association with assets of $5 million or more.

Questions and further information about the film, prices, projectors, how to order, delivery time and so on will be answered by any one of the Institute representatives either at the American Savings and Loan Institute booth or directly opposite the booth, where, incidentally, the film can again be viewed.

[The filmstrip, "Opportunity for You," was then shown.]

MEMORIAL RESOLUTION

presented by JOSEPH HOLZKA, *Past President*
United States Savings and Loan League
Staten Island, N. Y.

THE SAVINGS AND LOAN BUSINESS has been singularly fortunate from generation to generation in the type of people who have devoted themselves and their working lives to its service. This fact is always re-emphasized for us when we come to this place in our national convention. We pay tribute to those who have gone to their reward during the past year, and we do so because there has always been a close bond of fellowship among the officers of the various institutions of the savings and loan type. But we also pay tribute because fine men and wonderful women, such as they were, make this business what it is.

Since our last convention two past presidents of the United States Savings and Loan League and two former executive committeemen have passed from our midst. Only a few weeks ago a state league executive, whose connection with the business goes back to my first days in the business, was taken suddenly by death.

PAUL ENDICOTT of Pomona, Calif., who served as president of the League in 1941 and for four years as chairman of the Legislative Committee, died December 19 last year. His activities and prominence in our national organization have been of so recent date that many hundreds of those here present will readily recall his significant contribution and will be missing him in the corridors of this convention. We all loved Paul Endicott, and he is going to be remembered with gratitude.

GEORGE E. MCKINNIS of Shawnee, Okla., who died September 7, was president of the United States League a generation ago, in 1927. His service was distinguished. While most of the people here today would not know him well, we pay deserved tribute.

JOHN C. MINDERMANN of Covington, Ky., who served as executive committeeman of the United States League from the Fifth District from 1944 through 1946, died May 7. He had done yeo-

man service in the Kentucky Building, Savings and Loan League, and his experience and wisdom gave his service on the Executive Committee great value.

CARL J. BERGMANN of Washington, D. C., who served as executive committeeman of the United States League from the Fifth District from 1939 through 1943, died on December 10. He had had a long career as a savings and loan executive and leader in the District of Columbia league, and his service will long be remembered.

JOHN F. MAHR, executive secretary of the Oklahoma Savings and Loan League, died October 8. His service as a full-time officer of a state league dated back to 1928, a period when there were very few who carried such responsibilities. As a trade association executive he blazed many significant trails, and his personality and contributions were alike memorable. It is difficult to think of a United States League convention without him.

We lost also this year one of that unforgettable pioneer group of Federal Home Loan Bank presidents with the passing of WALTER H. NEAVES on May 31. He had guided the Federal Home Loan Bank of Boston from the day it opened its doors up to 1947, when he retired from active service.

There has been placed in your hands a printed roll of all the savings and loan executives who have died since our last convention. I am going to ask this convention to adopt a resolution in memory of the distinguished leaders whose works I have just mentioned and also all of those whose names are inscribed on that roll.

IN MEMORIAM

WHEREAS, Many men and women who dedicated their working lives to the savings and loan business and to the advancement of its objectives have departed this life since the last convention of the United States Savings and Loan League, and

WHEREAS, The delegates to this convention are saddened by their absence and hold in high reverence the memory of them as friends and fellow workers;

NOW, THEREFORE, BE IT RESOLVED, That the United States Savings and Loan League, assembled in its 67th annual convention in Dallas, Texas, this ninth day of November, 1959, record its esteem for these friends and fellow workers and extend to their bereaved families and to the institutions which they served our sympathy in their loss.