

FOR IMMEDIATE RELEASE

October 29, 1974

## Office of the White House Press Secretary

THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

I am signing into law today S. 3838, "To authorize the regulation of interest rates payable on obligations issued by affiliates of certain depository institutions, and for other purposes".

Titles II and III of the bill would remove burdensome inequities by authorizing exemptions from state usury laws of large business and agricultural loans and of large borrowings of bank holding companies and bank deposits. Such usury laws as this bill addresses are well-meaning but futile attempts to keep interest rates at "reasonable" levels. In fact, their net effect is that the same borrowers who are supposedly protected from "unreasonable" interest rates are, instead, unable to obtain funds at the levels set by law.

S. 3838 seems to me a clearly second-best remedy to this problem, and the states which have these usury laws may wish to reconsider their applicability under today's conditions.

On the other hand, I am deeply concerned about Title I of the bill which enables the Federal financial regulatory agencies to place interest rate ceilings on securities issued by holding companies which at present are not subject to such regulations. I believe this provision goes in the same direction as the state usury laws from which the other titles of this bill authorize exemptions. I hope that the regulatory agencies will not see fit to exercise the discretionary authority granted by this provision.

The Administration has introduced a bill, the Financial Institutions Act (S. 2591), containing a set of reforms that would gradually free the credit market from harmful regulations of the sort imposed by Title I of S. 3838. I strongly urge the Congress to pass S. 2591.

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