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Folder Title:
Banking Issues 1991

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THE SECRETARY OF THE TREASURY
WASHINGTON

November 25, 1991

The Honorable Donald W. Riegle, Jr.
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The President has asked me to respond to your letter, which was delivered to the White House late this afternoon.

For more than a year, the Administration has argued that comprehensive reform of the banking laws is essential. Unless the banking system regains the long-term financial health it lacks, it cannot fulfill its critical role in the economy, and the risk multiplies that the American taxpayer will have to pay for industry losses. There is one, and only one, significant action that the Federal Government can take to help restore the industry's health and attract sufficient private capital so that this risk to the taxpayer can be averted. That is to fundamentally reform the antiquated laws that now govern the banking industry.

To deal with the underlying problems of the banking industry, the Administration has proposed the most comprehensive banking reform legislation in over 50 years, and has spent the better part of this year fighting for the adoption of this legislation. Unfortunately, Congress has still not acted on this crucial proposal, and now seems likely to adopt a narrow approach that will only postpone the day of reckoning.

The President has stressed the need for comprehensive reform as far back as February 6, 1991:

"These reforms will continue to protect every insured depositor in America. But they will also address the reality of the modern financial marketplace by creating a U.S. financial system that protects taxpayers, serves consumers, and strengthens our economy. We don't want to be back again in a couple of years to do this all over again. That's why halfway solutions won't do -- we have to do the whole job, and we have to do it now."

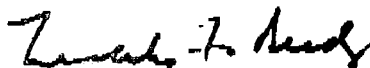
It is shocking to me that some in Congress are only now coming to realize the seriousness of the situation. As your letter suggests, the narrow bill that we understand is the basis for House/Senate negotiations provides critically needed funding but is otherwise wholly inadequate to the task at hand.

-2-

Fundamental reform of our banking laws, already delayed, is not a "we can get to it later" issue. Continued Congressional inaction is a recipe for trouble.

The Administration has long since provided our blueprint for reform. We have worked with you and your Committee throughout the year to move forward on this issue, and I assure you that you will continue to have our full cooperation in the fight for comprehensive banking reform.

Sincerely,



Nicholas F. Brady

DONALD W. RIEGLE, JR., MICHIGAN, CHAIRMAN

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 CHRISTOPHER J. DODD, CONNECTICUT
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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS

WASHINGTON, DC 20510-6075

STEVEN B. HARRIS, STAFF DIRECTOR AND CHIEF COUNSEL
 LAMAR SMITH, REPUBLICAN STAFF DIRECTOR AND ECONOMIST

November 25, 1991

The Honorable George Bush
 President of the United States
 The White House
 1600 Pennsylvania Ave., NW
 Washington, D.C. 20500

Dear Mr. President:

It is clear from the latest information now available from bank regulators that we face an extremely serious situation in the banking system.

The Banking Reform bill now pending in a Senate/House Conference Committee is not adequate, by itself, to deal with the great damage that has already occurred in the banking system that must now be dealt with. New information from the banking regulators makes it clear to me that the 70 billion dollar government loan to the Bank Insurance Fund is not adequate to meet the problem facing us and it is increasingly unlikely the banks will be able to repay this loan.

In short, the legislation now pending is almost certain to be a taxpayer bailout which has not been accurately described to the public in those terms. This bears a very troubling similarity to the savings and loan crisis.

A much larger and stronger banking initiative is needed at this time if we are to avoid a financial accident that would threaten the entire banking system. An initiative structured along the lines of the Reconstruction Finance Corporation may offer an orderly way to work through the accumulated problems in large distressed banks.

I urge you in the strongest possible terms to gather the key participants without delay who can begin to work together under your auspices to fashion a much broader banking recovery and reform program. That is needed to stabilize the banking system and provide the best chance to avoid a further cascade of bank failures and unacceptable systemic risks.

The weak economy is adding to the accumulating stress on the banking system and any additional steps that could be taken now to strengthen the economy would also help the banking system.

The Honorable George Bush
November 25, 1991
Page 2

I have formally requested Federal Reserve Chairman Alan Greenspan and FDIC Chairman William Taylor to meet with you to give you their direct assessment of the situation.

It is my best judgment, as Chairman of the Senate Banking Committee, that failure to take the steps I am suggesting in this letter will almost certainly subject us to a great risk of a much larger and more dangerous banking crisis and a further taxpayer bailout that could dwarf the amounts now contemplated.

