Public Law 86-374
86th Congress, H. R. 7244
September 23, 1959

AN ACT

To promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title IV of the National Housing Act, as amended (12 U.S.C., sec. 1724 et seq.), is amended by adding at the end thereof the following new section:

Savings and loan holding companies.
Regulation.
48 Stat. 1255.

"REGULATION OF HOLDING COMPANIES

"SEC. 408. (a)(1) As used in this section, the term 'company' means any corporation, business trust, association, or similar organization, but does not include the Federal Savings and Loan Insurance Corporation, any partnership, or any company the majority of the shares of which is owned by the United States or by any State.

Definitions.

"(2) As used in this section (except when used in subsection (f)), the term 'stock' means nonwithdrawable stock, underlying ownership stock other than mutual shares in a mutual institution, permanent stock, guaranty stock, or stock of a similar nature (as defined by the Federal Home Loan Bank Board by regulation) by whatever name called.

"(3) For the purposes of this section, a company shall be considered as having control of an institution or other organization if such company owns, controls, or holds with power to vote more than 10 per centum of the stock of such institution or other organization, or if the Federal Home Loan Bank Board determines, after reasonable notice and opportunity for hearing, that such company directly or indirectly exercises a controlling influence over the management and policies of such institution or other organization.

73 STAT. 691.
73 STAT. 692.

"(b)(1) The Corporation shall reject any application made for insurance under this title on or after the date of the enactment of this section if it finds that the applicant is controlled by any company which also controls any insured institution or any other applicant for insurance.

Insurance applications.

"(2) If an application of any institution for insurance under this title is approved on or after the date of the enactment of this section, and the Federal Home Loan Bank Board subsequently determines, after reasonable notice and opportunity for hearing, that at the time of such approval such institution was controlled by a company which also controlled another insured institution (or another applicant for insurance if the application of such other applicant was approved), the Board shall either—

"(A) terminate the insured status of such institution; or

"(B) require such company, in the manner provided in subsection (e) of this section, to dispose of so much of the stock of such institution, or take such other action, or both, as may be necessary to divest itself of its control of such institution.

If the insured status of an institution is terminated under subparagraph (A), the provisions of section 407 relating to continuation of insurance of accounts, examination by the Corporation during the period of such continuation, final insurance premium, and notice to insured members shall be applicable as though the termination had been ordered under such section 407.

12 USC 1730.

"(c) It shall be unlawful for any company on or after the date of the enactment of this section—

Restrictions.

"(1) to acquire the control of more than one insured institution; or

"(2) to acquire the control of an insured institution when it holds the control of any other insured institution.

Acquisition of stock.

"(d) Any company may, without regard to subsection (c), acquire stock pursuant to a pledge or hypothecation to secure a loan or in connection with the liquidation of a loan, but it shall be unlawful for any such company to retain for more than one year any control the acquisition of which by such company would, except for this subsection, have been unlawful under subsection (c).

Violations, legal action.

"(e) If, in the opinion of the Federal Home Loan Bank Board, any company holds control of an institution and such control was acquired in violation of subsection (c) or retained in violation of subsection (d), it shall give such company notice that if it does not divest itself of such control within thirty days an action will be brought to force the divestiture thereof. Notice given to such institution shall constitute notice to such company for purposes of the preceding sentence. If such company does not dispose of so much of the stock of such institution, or take such other action, or both, as may be necessary to divest itself of such control within thirty days after the receipt of such notice, the Board shall, without regard to any statute of limitation, institute in the United States district court for the district in which the principal office of such institution is located, and prosecute to final satisfaction, an action to require divestiture of such control. Process in any such action may be served in any district in which such company transacts business or wherever it may be found. The United States district courts shall have jurisdiction of all actions brought under this subsection and, in view of the fact that the questions involved are of general public importance, shall hear and determine such actions with all reasonable promptness. Any such action shall be brought by the Federal Home Loan Bank Board in its own name and may, in the discretion of the Board, be prosecuted through its own attorneys. All expenses of the Board under this subsection shall be considered as nonadministrative expenses.

73 STAT. 692.
73 STAT. 693.

Restrictions.

"(f) It shall be unlawful, on or after the date of the enactment of this section, for any insured institution which is controlled by a company—

"(1) to invest any of its funds in the stock, bonds, debentures, or other obligations of such company or of any other organization controlled by such company;

"(2) to accept the stock, bonds, debentures, or other obligations of such company, or of any other organization controlled by such company, as collateral security for advances made to such company or organization or to any other person; except that such institution may accept, and hold for a period not exceeding two years, such stock, bonds, debentures, or other obligations as security for debts contracted prior to the acquisition of such control;

"(3) to purchase securities or other assets or obligations under repurchase agreement from such company or from any other organization controlled by such company; and

"(4) to make any loan, discount, or extension of credit to such company or to any other organization controlled by such company.

Except as otherwise provided by regulation by the Federal Home Loan Bank Board, a non-interest-bearing deposit with a bank, to the credit of an insured institution, shall not be deemed to be a loan, discount, or extension of credit to such bank for purposes of this subsection. As used in this subsection, the term 'organization' means a corporation, business trust, association, partnership, or similar organization.

"(g) (1) This section shall terminate May 31, 1961. Termination.

"(2) The Federal Home Loan Bank Board shall make a full and complete survey of all aspects of savings and loan holding companies, and shall submit a report to the Committees on Banking and Currency of the Senate and the House of Representatives not later than May 31, 1960. This survey shall include studies of the nature, growth, effects and future prospects of savings and loan holding companies, including particularly the extent to which they may have become, or may in the future become, injurious or detrimental to free competition in the field of mortgage lending or in any related field. The report on this survey shall contain a full statement on these matters, together with recommendations for further legislation on this subject. In particular, the report shall review and make recommendations on the legislative proposals submitted at the hearings of the Committees on Banking and Currency on H.R. 7244, Eighty-sixth Congress, including particularly the need for and feasibility of requiring divestment of part or all of the savings and loan associations already acquired or part or all of the other interests of such holding companies, the need for and feasibility of requiring such holding companies to limit their activities or their future acquisitions to a specified distance from their principal offices, and the desirability and feasibility of regulating and controlling further acquisitions of such holding companies, as compared with prohibiting further acquisitions by such holding companies." Report to Congress.

Approved September 23, 1959.

GPO 34139

86TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 679

REGULATION OF SAVINGS AND LOAN HOLDING COMPANIES

JULY 16, 1959.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SPENCE, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H.R. 7244]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 7244) to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The bill prohibits any holding company from acquiring control of two or more savings and loan associations if the savings accounts in the associations are insured by the Federal Savings and Loan Insurance Corporation. It also denies FSLIC insurance to any uninsured savings and loan association if it is controlled by a holding company which also controls an insured savings and loan association. Finally, the bill as reported prohibits any insured savings and loan association controlled by a holding company from making any loan to the holding company or any of its subsidiaries.

The bill does not have any retroactive effect. That is, it would not require an existing holding company to divest itself of an insured association it now controls. But the company could not acquire control of any additional insured association.

HISTORY OF THE BILL

In 1955 the committee reported out a bill, H.R. 6627, designed to regulate holding companies in the field of commercial banking. It was subsequently enacted into law and became the Bank Holding Company Act of 1956. Shortly after the committee had reported

that bill a new holding company was formed in the savings and loan field. In view of the potential problems that could develop from a holding company movement in the savings and loan field the committee decided to take action before these problems assumed the complex status that had been encountered in dealing with the holding company problem in the commercial banking field. Accordingly, the committee on March 1, 1957, reported H.R. 4135, to protect against the encroachment of holding companies in the savings and loan field. The bill passed the House unanimously on March 21, 1957, but unfortunately was not acted on by the Senate, although similar provisions were included in S. 1451 (Financial Institutions Act) as passed by the Senate. S. 1451, however, was not acted on by the House.

Two years ago, at the time H.R. 4135 was passed by the House, there were only two principal holding companies owning two or more associations. In the 2 years that have elapsed there has been a rapid growth in such companies. The committee was advised by the Home Loan Bank Board that, at the time of our hearing, there were more than a dozen savings and loan holding companies in existence or definitely projected, and that their operations extended to six States.

In view of the rapid growth of savings and loan holding companies since the passage of H.R. 4135 in 1957, it is apparent that prompt action is needed if we are to preserve the traditional pattern of independent, locally managed savings and loan associations. Accordingly on June 16 and 17, 1959, the committee held hearings on H.R. 7244, a bill identical to the one passed by the House in 1957. This bill was unanimously agreed to by the committee on July 14, 1959.

DEVELOPMENT OF SAVINGS AND LOAN ASSOCIATIONS

The first savings and loan association in this country was established in 1831, with 37 members. The members agreed to pay an initiation fee and to make small monthly payments into the association, for which they received shares of withdrawable stock in the association. It was agreed that after enough money had been paid in, the association would make loans to members, to build or buy homes. Members could withdraw from the association by giving 1 month's notice. On withdrawal, a member was to be repaid the amount he had paid into the association, minus 5 percent. The association was to continue until each member had had a chance to get his house. On dissolution, the balance in the treasury was to be divided among the members, according to the shares held.

By the end of 1958, there were over 6,000 savings and loan associations in the United States, with combined assets of about $55 billion. Currently, these institutions are making more than one-third of all home loans in this country; more than any other type of lender. Some 3,800 of these institutions, with assets of $51 billion, are insured by the Federal Savings and Loan Insurance Corporation. While the great majority of savings and loan associations are mutuals like the original 1831 association, some 435 insured associations are permanent stock companies. That is, they have issued shares of permanent stock, like an ordinary business corporation, and the association is owned by these stockholders, who are separate and distinct from the people who have savings accounts in the association. While there are several ways a holding company might gain control of an association, the

simplest way is by buying a controlling interest in the permanent stock of a stock association. This has been the method used in all instances which have been brought to the committee's attention.

Over the years, the savings and loan associations have changed in many ways, but they have kept their essential characteristics. They are still devoted to encouraging thrift and homeownership, and they are still community institutions, managed by local people. The great bulk of their loans are for homes located within 50 miles of the home office, and the funds to make these loans come, for the most part, from the people of the community, who have steadily increased their savings accounts in these institutions.

LOCAL OWNERSHIP AND CONTROL

Continued expansion of the holding company type of operation in the savings and loan industry would pose a serious threat to its traditions of local ownership and local management. These traditions should be maintained. The customers of these institutions should not be subjected to the redtape and impersonality of absentee ownership. The home borrower should be able, as he is now, to discuss his problems and needs with the actual managers of the institution, rather than with mere representatives of a far-away national organization. Since most of the institution's loans are made on property within a 50-mile radius of its office, the managers should be part of the community. They should know the people who live there and be thoroughly familiar with local real estate and business conditions. With this knowledge, they can deal with delinquent loans, for example, on a case-by-case basis, making proper allowances for the circumstances of each case, rather than rigidly applying rules prescribed by absentee management.

PROTECTION AGAINST CONCENTRATION OF ECONOMIC CONTROL

The Congress has already acted to prevent undue concentration of economic control through the holding-company device in the field of commercial banking. While holding companies have not gained control over savings and loan associations to the extent they have over commercial banks, over half the assets of nonmutual savings and loan associations in one of our largest States are currently owned by holding companies or proposed to be owned by holding companies. The holding-company device could be used in the savings and loan field to circumvent State and Federal restrictions on branches, just as it was in the field of banking. Action to prevent it should be taken now.

POSSIBLE ABUSES IN HOLDING COMPANY OPERATIONS

While the committee does not desire in any way to question the character and integrity of the individuals associated with the existing savings and loan holding companies, the holding company method of operation is susceptible to abuse by unscrupulous promoters. There was testimony before the committee that in the 1920's promoters made enormous profits out of unscrupulous transactions in savings and loan holding companies. Other possibilities exist for self-dealing between a controlled savings and loan association and its parent company or one of the parent's subsidiaries. Section 408(f) of the bill

would prevent a controlled association from making a loan to the parent company or any of its subsidiaries. One of the fundamental rules of sound lending is that the parties concerned deal at arm's length. The bill would preserve this sound and tested lending requirement with respect to institutions whose loanable funds are derived almost entirely from the general public.

EXISTING HOLDING COMPANIES

The bill follows the pattern of the Bank Holding Company Act of 1956 in allowing existing holding companies to retain control of savings and loan associations acquired before enactment. There are obvious practical difficulties in forcing divestment of such control. It should be emphasized, however, that the bill would not in any way detract from the powers of the Antitrust Division of the Justice Department in dealing with any possible violations of the antitrust laws by these existing companies; it would not detract from the powers of the Federal Home Loan Bank Board in dealing with any abuses by these existing companies; and it is not intended to foreclose the possibility of further action by the Congress with regard to these companies if further study should indicate the desirability of such action.

SUMMARY OF THE PROVISIONS OF THE BILL

The scope of the bill is limited in various ways. It would be prospective in its application and would not affect any relationships which already exist between savings and loan associations and companies exercising control over them. The bill adds a new section 408 to title IV of the National Housing Act and makes the regulation of savings and loan holding companies an aspect of the existing Federal program of insurance under that title. Therefore, it does not affect any savings and loan association unless the accounts of such association are insured under that title or it is an applicant for insurance under that title. Finally, it would not be concerned with control by a company of one savings and loan association, but would deal only with the situation where two or more such associations are controlled by the same company. In this respect it follows the precedent established by the Bank Holding Company Act of 1956.

The references contained in the following discussion of the bill, unless otherwise indicated, are references to the provisions of the new section 408.

Subsection (a) contains definitions of the terms "company," "stock," and "control." Taken together these definitions prescribe, in as much detail as the committee considered practicable and appropriate, the conditions under which control of a savings and loan association by a holding company will be found to exist. Paragraph (1) defines the term "company" to include any corporation, business trust, association, or similar organization, but to exclude the Federal Savings and Loan Insurance Corporation, partnerships, and companies the majority of the shares of which is owned by the United States or by a State. Paragraph (2) defines the term "stock" to include nonwithdrawable stock, underlying ownership stock other than mutual shares in a mutual institution, permanent stock, guarantee stock, and any other stock which is defined in regulations of the Federal Home

Loan Bank Board as stock of a similar nature. Paragraph (3) would provide that a company shall be considered as having control of a savings and loan association if it owns, controls, or holds with power to vote more than 10 percent of such association's stock, or if the Federal Home Loan Bank Board determines, after notice and hearing, that such company exercises a controlling influence over such association's management and policies; the latter provision was included because of the possibility of actual control being exercised through management contracts, voting trusts, interlocking directorates, or other methods not involving measurable stock ownership. The committee has no intention of subjecting a bank, trust company, or similar institution to the provisions of the new section 408 solely because it has custody of stock giving it technical control over a savings and loan association in its capacity as the administrator of one or more estates or the executor of one or more wills, but did not consider it necessary to include in the bill a specific exemption for such cases.

The bill is designed to deal with the savings and loan holding company problem in two ways: First, by prohibiting the insurance of the accounts of any institution which is under common control with an insured institution, and second, by prohibiting the acquisition by any company of control of more than one insured institution.

Subsection (b) would require the Federal Savings and Loan Insurance Corporation to reject any application hereafter made by a savings and loan association for insurance of its accounts if such association is controlled by a company and such company also controls another institution which is insured under title IV or has applied for such insurance. If any such application should be determined by the Federal Home Loan Bank Board, after notice and hearing, to have been erroneously approved, the Board would be directed by subsection (b) to terminate the association's insured status (under substantially the same procedures and subject to the same safeguards as those which are provided by section 407 of the National Housing Act with respect to terminations of insured status on account of unsafe or unsound practices or violations of law) or, at its election, to require the controlling company to divest itself of control of such association. The procedure for requiring such divestiture is discussed below.

Subsection (c) makes it unlawful for a company hereafter to acquire the control of two or more insured institutions, whether the acquisition of such control occurs simultaneously or at different times. Acquisition of the control of the second such institution would constitute a violation of this subsection even though the first such institution was acquired before the enactment of the bill. Acquisitions in any form would be prohibited. For example, the acquisition of a controlling interest in stock as the beneficiary of a will, or the acquisition of such an interest through a reduction in the total stock outstanding, would be covered. Subsection (d) contains an exception to the prohibition in subsection (c), providing that a company may lawfully acquire control of the second such institution and retain it for a period not exceeding 1 year if such control is in the form of stock acquired pursuant to a pledge or hypothecation to secure a loan or in connection with the liquidation of a loan.

Subsection (e) would provide a civil remedy in cases where a company acquires control of two or more insured institutions in violation

of subsection (c) or retains control of such an institution for a longer period than is permitted under subsection (d). If, in the opinion of the Federal Home Loan Bank Board, any company holds control of an institution acquired in violation of this section, it would give such company 30 days in which to divest itself of such control. If at the end of such 30-day period the company has not complied, the Board would bring an action (in its own name and, if it so desires, through its own attorneys) in the U.S. district court for the district in which the principal office of the insured institution concerned is located, to require divestiture of such control. The original 30-day notice could be given either to the controlling company or to such insured institution. Process could be served on the company wherever it transacts business or wherever it can be found. Actions brought under this subsection would be in the form of original actions to compel compliance with the law. In the typical case where control is exercised through the purchase of stock, the question of control as well as the other questions in the case would be decided by the court solely on the basis of evidence in the court action. If the case involves control of another kind, such as control through a management contract, the Board would first hold a hearing to determine whether control exists. If it finds on the basis of that hearing that control exists and in its opinion control was acquired in violation of the act, it would bring action to require divestiture. In such an action the question of whether control exists would be determined on the basis of the record made by the parties in the hearing before the Board.

As indicated above, the Federal Home Loan Bank Board could elect under the bill to require a company to divest itself of control over an insured institution, rather than terminating the insured status of the institution, where the application of the institution for such insurance should have been rejected (at the time it was made) because the institution was then already under the control of a holding company. The provisions of subsection (e) would apply in any such case just as if the control had been acquired after the insurance was granted.

Subsection (f) contains provisions designed to curb unsound self-dealing (between savings and loan associations and the companies controlling them) by prohibiting "upstream" and "cross-stream" loans. Under this subsection it would be unlawful for any such association to make loans, discounts, or extensions of credit to a company by which it is controlled or to any corporation, business trust, association, partnership, or similar organization which is also controlled by such company. It would also be made unlawful for any such association to invest in the obligations of such company or organization, to accept such obligations as collateral security for advances (or to accept and hold such obligations for more than 2 years where they secure a debt contracted before control was acquired), or to purchase securities or obligations from such company or organization under repurchase agreement, since these transactions represent possible methods by which an insured institution might achieve the same unsound relationship with the controlling company as that which would exist by reason of a loan or advance. Non-interest-bearing deposits with a bank by an insured institution would not, however, be prohibited. The provisions of section 407 of the National Housing Act relating to termination of insurance for violations of law would apply to violations of this subsection.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE IV OF THE NATIONAL HOUSING ACT, AS AMENDED

(12 U.S.C., sec. 1724 et seq.)

DEFINITIONS

SEC. 401. As used in this title—

(a) The term "insured institution" means an institution whose accounts are insured under this title.

(b) The term "insured member" means an individual, partnership, association, or corporation which holds an insured account. Each officer, employee, or agent of the United States, of any State of the United States, of the District of Columbia, of any Territory of the United States, of Puerto Rico, of the Virgin Islands, of any county of, any municipality, or of any political subdivision thereof, herein called "public unit", having official custody of public funds and lawfully investing the same in an insured institution shall, for the purpose of determining the amount of the insured account, be deemed an insured member in such custodial capacity separate and distinct from any other officer, employee, or agent of the same or any public unit having official custody of public funds and lawfully investing the same in the same insured institution in custodial capacity. Funds held in fiduciary capacity, when invested in an insured institution, shall be insured in an amount not to exceed $10,000 for each trust estate, and notwithstanding any other provisions of this Act, such insurance shall be separate from and additional to that covering other investments by the owners of such trust funds or the beneficiaries of such trust estates.

(c) The term "insured account" means a share, certificate, or deposit account of a type approved by the Federal Savings and Loan Insurance Corporation which is held by an insured member in an insured institution and which is insured under the provisions of this title.

(d) The term "default" means an adjudication or other official determination of a court of competent jurisdiction or other public authority pursuant to which a conservator, receiver, or other legal custodian is appointed for an insured institution for the purpose of liquidation.

CREATION OF FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

SEC. 402. (a) There is hereby created a Federal Savings and Loan Insurance Corporation (hereinafter referred to as the "Corporation"), which shall insure the accounts of institutions eligible for insurance as hereinafter provided, and shall be under the direction of a board of trustees to be composed of five members and operated by it under such bylaws, rules, and regulations as it may prescribe for carrying out the purposes of this title. The members of the Federal Home Loan Bank Board shall constitute the board of trustees of the Corporation and shall serve as such without additional compensation.

The principal office of the Corporation shall be in the District of Columbia.

(b) The Corporation shall have a capital stock of $100,000,000, which shall be divided into shares of $100 each. The total amount of such capital stock shall be subscribed for by the Home Owners' Loan Corporation which is hereby authorized and directed to subscribe for such stock and make payment therefor in bonds of the Home Owners' Loan Corporation. The Corporation shall issue to the Home Owners' Loan Corporation receipts for payment for or on account of such stock, which shall serve as evidence of the ownership thereof, and the Home Owners' Loan Corporation shall be entitled to the payment of dividends on such stock out of net earnings at a rate equal to the interest rate on such basis, which dividends shall be cumulative.

(c) Upon the date of enactment of this Act, the Corporation shall become a body corporate, and shall be an instrumentality of the United States, and as such shall have power—

(1) To adopt and use a corporate seal.

(2) To have succession until dissolved by Act of Congress.

(3) To make contracts.

(4) To sue and be sued, complain and defend, in any court of competent jurisdiction in the United States or its Territories or possessions or the Commonwealth of Puerto Rico, and may be served by serving a copy of process on any of its agents or any agent of the Home Loan Bank Board [1] and mailing a copy of such process by registered mail to the Corporation at Washington, District of Columbia.

(5) To appoint and to fix the compensation, by its board of trustees, of such officers, employees, attorneys, or agents, as shall be necessary for the performance of its duties under this title, without regard to the provisions of any other laws relating to the employment or compensation of officers or employees of the United States. Nothing in this title or any other provision of law shall be construed to prevent the appointment and compensation as an officer, attorney, or employee of the Corporation, of any officer, attorney, or employee of any board, corporation, commission, establishment, executive department, or instrumentality of the Government. The Corporation, with the consent of any board, corporation, commission, establishment, executive department, or instrumentality of the Government, including any field services thereof, may avail itself of the use of information, service, and facilities thereof in carrying out the provisions of this title. The Corporation shall be entitled to the free use of the United States mails for its official business in the same manner as the executive departments of the Government, and shall determine its necessary expenditures under this Act and the manner in which the same shall be incurred, allowed, and paid, without regard to the provisions of any other law governing the expenditure of public funds. All necessary expenses in connection with the making of supervisory or other examinations (except examinations of Federal home loan banks), including the provisions of services and facilities therefor, shall be considered as nonadministrative expenses.

