

Without written permission, this material may not be copied or reproduced in any form or placed in any other repository.

This is a photocopy of materials held by the Carl Albert Congressional Research and Studies Center Congressional Archives, University of Oklahoma, Monnet Hall, Room 202, 630 Parrington Oval, Norman, Oklahoma 73019-4031.



**BANK OF OKLAHOMA**

**George E. Nowotny, Jr.**  
Vice-President  
Community Affairs

January 2, 1976

The Honorable Carl Albert  
U.S. House of Representatives  
Speakers Office H205, The Capitol  
Washington, D.C. 20515

JAN 7 PM

Dear Mr. Albert:

I am writing this letter to express our opposition to the Financial Institutions Bill (Senate Bill 1267) as we understand it is now written and pending consideration by the House Committee on Banking, Currency, and Housing. We would appreciate your monitoring the movements of this bill through committee and oppose any of the sections as described hereafter that may reach the floor for final congressional approval.

The following is a capsulized statement of our objections to several of the sections of the bill as currently written, which should give you the reasons for our opposition.

- 1) The sections of Senate Bill 1267 that would repeal the prohibition of the payment of interest on demand deposits by commercial banks is, in our opinion, a change of such magnitude that it should be more thoroughly reviewed and debated so that a better understanding will be had by all as to its impact on the consumer. On the surface, this appears to be a very favorable consumer issue, however, upon closer examination, it should be noted that this will automatically increase the cost of monies available to the banks, therefore, causing the banking industry to be forced to possibly reevaluate some of its current services, such as free checking. Also, in order to operate in a profitable posture, it would be necessary to maintain the existing spread between the cost of money and the rate of interest charged with the lending of this money. The increased interest rates on loans, due to this increased cost in the funds available, will ultimately be passed on, as are all business costs, first to the borrower, who is in need of these funds, and ultimately to the

Bank of Oklahoma, National Association  
P.O. Box 2300 Tulsa, Oklahoma 74192 Phone 918 584 3411



The Honorable Carl Albert  
 January 2, 1976  
 Page 2

consumer, who had to pay for the increased cost to the borrower when his business profitability dictates the passing on of his increased costs of operation. We recognize that ultimately banks will be paying interest on demand deposits but do not think that anyone has studied the full impact of this decision as stated above and we believe that January 1, 1978 is too early an effective date.

- 2) We are opposed to N.O.W. accounts being extended to an immediate nationwide capability because these are, for all practical purposes, demand deposit accounts with interest being paid as if they were savings accounts.
- 3) The bill would permit savings and loans to move more toward non-mortgage investment. We believe that this would tend to dry up funds available for housing, and, in an attempt to get more funds, commercial banks would be forced by the government (or induced) to put a certain percentage of available dollars into mortgage loans, thereby reducing the ability of the commercial banks to fulfill their historic role of meeting the short term needs of business, industry, and individuals.
- 4) Senate Bill 1267 will also authorize savings and loans and credit unions to issue credit cards. It is our belief that there is sufficient competition in the credit card industry and that through personal experience with our Master Charge cards, we know what the financial burdens are in establishing such an operation and the time lapse necessary to make them profitable. We therefore feel that this would be a further burden upon savings and loans and reduce their capabilities of meeting the home mortgage requirements that will exist in the future. Also, we do not feel that credit unions would benefit from the ability to enter the credit card market.



The Honorable Carl Albert  
 January 2, 1976  
 Page 3

- 5) We see little harm in allowing the Federal Reserve System to set minimum requirements for all financial institutions that offer checking accounts, including state banks. However, state banks are now allowed to keep their reserve requirements in other commercial banks. If these reserves had to be kept with the Federal Reserve System (and there would be pressure for this) then banks of our size would lose balances from small banks and very detrimental effects would occur for the small bank:
- a) The small bank would be charged for services now rendered to them, while at present their deposits cover these services.
  - b) The value of stock in small banks would decline sharply. When a small state bank is purchased, large banks charge a lower interest rate to the buyers, because they get their major deposit account. If that deposit had to be kept with the Fed, then they would have to charge a higher interest rate, which would decrease the selling price of the bank.
- 6) Finally, the most dangerous provision is one which would give savings and loans the right to enter the trust business. We feel that there are probably no more than a dozen banks in Oklahoma that have qualified staff in their Trust Department. I don't know of a single savings and loan that has this expertise, and it would be extremely dangerous for both the savings and loan and for the beneficiaries of the trusts to give them this power.

I appreciate that this is a long letter and that your time is very valuable, but I know of no other way that I can more concisely explain what we feel are the ramifications

Without written permission, this material may not be copied or reproduced in any fashion, nor placed in any other repository.

This is a photocopy of materials held by the Carl Albert Congressional Research and Studies Center Congressional Archives, University of Oklahoma, Monnet Hall, Room 202, 630 Parrington Oval, Norman, Oklahoma 73019-4031.



The Honorable Carl Albert  
January 2, 1976  
Page 4

of Senate Bill 1267.

Sincerely,

George E. Nowotny  
Vice-President  
Community Affairs

GEN:sjs

From the Collection of  
THE HON. CARL ALBERT