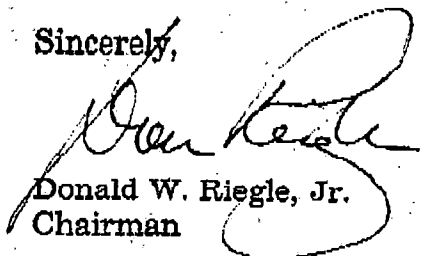
I have conveyed these sentiments directly to Secretary of the Treasury Brady and I consider it necessary to convey these thoughts personally and directly to you in this manner, because I believe your direct, active involvement is necessary.

Further, I urge you to use all your influence to urge the Senate/House Conference Committee to enact a comprehensive bill that reconciles and includes interstate banking - and settles the issues of insurance and securities powers. This will require further compromise by all parties but it is an achievable goal. While not a cure all, a broader bill will help strengthen the banking system and deserves your all-out personal effort.

While a more comprehensive banking bill will strengthen the banking system, even the broader bill, if enacted by itself, cannot be expected to stem the tide of pending bank failure caused by past events, as FDIC Chairman Taylor testified before the Senate Banking Committee today.

We have worked cooperatively now for many months to enact a program to deal with these severe problems and I continue to pledge to you my full cooperation and effort to deal with this matter before we are overtaken by adverse events.

Sincerely,



Donald W. Riegle, Jr.
Chairman

DWR/jh



Messrs Dole
GARA
Domenici

These three documents are well worth
reading. of particular interest to the
messrs on pricing in other industries.

JTK

cc: Susana
Darman

**CREDIT CARD INTEREST RATES:
COMPARISON OF PRICING IN OTHER COMPETITIVE INDUSTRIES**

In support of an interest rate cap, Senator D'Amato argues that an identical interest rate among some of the largest credit card banks is an indication of price collusion and a lack of competition. Identical pricing among the dominant participants in an industry is not price collusion but is instead an indication of market-established competitive pricing.

For example, look at the airline industry. If an individual was to fly from Washington to Salt Lake this Tuesday and return on Wednesday, he would pay the same fare, \$1,240, regardless of whether he flew on Delta, Continental, American, United, or Northwest. If he were willing to buy a ticket today for a flight to Salt Lake on December 20 returning December 22, the fare would be lower, but it would still be identical for each of the airlines -- \$458. This comparison also holds for the Delta and Trump shuttles between Washington and New York. The standard, unrestricted one-way fare on both is identical -- \$142. If he plans ahead or travels at non-peak times, a customer can find a reduced fare, but the fare is dictated by what the market will bear and is the same on all airlines.

The same is true of credit cards. If a customer is willing to shop around, he will find credit cards with reduced interest rates, but if he wants to obtain a card with full service and lower credit standards, the basic rate is a higher rate established across the market.

Similar comparisons can be made with other industries. Consider the movie industry. Depending upon the city, movie tickets for adults for feature films at prime times are usually identical. In Washington, AMC, Cineplex Odeon, and Loews theaters all charge the same rate -- \$6.50.

The comparison also holds for gasoline prices. The price of an unleaded gallon of gasoline at Mobil, Chevron, Exxon, Texaco, and Shell service stations in the Washington area costs virtually the same. Is this collusion and price-fixing? No. Gas stations tend to price similarly in a competitive market. Low-cost providers attempt to steal market share through lower prices. The same is true of the credit card industry. Low-cost credit cards are now being offered by many banks for people who want fewer services for a lower cost.

Princeton University

Woodrow Wilson School
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Princeton, New Jersey 08544
(609) 452-4826

Paul A. Volcker
Frederick H. Schuller
Class of 1951
Professor of International
Economic Policy

November 18, 1991

The Honorable Thomas Foley, Speaker of the House
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker,

I try to refrain from unsolicited advice about pending legislation, but the idea of suddenly imposing by law a "cap" on credit card interest rates really seems to me dangerous and irresponsible. There are several reasons.

Quite apart from the merits of the particular issue, this kind of legislative action, without a foundation of study or analysis, is bound to raise the specter in the minds of many of arbitrary and capricious intervention in markets. At a time of substantial uncertainty about the economic situation generally, the net result can only be to erode confidence in our economic management and prospects rather than the reverse.

More specifically, lower interest rates on credit cards by legislative fiat, however politically satisfying right now, will likely have perverse results. Credit cards have been aggressively marketed and losses through non-payment are rising. One reaction to the imposed cap will be to put much stricter limits on credit card usage and distribution. Whatever one might think of that result in the long run, the immediate results, on the eve of the Christmas season, are all too likely to add to questions about the recovery.