[1] The name of this Board, which is referred to as the Home Loan Bank Board at several points in title IV of the National Housing Act, was changed to "Federal Home Loan Bank Board" by sec. 17(b) of the Federal Home Loan Bank Act (as added by sec. 109(a)(3) of the Housing Amendments of 1955).

(d) For the purposes of this title, the Corporation shall have power to borrow money, and to issue notes, bonds, debentures, or other such obligations upon such terms and conditions as the board of trustees may determine. Moneys of the Corporation not required for current operations shall be deposited in the Treasury of the United States, or upon the approval of the Secretary of the Treasury, in any Federal Reserve bank, or shall be invested in obligations of, or guaranteed as to principal and interest by, the United States. When designated for that purpose by the Secretary of the Treasury, the Corporation shall be a depositary of public money under such regulations as may be prescribed by the Secretary of the Treasury, and may also be employed as fiscal agent of the United States, and it shall perform all such reasonable duties as depositary of public money and fiscal agent as may be required of it.

(e) All notes, bonds, debentures, or other such obligations issued by the Corporation shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority. The Corporation, including its franchise, capital, reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the Corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

(f) Repealed.

(g) No individual, association, partnership, or corporation shall use the words "Federal Savings and Loan Insurance Corporation", or any combination of any of these words which would have the effect of leading the public in general to believe there was any connection, actually not existing, between such individual, association, partnership, or corporation and the Federal Savings and Loan Insurance Corporation, as the name under which he or it shall hereafter do business. No individual, association, partnership, or corporation shall advertise or otherwise represent falsely by any device whatsoever that his or its accounts are insured or in anywise guaranteed by the Federal Savings and Loan Insurance Corporation, or by the Government of the United States, or by any instrumentality thereof; and no insured member shall advertise or otherwise represent falsely by any device whatsoever the extent to which or the manner in which its accounts are insured by the Federal Savings and Loan Insurance Corporation. Every individual, partnership, association, or corporation violating this subsection shall be punished by a fine of not exceeding $1,000, or by imprisonment not exceeding one year, or both.

(h) After the effective date of this subsection the Corporation is authorized and directed to pay off and retire annually at par an amount of its capital stock equal to 50 per centum of its net income for the fiscal year. Such payments shall be made promptly after the end of each fiscal year (beginning with the first fiscal year which begins after the date of enactment of this subsection) until the entire capital stock of $100,000,000 is retired. In lieu of any and all unpaid dividends, whether for any present, past, or future period, on its capital stock,

the Corporation shall pay to the Secretary of the Treasury, promptly after the end of each fiscal year, beginning with the fiscal year 1951, a return on the average amount, at par, of its capital stock outstanding during such fiscal year at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the sixth month of such fiscal year, and the Corporation shall also pay to the Secretary of the Treasury an amount equal to 2 per centum simple interest per annum on its capital stock of $100,000,000 from June 27, 1934, to June 30, 1950, less any amount heretofore paid by the Corporation as dividends on such capital stock. The retirement of such capital stock shall not affect the applicability to said Corporation of the Government Corporation Control Act, as amended.

(i) The Corporation is authorized to borrow from the Treasury, and the Secretary of the Treasury is authorized and directed to loan to the Corporation on such terms as may be fixed by the Corporation and the Secretary, such funds as in the judgment of the Home Loan Bank Board are from time to time required for insurance purposes, not exceeding in the aggregate $750,000,000 outstanding at any one time, and the Corporation hereafter shall not exercise its borrowing power under the first sentence of subsection (d) of this section for the purpose of borrowing money from any other source: *Provided*, That each such loan shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the making of such loan: *Provided further*, That nothing in this subsection shall prevent the Corporation from issuing debentures in accordance with the provisions of subsection (b) of section 405. For the purposes of this subsection the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of the sale of any securities hereafter issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are hereby extended to include such loans. Any such loan shall be used by the Corporation solely in carrying out its functions with respect to such insurance. All loans and repayments under this subsection shall be treated as public-debt transactions of the United States.

INSURANCE OF ACCOUNTS AND ELIGIBILITY PROVISIONS

SEC. 403. (a) It shall be the duty of the Corporation to insure the accounts of all Federal savings and loan associations, and it may insure the accounts of building and loan, savings and loan, and homestead associations and cooperative banks organized and operated according to the laws of the State, District, Territory, or possession in which they are chartered or organized.

(b) Application for such insurance shall be made immediately by each Federal savings and loan association, and may be made at any time by other eligible institutions. Such applications shall be in such form as the Corporation shall prescribe, and shall contain an agreement (1) to pay the reasonable cost of such examinations as the Corporation shall deem necessary in connection with such insurance,

and (2) if the insurance is granted, to permit and pay the cost of such examinations as in the judgment of the Corporation may from time to time be necessary for its protection and the protection of other insured institutions, to permit the Corporation to have access to any information or report with respect to any examination made by any public regulatory authority and to furnish any additional information with respect thereto as the Corporation may require, and to pay the premium charges for insurance as hereinafter provided. Each applicant for such insurance shall also file with its application an agreement that during the period that the insurance is in force it will not make any loans beyond fifty miles from its principal office except with the approval of, and pursuant to regulations of, the Corporation, but any applicant which, prior to the date of enactment of this Act, has been permitted to make loans beyond such fifty mile limit may continue to make loans within the territory in which the applicant is operating on such date; will not, after it becomes an insured institution, issue securities which guarantee a definite return or which have a definite maturity except with the specific approval of the Corporation, or issue any securities the form of which has not been approved by the Corporation; will not carry on any sales plan or practices, or any advertising, in violation of regulations to be made by the Corporation; will provide adequate reserves satisfactory to the Corporation, to be established in accordance with regulations made by the Corporation, before paying dividends to its insured members; but such regulations shall require the building up of reserves to 5 per centum of all insured accounts within a reasonable period, not exceeding twenty years, and shall prohibit the payment of dividends from such reserves or the payment of any dividends if any losses are chargeable to such reserves: *Provided,* That for any year dividends may be declared and paid when losses are chargeable to such reserves if the declaration of such dividends in such case is approved by the Corporation.

(c) The Corporation shall reject the application of any applicant if it finds that the capital of the applicant is impaired or that its financial policies or management are unsafe; and the Corporation may reject the application of any applicant if it finds that the character of the management of the applicant or its home financing policy is inconsistent with economical home financing or with the purposes of this title. Upon the approval of any application for insurance the Corporation shall notify the applicant, and upon the payment of the initial premium charge for such insurance, as provided in section 404, the Corporation shall issue to the applicant a certificate stating that it has become an insured institution. In considering applications for such insurance the Corporation shall give full consideration to all factors in connection with the financial condition of applicants and insured institutions, and shall have power to make such adjustments in their financial statements as the Corporation finds to be necessary.

(d) Any institution which applies after the effective date of the Housing Amendments of 1955 for insurance under this title shall pay, in the event its application is approved, an admission fee in such amount as the Corporation shall determine, taking into consideration the total cost of processing all insurance applications.

PREMIUMS ON INSURANCE

SEC. 404. (a) Each institution whose application for insurance is approved by the Corporation shall pay to the Corporation, in such manner as it shall prescribe, a premium charge for such insurance equal to one-twelfth of 1 per centum of the total amount of all accounts of the insured members of such institution plus any creditor obligations of such institution. Such premium shall be paid at the time the certificate is issued by the Corporation under section 403, and thereafter annually until a reserve fund has been established by the Corporation equal to 5 per centum of all insured accounts and creditor obligations of all insured institutions; except that under regulations prescribed by the Corporation such premium charge may be paid semiannually. If at any time such reserve fund falls below such 5 per centum, the payment of such annual premium charge for insurance shall be resumed and shall be continued until the reserve is brought back to such 5 per centum. For the purposes of this subsection, the amount in all accounts of insured members and the amount of creditor obligations of any institution may be determined from adjusted statements made within one year prior to the approval of the application of such institution for insurance, or in such other manner as the Corporation may by rules and regulations prescribe.

(b) The Corporation is further authorized to assess against each insured institution additional premiums for insurance until the amount of such premiums equals the amount of all losses and expenses of the Corporation; except that the total amount so assessed in any one year against any such institution shall not exceed one-eighth of 1 per centum of the total amount of the accounts of its insured members and its creditor obligations.

(c) If an insured institution has paid a premium (other than any premium which may be assessed under subsection (b) of this section) at a rate in excess of one-twelfth of 1 per centum of the total amount of the accounts of its insured members and its creditor obligations for any period of time after June 30, 1949, it shall receive a credit upon its future premiums in an amount equal to the excess premium so paid for the period beyond such date.

PAYMENT OF INSURANCE

SEC. 405. (a) Each institution whose application for insurance under this title is approved by the Corporation shall be entitled to insurance up to the full withdrawal or repurchasable value of the accounts of each of its members and investors (including individuals, partnerships, associations, and corporations) holding withdrawable or repurchasable shares, investment certificates, or deposits, in such institution; except that no member or investor of any such institution shall be insured for an aggregate amount in excess of $10,000.

(b) In the event of a default by any insured institution, payment of each insured account in such insured institution which is surrendered and transferred to the Corporation shall be made by the Corporation as soon as possible either (1) by cash or (2) by making available to each insured member a transferred account in a new insured institution in the same community or in another insured institution in an amount equal to the insured account of such insured member: *Provided*, That

the Corporation, in its discretion, may require proof of claims to be filed before paying the insured accounts, and that in any case where the Corporation is not satisfied as to the validity of a claim for an insured account, it may require the final determination of a court of competent jurisdiction before paying such claim.

(c) No action against the Corporation to enforce a claim for payment of insurance upon an insured account of an insured institution in default shall be brought after the expiration of 3 years from the date of default, unless within such 3-year period, the conservator, receiver, or other legal custodian of the insured institution shall have recognized such insured account as a valid claim against the insured institution and the claim for payment of insurance shall have been presented to the Corporation and its validity denied, in which event the action may be brought within 2 years from the date of such denial.

LIQUIDATION OF INSURED INSTITUTIONS

SEC. 406. (a) In order to facilitate the liquidation of insured institutions, the Corporation is authorized (1) to contract with any insured institution with respect to the making available of insured accounts to the insured members of any insured institution in default, or (2) to provide for the organization of a new Federal savings and loan association for such purpose subject to the approval of the Federal Home Loan Bank Board.

(b) In the event that a Federal savings and loan association is in default, the Corporation shall be appointed as conservator or receiver and is authorized as such (1) to take over the assets of and operate such association, (2) to take such action as may be necessary to put it in a sound and solvent condition, (3) to merge it with another insured institution, (4) to organize a new Federal savings and loan association to take over its assets, or (5) to proceed to liquidate its assets in an orderly manner, which ever shall appear to be to the best interests of the insured members of the association in default; and in any event the Corporation shall pay the insurance as provided in section 405 and all valid credit obligations of such association. The surrender and transfer to the Corporation of an insured account in any such association which is in default shall subrogate the Corporation with respect to such insured account, but shall not affect any right which the insured member may have in the uninsured portion of his account or any right which he may have to participate in the distribution of the net proceeds remaining from the disposition of the assets of such association.

(c) In the event any insured institution other than a Federal savings and loan association is in default, the Corporation shall have authority to act as conservator, receiver, or other legal custodian of such insured institution, and the services of the Corporation are hereby tendered to the court or other public authority having the power of appointment. If the Corporation is so appointed, it shall have the same power and duties with respect to the insured institution in default as are conferred upon it under subsection (b) with respect to Federal savings and loan associations. If the Corporation is not so appointed it shall pay the insurance as provided in section 405, and shall have power (1) to bid for the assets of the insured institution in default, (2) to negotiate

for the merger of the insured institution or the transfer of its assets, or (3) to make any other disposition of the matter as it may deem in the best interest of all concerned.

(d) In connection with the liquidation of insured institutions in default, the Corporation shall have power to carry on the business of and to collect all obligations to the insured institutions, to settle, compromise, or release claims in favor of or against the insured institutions, and to do all other things that may be necessary in connection therewith, subject only to the regulation of the court or other public authority having jurisdiction over the matter.

(e) The Corporation shall make an annual report to the Congress of the operations by it of insured institutions in default, and shall keep a complete record of the administration by it of the assets of such insured institutions which shall be subject to inspection by any officer of any such insured institution or by any other interested party, and, if any such insured institution is operated under the laws of any State, Territory, or possession of the United States, or of the District of Columbia, such annual report shall also be filed with the public authority which has jurisdiction over the insured institution.

(f) In order to prevent a default in an insured institution or in order to restore an insured institution in default to normal operation as an insured institution, the Corporation is authorized, in its discretion, to make loans to, purchase the assets of, or make a contribution to, an insured institution or an insured institution in default; but no contribution shall be made to any such institution in an amount in excess of that which the Corporation finds to be reasonably necessary to save the expense of liquidating such institution.

TERMINATION OF INSURANCE

SEC. 407. Any insured institution other than a Federal savings and loan association may terminate its status as an insured institution by written notice to the Corporation. Whenever in the opinion of the Home Loan Bank Board any insured institution has violated its duty as such or has continued unsafe or unsound practices in conducting the business of such institution, or has knowingly or negligently permitted any of its officers or agents to violate any provision of any law or regulation to which the insured institution is subject, said Board shall first give to the authority having supervision of the institution, if any, a statement with respect to such practices or violations for the purpose of securing the correction thereof and shall give a copy thereof to the institution. In the case of an institution of a State where there is no supervisory authority the statement shall be sent directly to the institution. Unless such correction shall be made within one hundred and twenty days or such shorter period of time as the supervisory authority, if any, shall require, the Home Loan Bank Board, if it shall determine to proceed further, shall give to the institution not less than thirty days' written notice of intention to terminate the status of the institution as an insured institution, and shall fix a time and place for a hearing before the Home Loan Bank Board, a member thereof, or a person designated by the Board. The Home Loan Bank Board shall make written findings. Unless the insitution shall appear at the hearing by a duly authorized representative, it shall be deemed to have consented to the termination of its status as an insured institu-

tion. If the Home Loan Bank Board shall find that any unsafe or unsound practice or violation specified in such notice has been established and has not been corrected within the time above prescribed in which to make such correction, the Home Loan Bank Board may issue its order terminating the insured status of the institution effective on a date subsequent to such finding and to the expiration of the time specified in such notice of intention. The hearing hereinabove provided for shall be held in accordance with the provisions of the Administrative Procedure Act and shall be subject to review as therein provided and the review by the court shall be upon the weight of the evidence. In the event of the termination of such status, insurance of its accounts to the extent that they were insured on the date of such notice by the insitution to the Corporation or such order of termination, less any amounts thereafter withdrawn, repurchased, or redeemed which reduce the insured accounts of an insured member below the amount insured on the date of such notice or order, shall continue for a period of two years, but no investments or deposits made after the date of such notice or order of termination shall be insured. The Corporation shall have the right to examine such institution from time to time during the two-year period aforesaid. Such insured institution shall be obligated to pay, within thirty days after any such notice or order of termination, as a final insurance premium, a sum equivalent to twice the last annual insurance premium paid by it. In the event of the termination of insurance of accounts as herein provided the institution which was the insured institution shall give prompt and reasonable notice to all of its insured members that it has ceased to be an insured institution and it may include in such notice the fact that insured accounts, to the extent not withdrawn, repurchased, or redeemed, remain insured for two years from the date of such termination, but it shall not further represent itself in any manner as an insured institution. In the event of failure to give the notice to insured members as herein provided the Corporation is authorized to give reasonable notice.

REGULATION OF HOLDING COMPANIES

SEC. 408. (a) (1) As used in this section, the term "company" means any corporation, business trust, association, or similar organization, but does not include the Federal Savings and Loan Insurance Corporation, any partnership, or any company the majority of the shares of which is owned by the United States or by any State.

(2) As used in this section (except when used in subsection (f)), the term "stock" means nonwithdrawable stock, underlying ownership stock other than mutual shares in a mutual institution, permanent stock, guaranty stock, or stock of a similar nature (as defined by the Federal Home Loan Bank Board by regulation) by whatever name called.

(3) For the purposes of this section, a company shall be considered as having control of an institution or other organization if such company owns, controls, or holds with power to vote more than 10 per centum of the stock of such institution or other organization, or if the Federal Home Loan Bank Board determines, after reasonable notice and opportunity for hearing, that such company directly or indirectly exercises a controlling influence over the management and policies of such institution or other organization.

(b) (1) The Corporation shall reject any application made for insurance under this title on or after the date of the enactment of this section if it finds that the applicant is controlled by any company which also controls any insured institution or any other applicant for insurance.

(2) If an application of any institution for insurance under this title is approved on or after the date of the enactment of this section, and the Federal Home Loan Bank Board subsequently determines, after reasonable notice and opportunity for hearing, that at the time of such approval such institution was controlled by a company which also controlled another insured institution (or another applicant for insurance if the application of such other applicant was approved), the Board shall either—

(A) terminate the insured status of such institution; or

(B) require such company, in the manner provided in subsection (e) of this section, to dispose of so much of the stock of such institution, or take such other action, or both, as may be necessary to divest itself of its control of such institution.

If the insured status of an institution is terminated under subparagraph (A), the provisions of section 407 relating to continuation of insurance of accounts, examination by the Corporation during the period of such continuation, final insurance premium, and notice to insured members shall be applicable as though the termination had been ordered under such section 407.

(c) It shall be unlawful for any company on or after the date of the enactment of this section—

(1) to acquire the control of more than one insured institution; or

(2) to acquire the control of an insured institution when it holds the control of any other insured institution.

(d) Any company may, without regard to subsection (c), acquire stock pursuant to a pledge or hypothecation to secure a loan or in connection with the liquidation of a loan, but it shall be unlawful for any such company to retain for more than one year any control the acquisition of which by such company would, except for this subsection, have been unlawful under subsection (c).

(e) If, in the opinion of the Federal Home Loan Bank Board, any company holds control of an institution and such control was acquired in violation of subsection (c) or retained in violation of subsection (d), it shall give such company notice that if it does not divest itself of such control within thirty days an action will be brought to force the divestiture thereof. Notice given to such institution shall constitute notice to such company for purposes of the preceding sentence. If such company does not dispose of so much of the stock of such institution, or take such other action, or both, as may be necessary to divest itself of such control within thirty days after the receipt of such notice, the Board shall, without regard to any statute of limitation, institute in the United States district court for the district in which the principal office of such institution is located, and prosecute to final satisfaction, an action to require divestiture of such control. Process in any such action may be served in any district in which such company transacts business or wherever it may be found. The United States district courts shall have jurisdiction of all actions brought under this subsection and, in view of the fact that the questions involved are of general public importance, shall hear and determine such actions with all reasonable promptness. Any such action shall be brought by the Federal Home Loan Bank Board in its own name and may, in the discretion of the Board, be prosecuted through its own

attorneys. All expenses of the Board under this subsection shall be considered as nonadministrative expenses.

(f) It shall be unlawful, on or after the date of the enactment of this section, for any insured institution which is controlled by a company—

(1) to invest any of its funds in the stock, bonds, debentures, or other obligations of such company or of any other organization controlled by such company;

(2) to accept the stock, bonds, debentures, or other obligations of such company, or of any other organization controlled by such company, as collateral security for advances made to such company or organization or to any other person; except that such institution may accept, and hold for a period not exceeding two years, such stock, bonds, debentures, or other obligations as security for debts contracted prior to the acquisition of such control;

(3) to purchase securities or other assets or obligations under repurchase agreement from such company or from any other organization controlled by such company; and

(4) to make any loan, discount, or extension of credit to such company or to any other organization controlled by such company.

Except as otherwise provided by regulation by the Federal Home Loan Bank Board, a non-interest-bearing deposit with a bank, to the credit of an insured institution, shall not be deemed to be a loan, discount, or extension of credit to such bank for purposes of this subsection. As used in this subsection, the term "organization" means a corporation, business trust, association, partnership, or similar organization.

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Calendar No. 820

86TH CONGRESS, 1st Session } SENATE { REPORT No. 810

SAVINGS AND LOAN HOLDING COMPANIES

AUGUST 25, 1959.—Ordered to be printed

Mr. ROBERTSON, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H.R. 7244]

The Committee on Banking and Currency, to whom was referred the bill (H.R. 7244) to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

PURPOSE OF THE BILL

The purpose of the bill, as amended by the committee, is to halt for a 2-year period the accelerating trend of acquisitions of stock savings and loan associations by savings and loan holding companies. During this waiting period the Federal Home Loan Bank Board will be asked to survey the situation carefully and thoroughly, and within a year to present to the Committees on Banking and Currency a full report on savings and loan holding companies, with its considered recommendations for legislation. The committees will then be able to review the matter and make their recommendations for legislation to the Senate and the House of Representatives, and those bodies will have an opportunity to enact well-considered and constructive legislation before the temporary freeze is ended.

The committee recommends this stopgap legislation because the testimony presented to it was overwhelming that, unless immediate action is taken, it is probable that most of the assets of the stock savings and loan institutions will be under the control of holding companies. By that time it would be too late to take preventative action. The only alternatives would be to leave the stock savings and loan institutions in the control of the holding companies, however undesirable a later study might show this to be, or to require divestment, with all the hardship and loss which this might cause to the institutions and the holding companies.

The bill was passed by the House on July 27, 1959, and was referred to the committee on July 28. An announcement was made on August 4 that hearings would be held before the end of the session. Hearings were held on August 18 and 19. During these hearings almost every witness recommended amendments: the Federal Home Loan Bank Board recommended a number of amendments; the U.S. Savings and Loan League recommended several different amendments; and many representatives of the holding companies and the stock savings and loan associations recommended either that there should be no legislation, or that the bill should be amended.

In the light of the convincing testimony that the situation is rapidly getting out of hand, and in the light of the impossibility of making a careful and thorough study of the matter during the closing days of this session, the committee came to the conclusion that the most sensible course is to impose a temporary freeze on further acquisitions by savings and loan holding companies, and to provide for a thorough study of the whole situation, so that sound and effective permanent legislation can be enacted which will promote the best interests of all concerned—savers, borrowers, savings and loan institutions, savings and loan holding companies, and the public generally.

The committee believes that H.R. 7244, as amended by the committee, will accomplish this purpose, and recommends its prompt enactment.

THE SAVINGS AND LOAN INDUSTRY

Savings and loan associations have two objectives: the encouragement of thrift and savings, and the encouragement of homeownership. They encourage thrift and the habit of saving by providing a safe, convenient, and rewarding place to put savings to work. They encourage homeownership by providing money to families who want to own their own homes, but must borrow a substantial part of the cost on a mortgage. In the course of fulfilling these objectives, the savings and loan industry plays a major role in the Nation's economy, providing strong support directly for the homebuilding industry and indirectly for the construction industry generally, the building materials industry, and many others.

The growth of the savings and loan industry has been phenomenal since the close of World War II. On December 31, 1946, savings and loan associations held aggregate assets of $10.2 billion. At the end of 1958, the comparable figure was $55 billion. The mortgage debt held on nonfarm homes by savings and loan associations at the end of 1946 was $6.8 billion. At the end of 1958, it was $42¼ billion, more than a third of all mortgage debt on nonfarm homes.

The industry may be classified on the basis of a number of different categories: Federal associations and State-chartered associations, associations which are insured by the FSLIC and those which are not, and mutual associations and stock associations.

The following table shows the number of associations, and a breakdown between Federal and State-chartered associations, and between those insured by FSLIC and those not so insured.

Number of savings and loan associations and total assets at year end, 1900–1958

Year	Number of associations	Insured by FSLIC		Noninsured State charter	Assets (in millions of dollars)	
		Federal charter	State charter		Insured	Noninsured
1900	5,356			5,356		$571
1905	5,264			5,264		629
1910	5,869			5,869		932
1915	6,806			6,806		1,484
1920	8,633			8,633		2,520
1925	12,403			12,403		5,509
1930	11,777			11,777		8,829
1935	10,266	[1] 987	130	9,149	$711	5,164
1940	7,521	1,437	840	5,244	2,926	2,807
1945	6,149	1,467	1,008	3,674	6,123	2,624
1950	5,992	1,526	1,334	3,132	13,644	3,202
1956	6,136	1,739	1,927	2,470	39,338	3,537
1957	6,169	1,772	2,000	2,397	44,459	3,679
1958	[2] 6,200	1,807	2,082	[2] 2,311	51,311	3,804

[1] Authorization for Federal savings and loan associations was provided by the Home Owners' Loan Corporation Act of June 13, 1933.
[2] Preliminary figures.

Sources: Federal Home Loan Bank Board; U.S. Savings and Loan League.

All Federal savings and loan associations are mutual organizations, owned by savers through purchase of withdrawable shares in the association. Most State-chartered savings and loan associations are also mutuals—in some cases because mutual associations are the only ones permitted by the law of that State, in other cases by preference.

In a number of States, however, the law permits the formation of stock savings and loan associations. These stock savings and loan associations resemble the ordinary corporation in most respects. The stockholders own the association's equity; they elect directors; and they may receive dividends on their stock. The stockholders' rights differ from those of ordinary corporations in one respect. Their shares are called "nonwithdrawable" stock, "underlying ownership" stock, "permanent" stock, or "guaranty" stock, because the capital represented by their stock cannot be withdrawn or paid out to the stockholders, but must be retained in the association as a guaranty for the payment of the savers' "withdrawable shares."

The committee is advised that the laws of 20 States and Guam permit the formation of stock savings and loan associations. In 13 States and in Guam, stock savings and loan associations have been insured by FSLIC. There is a substantial stock savings and loan association in Oregon which is not insured by FSLIC, and a number of other relatively small stock associations in other States also not insured by FSLIC.

The following table gives a breakdown of associations insured by FSLIC, showing stock associations and all associations in those States where FSLIC insures stock associations, and the totals for the United States:

Breakdown of FSLIC-insured institutions, showing relative number of stock ownership companies and mutual companies in those States which permit stock companies

States	FSLIC-insured stock companies		All FSLIC-insured institutions	
	Number	Assets	Number	Assets
		Millions		*Millions*
Arizona	7	$68	9	$188
California	154	3,910	229	7,241
Colorado	21	234	53	641
Idaho	1	9	9	122
Illinois	12	24	407	5,206
Indiana	2	9	160	1,434
Kansas	38	150	89	623
Nevada	2	13	3	37
Ohio	91	1,408	344	4,608
Texas	93	708	196	1,788
Utah	6	112	14	262
Virginia	3	6	49	523
Washington	4	10	59	1,020
Guam	1	1	1	1
Total, 13 States and Guam	435	6,663	1,622	23,695
Total, United States	435	6,663	3,881	51,311

In addition, the committee is informed that stock savings and loan associations may be formed in the States listed below, though FSLIC has insured none in these States: Arkansas, Hawaii, Louisiana, New Mexico, Oregon, South Dakota, and Wyoming. The committee is also informed that Mississippi has one stock savings and loan association, not insured by FSLIC, which was formed before the 1958 amendment to the laws of Mississippi which terminated the authority to form such associations.

SAVINGS AND LOAN HOLDING COMPANIES

In recent years, at an accelerating pace, the stock of stock savings and loan associations has been purchased by holding companies.

At the time of the hearings on the Financial Institutions Act of 1957, only two of these companies were known—one controlling four associations in California, the other controlling two associations in Utah and Idaho.

During the hearings on H.R. 7244, the committee was advised that there are four companies in California alone, each of which controls three or more savings and loan associations. In addition, six other companies have been formed in California. Each of these now controls one savings and loan association, and most of them are expected to attempt to acquire control of others.

Evidence was presented at the hearing that some of these holding companies have acquired control of associations in Texas, Colorado, and Ohio.

Several holding companies have filed registration statements in connection with public offerings of their securities, in order to obtain

public financing. The following list shows the increasing activity in this field:

	Filing date
Great Western Corp	Aug. 1, 1955
San Diego Imperial Corp	June 2, 1958
Do	Dec. 9, 1958
California Financial Corp	Feb 27, 1959
Wesco Financial Corp	June 1, 1959
First Charter Financial Corp	June 11, 1959
Lytton Financial Corp	[1] Aug. 3, 1959

[1] Not yet effective.

Many problems are inevitably raised by the entrance of holding companies into the field of savings and loan associations.

The problem of monopoly and restraint of competition must be considered in this connection. However, this does not appear to have occurred as yet, according to the testimony presented to the committee. Nevertheless, the most careful attention must be paid to this aspect of savings and loan holding company activities, to prevent any future restraints on competition.

The problems of financial manipulation and intercorporate dealings is one which has occurred in holding company operations in other fields, notably the public utility field. Savings and loan associations, created for the purpose of encouraging thrift and promoting homeownership, must not be permitted to become entangled in a corporate web designed to promote some other and unrelated interest.

While no specific showing was made to the committee that this has already occurred, one instance was given which indicates the possibility of extraordinary financial gains in this field, and, more important than the incident itself, it is likely to attract persons more interested in quick, large profits than in the long-term interests of thrift and homeownership.

Without reflecting in any way on the particular transaction, which the committee did not study or review, the fact remains that such stories may attract speculators who seek to make equally impressive gains. And some of them may find ways to produce such profits out of savings and loan associations, without regard to the security of savings or the interests of homeowners.

Another problem raised by savings and loan holding companies is whether they will bring about an absentee ownership inconsistent with the emphasis on local ownership, local management, and local investments which have proved so important an element in the rapid growth of the savings and loan industry, in its soundness and in its help to community development. This problem is, of course, not confined to holding companies. The savings placed in an association are not always local, and the exceptions to this rule may create problems of their own. Some loans made by associations are outside its immediate area. And, of course, the largest associations, and those with many branches, must exert unusual efforts to preserve the local emphasis which has proved so significant in the past. All these problems may be intensified in a savings and loan holding company setup.

At the same time, while the committee recognizes these problems which may be created by savings and loan holding companies, as similar problems have been created by other kinds of holding companies in the past, the committee does not feel that there has been sufficient experience with holding companies in this field, or that there

has been sufficient consideration of the effect of this particular bill upon those holding companies which have already been formed, to justify enactment of H.R. 7244 in its present form, as a permanent statute. The situation is different from other situations involving holding companies, both because of the nature of the industry and because of differences in the stage of development which savings and loan holding companies have reached, as compared with public utility holding companies or bank holding companies. Consequently, the committee cannot rely too heavily on precedents drawn from other fields, but must draw up a legislative formula which will fit this situation. To do so, further study is needed. But unless further acquisitions of stock savings and loan associations by holding companies are held up for the time being, it may be too late for this study to have any effect.

SUMMARY OF THE PROVISIONS OF THE BILL

The bill would add a new section 408 to title IV of the National Housing Act (12 U.S.C. 1724–1730), which establishes the Federal Savings and Loan Insurance Corporation and provides for the insurance of savings and loan accounts. It would base the restrictions imposed upon savings and loan holding companies on the Federal insurance of savings and loan accounts under that section. It would prohibit the issuance by the FSLIC of insurance of accounts in a savings and loan institution controlled by a savings and loan holding company, and it would prohibit the acquisition of any additional insured savings and loan institutions by a savings and loan holding company. It would not, however, require divestment of any institutions already controlled by a savings and loan holding company. In addition, the bill would prohibit certain "upstream" and "cross-stream" financial transactions between an insured savings and loan association and a savings and loan holding company which controls it or any affiliate of the holding company.

The new subsection 408 of title IV of the National Housing Act which would be added to that title by H.R. 7244 consists of seven subsections.

Subsection (a) contains definitions of the terms "company," "stock," and "control." These definitions prescribe the conditions under which control of a savings and loan association by a holding company will be found to exist. Paragraph (1) defines the term "company" to include any corporation, business trust, association, or similar organization. It excludes the Federal Savings and Loan Insurance Corporation, any partnerships, and companies the majority of the shares of which is owned by the United States or by any State. Paragraph (2) defines the term "stock" to mean withdrawable stock, underlying ownership stock other than mutual shares in a mutual institution, permanent stock, guaranty stock, or similar stock as defined by the Federal Home Loan Bank Board. Paragraph (3) would provide that a company controls a savings and loan institution if it owns, controls, or holds with power to vote more than 10 percent of the stock of the institution, or if the Federal Home Loan Bank Board determines, after reasonable notice and opportunity for hearing, that the company directly or indirectly exercises a controlling influence over the management and policies of the institution.

Subsection (b) directs the Federal Savings and Loan Insurance Corporation to reject any application by a savings and loan association for insurance of its accounts if the association is controlled by a company which also controls another institution which is insured under title IV or has applied for such insurance. If an application is found by the Federal Home Loan Bank Board, after notice and hearing, to have been approved contrary to the provisions of subsection (b), the Board would either terminate the association's insured status, subject to the procedures and safeguards provided in section 407 of the National Housing Act for termination of insured status by reason of unsafe or unsound practices by reason of violation of law, or take action, in the manner provided in subsection (e) of the new section 408, to compel the holding company to divest itself of control of the association (the procedure for requiring divestiture is discussed below).

Subsection (c) would make it unlawful for a company to acquire the control of two or more insured institutions, either at the same time or at different times. The acquisition of control of a single savings and loan association or the continuance of such control acquired before the enactment of the act would not be prohibited, but a company which had acquired control of one insured savings and loan association could not acquire control of a second one after the enactment of the bill.

Subsection (d) contains an exception to subsection (c) which permits the acquisition of stock pursuant to a pledge or hypothecation to secure a loan or in connection with the liquidation of a loan, but a company so acquiring stock could not retain for more than 1 year any control permitted by subsection (d) as an exception to subsection (c).

Subsection (e) would provide judicial procedures through which the Federal Home Loan Bank Board could compel divestiture by a holding company of a savings and loan association which the holding company had acquired control of in violation of subsection (c), or had retained in violation of subsection (d), or on whose accounts the holding company had obtained insurance in violation of subsection (b). The Board would be required to give 30 days' notice to the company or the association. If no action were taken by the holding company, the Board might then institute a proceeding to require divesture in the U.S. District Court for the district in which the principal office of the insured savings and loan association is located. The Board could sue in its own name and might act through its own attorneys. Expenses of the Board in such divestiture actions would be considered nonadministrative expenses, as are the expenses of making supervisory examinations of savings and loan associations.

Subsection (f) would make it unlawful for an insured savings and loan association controlled by a savings and loan holding company—

1. To invest its funds in the stock, bonds, or obligations of the holding company or any other organization controlled by the holding company;

2. To accept the stock, bonds, or other obligations of the holding company or of any other organization controlled by the holding company as collateral security for advances made to the holding company or to any other person. (The association might accept and hold for not more than 2 years such stock, bonds, or other obligations as security for debts contracted prior to the acquisition of control);

3. To purchase securities or other assets or obligations under repurchase agreement from the holding company or any other organization controlled by the holding company;

4. To make any loan, discount, or extension of credit to the holding company or any other organization controlled by the holding company.

An exception is made, subject to regulations issued by the Federal Home Loan Bank Board, for non-interest-bearing deposits with a bank to the credit of the association.

Subsection (g) would establish a termination date for the provisions of the new section, 2 years from the date of its enactment. It would also require the Federal Home Loan Bank Board within 1 year from the date of enactment to make a survey of all aspects of savings and loan holding companies and to submit a report to the Committee on Banking and Currency of the Senate and House of Representatives. The survey would include studies of the nature, growth, effects, and future prospects of savings and loan holding companies, including the extent to which they may have become or may in the future become injurious or detrimental to free competition in the field of mortgage lending or in any related field. The report, in addition to covering the survey, would comment on the legislative proposals submitted at the hearings of the two committees on H.R. 7244, and give the considered recommendations of the Board for future legislation. In particular, the Board is directed to report on the need for and the feasibility of requiring divestment of part or all of the savings and loan associations already acquired by, or part or all of the other interests of, holding companies, the need for and feasibility of requiring holding companies to limit their activities or their future acquisitions to a specified distance from their principal offices, and the desirability and feasibility of regulating and controlling further acquisitions of such holding companies, as compared with prohibiting further acquisitions by such holding companies.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE IV OF THE NATIONAL HOUSING ACT, AS AMENDED

(12 U.S.C. 1724 ET SEQ.)

* * * * * * *

REGULATION OF HOLDING COMPANIES

SEC. 408. (a) (1) As used in this section, the term "company" means any corporation, business trust, association, or similar organization, but does not include the Federal Savings and Loan Insurance Corporation, any partnership, or any company the majority of the shares of which is owned by the United States or by any State.

(2) As used in this section (except when used in subsection (f)), the term "stock" means nonwithdrawable stock, underlying ownership stock

other than mutual shares in a mutual institution, permanent stock, guaranty stock, or stock of a similar nature (as defined by the Federal Home Loan Bank Board by regulation) by whatever name called.

(3) For the purposes of this section, a company shall be considered as having control of an institution or other organization if such company owns, controls, or holds with power to vote more than 10 per centum of the stock of such institution or other organization, or if the Federal Home Loan Bank Board determines, after reasonable notice and opportunity for hearing, that such company directly or indirectly exercises a controlling influence over the management and policies of such institution or other organization.

(b)(1) The Corporation shall reject any application made for insurance under this title on or after the date of the enactment of this section if it finds that the applicant is controlled by any company which also controls any insured institution or any other applicant for insurance.

(2) If an application of any institution for insurance under this title is approved on or after the date of the enactment of this section, and the Federal Home Loan Bank Board subsequently determines, after reasonable notice and opportunity for hearing, that at the time of such approval such institution was controlled by a company which also controlled another insured institution (or another applicant for insurance if the application of such other applicant was approved), the Board shall either—

(A) terminate the insured status of such institution; or

(B) require such company, in the manner provided in subsection (e) of this section, to dispose of so much of the stock of such institution, or take such other action, or both, as may be necessary to divest itself of its control of such institution.

If the insured status of an institution is terminated under subparagraph (A), the provisions of section 407 relating to continuation of insurance of accounts, examination by the Corporation during the period of such continuation, final insurance premium, and notice to insured members shall be applicable as though the termination had been ordered under such section 407.

(c) It shall be unlawful for any company on or after the date of the enactment of this section—

(1) to acquire the control of more than one insured institution; or

(2) to acquire the control of an insured institution when it holds the control of any other insured institution.

(d) Any company may, without regard to subsection (c), acquire stock pursuant to a pledge or hypothecation to secure a loan or in connection with the liquidation of a loan, but it shall be unlawful for any such company to retain for more than one year any control the acquisition of which by such company would, except for this subsection, have been unlawful under subsection (c).

(e) If, in the opinion of the Federal Home Loan Bank Board, any company holds control of an institution and such control was acquired in violation of subsection (c) or retained in violation of subsection (d), it shall give such company notice that if it does not divest itself of such control within thirty days an action will be brought to force the divestiture thereof. Notice given to such institution shall constitute notice to such company for purposes of the preceding sentence. If such company does not dispose of so much of the stock of such institution, or take such other action, or both, as may be necessary to divest itself of such control within thirty days after the receipt of such notice, the Board shall, without regard

to any statute of limitation, institute in the United States district court for the district in which the principal office of such institution is located, and prosecute to final satisfaction, an action to require divestiture of such control. Process in any such action may be served in any district in which such company transacts business or wherever it may be found. The United States district courts shall have jurisdiction of all actions brought under this subsection and, in view of the fact that the questions involved are of general public importance, shall hear and determine such actions with all reasonable promptness. Any such action shall be brought by the Federal Home Loan Bank Board in its own name and may, in the discretion of the Board, be prosecuted through its own attorneys. All expenses of the Board under this subsection shall be considered as non-administrative expenses.

(f) It shall be unlawful, on or after the date of the enactment of this section, for any insured institution which is controlled by a company—

(1) to invest any of its funds in the stock, bonds, debentures, or other obligations of such company or of any other organization controlled by such company;

(2) to accept the stock, bonds, debentures, or other obligations of such company, or of any other organization controlled by such company, as collateral security for advances made to such company or organization or to any other person; except that such institution may accept, and hold for a period not exceeding two years, such stock, bonds, debentures, or other obligations as security for debts contracted prior to the acquisition of such control;

(3) to purchase securities or other assets or obligations under repurchase agreement from such company or from any other organization controlled by such company; and

(4) to make any loan, discount, or extension of credit to such company or to any other organization controlled by such company.

Except as otherwise provided by regulation by the Federal Home Loan Bank Board, a non-interest-bearing deposit with a bank, to the credit of an insured institution, shall not be deemed to be a loan, discount, or extension of credit to such bank for purposes of this subsection. As used in this subsection, the term "organization" means a corporation, business trust, association, partnership, or similar organization.

(g)(1) This section shall terminate 2 years after the date of its enactment.

(2) The Federal Home Loan Bank Board shall make a full and complete survey of all aspects of savings and loan holding companies, and shall submit a report to the Committees on Banking and Currency of the Senate and the House of Representatives not later than one year after the date of enactment of this section. This survey shall include studies of the nature, growth, effects and future prospects of savings and loan holding companies, including particularly the extent to which they may have become, or may in the future become, injurious or detrimental to free competition in the field of mortgage lending or in any related field. The report on this survey shall contain a full statement on these matters, together with recommendations for further legislation on this subject. In particular, the report shall review and make recommendations on the legislative proposals submitted at the hearings of the Committees on Banking and Currency on H.R. 7244, 86th Congress, including particularly the need for and feasibility of requiring divestment of part or all of the savings and loan associations already acquired or part or all of the other

interests of such holding companies, the need for and feasibility of requiring such holding companies to limit their activities or their future acquisitions to a specified distance from their principal offices, and the desirability and feasibility of regulating and controlling further acquisitions of such holding companies, as compared with prohibiting further acquisitions by such holding companies.

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Selden, Armistead I., Jr., Rep, Ala, p. 742.
McCanless, George F., atty gen, Tenn, p. 747.
Alger, Bruce, Rep, Tex, p. 751.
Grant, George M., Rep, Ala, p. 754.
Gallion, MacDonald, atty gen, Ala, p. 755.
Huddleston, George, Jr., Rep, Ala, p. 776.
Livingston, Willard W., chief asst atty gen, Ala, p. 777.
Mitchell, Clarence, dir, DC bur, NAACP, p. 781.
Barnes, John (Rev.), Hattiesburg, Miss, br, NAACP, p. 783.
Darden, Charles R., pres, Miss Conf of NAACP brs, p. 801.
Hemphill, Robert W., Rep, SC, p. 808.
Perez, Leander H., dist atty, 25th judicial dist, La, p. 831.
Roberts, Kenneth A., Rep, Ala, p. 819.
Whitten, Jamie L., Rep, Miss, p. 852.
McSween, Harold B., Rep, La, p. 870.
Cohelan, Jeffery, Rep, Calif, p. 868.
Vanik, Charles A., Rep, Ohio, p. 864.
Elliott, Carl, Rep, Ala, p. 860.
Wilkinson, W. Scott, atty, La, p. 874.
Rauh, Joseph L., Jr., vice chm, Amers for Democratic Action, p. 892.
Tiffany, Gordon M., Staff Dir, Civil Rights Commission, p. 904.
Davis, James C., Rep, Ga, p. 919.

(86) H1736-1

ATOMIC ENERGY COMMISSION APPROPRIATIONS FOR 1960
June 15, 22-26, 1959. 86-1. ii+386+v p. Index.
Y4.Ap6/1:At7/960.

Reviews recent nuclear power plant developments. Includes discussion of British reactor programs and U.S. naval nuclear power applications.

Committee: House Committee on Appropriations

Subcommittee: House Subcommittee on Public Works Appropriations

Subject descriptors: Atomic Energy Commission; Appropriations; Great Britain; Nuclear power plants; Nuclear research

Witnesses:
McCone, John A., Chm, AEC, p. 23.
Libby, Willard F., Commr, AEC, p. 2.
Rickover, Hyman G. (Vice Adm.), Asst Dir, Div of Reactor Dev, Navy Dept, p. 172.

(86) H1736-2

SAVINGS AND LOAN HOLDING COMPANIES
June 16, 17, 1959. 86-1. iii+59 p.
Y4.B22/1:Sa9/2.

Considers H.R. 7244, to amend National Housing Act to prohibit holding companies from controlling or acquiring more than one federally insured savings and loan association.