I am reminded of the unfortunate results of the controls on credit cards and some other forms of consumer credit imposed by the Federal Reserve early in 1980 at the behest of the Administration late in Mr. Carter's presidency. What was intended as a mild restraint largely intended to carry a political message--the importance of all Americans joining in the attack on inflation--had a psychological reaction entirely out of proportion to the intention. A sudden, unanticipated decline in consumer spending contributed to a sharp drop in economic activity.

2.

There is a further, potentially more important, question now. Many, many banks are struggling to maintain their soundness and improve their profitability. They will need to raise large amounts of capital to sustain and support their lending generally. Surely, that effort will be set back by a sense that Congress can and will arbitrarily curtail present sources of profits.

I can well understand the sense of frustration that credit card interest rates have little if at all reflected the general decline in market interest rates. There are commonly long lags in this area, but credit card competition does seem to focus importantly on dimensions of the credit arrangements other than interest rates.

In the circumstances, I would suggest that either the regulators or respected outside investigators might be asked to undertake a study for the benefit of the Congress and the public concerning the economics and the competitive forces in the credit card industry. I know the Federal Reserve has undertaken such studies in the past that could be updated.

Then, you would have a base for a considered legislative reaction next year. I would hope such action, if needed at all, might involve improving competitive market processes rather than imposing arbitrary limits.

Sincerely,



CC: Hon. Henry B. Gonzalez
Hon. Chalmers Wiley

November 18, 1991

Dear Senator Dole:

We the undersigned, former Chairmen of the President's Council of Economic Advisers, strongly urge you to reject proposed legislation to cap consumer credit card interest rates. If such legislation were to become law, it would have severe deleterious consequences for the economy.

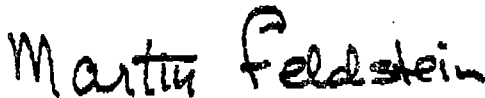
First, such legislation would inevitably result in the removal of credit availability to millions of American households. This in turn would reduce consumer spending in an already quite sluggish economy, threatening another recession.

Second, the legislation would be regressive. Those who would lose their credit availability are precisely those who would not have had an opportunity to establish long and strong credit histories and in general the least fortunate in our society.

Third, such legislation would weaken the financial system at a time when the availability of credit it provides is a serious concern.

In conclusion, legislation to cap consumer credit card interest rates is not only unnecessary, but also dangerous. Recall that the credit controls imposed in 1980 were viewed by many as a contributor to the recession which quickly followed their imposition. We urge you, in the national interest, to reject such legislation.

Sincerely,



Martin Feldstein



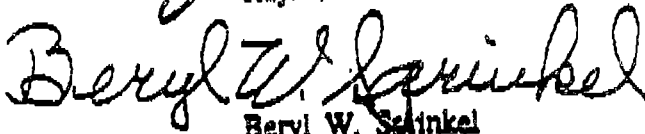
Paul McCrackan



Raymond Saulnier



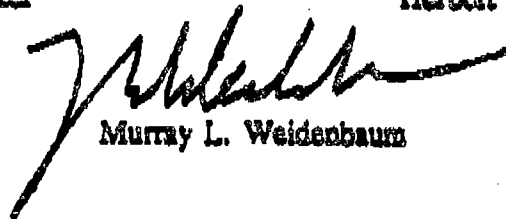
Charles Schultz



Beryl W. Spink



Herbert Stein



Murray L. Weidenbaum

The Honorable Robert J. Dole
Minority Leader of The Senate
141 Senate Hart Office Bldg.
Washington, D. C. 20510-1601

The Honorable George J. Mitchell
Majority of the Senate
176 Russell Senate Office Bldg.
Washington, D. C. 20510-1902

The Honorable Thomas S. Foley
Speaker of the House
1201 Longworth House Office Bldg.
Washington, D. C. 20515-4705

The Honorable Robert H. Michel
Minority Leader of the House
2112 Rayburn House Office Bldg.
Washington, D. C. 20515-1318