Committee: House Committee on Banking and Currency

Subcommittee: House Subcommittee No. 1 (Banking and Currency)

Subject descriptors: Savings and loan associations; Trade regulation; Holding companies; National Housing Act

Bills: (85) H.R. 4135; (85) S. 1451; (86) H.R. 7244

Witnesses:
Bubb, Henry A., chm, legis committee, US Savings and Loan League; pres, Capitol Fed Savings & Loan Assn, Topeka, Kans, p. 13.
Chatt, Orville, vp, San Diego Imperial Corp, p. 43.
Hallahan, William J., member, Fed Home Loan Bank Bd, p. 3.
Hoeft, J. E., pres, Glendale Fed Savings and Loan Assn, Calif, p. 36.
Jones, William M., representing Calif Savings and Loan League, p. 23.
Morrison, W. Franklin, exec vp, First Fed Savings & Loan Assn, DC, representing Natl League of Insured Savings Assns, p. 21.

(86) H1736-3

HIGHWAY REIMBURSEMENT
May 19, 20, 1959. 86-1. iii+83 p.
Y4.P96/11:86/8.

Committee Serial No. 86-8. Considers H.R. 6303, the Interstate Highway Repayment Act, to reimburse states for contributions to the building of highways in the National System of Interstate and Defense Highways.

Committee: House Committee on Public Works

Subject descriptors: Federal-state relations; Federal Aid Highway Program; Interstate Highway Repayment Act; Federal Aid Highway Act

Bills: (86) S. 570; (86) S. 1714; (86) H.R. 6303

Witnesses:
Becker, Frank J., Rep, NY, p. 67.
Bush, Prescott, Sen, Conn, p. 4.
Celler, Emanuel, Rep, NY, p. 65.
Mueller, Frederick H., Under Sec, Commerce Dept, p. 19.
O'Farrill, Don R., pres, permanent exec committee, Pan Amer Hwy Congresses, p. 42.
Pillion, John R., Rep, NY, p. 72.
Tallamy, Bertram D., Fed Hwy Admin, Commerce Dept, p. 44.

(86) H1736-4

CLAIM OF GEORGE B. SOTO AGAINST THE GOVERNMENT OF GUATEMALA
May 22, 1959. 86-1. iii+37 p. Y4.F76/1:So7.

Examines claims of George B. Soto, U.S. citizen, against Government of Guatemala, based in part on nationalization of Banco Columbiano, of which he was a principal shareholder.

Committee: House Committee on Foreign Affairs

Subcommittee: House Subcommittee on Inter-American Affairs

Subject descriptors: Soto, George B.; Banco Colombiano; Guatemala; Claims; Banks and banking; Expropriation

Witnesses:
Shea, George F., atty, DC, representing George B Soto, p. 1.
Stewart, C. Allan, Dir, Office of Central Amer and Panamanian Aff, State Dept, p. 15.

(86) H1736-5

NICKEL-COBALT CONTRACT OBLIGATIONS OF THE U.S. GOVERNMENT (MOA BAY, CUBA, AND BRAITHWAITE, LOUISIANA)
May 11, 12, 1959. 86-1. vii+325 p. foldout.
Y4.G74/7:N53/3.

Investigates GSA contracts with Freeport Sulphur Co., and its subsidiary, Cuban American Nickel Co. to supply nickel and cobalt mined in Cuba and processed in La.

Committee: House Committee on Government Operations

Subcommittee: House Subcommittee on Government Activities

Subject descriptors: Public administration; Congressional investigations; Government contracts and procurement; Nickel; Cobalt and Cobalt Ore; Freeport Sulphur Co.; Cuba; General Services Administration; Political ethics; Office of Defense Mobilization; Louisiana; Demonstration and pilot projects

Witnesses:
Decker, Charles L. (Brig. Gen.), Asst Judge Advocate Gen, Military Justice, Army Dept, p. 7.
Leigh, Monroe, Asst Gen Counsel, DOD, p. 1.

(86) S1349-4

TO PROVIDE FOR AN EFFECTIVE SYSTEM OF PERSONNEL ADMINISTRATION
May 13, 14, 27, June 22, 1959. 86-1. iv+140 p.
Y4.P84/11:P43/2/959.

Considers S. 1638, to establish an Office of Personnel Management in the Executive Office of the President and to establish a Career Service.

Committee: Senate Committee on Post Office and Civil Service

Subcommittee: Senate Subcommittee on Civil Service

Subject descriptors: Career Service Act; Government efficiency; Executive Office of the President; Government reorganization; Employee-management relations in government; Office of Personnel Management; Career Service; Civil service system

Bill: (86) S. 1638

Witnesses:
Brownlow, Louis, member, former Pres Committee on Admin Mgmt, p. 71.
Campbell, James A., pres, Amer Fedn of Govt Employees, p. 33.
Egger, Rowland, chm, dept of political science and Woodrow Wilson Dept of Foreign Aff, Univ of Va, p. 15.
Goode, Cecil E., exec dir, Natl Civil Service League, p. 12.
Hallbeck, E. C., legis dir, Natl Fedn of PO Clerks, p. 23.
Kelley, Nicholas, pres, Natl Civil Service League, p. 10.
Kerby, Austin E., asst dir, natl economic commission, Amer Legion, p. 60.
Kremers, Reuben B., asst sec-treas, Natl Assn of Letter Carriers, p. 39.
Macy, John W., Jr., vp, Wesleyan Univ; former Exec Dir, Civil Service Commission, p. 80.
Mitchell, James M., Assoc Dir, Natl Science Fdn, p. 51.
Nagle, Paul A., pres, Natl Postal Transport Assn, p. 28.
Staats, Elmer B., Dep Dir, Bur of Budget, p. 98.
Stephens, Russell M., pres, Amer Fedn of Technical Engrs, p. 41.
Stover, Francis W., asst legis dir, Veterans of Foreign War, p. 68.
Van Riper, Paul P., prof, admin, Grad School of Business and Public Admin, Cornell Univ, p. 88.
Walters, Thomas G., ops dir, Govt Employes Council, p. 64.

(86) S1349-5

FEDERAL CREDIT UNION ACT
Aug. 21, 1959. 86-1. iii+78 p.
Y4.B22/3:F31/33/959.

Considers S. 1786, S. 1985, and H.R. 8305 and similar bills, to revise the Federal Credit Union Act to improve the administrative operations of Federal credit unions and to increase the limit on unsecured loans.

Committee: Senate Committee on Banking and Currency

Subject descriptors: Federal Credit Union Act; Credit unions; Financial Institutions Act; Loans; Administrative law and procedure; Bureau of Federal Credit Unions

Bills: (86) S. 107; (86) H.R. 5777; (86) H.R. 6407; (86) H.R. 6927; (86) H.R. 7009; (86) H.R. 7141; (86) H.R. 3674; (86) H.R. 3675; (86) H.R. 5939; (86) H.R. 5958; (86) H.R. 5988; (86) H.R. 6089; (86) H.R. 6122; (86) H.R. 6161; (86) H.R. 6241; (86) H.R. 6755; (86) H.R. 8305; (86) S. 1786; (86) S. 1985

Witnesses:
Gannon, J. Deane, Dir, Bur of Fed Credit Unions, HEW, p. 41.
Powers, Frank P., member, spec committee on credit unions, Amer Bankers Assn, p. 63.
Stone, Julius, pres, Credit Union Natl Assn, p. 51.

(86) S1349-6

SAVINGS AND LOAN HOLDING COMPANIES
Aug. 18, 19, 1959. 86-1. iv+106 p.
Y4.B22/3:Sa9/4.

Considers:

S. 2517, to amend the Federal Home Loan Bank Act to increase the number of directors of the Federal Home Loan Bank of San Francisco to permit the new states of Alaska and Hawaii to have elected representation on the board.

H.R. 7244, to prohibit savings and loan associations and their holding companies from acquiring more than one insured savings and loan association and to restrict mergers between savings and loan associations.

Committee: Senate Committee on Banking and Currency

Subject descriptors: Federal Home Loan Bank Act; Holding companies; Economic concentration; National Housing Act; Federal Home Loan Bank of San Francisco; Alaska; Hawaii; Savings and loan associations

Bills: (86) H.R. 7244; (86) S. 2517

Witnesses:
Berger, H. N., pres, Prudential Savings & Loan Assn, San Gabriel, Calif, p. 75.
Bowman, William J., pres, Security Savings & Loan Assn, Oakland, Calif, p. 88.
Chatt, Orville, vp, San Diego Imperial Corp, San Diego, Calif, p. 80.
Hallahan, William J., Member, Fed Home Loan Bank Bd, p. 16.
Dixon, Ira A., Member, Fed Home Loan Bank Bd, p. 16.
Holmes, Hardin, representing Guardian Savings & Loan Assn, Denver, Colo, p. 52.
Hughes, Charles M., representing Southern Counties Financial Corp, p. 84.
Johnson, Edward L., exec vp, Amer Savings & Loan Assn, Whittier, Calif, p. 44.
Jones, William M., representing Calif Savings & Loan League, p. 27.
Lynch, Robert L., pres, Huntington Park First Savings & Loan Assn, Calif, p. 50.
Lytton, Bart, pres, Lytton Savings & Loan Assn, Hollywood, Calif, p. 64.
Mintz, Alexander, pres, Shaker Savings Assn, Shaker Heights, Ohio, p. 54.
Morrison, W. Franklin, representing Natl League of Insured Savings Assns, p. 25.

(86) S1349-7

NOMINATION OF JAMES SMITH BUSH
Aug. 25, 1959. 86-1. ii+3 p. Y4.B22/3:B96/2.

Committee: Senate Committee on Banking and Currency

Subject descriptors: Nominations; Export-Import Bank

Witnesses:
Waugh, Samuel C., Pres, Eximbank, p. 1.
Bush, James S., Nomination to be Member, Bd of Dirs, Eximbank,
Bush, James S., Nominee to be Member, Bd of Dirs, Eximbank, p. 2.

(86) S1349-8

SEC LEGISLATION
June 15-18, 23-25, 1959. 86-1. v+640 p.
Y4.B22/3:Se2/10/959.

Mr. BUDGE. Mr. Speaker, I understand this is temporary legislation to take care of a problem in the Air Force for 1 fiscal year only. I know of no opposition to adoption of the rule.

Mr. TRIMBLE. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

REGULATION OF SAVINGS AND LOAN HOLDING COMPANIES

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules I call up House Resolution 323 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 7244) to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies. After general debate, which shall be confined to the bill, and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. MADDEN. Mr. Speaker, House Resolution 323 makes in order the consideration of H.R. 7244, pertaining to the regulation of savings and loan holding companies. The resolution provides for an open rule and 1 hour of debate.

H.R. 7244 would prohibit any holding company from acquiring control of two or more savings and loan associations if the savings accounts in the associations are insured by the Federal Savings and Loan Insurance Corporation. It also denies Federal Savings and Loan Insurance Corporation insurance to any uninsured savings and loan association if it is controlled by a holding company which also controls an insured savings and loan association. Finally, the bill as reported prohibits any insured savings and loan association controlled by a holding company from making any loan to the holding company or any of its subsidiaries.

The bill does not have any retroactive effect. That is, it would not require an existing holding company to divest itself of an insured association it now controls. But the company could not acquire control of any additional insured association.

Two years ago there were only two principal holding companies owning two or more associations. Today there are more than a dozen savings and loan holding companies in existence or definitely projected, and their operations extend to six States. In view of the rapid growth of these savings and loan holding companies, it is apparent that prompt action is needed if we are to preserve the traditional pattern of independent, locally managed savings and loan associations.

This bill was unanimously agreed to by the House Banking and Currency Committee.

I urge the adoption of this resolution.

Mr. Speaker, I yield 30 minutes to the gentleman from Idaho [Mr. BUDGE].

Mr. BUDGE. Mr. Speaker, I think this legislation is very timely. I know of no objection to the adoption of the rule and I yield back the balance of my time.

Mr. MADDEN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

INTER-AMERICAN DEVELOPMENT BANK

Mr. MADDEN. Mr. Speaker, by direction of the Committee on Rules I call up House Resolution 322 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 7072) to provide for the participation of the United States in the Inter-American Development Bank. After general debate, which shall be confined to the bill, and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. MADDEN. Mr. Speaker, House Resolution 322 makes in order the consideration of H.R. 7072, providing for the participation of the United States in the Inter-American Development Bank. The resolution provides for an open rule and 2 hours of general debate.

This bill authorizes the President to accept membership on behalf of the United States in the Inter-American Development Bank; it also authorizes to be appropriated the full amount of the U.S. subscription of $450 million. It contains several provisions of law necessary to make our membership effective, including provisions relating to the marketing of the Bank's securities in the United States, and it provides for the coordination of the activities of U.S. representatives to the Inter-American Development Bank by the National Advisory Council on International Monetary and Financial Problems. The bill requires the approval of Congress for certain actions on behalf of the United States with respect to the Inter-American Development Bank, including voting an increase in capital or subscribing to additional stock, and accepting any amendment to the Bank agreement.

The Inter-American Development Bank is designed to expand the economic growth of Latin America. It will make loans for projects in these countries to supplement other sources of credit. It will also assist these countries in formulating development programs and in engineering and organizing projects. Its technical assistance will help these countries obtain capital from other sources, as well as from the Inter-American Bank. The Bank, drawing its membership from the 21 American Republics, will have resources of $1 billion, of which $850 million will be the ordinary capital of the Bank and $150 million will be placed in a Fund for Special Operations. Our subscription to the ordinary capital of the Bank will amount to $350 million and our contribution to the Fund for Special Operations will be $100 million.

The President, in recommending the enactment of this legislation on May 11, 1959, said:

> The establishment of the Inter-American Development Bank and our participation in it will be a most significant step in the history of our economic relations with our Latin American neighbors. It will fulfill a long-standing desire on the part of the Latin American Republics to have an inter-American institution specifically designed to promote the financing of accelerated economic development in Latin America.

I urge the adoption of this resolution.

Mr. Speaker, I yield 30 minutes to the gentleman from Idaho [Mr. BUDGE].

Mr. BUDGE. Mr. Speaker, while I have some personal reservations as to the wisdom of this legislation, I think it properly should be brought before the House. I have no requests for time on the rule.

Mr. MADDEN. Mr. Speaker, I move the previous question.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

OMNIBUS AMENDMENTS TO THE RESERVE OFFICER PERSONNEL ACT OF 1954

Mr. RIVERS of South Carolina. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 8186) to amend titles 10 and 14, United States Code, with respect to Reserve commissioned officers of the Armed Forces.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 8186, with Mr. SISK in the chair.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose, and the Speaker having resumed the chair, Mr. SISK, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 8189) to improve the active duty promotion opportunity of Air Force officers from the grade of captain to the grade of major, pursuant to House Resolution 325, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

REGULATION OF SAVINGS AND LOAN HOLDING COMPANIES

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 7244) to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies.

The SPEAKER. The question is on the motion of the gentleman from Kentucky [Mr. SPENCE].

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 7244, with Mr. SISK in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. SPENCE. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, this bill will promote and preserve the local management of savings and loan associations by protecting them against encroachment by holding companies. The holding company has grown greatly in the last few years. Heretofore, almost all the savings and loan associations were mutual companies. They were locally managed and locally owned. They had the interest of their communities at heart. They were held in peculiar affection by the people because of the services they rendered to them. Almost all their funds were invested in homebuilding and in homeownership. Because of the standing they had in the estimation of the people, they had certain privileges. But, recently, after the passage of the Bank Holding Act, there has been a great activity in savings and loan holding companies. I think 2 or 3 years ago there were but two holding companies controlling savings and loan associations. Now, there are about a dozen holding companies. They have changed the whole concept of the savings and loan program. I do not say all the holding companies are controlled by men who do not have the interest of their people at heart, but in many instances the holding companies have made that instrument the means by which they have obtained great fortunes by buying savings and loan associations and selling the stock of the company on the market. It has been a very lucrative field and is growing rapidly.

This bill is designed to prevent the expansion of the holding companies. It is not a punitive bill; there are no criminal statutes involved; there are no punitive provisions. The only method provided in the bill to prevent the expansion of holding companies is by withdrawing from the corporations that they purchase the insurance furnished by the Federal Savings and Loan Insurance Corporation.

The provisions of the bill make it unlawful after enactment of this act for a holding company to acquire two or more savings and loan associations. If in violation of the law they do acquire savings and loan associations against the provisions of the bill the insurance will be withdrawn.

We feel sure that if this method is adopted it will prevent the expansion of these organizations and their continued tremendous growth. Both savings and loan leagues, the National and the United States, are in favor of this bill.

A similar bill was introduced during the last Congress, was reported unanimously by the House Banking and Currency Committee, and I understand the Rules Committee was unanimous in granting a rule for its consideration. It was passed without a dissenting vote by the House. Although the Senate had contemporaneously passed such a bill in the Financial Institutions Bill, they failed to pass the House bill.

I hope the bill will be passed without amendment. I think it will subserve the purpose we want to achieve, and I do not think there can be any valid objection to it even by the holding companies. It has no retroactive effect. What they have they can keep, but they cannot expand in the future.

Not long ago I remember a holding company went into business and in 2 or 3 years it controlled more than half a billion in assets of the corporations it controlled.

The bill provides only that if a holding company owns 10 percent or more of the stock of a savings and loan association it shall be considered to have a controlling interest; or, if the Home Loan Bank Board finds that by other means it might acquire that control the Board can then order it to divest itself of the corporation it has acquired or the Board will discontinue the insurance.

Certainly, there can be no objection to the passage of this bill. It is essential that it should be passed promptly, because the activities of the holding companies are increasing day by day. They have followed the course the banks followed when the Congress was considering the bank holding bill. I hope the Congress will promptly pass this bill in order to prevent this activity which I think is hostile to the best interests of our country, for it means a concentration of economic power which is not good for the economy of America.

Mr. Chairman, I reserve the balance of my time.

Mr. McDONOUGH. Mr. Chairman, I yield myself such time as I may need.

Mr. Chairman, I cannot disagree with the statement of the chairman of the committee on this bill. I doubt if there is much controversy concerning it.

Some of the pertinent points of the bill are that it prohibits any holding company from acquiring control of two or more savings and loan associations if the accounts of that association are insured by the Savings and Loan Insurance Corporation.

The bill is not retroactive. The bill does not require, as did the bank holding bill which was passed by this Congress previously, does not require any existing holding company to divest itself of its holdings. The bill is similar to a bill that the House passed in 1957 unanimously, but it was not acted upon by the Senate.

Its principal purpose is to prevent, as the chairman has stated, monopoly and control of financial institutions by holding corporations. This is looked upon in certain parts of the United States as very detrimental; in other parts as not so detrimental. Insofar as California is concerned, it has become rather common practice to the extent of the acquisition on the part of certain holding corporations of a large number of savings and loan associations, but in spite of the arguments to the contrary, they have not become monopolistic.

The precaution provided in this bill, however, is undoubtedly a good one and will provide for more individual initiative on the part of savings and loan associations that possess a Federal charter to operate without the possibility of control from outside sources.

Mr. WIER. Mr. Chairman, will the gentleman yield?

Mr. McDONOUGH. I yield to the gentleman from Minnesota.

Mr. WIER. May I ask the gentleman, what is the machinery by which this legislation could or would prevent, shall we say infiltration by holding companies and prevent individual officers of holding companies from buying stock in these loan and savings organizations, thereby getting some control of them? How do you stop it?

Mr. McDONOUGH. Does the gentleman mean with this bill?

Mr. WIER. Yes.

Mr. McDONOUGH. The savings and loan associations are not stockholding corporations, therefore you cannot buy into the institution by acquiring a majority of the stock. The savings and loan associations, as the gentleman knows, are shareholding participating organizations in which the depositors are stockholders or shareholders, so that the stock of these Federal savings and loan associations is not on the market for purchase like in State savings and loan associations.

Mr. WIER. Then how do the holding companies or individuals get any control of these savings and loan associations?

Mr. McDONOUGH. Under State charter they attempt to bring two under one control. This bill provides that shall not happen.

Mr. WIER. This preempts any take all, then?

Mr. McDONOUGH. If the gentleman wants to interpret it that way.

Mr. Chairman, I have no further statement to make except to say that the bill, in my opinion, is well written. Hearings were held on it and all parties were given an opportunity to express their views. One of the most pertinent statements in the hearings is from the legislative chairman of the United States Savings and Loan Association, which would be affected by this legislation. They came to the committee and urged passage of the bill.

Mr. HOLIFIELD. Mr. Chairman, will the gentleman yield?

Mr. McDONOUGH. I yield to the gentleman from California.

Mr. HOLIFIELD. Could my colleague tell me if this bill is the same one that was passed, I believe it was 2 years ago, by the House?

Mr. McDONOUGH. Yes; it is identical with that bill.

Mr. HOLIFIELD. It is identical?

Mr. McDONOUGH. Yes.

Mr. HOLIFIELD. The Home Loan Bank Board made certain recommendations in the way of amendment. As I understand it, those amendments were not agreed to by the committee; is that correct?

Mr. McDONOUGH. They were not taken up by the committee.

Mr. SPENCE. Mr. Chairman, will the gentleman yield?

Mr. McDONOUGH. I yield to the gentleman from Kentucky.

Mr. SPENCE. The Home Loan Bank Board feels that this legislation is very necessary. They wanted a bill immediately to cope with the situation. Their members came to me, speaking for the Board, and said they were willing to forego their amendments in order to get a bill through this session.

Mr. HOLIFIELD. I appreciate the gentleman's answer to my question. I have studied the amendments which the Home Loan Bank Board recommended. I had some grave doubts as to the wideness of scope of some of the language of certain of the amendments. I am very pleased that the committee has not at this time accepted the amendments and has agreed to hold them for further study. I compliment the committee for bringing forth the bill as it is now written.

Mr. SPENCE. They wanted a bill immediately.

Mr. HOLIFIELD. I understand there is an urgency to get a bill through prohibiting further holding company formations. Is that not true?

Mr. McDONOUGH. That is correct.

Mr. HOLIFIELD. I thank the gentleman.

Mr. McDONOUGH. As the gentleman understands, this is not retroactive and any pending consolidation is not affected; it is only if eventually the consolidation becomes effective after the enactment of this act.

Mr. HOLIFIELD. This does not have any effect on an individual building and loan association acquiring branches where those branches are approved either by the State comptroller of charters or by the Federal Comptroller of Charters.

Mr. McDONOUGH. No.

Mr. HOLIFIELD. I thank the gentleman.

Mr. McDONOUGH. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. WILSON].

Mr. WILSON. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. WILSON. Mr. Chairman, we are asked today to vote on this proposed legislation which has as its purpose the elimination of holding companies in the savings and loan field. Obviously, this legislation is intended to prevent the repetition of events which occurred back in the twenties when holding companies were more actively involved in our commercial banking enterprise. At that time legislation was enacted to prevent monopoly control.

The irony here is that 95 percent of existing savings and loan associations are mutually owned and therefore cannot become properties of holding companies. The remaining 5 percent, located in 13 of our States, are the ones this legislation is supposed to protect. Obviously, these percentages clearly indicate that a monopoly of the savings and loan field is out of the question.

Much can be said about the value of holding companies in this field. One of the real problems involved today in this field is the lack of able management. This situation exists because of the vast expansion experienced by savings and loan associations which has been so rapid that efficient management is not readily available. Holding companies are in a position to develop management talent for their member associations.

Mr. McDONOUGH. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN of Michigan. Mr. Chairman, I ask unanimous consent to revise and extend my remarks, and if they be out of order, to speak out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HOFFMAN of Michigan. Mr. Chairman, the labor bosses are telling us to vote as they direct, or "else." Now, that might seem to be out of order, that subject, but there is no use, as was said last week, of having bankers or banks if someone else—goons, for example—are to run the country, if Congress is not to make the laws.

Last week it was my privilege to put into the RECORD articles from Life and also from Time in which it was asserted that one of Hoffa's attorneys, a Mr. Zagri, was intimidating Members of Congress. He objected to that. A Michigan representative of Hoffa's district, Jack Thorp, a Republican, has been in my office half a dozen times, and he three times brought in this same attorney. I thought the attorney Mr. Zagri was a fair sort of a fellow with an almost complete knowledge of labor legislation. I finally induced Mr. Thorp, who was Hoffa's representative—and there happened to be a reporter there then—to say exactly what action he wanted; what Hoffa wanted in the way of legislation. And, not too greatly to my surprise he said they did not want any legislation. None at all. But apparently he is reconciled to the idea that they are going to get some, and of course, whether the people get what they are entitled to have will be determined in the next few weeks.

But at that time Mr. Zagri complained very, very bitterly about the statements in these two magazines. And, inasmuch as I was putting them in the RECORD I asked him why; whether he had been intimidating Members of Congress. He said no, he had not. And, he asked these representatives, the reporters from Time and Life he said, to each of them, "You cite one single instance where I have gone to any Congressman and demanded that he do this, that, or the other."

Well, of course, he never asked anything of me, because he knows I have nothing to sell. He also knows I am under no obligation to Hoffa. Others may be. I have no knowledge on that. I sugested this—I said, "Well, if you talk to these Congressmen, maybe you feel that they are under obligation." He said, "Not one of them, and neither of these reporters nor any one of the representatives of those two publications have ever been able to cite a single instance where I have made threats or improper demands." He complained about some Congressman—and sometimes I may have—not going along, but in my judgment there will always be Members who have views to the right and to the left. It is no concern of the rest of us if they vote their sincere views as I assume they do, nor how they vote.

I remember a couple of Congressmen who went along with labor unions when it was a rather hot subject in Michigan. I never felt justified in criticizing them, because if I did, maybe they would not have remained here, and maybe you would have had some in their districts who were worse if judged by your standards or by mine. In any event, who is always right? I remember a Member on the Democratic side—a fine gentleman here—who went along with labor bosses from Detroit, and the first thing he knew the unions put in a candidate against him in the primaries. This Member had been fair, he had so much ability and integrity and common decency that there was no comparison at

all. Do you get the point? I would rather have someone who was sincere and honest and had the welfare of the country as a whole at heart than somebody who is a political stooge.

Why they pick on Hoffa all the time I do not know. Have the others been forgotten because of the political issue? Here is Reuther. He has been the head of an organized group which has carried on most violent practices for the last 18 years, and for some 37 years John L. Lewis has advocated force and violence in connection with his disputes. He has no respect for law where his unions are at stake. Was he not fined for illegal activities?

Away back in 1922 he caused 22 men to be killed, 6 of them dragged behind automobiles, just by sending a telegram to the president of one of his locals in Herrin, Ill. And he has kept on, right through the years, without any gaps, in the same way.

And recently the operator of a mine was killed, the driver of a truck was killed, in a strike with Lewis' union. So, before the Committee on Education and Labor, I went to the trouble of asking John L. Lewis about the Herrin incident, in bloody Williamson County, in Illinois.

And he said, "What has that got to do with it? It is not relevant, it is not pertinent." I said, "All right, now, wait a minute." He objected, to the chairman. I said, "When we start back 37 years ago and trace a course of violence, beatings, and murder right down to within 2 weeks."

Did you notice the papers lately? Three of those fellows have been sent to the penitentiary. Does it not prove anything?

The record shows we need law to protect us against men like Lewis.

The CHAIRMAN. The time of the gentleman from Michigan [Mr. HOFFMAN] has expired.

Mr. McDONOUGH. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. HOFFMAN of Michigan. I thank the gentleman. You could not finish this in an hour nor in a week and we are working so hard on this banking bill, maybe it will do all of us a little good to hear this. A little recess, so to speak. Think of this labor issue, because it is coming up pretty soon. We are to find in the next few weeks whether the labor bosses are writing legislation or whether it is written here in the Congress. That is one of the issues; that is the big issue of today—who is to write this labor legislation? Will it be Hoffa, Reuther, John L. Lewis? Or will the people, through their Representatives, write it.

Now I will get back to Lewis. Surely, he has been good for the coal industry workers at the expense of all the rest of us. And when he testified over there he said we did not need any legislation. That gives you a fair idea of his thinking. Violence, beatings, murders, destruction of property—but no Federal legislation needed. That is Lewis.

Now about Meany, what did he say? I said to him, "Don't you think we should have legislation which will prohibit strikes in public utilities?" We have it in Michigan. It has been affirmed by the U.S. Supreme Court. It is legal, it is good. It has proved to be good up there. I said to Meany, again on the witness stand, "Do you favor it?" And he said, "Yes." Why can we not get it? I have had a bill in for the Lord knows how long, but I cannot get any action on it. On what? On legislation which prohibits strikes in connection with public utilities. You know what that means.

Let me tell you about what Hoffa is putting out. We have one or two good Republicans in Michigan yet. Hoffa got this put out and sent to his members, the Teamsters Union, and a couple sent it on to me. The Teamsters sent a postal card with the address on it and with the other side left blank for the message to be written on in pen or pencil. A couple hundred of the cards came in over Saturday and Sunday. Mailed from where? Some of them from the local communities, some from Detroit. I do not know how the voters of the Fourth District got down to Detroit to mail those cards. But what does Hoffa say?

SUGGESTIONS THAT MAY BE USED FOR A MESSAGE TO YOUR CONGRESSMAN

(Use any one of the following or write in your own words so long as you get across the idea that you are opposed to one of the four (4) issues listed in the letter because of what they will do to you.)

Dear Sir—Dear Congressman—Mr. Congressman—or any other salutation, or none.

I am opposed to being made a strike breaker by law. Vote against so-called hot cargo ban.

(NOTE.—Sign your name and address.)

Secondary boycotts as such means I can't support other workers who have trouble with their boss. Vote no against such a labor bill.

(NOTE.—Sign your name and address.)

According to the newspapers Congress is about to ban hot cargo protection in my union contract. Vote against this as I do not want my personal rights or beliefs taken away by any such law.

(NOTE.—Sign your name and address.)

Vote no against so-called hot cargo, secondary boycott, or organizational picketing bans. These will break labor's back. I understood you were a friend of labor. I hope I am not wrong.

(NOTE.—Sign your name and address.)

FOR VETERANS TO USE IF THEY DESIRE

I fought in a war to preserve our individual rights and prerogatives—why take them away from us because we belong to a union by making it illegal for my union to protect and back me up for refusing to handle goods through a picket line.

(NOTE.—Sign your name and address.)

We just got through defeating some dictators in Europe, why set up a labor czar with unlimited power to break up unions under the disguise of needed labor reform legislation. Urge you to oppose such provisions in any labor bill. The Kennedy-Ervin bill and other like proposals are designed to destroy labor unions. Sincerely hope you do not aid and abet that type of thinking.

(NOTE.—Sign your name and address.)

Workers whose boss refuses to recognize their union should not be deprived by law of being able to advertise by picketing such facts. Bans against organizational picketing will have the effect of stopping the growth of unions. Hope you will oppose any such provisions in the contemplated labor bill.

(NOTE.—Sign your name and address.)

I urge you to vote against antilabor and anti-Teamster legislation as is being proposed in Congress according to the newspapers. My labor representatives have stated my position. Hope you will go along with us. Time will tell.

(NOTE.—Sign your name and address.)

(Be sure the member signs his name and address to his post card.)

I am not going to vote for any bill that does not carry the three provisions. What is the use? All three are necessary.

I had the privilege of getting in on the tail end of Bob Kennedy's appearance yesterday. He did a good job, a wonderfully fine job. So far as I heard, he did not say a word about the Kennedy bill. And he did not say anything about Reuther. It was all Hoffa. I do not know why they just confine so much of it to Hoffa, unless it is in view of the fact that he is going to put up $9 million to convert those who oppose him?

There are some like my good friend from Texas, who is all for the farmer, if it is tobacco and rice or cotton. Hoffa is all for the teamsters, if they belong to his union, and he does not care a tinker's darn about the rest of our people.

Next week we are to find out, on both sides of the aisle, who is bossing whom. That is what we are going to do in the next few weeks. Where will each of us stand? How will we vote? The RECORD will show if I have my way.

And if Bob Kennedy will stay on TV, somebody must get me a couple more secretaries to answer the letters that I will be getting. And if he stays on and talks, as he talked yesterday, we will have, the people will have, labor legislation that is worthwhile.

I do not know whether that will suit the Humphrey supporters or the Stevenson boys or the Johnson people —or any of the many candidates. I do not know about that, but I do know, I am sure, certainly, it will not suit—well, yes, we are all for it; are we not—not for the Kennedy bill but for good legislation—at least by our words. It will certainly give us what the people want—fair, decent legislation which will protect not only the workers but the public at large.

I thank the gentlemen for giving me the time.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. HOLIFIELD].

Mr. HOLIFIELD. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to speak out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HOLIFIELD. Mr. Chairman, I have been interested today sitting here listening to several speeches about labor. I thought maybe we might balance up the record a little bit. We have heard something about people being killed as

a result of labor leaders and labor organizations and so forth. I thought we might talk for a few minutes about some of the people who have been killed by management. In the first place, I remember when I started to work as a young lad of 14 I worked 10 or 12 hours a day for 10 cents an hour. I worked 6 days a week and I worked without any kind of sick benefits or any hospitalization benefits, without any vacations and without decent working conditions. I worked in the sweatshops, in the textile sweatshops, in several States. This was long before the days of organized labor and before collective bargaining was recognized as being the right of a human being. This was when labor was sold on the market as a commodity without any kind of protection.

Mr. HOFFMAN of Michigan. Pardon me, Mr. Chairman, will the gentleman yield for one question.

Mr. HOLIFIELD. I decline to yield. The gentleman had 10 minutes and I have only 5 minutes.

Mr. HOFFMAN of Michigan. But this interests me. Will the gentleman yield for just one question?

Mr. HOLIFIELD. I decline to yield. I have heard the gentleman many, many hours and listened to him speaking for many hours and I have never interrupted him. I hope he will just sit down and listen to just a few pearls of wisdom from his friend and fellow member on the Committee on Government Operations.

Mr. HOFFMAN of Michigan. I would if they were available.

Mr. HOLIFIELD. Thank you, sir—as to whether they are available or not, we will let the audience estimate their value.

Mr. Chairman, I can remember back when workingmen who tried to strike against the conditions I just mentioned were shot down in cold blood. I will give you the name of some of the great strikes that have occurred in history where human beings were shot down by machineguns and beaten to death with blunt instruments and all sorts of weapons. If I fail to remember some of them, I hope my friend the gentleman from California [Mr. COHELAN], who has had experience in the trade-union movement, will prompt my memory.

I can look back at the Ludlow Massacre in Colorado where in the iron mine strike in Ludlow, Colo., several men, women, and children were shot down by the company-hired strikebreakers, the National Guard, and the Pinkerton Agency, an agency which has been completely eliminated now as a strikebreaking entity. You do not hire a strikebreaker today like you did in the old days to commit violence on the workers.

There was the Haymarket strike in Pennsylvania where a number of men were shot down by the employers and their hired gunmen and goons.

There was the great Pullman strike in 1894.

Will my friend prompt me? Can he think of any other famous strikes in history where many people were killed?

Mr. COHELAN. Mr. Chairman, will the gentleman yield?

Mr. HOLIFIELD. I yield to my colleague.

Mr. COHELAN. I would remind the gentleman there were some very, very great organizational activities in the period of the thirties just following the passage of the Wagner Act and during the time of the great Franklin Delano Roosevelt. In that great period, which has been characterized by some historians as the period of relief, recovery, and reform, we first had some labor legislation which created a political environment which permitted trade unions to function effectively in this country. It was only a short 10 years later the Taft-Hartley Act was passed. But, I would remind the gentleman in this Committee that in that period from 1932 to 1940, there was an intense organizational activity in this country. There was a very dreadful struggle between labor and management, and it was not a happy chapter in the history of this country. Scholars are in agreement that the history of labor-management relations in the United States is one of the most violent in the history of labor movements in the world. This period was no exception.

Mr. HOLIFIELD. Is it not true that many, many men lost their lives on the picket lines while they were striking to better their working conditions, as a result of actions of the employers and their hired goons?

Mr. COHELAN. I would call attention to the events in the Ford strike in the late thirties. Mr. Ford's security organization is recalled. I would also call attention to the little steel strike in the thirties. The record, may I say to my distinguished colleague, the gentleman from California, is replete with evidence of violence on the part of management. May I say while I have the opportunity, any violence on the part of organized labor is to be deplored. What we seek as Members of this great body on the eve of our consideration of so-called labor reform legislation is to adopt fair legislation which will eliminate so far as possible the crooks and racketeers from the labor movement. It is to be hoped that this great opportunity to improve and to help one of our great social institutions will not become a punitive expedition by the implacable enemies of the labor movement and free collective bargaining. Certainly it is to be hoped that as we approach this time when we are to consider a very important piece of legislation in the field of labor-management relations we can do so calmly.

Mr. HOLIFIELD. I thank the gentleman for his contribution. I just thought that the RECORD should show the other side of the picture, that it is not a one-sided picture.

Mr. Chairman, in this extension of my remarks I wish to correct a mistake in location of the Haymarket strike. I had in mind the Homestead Steel strike in Pennsylvania and inadvertently located the Haymarket strike which occurred in Illinois as occurring in the State of Pennsylvania.

Mr. Chairman, I certainly do not condone violence, mayhem, or murder on the part of either labor or management. I only speak at this time on the behalf of balancing the record. There is an old adage that says "the pot should not call the kettle black" and our industrial history will show that black crimes of violence have been committed by both management and labor. I believe the record will also show that there have been fewer crimes of violence committed since the passage of the Wagner Act in 1935–37 than occurred in the dark decades of violence when labor was denied the right to strike, picket, and bargain collectively.

Mr. McDONOUGH. Mr. Chairman, I have no further requests for them.

Mr. SPENCE. Mr. Chairman, we have no further requests for time.

The CHAIRMAN. There being no further requests for time, the Clerk will read.

The Clerk read as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title IV of the National Housing Act, as amended (12 U.S.C., sec. 1724 et seq.), is amended by adding at the end thereof the following new section:

"REGULATION OF HOLDING COMPANIES

"SEC. 408. (a)(1) As used in this section, the term 'company' means any corporation, business trust, association, or similar organization, but does not include the Federal Savings and Loan Insurance Corporation, any partnership, or any company the majority of the shares of which is owned by the United States or by any State.

"(2) As used in this section (except when used in subsection (f)), the term 'stock' means nonwithdrawable stock, underlying ownership stock other than mutual shares in a mutual institution, permanent stock, guaranty stock, or stock of a similar nature (as defined by the Federal Home Loan Bank Board by regulation) by whatever name called.

"(3) For the purposes of this section, a company shall be considered as having control of an institution or other organization if such company owns, controls, or holds with power to vote more than 10 per centum of the stock of such institution or other organization, or if the Federal Home Loan Bank Board determines, after reasonable notice and opportunity for hearing, that such company directly or indirectly exercises a controlling influence over the management and policies of such institution or other organization.

"(b)(1) The Corporation shall reject any application made for insurance under this title on or after the date of the enactment of this section if it finds that the applicant is controlled by any company which also controls any insured institution or any other applicant for insurance.

"(2) If an application of any institution for insurance under this title is approved on or after the date of the enactment of this section, and the Federal Home Loan Bank Board subsequently determines, after reasonable notice and opportunity for hearing, that at the time of such approval such institution was controlled by a company which also controlled another insured institution (or another applicant for insurance if the application of such other applicant was approved), the Board shall either—

"(A) terminate the insured status of such institution; or

"(B) require such company, in the manner provided in subsection (e) of this section, to dispose of so much of the stock of such institution, or take such other action, or both, as may be necessary to divest itself of its control of such institution.

If the insured status of an institution is terminated under subparagraph (A), the provisions of section 407 relating to continuation of insurance of accounts, examination by the Corporation during the period of such continuation, final insurance premium, and notice to insured members shall be applicable as though the termination had been ordered under such section 407.

"(c) It shall be unlawful for any company on or after the date of the enactment of this section—

"(1) to acquire the control of more than one insured institution; or

"(2) to acquire the control of an insured institution when it holds the control of any other insured institution.

"(d) Any company may, without regard to subsection (c), acquire stock pursuant to a pledge or hypothecation to secure a loan or in connection with the liquidation of a loan, but it shall be unlawful for any such company to retain for more than one year any control the acquisition of which by such company would, except for this subsection, have been unlawful under subsection (c).

"(e) If, in the opinion of the Federal Home Loan Bank Board, any company holds control of an institution and such control was acquired in violation of subsection (c) or retained in violation of subsection (d), it shall give such company notice that if it does not divest itself of such control within thirty days an action will be brought to force the divestiture thereof. Notice given to such institution shall constitute notice to such company for purposes of the preceding sentence. If such company does not dispose of so much of the stock of such institution, or take such other action, or both, as may be necessary to divest itself of such control within thirty days after the receipt of such notice, the Board shall, without regard to any statute of limitation, institute in the United States district court for the district in which the principal office of such institution is located, and prosecute to final satisfaction, an action to require divestiture of such control. Process in any such action may be served in any district in which such company transacts business or wherever it may be found. The United States district courts shall have jurisdiction of all actions brought under this subsection and, in view of the fact that the questions involved are of general public importance, shall hear and determine such actions with all reasonable promptness. Any such action shall be brought by the Federal Home Loan Bank Board in its own name and may, in the discretion of the Board, be prosecuted through its own attorneys. All expenses of the Board under this subsection shall be considered as nonadministrative expenses.

"(f) It shall be unlawful, on or after the date of the enactment of this section, for any insured institution which is controlled by a company—

"(1) to invest any of its funds in the stock, bonds, debentures, or other obligations of such company or of any other organization controlled by such company;

"(2) to accept the stock, bonds, debentures, or other obligations of such company, or of any other organization controlled by such company, as collateral security for advances made to such company or organization or to any other person; except that such institution may accept, and hold for a period of not exceeding two years, such stock, bonds, debentures, or other obligations as security for debts contracted prior to the acquisition of such control;

"(3) to purchase securities or other assets or obligations under repurchase agreement from such company or from any other organization controlled by such company; and

"(4) to make any loan, discount, or extension of credit to such company or to any other organization controlled by such company.

Except as otherwise provided by regulation by the Federal Home Loan Bank Board, a non-interest-bearing deposit with a bank, to the credit of an insured institution, shall not be deemed to be a loan, discount, or extension of credit to such bank for purposes of this subsection. As used in this subsection, the term 'organization' means a corporation, business trust, association, partnership, or similar organization."

Mr. HOFFMAN of Michigan. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, just as I was trying to say sometime earlier today, you can fuss around and fool around with this banking legislation and your Home Loan Bank or whatever you call it, and all these lending businesses, but what good does it do you if we are to have the country operated by some of these—and there are only a few of them, a handful or more—crooked union labor leaders?

I put in a privileged resolution asking for information from the Labor Department. I wanted to know the amount of money paid in by the unions through dues and assessments. Under the rules they are supposed to answer such a resolution within 7 days, but they waited 42 days and then they said it would cost too much. I wanted to get the information because amounts paid to unions by the members are tax exempt. I do not know any reason why when you can get $9 million in political contributions to elect Congressmen, with some sort of a disclosure as to how it was spent, there should not be an accounting for $9 million.

These pearls of wisdom that my very beloved friend the gentleman from California [Mr. HOLIFIELD] was giving us—and I sure admire him and recognize his ability and his desire to serve; he has a long and worthwhile record of service here—but those pearls of wisdom that he was putting out to us and to which he said I should listen and which I suggested to him he might take another look were nothing but costume jewelry bought in some 10-cent store.

As for this episode over in Illinois or in Chicago—the gentleman shakes his head. Well, maybe I am wrong; it would not be the first time I had been wrong. Maybe it has something to do with the Whisky Rebellion, but I do not think so. He said the Haymarket strike was in Pennsylvania. I tried to tell him it was in Chicago, but he would not yield. He might have been referring to the Homestead strike which was in Pennsylvania.

Now, he talks about violence on the part of the employers, saying that the employers are always to blame for it; sure, the employer is always to blame. So the union goons are caught in a violation.

I do not say that they, the employers are guiltless; they used to meet violence with violence. If I understand the gentleman from the other body, who is the head of this committee, Senator MCCLELLAN, if I understand him correctly he said some few weeks ago that if we go on and do not get a remedy we will have lynch law in this country. Violence will be met by violence.

All this violence the gentleman from California [Mr. HOLIFIELD] talks about; where did it happen? On company property. This strike in the Kohler plant in Wisconsin where there was much violence, where did those men come from who did the beating? They came, most of them, from Michigan—Detroit, and surrounding areas. Mazpy and Gunaca certainly came from Michigan. After all Gunaca did in that Kohler strike, he got back to Michigan and Governor Williams protected him for 4 years. Then he finally was taken back to Wisconsin and what happened? He walked into court and pleaded guilty. The prosecuting attorney recommended probation or some slap on the wrist, but the judge gave him the jail term that he deserved.

Now, do not tell me that the employer is always to blame. He does not travel across the country looking for trouble. It comes to him willy-nilly. The goons deliver it. Sometimes he is, sometimes he is not at fault, but the violence by and large occurs on the property of the employer or on a public street, and it comes from fellows who have been brought in. I have seen some of it. I have witnessed what happened on the picket lines over at Monroe and other places in Michigan. But we will have this whole subject before us this next week or the week after, I hope. Let us get ahead with practical solutions to these problems.