THE WHITE HOUSE
WASHINGTON

DATE: 11/16/91

TO: THE CHIEF OF STAFF

FROM: PHILLIP D. BRADY
Assistant to the President and
Staff Secretary

**The attached has been forwarded
to the President**

THE WHITE HOUSE

WASHINGTON

November 14, 1991

31 NOV 14 P 6: 08

MEMORANDUM FOR THE PRESIDENT

THROUGH: ^{DD} DAVID DEMAREST, ASSISTANT TO THE PRESIDENT FOR
COMMUNICATIONS

FROM: ^{BK} BOBBIE KILBERG, DEPUTY ASSISTANT TO THE
PRESIDENT FOR PUBLIC LIAISON

^{JV} JEFF VOGT, ASSOCIATE DIRECTOR,
OFFICE OF PUBLIC LIAISON

SUBJECT: ABA FOLLOW UP ON MEETING WITH BANKING LEADERS ON
OCTOBER 17, 1991

Attached for your information is an article that recently ran in the American Bankers Association's weekly publication. ABA Bankers Weekly, has a circulation of approximately 28,000 bankers and other financial industry leaders.

Meeting the president

Alan Tubbs' invitation to meet with President Bush at the White House two weeks ago underscores the respect afforded ABA and our industry in the Nation's Capital.

Alan was the only representative of a bank trade association to be at the meeting. Actually, most of the other 10 bankers present at the meeting also have ABA leadership roles in addition to their bank duties. Alan, in his capacity as ABA president and community banker, provided the perspective of a broad cross-section of U.S. banks.

The meeting came at a critically important time for our industry. Alan told the president of the deep concerns our industry has about the possibility of a negative banking bill. He urged the president to indicate that he would veto the bill if it reverses banks' gains on products and services or otherwise makes our industry less competitive.

Alan told us that the president expressed his concerns about the progress of the economic recovery. He wondered if regulatory practices were inhibiting the flow of credit. And he asked for the bankers' feedback on these issues as well as on the banking bill before Congress. Alan said that the president was obviously eager to hear from the bankers. "He was listening," said Alan, "and he was concerned."

Alan told the president that while qualified borrowers were getting loans, a "credit caution" was clearly evident. As reported

ABA IN ACTION



Donald G. Ogilvie
ABA Executive Vice President

last week in *ABA Banker's Weekly*, Alan thanked the president for his support of a number of ABA's recommendations in his recently announced program to increase credit. These included a move toward tighter bankruptcy laws, relief for lenders from environmental liability and support for raising the \$50,000 appraisal threshold to \$100,000 by all banking regulators.

Alan also told the president that any increase in banks' deposit-insurance premiums above the current 23-cent rate could affect credit availability and contribute to more bank failures. Last week the FDIC Board of Directors decided not to raise banks' premiums on January 1.

Besides the president, the secretary of the Treasury, Nicholas Brady, also attended the meeting, along with Michael Boskin, chairman of the President's Council of Economic Advisors, Budget Director Richard Darman, Deputy Treasury Secretary John Robson and other White House staff.

This was actually Alan's sec-

ond trip to the White House. He was there in 1984 as part of an ABA delegation to meet with Ronald Reagan on the agricultural crisis. The funny thing is, as Alan told President Bush, the discussion in 1984 centered on some of the very same banking issues — falling real-estate markets, market overreaction and bank competitiveness in general. Alan told President Bush that he hoped some of the confidence bankers had built up in the Midwest since 1984 would soon be experienced by all bankers, particularly those on the two coasts.

After the meeting Alan spoke to the press outside the White House and was quoted in *The Wall Street Journal* and the *American Banker*.

This was the second time an ABA officer has met with President Bush at the White House. Two years ago, Kelly Holthus, then ABA president-elect, went to the White House to give ABA's perspective on the thrift-rescue legislation, which the president was about to introduce.

We're pleased that the president seeks these forums with bankers. ABA will always be ready to speak with Washington's policy-makers on issues that affect our industry. By sticking with the legislative process for the past 10 months, we've been able to make our industry's positions clear to everyone in Washington. That's why we're here, and we'll continue to use every forum available to speak out on behalf of the entire banking industry.

TALKING POINTS ON CREDIT CARD RATE CAP

- o A rate cap is elitist and would cut off or reduce credit availability to middle- and low-income consumers
 - Credit card companies would respond to a cap by revoking the cards of middle- and lower-income cardholders -- the consumers who need credit most
 - Estimates are that up to half the 120 million Visa and Mastercard holders would lose their cards
 - At the same time, if enacted, we would go back 30 years when only high-income cardholders had credit cards.

- o Consumer credit would decline, making the credit crunch worse and further reducing economic growth
 - Estimates of the reduction in consumer credit outstanding range up to \$75 billion
 - Retail sales would be the hardest hit, because 50% to 70% are made on credit cards

- o This legislation is not what we need going into the Christmas season.