The gentleman said he worked for $6 a week. Bless his dear heart, the first time I worked it was for $6 a week after I had gone through Northwestern University Law School. I wanted to get work, I wanted to get experience. I wanted to learn the law. And none of us on the small wages ever starved to death.

Nor did I ever lose my voice.

And here is something to think about overnight.

Mr. Chairman, to the question, "Who writes our laws?", the answer will come in the next few weeks when Congress passes upon labor legislation now pending which is designed to lessen misuse of union funds, extortion, union practices which deprive the individual worker of his civil rights and adversely affect the public welfare.

The pending worthwhile legislation is opposed by the labor bosses—Reuther, Hoffa, Meany, Lewis, and others.

At the moment, Hoffa and his Teamsters are publicly the most active. They have recently distributed to their members postal cards addressed to Congressmen and accompanied by a mimeographed page which suggests to union members four statements to be used to

pressurize their Congressmen and four additional statements to be used by union members who are veterans.

Evidently in reply hundreds of communications have been received demanding in one form or another that we vote for legislation which will permit unions and their members to refuse to transport or work on merchandise where at any point in its production or transportation there is a strike.

If the Teamsters demand that other employees be permitted to refuse to handle "hot cargoes" was granted, Clark Equipment Company, National Steel, Whirlpool, Malleable, Saranac, any one of the many companies giving employment to so many in Berrien County, could be shut down, closed tight as a drum, if some union anywhere in the country which supplied it with material had a strike, even though Berrien County employees had no grievance. Is it not absurd to grant power to throw union men out of work because somewhere, perhaps hundreds of miles away, there is a labor dispute? That is the hot-cargo issue. Employees must choose officials who are neither selfish nor subversive.

The union leaders insist that we vote for legislation which will permit a boycott. That is, approve any and all efforts to induce workers not to install or repair merchandise which is made or handled by people or organizations against whom there is a strike.

The most prominent recent illustration is that in the Kohler strike where people are urged not to buy Kohler products, workers requested not to install or repair Kohler products. That is the secondary boycott issue.

The union bosses, especially the corrupt ones, insist that they be permitted to force an employer to compel his employees to join a particular union, pay an initiation fee and monthly dues or if the employees refuse, to discharge them. In addition they insist that they be permitted to picket the premises, refuse to deliver necessary materials or merchandise, and boycott the business of any employer who refuses to comply with the demand that he discharge his employees if they refuse to join a certain union, even though no employee wants to join and no election has been held. This is the blackmail or organizational picketing issue.

The union letter which now comes to our desks demands that we ban all legislation which even tends to do away with any of these unjust, un-American practices.

By the use of any one of the above practices, a union could put any individual or business organization out of business.

If Congress refuses to enact the legislation the people demand and employers are forced out of business, will the Reuthers, the Hoffas, the Meanys, the John L. Lewises, give employees a better job?

The mere statement of what a few unions are now demanding provides the answer. My answer is as it always has been: That under no circumstances will I vote for any legislation the purpose of which is to lessen the opportunity for progress and prosperity and which would eventually lead to the destruction of our form of government—which to date, as demonstrated, has given the individual more of the good things he desires than that in any other part of the world.

I will wholeheartedly support any legislation which will protect the worker and benefit all of us.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. SISK, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 7244) to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies, pursuant to House Resolution 323, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

INTER-AMERICAN DEVELOPMENT BANK

Mr. SPENCE. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 7072) to provide for the participation of the United States in the Inter-American Development Bank.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 7072, with Mr. SISK in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. SPENCE. Mr. Chairman, I yield myself such time as I may require.

Mr. Chairman, this bill provides for participation of the United States in the Inter-American Development Bank. The Inter-American Development Bank is the result of long conferences between 20 of the South American Republics and the United States of America. The bill provides for the participation of all these nations in the formation of this bank.

Every republic in South America, Central America, and Mexico are participants. It has been a dream of those people for years that we might have such a financial institution. We have gone into business with these people.

In my opinion, it is more than a bank. I hope it will be an instrument that will stimulate international good will. Long ago we recognized the importance of hemispheric solidarity and the importance of the republics south of us to our national welfare.

Mr. Chairman, in 1823 the Monroe Doctrine was initiated by President Monroe which provided that this Nation should not be subject to future European colonization, or no nation should set up a government in this hemisphere that was inimical to our foundamental principles of freedom for the individual. That doctrine has been in effect ever since.

These nations have agreed to participate in this bank, and the quota of each one is set by the agreement. The United States agrees to invest $450 million in the bank and the other nations jointly agree to invest $550 million in the bank. Our quota is not to be paid immediately, and maybe a large part of it may never be paid. It provides for the payment in the next few years by the United States of $150 million, 20 percent of which or $30 million will be paid on the enactment of the act, and 40 percent will be paid before September 30, 1961, which will amount to $60 million, and $60 million will be paid on or before December 31, 1962. The rest of our quota will be held on call. It may not be necessary to pay it at all. The other nations pay their assessments in the same manner we do. They have to pay one-half of their quota in dollars or gold and, of course, they will pay in dollars the same proportion of their assessments that we have to pay.

The bank is modeled after the International Bank for Reconstruction and Development and is patterned largely in accordance with the Bretton-Woods Agreement. That bank has been in existence for 13 years, and it has done remarkably well. I think we can look with confidence that this bank, if it is managed properly and conservatively, will not only be a savings to the American people, who have to go to the rescue of some of our neighbors when they are in trouble, but I think it will grow in importance and will stimulate the good will between the nations.

The bill providing for this bank passed the Senate 89 to 3, and I am confident that it will pass the House as we have brought it before you, because it is the result of an agreement between the nations. If we make any great change in it or any substantial amendments, the whole work of our neighbors would be ineffectual and would void what we are doing here today.

The International Bank for Reconstruction and Development can do some of the things that we expect this bank to do. It can make some of the loans, but it has not done so. The Latin-American people feel that they have not been given the consideration that should have been given to them in the organizations we have heretofore formed. An expanding economy in South America is of importance to us. Its riches are unknown. It has a potentiality we cannot conceive of. It has produced many

great they would touch a dollar or a dime sucked from the moral vitality of a child.

This is not a matter we can set aside. We need not ponder the remedy, or defeat it by delay or disinterest. Every hour, even while I have been speaking to you, thousands of young people have looked upon pictures, read words or been exposed to the evil influence of pornographic material.

We need some organization in this crusade. I can assure you that those who profit from the continuance of this vile flood are organized, and hard at work.

I suggest:

We must mobilize our resources: Parents, teachers, law-enforcement officers, ministers, Scout leaders, choir directors, school athletic sponsors, and all those whose daily life touches that of a child should take an active part in alerting every civic group to which they belong to the menace of this racket. If existing groups are not prepared to meet the threat, these decent-minded citizens must join hands to form new ones ready to take action.

We must publicize the problem:

The press of America, which has been of inestimable aid at every step so far, must be encouraged to continue and to expand the exposure of this racket and all who profit from it.

Radio and television outlets must be enlisted. Local civic clubs, fraternal organizations, P.T.A.'s and other civic groups must work together.

Public discussions must be encouraged. Speakers, with facts and figures, must be given audience.

We must fix responsibility where it belongs:

I regret to say that too much of it belongs to the parents who have been too busy to know what their children get in the daily mail, or who, in apathy, cannot believe that such evil is so widespread.

Parents must shoulder the responsibility for checking mail received by their youngsters and they must accept the necessity for reporting every violation of the laws against mailing obscene materials.

We must inform all parents of the means of bringing these racketeers to justice:

The procedure any parent can follow to bring these criminals to account is a simple one.

Every decent-minded citizen should become familiar with it:

Save all the material, including the envelope.

Put it in the hands of your local postmaster, either personally or by mail.

He will take appropriate action.

We have been warned, Mr. President.

If we reap more tragedy from the circulation of pornography we cannot say that "we did not know" or "we were not told." I hope I have emphasized to you and the Members of this House the need for immediate action.

I appeal to each Member of the Senate, and to every decent-minded citizen, to continue to press for stronger legislation which will drive those vicious racketeers out of business. We must provide the legal basis for our Government to use in its relentless crusade against these criminals.

This is not a minor disease we are attacking, but a social cancer that can destroy our society. Only the most drastic surgery will eliminate it.

We must give our country the laws needed to deal with this problem.

We must help in the campaign to alert our citizenry and to develop public cooperation to drive these criminals out of business.

We must each of us demand the most rigorous and merciless prosecution of these criminals by the law enforcement officials and by the courts.

Only through such concerted action can we thoroughly cleanse our Nation of this malicious cancer, and leave no seed of it to grow again.

PROTECTION OF SAVINGS AND LOAN ASSOCIATIONS FROM ENCROACHMENT BY HOLDING COMPANIES

Mr. SPARKMAN. Mr. President, I move that the Senate proceed to the consideration of Calendar No. 820, H.R. 7244.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H.R. 7244) to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Alabama.

The motion was agreed to; and the Senate proceeded to consider the bill, which had been reported from the Committee on Banking and Currency with an amendment on page 6, after line 16, to insert:

(g)(1) This section shall terminate 2 years after the date of its enactment.

(2) The Federal Home Loan Bank Board shall make a full and complete survey of all aspects of savings and loan holding companies, and shall submit a report to the Committees on Banking and Currency of the Senate and the House of Representatives not later than one year after the date of enactment of this section. This survey shall include studies of the nature, growth, effects and future prospects of savings and loan holding companies, including particularly the extent to which they may have become, or may in the future become, injurious or detrimental to free competition in the field of mortgage lending or in any related field. The report on this survey shall contain a full statement on these matters, together with recommendations for further legislation on this subject. In particular, the report shall review and make recommendations on the legislative proposals submitted at the hearings of the Committees on Banking and Currency on H.R. 7244, 86th Congress, including particularly the need for and feasibility of requiring divestment of part or all of the savings and loan associations already acquired or part or all of the other interests of such holding companies, the need for and feasibility of requiring such holding companies to limit their activities or their future acquisitions to a specified distance from their principal offices, and the desirability and feasibility of regulating and controlling further acquisitions of such holding companies, as compared with prohibiting further acquisitions by such holding companies.

Mr. SPARKMAN. Mr. President, the bill under consideration, H.R. 7244, relates to savings and loan holding companies. As it was passed by the House, it would prohibit any future acquisitions of savings and loan associations by savings and loan holding companies. It would not require that existing savings and loan holding companies divest themselves either of their savings and loan associations or their other subsidiaries.

Hearings were held by the Committee on Banking and Currency on this measure. It was the judgment of the committee that this is a matter which should not be completed finally at this time, so the committee reported the bill with an amendment, which, in effect, provides that a study of the matter be made, and that the proposed legislation have a life of 2 years. Substantially, that is the measure which is before the Senate now.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a statement I have prepared on the bill.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT OF SENATOR SPARKMAN

H.R. 7244, as it was passed by the House, would prohibit any future acquisitions of savings and loan associations by savings and loan holding companies. It would not require that existing savings and loan holding companies divest themselves either of their savings and loan institutions or their other subsidiaries. The bill would prohibit certain upstream and cross stream financial transactions between savings and loan institutions on the one hand, and the savings and loan holding companies which control them and the other affiliates of such savings and loan companies on the other hand.

At the committee hearings on this bill, 12 witnesses were heard and letters and other statements were received from 11 other organizations and agencies.

Considerable disagreement was expressed by these witnesses. Many different and conflicting amendments were proposed, and a number of witnesses testified in opposition to any legislation.

The committee was deeply impressed by the changes which have taken place in this field, and by the rapid acceleration of those changes, since hearings were held on similar legislation 2 years ago which did not become law. In 1957 only two savings and loan holding companies were known, one controlling four associations in California, the other controlling one association in Utah and one in Idaho. At the hearing on August 18, the Federal Home Loan Bank Board stated that, according to the latest information available to it, there were at least a dozen holding companies in existence or definitely projected which controlled or expected to control some 40 associations located in at least 6 States. The Savings and Loan Commissioner of California filed a statement in support of the bill. He listed as of June 1959, 11 savings and loan holding companies having 96 offices and total assets of over $1.7 billion. He added that by August 17, there were three additional savings and loan holding companies with assets of approximately $180 million. The committee also noted the increasing rate at which public offerings of savings and loan holding company securities are being filed with SEC.

This development has continued since the hearings. According to an article in the Wall Street Journal for August 27, one savings and loan holding company acquired an additional association, with assets of more than $83 million, boosting the total assets of the holding company to more than $600 million. This article also reported that another holding company had bought all of the stock of a Kansas association and "something less than 100 percent" of the stock of another California association. The holding company was reported to have said that it now holds controlling interest in 12 savings and loan associations in 4 States, with total assets of over $300 million. Two months before, this holding company was reported by the California commissioner as controlling 6 associations with $129 million of assets; now it claims control of 12 associations with $300 million of assets.

The committee was aware of the problems which this wave of holding companies might create. Holding company control is difficult to reconcile with the local management and local activities which have been so important in the sound growth of the savings and loan industry. Holding company control in some fields, notably in public utilities, has in the past led to financial manipulation and unsound practices. It has also led in some fields to monopolies and restraints on competition.

The evidence presented to the committee with respect to these problems did not make it clear that any of them has yet seriously affected the savings and loan industry. In other words, there was no evidence that there has been financial manipulation or bad fiscal practices, no evidence of monopoly or restraints on competition, and no evidence that the loss of local ownership and control had interfered with the sound management of the savings and loan institutions in holding company systems.

The committee felt that it should not wait until the harm had been done. The savings and loan industry is too important to savers, to homeowners, to the building industry, and to the economy of the Nation, for us to sit by while this fast spreading wave of holding company acquisitions goes on and on. If we wait until financial manipulators have taken over most of the assets of the stock savings and loan companies, if we wait until most of these companies are no longer under local control and management, if we wait until many of these associations have been badly weakened or wrecked, if we wait until monopoly is firmly established, we may be forced to take drastic action, such as divestment, which will be costly to all concerned.

The committee was convinced that immediate action is necessary. At the same time the committee felt that, in the light of the many amendments proposed, it would not be desirable to enact H.R. 7244 in its present form as permanent legislation. Accordingly, the committee amended the bill so it will terminate in 2 years, and so the Federal Home Loan Bank Board will make a full report within 1 year, giving its considered recommendations for permanent legislation.

Mr. DOUGLAS. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. DOUGLAS. Is it not true that unless action is taken at this session to check the growing concentration some of the big holding companies in California, which have already taken over the controlling shares of stock savings and loan companies, will take over additional companies, and that, therefore, time is of the essence in this matter. Should we not prevent more mischief from being done while the matter is being studied, and is not that the purpose of the present bill?

Mr. SPARKMAN. I agree with the Senator from Illinois. That was the feeling of the membership of the committee. That is the reason why we reported the bill, even though we felt we should have the benefit of further study.

Mr. ENGLE. Mr. President, will the Senator from Alabama yield, so that I may offer an amendment?

Mr. SPARKMAN. I yield for that purpose.

Mr. ENGLE. Mr. President, I offer an amendment which I ask to have reported.

Mr. SPARKMAN. Mr. President, I call attention to the fact that there are committee amendments which should be adopted.

The PRESIDING OFFICER. The amendment of the Senator from California will be stated for the information of the Senate.

The CHIEF CLERK. On page 6, line 17, it is proposed to strike out "2 years" and insert in lieu thereof "1 year."

On page 6, line 26, strike out "1 year," and insert in lieu thereof "4 months."

The PRESIDING OFFICER. The question is on agreeing to the amendment.

Mr. ENGLE. Mr. President, I desire to speak on the amendment.

Mr. SPARKMAN. Mr. President, the distinguished junior Senator from California has been most diligent with respect to this matter. It is a matter which probably pertains more to the State of California than it does to any other area of the country.

As a matter of fact, I believe the testimony before the committee was that the great majority of the stock companies and the holding companies which have been set up are to be found in California and Texas. I believe they are the two leading States, if I remember correctly.

I observe the distinguished senior Senator from California [Mr. KUCHEL] on the floor now. Both Senators from California have shown great interest in the bill. The junior Senator from California [Mr. ENGLE], after many consultations and considerable discussion, agreed, because of the time element mentioned by the Senator from Illinois [Mr. DOUGLAS], to go along with the bill if the period were limited to 1 year.

It may be recalled that when the bill was before the committee, it was actually my motion to set the time for 1 year. However, the Senator from Illinois pointed out that it would be pushing things rather hard to expect a study to be made and to have legislation enacted within a year's time. That was the reason why we set the period at 2 years.

I am in sympathy with the objective of the junior Senator from California. I suggest a change to provide that the legislation run until May 31, 1961, but to require the study to be completed by May 31, 1960. That would enable the committee to hold hearings next year and, at the same time, would give us until May 31, 1961, to complete final action on the proposed legislation.

The chairman of the committee, the distinguished Senator from Virginia [Mr. ROBERTSON], had intended to be here, but he had to leave the floor just before the bill was called up. He asked me if I would handle the bill on the floor and to state to the Senate that he, as chairman of the committee, would assure us that he would hold hearings next year as soon as the study was completed.

It is entirely possible that we may complete the legislation next year. But we thought it better to provide this longer period of time.

Mr. DOUGLAS. I appreciate this assurance by the chairman of the committee. But if we waited to hold hearings until after the preliminary study had been completed, we would have, in effect, only June, because—in view of the fact that next year is a presidential election year—we hope Congress will end its session before the nominating conventions; in other words, we hope the session next year will end around the 1st of July.

Therefore, I wonder whether the hearings could be held prior to May 31, and thus take the testimony of the witnesses before that time. Then, when the report comes in, I hope we will obtain action.

Mr. SPARKMAN. I agree with the Senator from Illinois about that. I see no reason why we should not hold most of the hearings before the report, and then let the report finalize the matter.

Mr. ENGLE. Mr. President, will the Senator from Alabama yield to me?

The PRESIDING OFFICER (Mr. BARTLETT in the chair). Does the Senator from Alabama yield to the Senator from California?

Mr. SPARKMAN. I yield.

Mr. ENGLE. With reference to the hearing or the study by the Home Loan Bank Board, I should like to say, as the junior Senator from the State most concerned with this proposed legislation, that I am not very anxious about having the study made by the Home Loan Bank Board; that would be like having a grand jury that had indicted a man make a study of his case. So far as I am concerned, I am not very much interested in whether the Home Loan Bank Board makes the study of this matter or not. I am interested in having the Senate committee study this situation.

The report clearly shows that this matter relates to a complicated field, and that prohibition against having holding companies go into the savings and loan field is not necessarily the answer.

Personally, I believe it would be possible to arrive at a fair holding company regulation act, rather than an out-and-out prohibition.

I understand that it is the purpose of the Senator from Alabama to submit an amendment in the nature of a substitute for the amendment I have submitted. My amendment reduces the period from 2 years to 1 year. I understand that the Senator from Alabama proposes to split the difference, and to provide for a year and one-half. From my point of view, there is not much difference between one year and one year and a half. I understand there would be some complications in connection with allowing only one year, because the next session of Congress will certainly end by July 1, and thus there might not be sufficient time to assemble the material. On the other hand, if one year and a half is allowed, sufficient time for that purpose will be provided. One year and a half will end approximately on May 31, 1961. As I understand the position of the Senator from Alabama and the position of the distinguished chairman of the Senate Committee on Banking and Currency [Mr. ROBERTSON], it is the intention of the committee to commence the hearings on this matter early in the next session of the Congress, so as to determine whether it will be possible to arrive at

fair holding company regulatory legislation, rather than a complete, across-the-board prohibition, as now provided in the bill, which is a stopgap provision to prevent what is feared would be an acceleration of holding company activity that would be detrimental to the public interest.

I am also impressed by the fact that the Senator from Alabama and the Senator from Illinois have made plain that if the study can be completed and if the proposed legislation can be formulated and passed prior to the time when this complete prohibition will expire, then the new legislation will take the place of the proposed legislation presently before the Senate.

With those considerations in mind, and having confidence in the statements made here on the floor by the Senator from Alabama, and in the assurances given to me personally—which have been repeated here on the floor by the Senator from Alabama—with reference to the intention of the Banking and Currency Committee of the Senate to give prompt consideration to the matter at the next session, and to study the problem, and to determine whether fair regulatory legislation is possible, I shall not object to the amendment in the nature of a substitute when it is submitted—as I understand the Senator from Alabama proposes to do—to the amendment which I have sent to the desk, and which has been reported.

Mr. SPARKMAN. Mr. President, I now send to the desk an amendment in the nature of a substitute for the pending amendment; and I ask that my substitute amendment be stated.

The PRESIDING OFFICER. The substituted amendment will be stated.

The CHIEF CLERK. In the amendment on page 6, in line 17, it is proposed to strike out "two years after the date of its enactment" and insert in lieu thereof "May 31, 1961."

On page 6, in lines 23 and 24, it is proposed to strike out "one year after the date of enactment of this section" and insert in lieu thereof "May 31, 1960."

Mr. SALTONSTALL. Mr. President, will the Senator from Alabama yield for a question?

Mr. SPARKMAN. I yield.

Mr. SALTONSTALL. In Massachusetts there are a great number of State mutually owned savings banks. Would this bill affect them in any way?

Mr. SPARKMAN. Not at all; the bill relates only to savings and loan associations.

Mr. SALTONSTALL. Those chartered by the Federal Government?

Mr. ENGLE. No; by the State government.

Mr. SALTONSTALL. Those chartered by the State government?

Mr. ENGLE. That is correct.

Mr. SALTONSTALL. How do they differ from the others?

Mr. SPARKMAN. They are stock companies, whereas we are talking about mutual companies.

Mr. KUCHEL. Mr. President, will the Senator from Alabama yield?

Mr. SPARKMAN. I yield.

Mr. KUCHEL. The amendment offered by the able Senator from Alabama would suspend the right of acquisition for a year and one-half from the date of enactment of the measure, which presumably will be in this month of September. Is that correct?

Mr. SPARKMAN. Under my amendment, the date is to be May 31, 1961.

Mr. KUCHEL. I see. I did not entirely understand the substitute amendment which the Senator from Alabama submitted, and which was read by the clerk.

Mr. SPARKMAN. It provides that the study shall be completed by May 31, 1960.

Mr. KUCHEL. That is to say, toward the end of the next session of Congress?

Mr. SPARKMAN. Yes; and that is the final date. The study might be completed by April 1; I do not know. If the bill is passed, certainly there will be an obligation to start the study; and we shall expect the study to start at once, and we shall hope to have something ready by the time we return in January.

Mr. Kuchel. So the Senator from Alabama would be hopeful, would he——

Mr. SPARKMAN. It is my hope that the legislation itself would be finalized next year.

Mr. KUCHEL. Before we adjourn sine die next year?

Mr. SPARKMAN. Yes; that is my hope.

Mr. KUCHEL. I thank the Senator from Alabama.

Mr. DOUGLAS. Mr. President, in order to make the issue completely clear, let me ask whether it is true that until either this law expires or until contrary action is taken, there will be a complete freeze in regard to the further extension of holding companies among stock savings and loan associations. Is that correct?

Mr. SPARKMAN. That is correct; and I thought that was the purpose of the question asked by the Senator from California.

Mr. DOUGLAS. So during this time, the holding companies are not to buy up other stock building and loan companies; is that correct? I hope it is. If it is not, I would favor a law dissolving the existing holding companies. But am I correct in my understanding?

Mr. SPARKMAN. That is correct.

Mr. ALLOTT. Mr. President, will the Senator from Alabama yield to me?

Mr. SPARKMAN. I yield.

Mr. ALLOTT. I thank the Senator from Alabama very much for yielding to me.

In preface to some questions which I wish to ask, I desire to say that I have found that the people of my State are very much confused about this situation. As a matter of fact, until the last few days, all of the mutual associations have adopted a sort of hands-off attitude in regard to this matter, whereas the stock associations feel that such action should not be taken.

Let me ask—because I cannot seem to fit the Senator's amendment into the copy I have of House bill 7244—what the amendment would do.

Mr. SPARKMAN. This amendment would set the termination date of this legislation at May 31, 1961; and it would require completion of the study not later than May 31, 1960. In other words, this is temporary legislation; it provides for a freeze for about 1½ years.

Mr. ALLOTT. But not longer than that?

Mr. SPARKMAN. Not longer than that. In other words, at the end of that time, either we must let the legislation die or we must take other action to finalize it, or we must arrive at some other solution.

Mr. ALLOTT. The measure now before us would not conclude the matter, then, would it?

Mr. SPARKMAN. Not at all.

Mr. ALLOTT. Is there any reason or any definite abuse which the committee found which is the basis for applying such a piece of legislation to private stock companies, and not to mutual associations? For example, last month, I believe, or a very short time ago, two very large mutuals formed in California one of the largest mutual associations in the world. Why differentiate between the two?

Mr. SPARKMAN. The principal difference is that most mutuals are controlled by the Federal Home Loan Bank Board. The stock companies in each instance, I believe, are State companies. Over the last few years there has been a decided trend toward forming holding companies, which we feel is not helpful to the savings and loan business.

Mr. ALLOTT. I am perfectly aware of the difference between those companies. As a lawyer, I have participated in the activities of both kinds. Yet it cannot be said there is less danger in the combination of mutual companies than there is in a combination of private companies, in my opinion.

Mr. CANNON. Mr. President, will the Senator yield?

Mr. ALLOTT. May I finish with one or two more questions?

What is the differentiation between the dangers resulting from a combination of mutual companies and that of private companies?

Mr. SPARKMAN. Most mutuals are under Federal control and cannot go into these combinations; nor can they make any change without getting permission from the Home Loan Bank Board.

Mr. ALLOTT. These mutual companies are formed into savings and loan companies under the Federal Home Loan Bank of 1933. Is that not correct?

Mr. SPARKMAN. That is correct.

Mr. ALLOTT. There is not much actual difference. Let me point out that if a private company wants to qualify for Government insurance of its loans, it must, so far as the way it makes its loans is concerned, conform in almost every respect to certain standards which the Federal Government provides in its insurance program. Why should there be a difference simply because a few people wish to put their money together to form a company, and a group of people——

Mr. SPARKMAN. It is not the individual company; it is the holding com-

pany, the superstructure they go into, that is of concern. May I say to the Senator from Colorado that one of the very able witnesses before our committee was Mr. Frank J. Mackin, savings and loan commissioner for the State of California. He gave a very clear statement on this matter. I shall not read all of the statement, but just part of it:

Recent activities of holding companies in California have assumed enormous proportions. The size and scope of these operations have reached such a point as to constitute a major change in the character of savings and loan business. The alleged benefits of such holding companies are meager and are far outweighed by the underlying fact that holding companies destroy the basic concept of the savings and loan business as a local thrift and home-financing operation.

He goes further, but, to my way of thinking, that is the gist of the whole question.

Mr. President, I ask unanimous consent to have printed in the RECORD the excerpt from the statement of the savings and loan commissioner of the State of California, from which I read.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

EXCERPT FROM THE STATEMENT OF FRANK J. MACKIN, SAVINGS AND LOAN COMMISSIONER, STATE OF CALIFORNIA

In the main, California has one of the best and most comprehensive State laws governing savings and loan associations. Many of these provisions can be successfully evaded by the use of the holding company device. This is the area of our major concern.

Recent activities of holding companies in California have assumed enormous proportions. The size and scope of these operations have reached such a point as to constitute a major change in the character of the savings and loan business. The alleged benefits of such holding companies are meager and are far outweighed by the underlying fact that holding companies destroy the basic concept of the savings and loan business as a local thrift and home financing operation.

At present many of these holding companies are being organized in the State of Delaware. It is impossible for the State of California, either through the office for which I have statutory responsibility or the office of the corporations commissioner of the State, to stop or even impede the rapid spread of holding companies over State associations. As the savings and loan commissioner of the State of California, I therefore earnestly request the Congress of the United States to enact legislation embodying provisions of this bill, for the problem is beyond the jurisdiction of the State, national in its scope, and can result only in a basic revision in both the public's conception of and the operations of the savings and loan business.

Mr. SPARKMAN. In my conception, a savings and loan association is an organization operated at the grassroots. First of all, it is limited as to those with whom it may do business. Ordinarily it is established for the benefit of neighbors in an area. I presume a stock company would be formed in the same way. There is no objection to individual stock companies, but the movement that has developed in the last few years has changed the organization and has destroyed the basic concept of it as a community affair operating in a relatively small area.

Mr. ALLOTT. Were there any specific abuses developed at the hearings?

Mr. SPARKMAN. No; there were not. I said in my opening statement, a few minutes ago, that instead of passing permanent legislation, we decided the matter was something that needed attention. What we said in effect was, "Stop where you are. Do not go any further until we can study the subject and reach a determination as to whether or not the threat a good many of the people feel exists is real."

If I remember correctly, the representatives of two major savings and loan leagues testified before our committee. The Home Loan Bank Board representative testified. The California Savings and Loan League, a majority of which is made up of Federalized institutions, testified as to their needs. We worked with them. There was a group of California stock company representatives present, who gave their story. We listened to them. We said to them, in effect, "We are impressed with what you have said. Therefore, we are not willing to accept wholeheartedly the story that has been told to us. We do not say we ought to propose that you give up what you have already acquired, but what we do say is that you should stop for the time being, until we can look into this."

Mr. ALLOTT. A report is called for by what date?

Mr. SPARKMAN. A study is called for by May 31, 1960, next spring.

Mr. ALLOTT. I desire only to point to this situation in my own State, and I presume it may be true in others. For a while the mutual organizations took a completely hands-off attitude. In the last few days they have reversed themselves and have said they were fearful what this proposal might bring forth.

I should like to point out that since there have been no actual abuses shown, as the Senator has said, it is a rather unusual thing to legislate against something we fear might happen in the future. The fact that the savings and loan institutions themselves, and even some mutual associations are so confused as to whether they want it done or not, convinces me we should go very slowly.

Mr. SPARKMAN. I contend that we are going slowly, carefully and cautiously.

Mr. ALLOTT. I hope we will do so. I thank the Senator for his courtesy.

Mr. CANNON. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. CANNON. I note that on page 5 of the committee report it is stated:

The problem of monopoly and restraint of competition must be considered in this connection. However, this does not appear to have occurred as yet, according to the testimony presented to the committee.

In other words, the committee will attempt to develop by the hearings what the situation may be?

Mr. SPARKMAN. The Senator is correct. As I said to the Senator from Colorado, I feel that we have taken a conservative, cautious attitude. We have thrown up the signals, but we have said, in effect, "This is only a signal to hold where you are."

Mr. CANNON. I believe the committee states elsewhere in the report that the committee does not feel there has been sufficient experience with the holding companies in the field at this time.

Mr. SPARKMAN. Certainly there was not a sufficient volume of information before us.

Mr. CANNON. It is possible, is it not, in connection with what the distinguished Senator from Colorado has said, that the hearings may develop the fact that legislation is needed relating to the stock companies as well as to the mutual companies? This could be developed by the hearings which will be held by the committee?

Mr. SPARKMAN. That is entirely possible. Of course, I invite attention to the fact that our committee has jurisdiction over the Home Loan Bank Board and the various regional banks and savings and loan institutions throughout the country. Hardly a year goes by that we do not come up with some proposed legislation affecting some of them. I think we could say that this will be a study which will be specialized and especially directed toward the complaints which have come in and the fear, as I said, that the Savings and Loan Commissioner of California pointed out to us.

Mr. CANNON. Am I correct in my understanding that the study will relate to stock companies as well as mutual companies in this particular field?

Mr. SPARKMAN. There is nothing in the bill which specifically calls for that, but, on the other hand, there is nothing to exclude it. Our jurisdiction covers the whole field. Certainly we would receive testimony offered to us covering either field.

Mr. CANNON. My inquiry in that regard was prompted by the question of the distinguished Senator from Colorado.

Mr. SPARKMAN. I will say that this deals primarily with holding companies, and there are no holding companies with mutuals.

Mr. CANNON. I understand. My inquiry is prompted by the question of the Senator from Colorado, who pointed out to the distinguished Senator from Alabama that the mutuals in his State had merged in a number of instances.

According to the committee report, it would appear that in many instances mutuals are much greater in size than the stock companies. Perhaps there may be some tendency directed toward a monopoly in restraint of competition in the mutuals themselves.

Mr. SPARKMAN. I am certain when we receive the testimony from the Home Loan Bank Board we are going to ask for all the information regarding the whole field of savings and loan associations.

Mr. CANNON. If the Senator will yield further, I should like to ask whether the committee determined that the experience in connection with bank holding companies would not apply to this particular field and that it would be necessary to hold hearings to develop

and draw up a legislative formula to fit that particular situation?

Mr. SPARKMAN. First, I will say we have not had a great deal of experience under the Bank Holding Act. Secondly, this does not follow the same pattern. It would not be applicable. There is a considerable difference between studying banks and studying savings and loan associations. We feel that much good will come from the projected study.

Mr. CANNON. I understand that the committee is going to hold the hearings as expeditiously as possible.

Mr. SPARKMAN. The chairman asked that I reassure the Senate to that effect.

Mr. CANNON. I thank the distinguished Senator from Alabama.

Mr. SPARKMAN. I thank the Senator.

Mr. CARROLL. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield to the Senator from Colorado.

Mr. CARROLL. I want to commend the Senator from Alabama for offering the amendment, and I want to commend the Senator from California for accepting it. I understand the Senator is going to accept it. I have had several conferences on this bill with the Senator from California.

Mr. ENGLE. Mr. President, will the Senator yield? I should like to correct the record. I am not going to accept the amendment. I am simply not going to oppose the amendment.

Mr. SPARKMAN. I offered the amendment as a substitute.

Mr. ENGLE. If the Senator will yield further, I would be more happy with my amendment. What I object to is the suspending of this operation in midair longer than is necessary.

Mr. SPARKMAN. This really amounts to a compromise between the two views.

Mr. ENGLE. The Senator has said that the committee will proceed as fast as it can and that if any new legislation is enacted prior to the expiration date of the act, it will take the place of this bill, even if the approximately 1 year and 6 months, or whatever the external limit is, has not been terminated.

Mr. SPARKMAN. That is correct.

Mr. ENGLE. That will be of help in the situation. I do not have any objection to saying to everybody, "Let us stop and look at this matter." However, I do not think we ought to stop too long, because it will upset and suspend the whole industry. Not only that, but we may put the situation out of balance, as the Senator from Colorado [Mr. ALLOTT] pointed out. I do not know whether there is a "knifing job" going on between the mutuals and the stock companies. I am not saying there is, but I am suspicious about it. I think we ought to move expeditiously and get this matter settled once and for all.

I would prefer the 1-year provision, but, with the assurances which have been given by the chairman, we can do as well with the substitute amendment, because we have been promised prompt hearings and early action. I prefer this to 1 year and no assurance of hearings at all.

Mr. SPARKMAN. I understand the position of the Senator from California.

I yield to the Senator from Colorado.

Mr. CARROLL. Mr. President, I want to commend the Senator from California for his vision and statesmanship in giving us a chance to conduct hearings in this very important field.

I observe the statement on page 4 of the report:

> Evidence was presented at the hearing that some of these holding companies have acquired control of associations in Texas, Colorado, and Ohio.

I had some interest in what was happening in Colorado, so I checked a bit and I found the statement to be true. One big Colorado savings and loan stock company was purchased by a holding company in California. That would not necessarily mean much to me, because I am not an expert in this field, but when the Colorado Federal Savings and Loan League is on record as supporting this bill with its 2-year provision, I know that something is wrong in the picture. I had a message only a few hours ago from the Colorado Federal Savings and Loan League telling me that they wholeheartedly endorsed the objectives of this bill.

I commend the Senator from Alabama and I commend the Senator from California. We should have a chance to find out what are the facts surrounding the recent wave of acquisitions of savings and loan associations by holding companies. We should know what is going on. We should determine why our associations at home are so alarmed.

I have one further question to ask the Senator from Alabama. When there is a merger of mutuals, is approval required?

Mr. SPARKMAN. Of course, this would apply to most of the mutuals. If the company involved is a Federal association, approval would be required by the Home Loan Bank Board.

Mr. CARROLL. That is my understanding. In other words, they are already regulated.

Mr. SPARKMAN. I think the Senator will find that the holding company operations have all been with stock companies.

Mr. CARROLL. I understand that is true.

Mr. SPARKMAN. They are subject to the provision.

Mr. CARROLL. The holding company acquisitions pose a threat to local associations, to local investors, to the local people. If it is true that a California holding company has moved in and acquired one of the big savings and loan stock companies in Colorado, then that is a matter which deserves to be investigated. We should determine the effect of such acquisition on the smaller Colorado locally owned companies and decide whether we need such operations controlled by Federal law with Federal approval. It would seem to me this would be a proper subject of the hearings and a proper aspect of the hearings.

Mr. SPARKMAN. I will say that my idea of hearings would be that we would cover the field.

Mr. CARROLL. I thank the Senator from Alabama.

Mr. SPARKMAN. Mr. President——

The PRESIDING OFFICER. The Chair is compelled to rule the amendment offered by the Senator is not in order.

Mr. SPARKMAN. Mr. President, I understand that because the amendment which the Senator from California offered was to the committee amendment, my amendment would become an amendment in the third degree.

The PRESIDING OFFICER. The Senator is correct.

Mr. SPARKMAN. And therefore the amendment is not in order. I withdraw the amendment for the time being.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. SPARKMAN. I yield.

Mr. HOLLAND. Has the Senator thought of following the course we frequently follow, of having the committee amendments agreed to and the bill considered as an original text for the purpose of amendment, in which case the amendment would be in order?

Mr. SPARKMAN. That would be fine, but it happens that the Senator from California has already offered his amendment. If the Senator from California will withdraw his amendment, we can proceed in that way.

Mr. ENGLE. Mr. President, I ask unanimous consent that the committee amendment be considered as adopted and the text of the bill considered as a new bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ENGLE. Mr. President, I reoffer my amendment.

Mr. SPARKMAN. Mr. President, I reoffer my substitute and ask for a vote.

The PRESIDING OFFICER. The second part of the Sparkman amendment, the Chair is advised by the Parliamentarian, contains more language than is contained in the Engle amendment, and therefore is out of order.

Mr. MANSFIELD. Did anyone raise a point of order?

Mr. SPARKMAN. It contains more language? Would the Chair repeat the ruling please?

The PRESIDING OFFICER. The Chair is advised that the substitute amendment is not in order because the latter part strikes out more language than is contained in the Engle amendment.

Mr. SPARKMAN. May I see it?

Mr. ALLOTT. May I be recognized while the Senator is looking at this? I should just like to make one or two observations about this matter.

I have had an interest all my life, not too much financially but as a lawyer, in both types of these organizations. I helped to form a mutual organization back in 1934. I have been connected with them for many years.

I believe we ought to go very slowly in this matter, and the solution offered by the Senator from Alabama seems to me to be the most acceptable one which we can arrive at at this time. Since we do not have a clear case of abuse, it seems

very dangerous to me to upset an entire industry, by legislating in this area, particularly since the bill does not provide any restrictions against the combinations of mutual companies which, as we have seen in the case of two California companies, can be just as large as the others.

I should like to ask the Senator from Alabama if the investigation will also go to the effect of mergers of mutual companies.

Mr. SPARKMAN. Undoubtedly that question will be raised, and we certainly will be seeking information along that line. There is this difference, though. When it comes to mergers of mutual companies which are already controlled by the Home Loan Bank, they will have the pertinent information in their files. They do not have the information on stock companies. They do not know that themselves.

Mr. ALLOTT. May I differ with the Senator and point out that they do have this information? I recall specifically one private organization which pretty well went through the wringer back in the depression, and when it reorganized as a private organization, a private stock company under State law, and secured Federal insurance——

Mr. SPARKMAN. Oh, yes; if it came in and got Federal insurance.

Mr. ALLOTT. Very, very few of them do not have the insurance.

Mr. SPARKMAN. I do not understand that to be true. I understand that a great many of them have their own insurance plans.

Mr. ALLOTT. But as to those which do have Federal insurance——

Mr. SPARKMAN. That information would be available.

Mr. ALLOTT. That information would be available?

Mr. SPARKMAN. The Senate committee has it.

Mr. President, I withdraw the amendment I offered, and I send forward an amendment to the Engle amendment and ask to have it stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 6, line 17, it is proposed to strike out the words "two years after the date of its enactment", and insert, in lieu thereof, "May 31, 1961."

The PRESIDING OFFICER. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

Mr. SPARKMAN. Mr. President, I offer a second amendment to the Engle amendment, and ask to have it stated.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 6, lines 23 and 24, it is proposed to strike out "one year after the date of enactment of this section", and insert, in lieu thereof, "May 31, 1960."

The PRESIDING OFFICER. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question is on the amendment, as amended, offered by the Senator from California [Mr. ENGLE].

The amendment, as amended, was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H.R. 7244) was read the third time and passed.

Mr. SPARKMAN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. HOLLAND. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ADDITIONAL CIVILIAN EMPLOYEES FOR DEPARTMENT OF DEFENSE

Mr. JOHNSTON of South Carolina. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 909, H.R. 6059.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 6059) to provide additional civilian employees for the Department of Defense for purposes of scientific research and development, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Post Office and Civil Service, with amendments, on page 1, line 10, after the word "Schedule", to strike out the comma and "as follows:

"'(1) Not more than three hundred twenty-six such positions shall be in such grades during the period beginning on the date of enactment of this subsection and ending on June 30, 1960;

"'(2) Not more than three hundred forty-nine such positions shall be in such grades during the period beginning on July 1, 1960, and ending on June 30, 1961; and

"'(3) Not more than three hundred seventy-two such positions shall be in such grades on and after July 1, 1961.'";

on page 3, line 20, after the word "personnel", to strike out the comma and "except that—

"'(1) Not more than three hundred forty-six such positions shall be established during the period beginning on the date of enactment of the Act by which this amendment is made and ending on June 30, 1960;

"'(2) Not more than four hundred such positions shall be established during the period beginning on July 1, 1960, and ending on June 30, 1961; and

"'(3) Not more than four hundred fifty such positions shall be established on and after July 1, 1961'" and on page 4, after line 11, to insert a new section, as follows:

SEC. 4. (a) Section 3(d) of the Federal Employees' Group Life Insurance Act of 1954 is repealed.

(b) Section 5(a) of such Act is amended by striking out the words "under age "sixty-five".

(c) Section 6 of such Act is amended to read as follows:

"SEC. 6. (a) Each policy purchased under this Act shall contain a provision, in terms approved by the Commission, to the effect that any insurance thereunder on any employee shall cease upon his separation from the service or twelve months after discontinuance of his salary payments, whichever first occurs, subject to a provision which shall be contained in the policy for temporary extension of coverage and for conversion to an individual policy of life insurance under conditions approved by the Commission.

"(b) If upon such date as the insurance otherwise cease the employee retires on an immediate annuity and (1) his retirement is for disability or (2) he has completed twelve years of creditable service as determined by the Commission, his life insurance only may, under conditions determined by the Commission, be continued without cost to him, but the amount of such insurance shall be reduced by 1 per centum thereof at the end of each full calendar month following the date the employee attains age sixty-five or retires, whichever is later, subject to minimum amounts prescribed by the Commission, but not less than 50 per centum of the insurance in force preceding the first such reduction. Periods of honorable active service in the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States shall be credited toward the required twelve years provided the employee has completed at least five years of civilian service.

"(c) If upon such date as the insurance would otherwise cease the employee is receiving benefits under the Federal Employees' Compensation Act because of disease or injury to himself, his life insurance may, as provided in subsection (b), be continued during the period he is in receipt of such benefits and held by the United States Department of Labor to be unable to return to duty."

(d) Section 5(a) of such Act is amended by striking out "25 cents" and inserting in lieu thereof "32 cents".

(e) (1) The amendments made by subsections (a), (b), and (c) shall take effect as of August 17, 1954, except that (1) they shall not be applicable in any case in which the employee's death or retirement occurred prior to the date of enactment of this Act, and (2) nothing therein shall be construed to require salary withholdings for any period prior to the first day of the first pay period which begins after the date of enactment of this Act.

(2) The amendments made by subsection (d) shall take effect as of the first day of the first pay period which begins after the date of enactment of this Act.

Mr. JOHNSTON of South Carolina. Mr. President, the purpose of H.R. 6059 is twofold. First, it authorizes the establishment of certain additional supergrade and scientific positions in the Department of Defense; and, second, liberalizes the Federal Employees Group Life Insurance Act.

Mr. President, presently, the Department of Defense has 303 supergrade positions. This measure would authorize 372 such positions or an increase of 69.

Currently, the Department has 292 so-called Public Law 313 scientific positions. This measure authorizes the establishment of 450 such positions or an increase of 158.

Public hearings on this portion of the bill were held July 23, 1959. The Department of Defense and the Civil Service Commission testified concerning the

thorize longer term leases of Indian lands on the Agua Caliente (Palm Springs) Reservation," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. NEUBERGER, Mr. ANDERSON, Mr. GRUENING, Mr. GOLDWATER, and Mr. ALLOTT to be the conferees on the part of the Senate.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 7476) entitled "An act to extend for two additional years the authority of the Surgeon General of the Public Health Service with respect to air pollution control," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. CHAVEZ, Mr. KERR, Mr. MCNAMARA, Mr. MARTIN and Mr. COOPER to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 8609) entitled "An act to amend the Agricultural Trade Development and Assistance Act of 1954, as amended, by extending the authorities of titles I and II, strengthening the program of disposals through barter, and for other purposes."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 1436) entitled "An act to amend section 1 of the act of June 14, 1926, as amended by the Act of June 4, 1954 (68 Stat. 173; 43 U.S.C. 869)."

HOUSE SPACE AND AERONAUTICS COMMITTEE

Mr. BROOKS of Louisiana. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. BROOKS of Louisiana. Mr. Speaker, on September 11 before this body, the gentleman from Missouri [Mr. CURTIS] charged that an employee of the House Space and Aeronautics Committee was engaged in the preparation of a table on appropriations which has been appearing daily in the CONGRESSIONAL RECORD. It is not my purpose to engage in this debate over the propriety of these tables, but I must rise to set the record straight on one point. There is no House Space and Aeronautics Committee. The House Science and Astronautics Committee of which I am chairman has no employee by the name of Max Lehrer—the name given in the gentleman's remarks—and never has had this person employed, nor has any employee of my committee engaged in political activities related to tables on appropriations as charged. I would caution the gentleman from Missouri to check his facts before making statements to this body which can harm the reputations of the Members of Congress and of our staffs who do their best to discharge exclusively the duties for which they were hired. In fact, the gentleman from Missouri should delete from the RECORD this portion of his remarks.

TWIN CITIES ARSENAL, MINN.

Mr. VINSON. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 2449) to authorize the Secretary of the Army to lease a portion of Twin Cities Arsenal, Minn., to Independent School District No. 16, Minnesota, with Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 1, line 4, strike out "five-year" and insert "two-year"

Page 1, line 9, strike out "section 2" and insert "sections 2, 4, and 5"

Page 2, line 1, strike out "without monetary consideration therefor, except for" and insert "upon condition that the lessee pay"

Page 2, line 3, strike out "but" and insert "and"

Page 3, after line 11, insert:

SEC. 5. The lease authorized by this Act shall be conditional upon the Independent School District Numbered 16 paying to the Secretary of the Army as consideration for such lease an amount equal to 50 per centum of its fair market value as determined by the Secretary after appraisal of such lease.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

CONVEYANCE OF ARMY AND NAVY GENERAL HOSPITAL, HOT SPRINGS NATIONAL PARK, TO STATE OF ARKANSAS

Mr. VINSON. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 6190) to direct the Secretary of the Army to convey the Army and Navy General Hospital, Hot Springs National Park, Ark., to the State of Arkansas, and for other purposes, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 3, lines 16 and 17, strike out "for a period of twenty years after the date of such conveyance".

Page 3, lines 19 and 20, strike out "during that period".

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

Mr. VINSON. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. VINSON. Mr. Speaker, this bill as it passed the House directed the Secretary of the Army to convey the Army-Navy General Hospital at Hot Springs National Park, Ark., to the State of Arkansas.

The State must use this hospital for health or vocational rehabilitation purposes or for educational purposes.

All of the usual restrictions and conditions normal in the conveyance of property by the United States are included. For example, in the event of a national emergency, the United States may take back the property without obligation to make payment of any kind and to use it during such emergency plus 6 months.

Section 3 of the bill as it passed the House required that the property be used by the State of Arkansas for a period of 20 years as a vocational rehabilitation center or for public health or educational purposes. The Senate amended the bill to require that the property conveyed be used for these purposes in perpetuity. This amendment, of course, imposes a greater restriction than was contained in the House version of the bill. Now the property, under the Senate version, can never be used for any other purpose or it will revert to the Government.

PROTECT LOCAL MANAGEMENT OF SAVINGS AND LOAN ASSOCIATIONS

Mr. SPENCE. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 7244) to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 6, after line 18, insert:

"'(g)(1) This section shall terminate May 31, 1961.'"

Page 6, after line 18, insert:

"'(2) The Federal Home Loan Bank Board shall make a full and complete survey of all aspects of savings and loan holding companies, and shall submit a report to the Committees on Banking and Currency of the Senate and the House of Representatives not later than May 31, 1960. This survey shall include studies of the nature, growth, effects, and future prospects of savings and loan holding companies, including particularly the extent to which they may have become, or may in the future become, injurious or detrimental to free competition in the field of mortgage lending or in any related field. The report on this survey shall contain a full statement on these matters, together with recommendations for further legislation on this subject. In particular, the report shall review and make recommendations on the

legislative proposals submitted at the hearings of the Committees on Banking and Currency on H.R. 7244, Eighty-sixth Congress, including particularly the need for and feasibility of requiring divestment of part or all of the savings and loan associations already acquired or part or all of the other interests of such holding companies, the need for and feasibility of requiring such holding companies to limit their activities or their future acquisitions to a specified distance from their principal offices, and the desirability and feasibility of regulating and controlling further acquisitions of such holding companies, as compared with prohibiting further acquisitions by such holding companies.'"

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. PORTER. Mr. Speaker, reserving the right to object, the gentleman from California [Mr. ROOSEVELT] who is not here, has asked me to object to this request; and I do object.

The SPEAKER. Objection is heard.

TO AMEND SECTION 7 OF FEDERAL HOME LOAN BANK ACT

Mr. SPENCE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 2517) to amend section 7 of the Federal Home Loan Bank Act, as amended.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (a) of section 7 of the Federal Home Loan Bank Act, as amended, is hereby amended by striking out the language in the first sentence after the first colon and inserting in lieu of the matter so stricken the following: "*Provided,* That the Board may by regulation increase the number of elective directors of any Federal home loan bank having a district which includes five or more States to a number not exceeding thirteen, but any additional elective directors shall be apportioned as nearly as may be practicable in the same manner and order as is provided for the appointment of elective directors under subsections (c) and (d) hereof: *Provided further,* That there shall not be less than one nor more than three elective directors from any of the States in any district in which the number of elective directors is increased."

SEC. 2. Subsection (b) of said section 7 is hereby amended by adding thereto at the end thereof the following sentence: "In the case of any district in which the Board has by regulation increased the number of elective directors pursuant to subsection (a) the Board may by regulation provide for an additional number of directors to be appointed and to hold office as provided in the first sentence of this subsection, but the total number of appointive directors shall not exceed one-half the total number of elective directors in such district: *Provided,* That the terms of the initial incumbent of any office established pursuant to this sentence shall expire at the end of the fourth calendar year beginning with the calendar year current at the time of his appointment, except that the Board may provide for any such initial incumbent a shorter term expiring at the end of a calendar year."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

A similar House bill (H.R. 8591) was laid on the table.

AGNES LORRAINE PANK

Mr. WALTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 2302) for the relief of Agnes Lorraine Pank, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 1, line 7, strike out all after "fee" down to and including "impose" in line 11.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

WORLD REFUGEE YEAR

Mr. ROGERS of Colorado. Mr. Speaker, reserving the right to object, there has been discussion in our committee concerning the World Refugee Year. I want to know whether or not there is any plan or legislation in connection with that.

Mr. WALTER. May I say to the gentleman that Subcommittee No. 1 of the Committee on the Judiciary gave considerable thought to the enactment of the joint resolution, House Joint Resolution 397, which I introduced earlier this year. That joint resolution provides for the participation of the United States in this so-called World Refugee Year. I might say to the gentleman that we have earmarked $10 million for our active participation in providing financial assistance to the refugees, but the subcommittee felt that before any action regarding admission of additional refugees to this country was taken, we should ascertain what the problem really is. We have heard all sorts of figures. The United Nations High Commissioner for Refugees has given us the official number of refugees desiring to emigrate overseas as 28,000 which, of course, is considerably fewer than the numbers that we hear about, particularly coming from the other body.

So the subcommittee is making a complete investigation in order to determine several things, one, what the scope of the problem is and two, why the refugee immigrant visas already available under acts formerly enacted have not been used. We strongly suspect that the refugees are being hoarded for the purpose of keeping jobs for certain people. We intend to act promptly.

Mr. ROGERS of Colorado. In the hope to have legislation out by January?

Mr. WALTER. I do not know whether we are going to report the joint resolution I introduced or not, but there will be legislation proposed in the event that it is necessary to take action.

Mr. ROGERS of Colorado. I thank the gentleman.

AGNES LORRAINE PANK

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania [Mr. WALTER]?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

PERMANENT RESIDENCE AND DEPORTATION OF CERTAIN ALIENS

Mr. WALTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the joint resolution (H.J. Res. 478) relating to permanent residence and deportation of certain aliens, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the joint resolution.

The Clerk read the Senate amendments, as follows:

Page 1, line 4, after "Act," insert "Anna Almo,".

Page 1, line 11, strike out "case" and insert "cases".

Page 1, line 11, after "of" where it appears the second time insert "Anna Almo and".

Page 2, line 2, after "Act," insert "Alexander Antoniou,".

Page 2, strike out lines 17 to 22, inclusive, and insert "issued in the cases of Nicola Peretta, Roberto Garcia Marquez, Salomon Chehebar, Mah Wah Yong, Maria Mariani Guidi, and Serpuhi Klavuzoglu. From and after the date of".

Page 3, line 4, strike out "issued." and insert "issued: *Provided,* That a suitable and proper bond or undertaking, approved by the Attorney General, be deposited as prescribed by section 213 of the Immigration and Nationality Act in the cases of Nicola Peretta, Roberto Garcia Marquez, and Salomon Chehebar."

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

ENTRY OF CERTAIN ALIENS

Mr. WALTER. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the joint resolution (H.J. Res. 479) with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the joint resolution.

The Clerk read the Senate amendments, as follows:

Page 1, strike out all after line 2 down to and including "For" in line 6 and insert "That, for".

Page 2, line 8, strike out "4" and insert "3".

Page 2, line 16, strike out "5" and insert "4".

Page 2, line 24, strike out "6" and insert "5".

Page 3, line 4, strike out "7" and insert "6".

Page 3, strike out lines 9 to 16, inclusive.

Page 3, line 17, strike out "9" and insert "7".

This resolution would establish a unit to be known as the Presidential Inability Commission. The Commission would have the responsibility and authority to relieve the President or Acting President of the United States and, I quote, "upon a determination that he is not able to discharge properly the powers and duties of the office of President, and after any such action, to restore the President or Acting President to the assumption of such powers and duties upon a determination within the same term of office that he is able to discharge properly the powers and duties of the office of President."

The aforementioned Presidential Inability Commission would be composed of eight members, as follows: First, the Chief Justice of the United States, who would serve as Chairman of the Commission, and who would have no vote in the proceedings of the Commission except in the case of a tie; second, the senior Associate Justice of the Supreme Court of the United States; third, the Secretary of State; fourth, the Secretary of the Treasury; fifth, the Speaker of the House of Representatives; sixth, the minority leader in the House of Representatives; seventh, the majority leader in the Senate; eighth, the minority leader in the Senate.

Five members of the Commission would constitute a quorum. Members of the Commission would serve as such without compensation. Any two members of the Commission could cause the Chairman to convene the group without delay by communicating in writing to him, stating that they have sufficient cause to believe that the President is unable to discharge properly the powers and duties of the office. The Commission is then directed to seek competent medical advice as to the condition of the President and his ability to discharge properly said powers and duties. Should the Commission subsequently determine Presidential inability, it is bound to then notify the House of Representatives and the Senate—if Congress is then in session—the President and the individual next in line of succession to the Presidency. Thereupon, the Presidential powers and duties would devolve upon the individual next in line of succession. The same series of steps is established for the President's reassuming the powers and duties of the office if the Commission determines that the disability no longer exists.

As stated, this joint resolution proposes an amendment to the Constitution, which requires the customary ratification by the legislatures of three-fourths of the States within 7 years. This in itself is assurance that the entire subject of Presidential inability will be accorded the most deliberate and careful scrutiny.

Mr. Speaker, establishment of a Commission vested with the responsibility and authority to arrive at a determination of any President's capacity to discharge the powers and duties of the office is a logical step that would correct an obvious fault in our Constitution. It would serve to remedy an imperfection that for most of our national life has disturbed authorities and scholars of American Government. In this day of challenge and stress, it is strongly advisable that the Congress clarify beyond any doubt or uncertainty the provisions of the Constitution with respect to execution of the duties of President in the event of disability.

I call upon the Congress to act favorably on this resolution during this Congress, in order that the proposed amendment may begin to move before the legislatures of the several States and, ultimately, a hoped-for ratification by at least three-quarters of them.

THE 1ST SESSION OF THE 86TH CONGRESS

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to address the House for 2 minutes and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. McCORMACK. Mr. Speaker, the House, as we know, has just passed the sine die resolution. As the majority leader, I should like to make a few remarks concerning this session. This has been a most successful session. Of course, as we know, the record of the Congress is made over a 2-year period. But the 1st session of the 86th Congress has been, as I have said, a most successful one.

It has been an arduous session. All committees have worked very hard, have worked long and diligently on the legislation referred to them. All the Members of the House of Representatives, likewise, have worked very hard and diligently. I congratulate the Members of the House for a task well done.

The Speaker and I particularly express our appreciation to the Members of the House of the many kindnesses and courtesies extended to us during this session. We extend our thanks to the minority leader [Mr. HALLECK] for his understanding cooperation in connection with the vitally important matter of the conduct of the House and the transaction of its business.

THE WORK OF THE CONGRESS

Mr. HALLECK. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

Mr. HALLECK. Mr. Speaker, I commend the majority leader for the statement he has just made. Particularly do I appreciate the reference he made to me. It has been a long, difficult session. We have had many troublesome problems with which to deal. I sincerely hope when the record of this Congress is appraised that the credit will come to the Congress for the things that have been done. I might say, perhaps there will be some credit for some of the things that were not done. But in any event I am sure we are all happy to be coming to the end of the session.

LABOR LEGISLATION

Mr. WALTER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. WALTER. Mr. Speaker, the words of the distinguished minority leader lead me to call to the attention of this body the fact that there was enacted an anti-racketeering labor bill, so-called. There would have been no legislation had it not been for the active participation by the distinguished Speaker of this body in the work of the majority members of that committee. I think the Nation owes a great debt to our beloved Speaker for the part he played in bringing about enactment of this legislation.

LOCAL MANAGEMENT OF SAVINGS AND LOAN ASSOCIATIONS

Mr. SPENCE. Mr. Speaker, I understand that the gentleman from Oregon desires to withdraw his objection to the consideration of Senate amendments to the bill H.R. 7244. Therefore, Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 7244) to promote and preserve local management of savings and loan associations by protecting them against encroachment by holding companies, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Page 6, after line 18, insert:

"'(g)(1) This section shall terminate May 31, 1961."

Page 6, after line 18, insert:

"'(2) The Federal Home Loan Bank Board shall make a full and complete survey of all aspects of savings and loan holding companies, and shall submit a report to the Committees on Banking and Currency of the Senate and the House of Representatives not later than May 31, 1960. This survey shall include studies of the nature, growth, effects, and future prospects of savings and loan holding companies, including particularly the extent to which they may have become, or may in the future become, injurious or detrimental to free competition in the field of mortgage lending or in any related field. The report on this survey shall contain a full statement on these matters, together with recommendations for further legislation on this subject. In particular, the report shall review and make recommendations on the legislative proposals submitted at the hearings of the Committees on Banking and Currency on H.R. 7244, Eighty-sixth Congress, including particularly the need for and feasibility of requiring divestment of part or all of the savings and loan associations already acquired or part or all of the other interests of such holding companies, the need for and feasibility of requiring such holding companies to limit their activities or their future acquisitions to a specified distance from their principal offices, and the desirability and feasibility of regulating and controlling further acquisitions of such holding companies, as compared with prohibiting further acquisitions by such holding companies.'"

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

Mr. PORTER. Mr. Speaker, reserving the right to object, and I shall not object, I objected in the first place on behalf of the gentleman from California [Mr. ROOSEVELT] who has since changed his mind and hence I do not object.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

The Senate amendments were concurred in.

A motion to reconsider was laid on the table.

ACTIVITIES OF THE DEPARTMENT OF AGRICULTURE IN RURAL ELECTRIFICATION ADMINISTRATION DEMAND EARLY INVESTIGATION

The SPEAKER. Under previous order of the House, the gentleman from North Dakota [Mr. BURDICK] is recognized for 10 minutes.

Mr. BURDICK. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include extraneous material.

The SPEAKER. Is there objection to the request of the gentleman from North Dakota?

There was no objection.

Mr. BURDICK. Mr. Speaker, I would like to call the attention of this House to a series of Department of Agriculture memorandums which reveal how Secretary Benson and his top assistants have contrived to put REA into politics in order to advance Benson-drafted legislation.

These documents tell a story that every Member of Congress should read. They reveal how the Secretary of Agriculture has directed the REA Administrator in a farflung campaign to influence the American farmer. The plans are spelled out, 1, 2, 3. The object of this particular campaign is to persuade Members of this Congress to enact some of Secretary Benson's legislative proposals.

The documents which give the detail are printed in the transcript of the hearings before the Subcommittee on Conservation and Credit of the Committee on Agriculture. The hearings were held February 5 and 18, 1959. On the last of these dates the subcommittee conducted a review of the REA; and it is this program that is the subject of the Department of Agriculture memorandums.

On page 65 of these hearings, you will find the interoffice correspondence of Secretary Benson, his assistant on agricultural credit, K. L. Scott, and the REA Administrator, David Hamil.

Briefly, here is what is included:

First. There is a memorandum by Secretary Benson, dated August 26, 1958. In it Mr. Benson bluntly orders the REA Administrator to go out and campaign in behalf of the administration's REA legislation.

Second. There is a memorandum dated September 4, 1958, by David Hamil, the REA Administrator. This is a reply to Secretary Benson's orders.

Third. There is a memorandum dated September 3, 1958, by Assistant Secretary K. L. Scott to Secretary Benson. This tells how they hope to get farm organizations to help them build support for Benson's REA legislation.

Fourth. There is a memo dated September 19, 1958, by Mr. Scott to the REA Administrator. This reiterates the Secretary's orders to go ahead with plans as previously outlined.

As I mentioned earlier, this particular drive deals with the REA program. Previously we have seen what the Secretary of Agriculture has attempted to do in connection with the overall farm program.

Just recall to mind, Mr. Speaker, some spectacular examples:

The image sought to be portrayed of Mr. Benson is that he stands for economy. Yet his spending this year will amount to $7½ billion, or more than twice as much as President Truman's largest farm budget.

The manufactured image is intended to convey the idea that price supports cause surpluses. Yet while Mr. Benson has lowered price supports we have seen surpluses grow bigger and bigger.

This image was intended to show that Mr. Benson would "get the Government out of the storage business." Yet Uncle Sam has to pay $1¼ million every day for storing surpluses now as compared with only $300,000 when Benson took office.

This image of Benson was to be that of a man who would take down the "swollen bureaucracy." Yet Mr. Benson has 81,000 bureaucrats on the payroll today—nearly 19,000 more than the day he took office. That is 12 new bureaucrats every working day since January 20, 1953.

This is the background in which we now discover the Department of Agriculture memos. Look at these documents and you will see what a calculated operation the farmers of America are up against.

Now, Mr. Speaker, let us look at the memos.

The first memo to which I referred was written by the Secretary, Mr. Benson, and it was addressed to Mr. Hamil, the REA Administrator.

Here is how the Secretary began his memo:

> It is my thought that it will be necessary for you to do a great deal of groundwork between now and the next session of Congress on setting the stage for the new REA legislation.

What is he saying? He is ordering one of his top bureau chiefs to go out and lobby for Benson legislation.

The man who got those orders is the Administrator of REA. He is the man selected to run what is probably the biggest and most important lending program in the Department of Agriculture. He is appointed by the President and confirmed by the Senate. He is paid $20,000 a year. And, he operates under an act that specifically states that he must keep politics strictly out of his agency and his operations.

He is the man who was ordered by Secretary Benson to go out and build support for the Administration's REA legislation.

Would it not have been more proper and more in the interests of the REA program to say to Mr. Hamil: You have an REA job to do, give it all your time and attention because we want to see REA get top-notch administration?

No, Mr. Benson did not do that. Instead, he evidently wants to make a politician out of the Administrator. The Office of REA Administrator, Mr. Speaker, used to be one of the most highly regarded in Washington before Mr. Benson took over the office.

Let us turn back to the Secretary's memo to see what else he has to say.

I must gather from the Secretary's next sentence that the REA Administrator was not altogether satisfied with this lobbying assignment, when he said:

> As you have indicated many times, it would never be possible to get new legislation in this field until there is a fair amount of support for it at the grassroots or local cooperative level.

I will say that the Administrator was most accurate when he told the Secretary this. The farmers and the cooperative people do not want any part of Benson's REA proposals. They have said so many times in letters and in resolutions. I am also convinced that this Congress wants no part of these proposals. Last year, you will remember, Secretary Benson could not get a single Member of Congress to introduce his "Wall Street" interest bill.

But, to get back to the memorandum: I note that Secretary Benson is not to be stopped by any such reports of farmers' sentiment, because he goes on to say—

> It would seem that there would be much that you could do between now and the time the new Congress convenes to develop support for this new legislation.

Mr. Benson then gives Mr. Hamil some helpful suggestions:

> One suggestion might be that you would concentrate your efforts as much as possible on just a few key States.

What does he mean by a few key States? Does he mean your State? Is my State a key State? How many States were involved in this campaign?

Then Mr. Benson concludes his orders to Mr. Hamil by saying:

> I would like to discuss this further with you at a convenient time.

So there we have the curtain drawn on what sort of ideas Mr. Benson has in mind for indoctrinating the American farmer.

Fortunately, the curtain of secrecy is not completely drawn. The rest of the memos show us some of the ideas that Mr. Benson's marching orders served to stimulate.

In his reply to his boss, Mr. Hamil wrote:

> I agree fully with the thoughts expressed in your memorandum of August 26 as to the great amount of groundwork that we will have to do in order to get grassroots support for new REA legislation. Without such support I am convinced any new legislation will not be approved by the Congress.

It is my opinion that the REA Administrator in these words is trying to convey to Mr. Benson some of the facts of life with regard to farmer sentiments.