TALKING POINTS ON BANKING BILL

RTC

Funding:

Current Status: \$0 available to RTC
 RTC has requested \$80 billion more for
 losses

House: Banking Subcommittee has voted \$20 billion
 authorization plus additional \$60 billion pay-as-
 you-go

Senate: No bill

Reforms:

House: Restructuring along lines Administration proposed
 but with some problems

Senate: No bill

Banking

Funding:

Current Status: \$2 billion in BIF
 Administration request for additional
 \$25 billion in loss funds plus \$45
 billion for working capital

Reforms:

Administration request: Regulatory reform (prompt
 corrective action)

 Deposit insurance limits

 Interstate branching nationwide

 Glass-Steagall repeal

 Commercial ownership of banks

Current Status:

House: Narrow bill likely -- regulatory reform only

Senate: Debating on floor right now bill with
 regulatory reform and interstate branching;
 may die on floor

TOP 100 CREDIT CARD ISSUERS

End of 1990	Credit Outstanding		Number of Accounts	
	Amount (\$ billions)	Percent of all issuers	Number (millions)	Percent of all issuers
Citicorp	\$31.5	12.7%	20.4	3.3%
Sears Roebuck and Co.	\$17.5	7.1%	45.3	7.4%
GECC Retailer Financial Services	\$8.6	3.5%	31.0	5.1%
Chase Manhattan Bank USA	\$8.5	3.4%	9.0	1.5%
Central Atlantic Bank (was MBNA)	\$6.9	2.8%	4.8	0.8%
Amer. Express Centurion Bk (Optima card)	\$6.8	2.8%	2.2	0.4%
First Chicago Corp.	\$6.5	2.6%	6.6	1.1%
Greenwood Trust Co. (Discover)	\$6.4	2.6%	21.6	3.5%
Bank of America	\$5.9	2.4%	4.7	0.8%
J.C. Penney Co.	\$4.6	1.9%	28.0	4.6%
American Express	\$4.6	1.9%	18.0	2.9%
The Bank of New York (Deleware)	\$4.2	1.7%	4.3	0.7%
Manufacturers Hanover Trust Co.	\$3.6	1.5%	2.5	0.4%
Wells Fargo Bank	\$3.6	1.5%	3.0	0.5%
FCC National Bk, Wilmington, De	\$3.6	1.4%	3.6	0.6%
Associates National Bank	\$2.6	1.1%	2.7	0.4%
Shell Oil Corp.	\$2.5	1.0%	7.7	1.3%
Household Bank, N.A.	\$2.3	0.9%	2.6	0.4%
The May Department Stores Co.	\$2.2	0.9%	33.0	5.4%
NCNB Corp.	\$2.2	0.9%	2.0	0.3%
Banc One Corp.	\$2.1	0.8%	2.3	0.4%
Chemical Bank	\$2.0	0.8%	1.6	0.3%
CoreStates Financial Corp.	\$2.0	0.8%	1.4	0.2%
Chevron Co. U.S.A.	\$2.0	0.8%	6.5	1.1%
First Deposit National Bank	\$1.9	0.8%	1.0	0.2%
Exxon Co. U.S.A.	\$1.8	0.7%	7.3	1.2%
Texaco Inc.	\$1.8	0.7%	9.2	1.5%
Federated Allied Credit Services	\$1.8	0.7%	26.0	4.3%
Security Pacific Bank Corp.	\$1.8	0.7%	1.6	0.3%
First USA Bank	\$1.7	0.7%	1.7	0.3%
USAA Federal Savings Bank	\$1.6	0.7%	1.5	0.2%
Mobil Oil Corp.	\$1.6	0.7%	8.0	1.3%
R.H. Macy's Inc.	\$1.6	0.6%	12.2	2.0%
Seattle-First National Bank	\$1.5	0.6%	1.5	0.2%
Signet Bank	\$1.5	0.6%	1.2	0.2%
Colonial National Bank (Advanta Corp)	\$1.4	0.6%	1.7	0.3%
First Interstate Bankcorp	\$1.4	0.6%	2.0	0.3%
Unocal Corp.	\$1.4	0.6%	4.3	0.7%
Seafirst Bank	\$1.3	0.5%	1.2	0.2%
First Atlanta	\$1.3	0.5%	1.5	0.2%
Marine Midland Bank	\$1.3	0.5%	1.5	0.2%
Norwest Corp.	\$1.3	0.5%	1.5	0.2%
C&S/Sovran	\$1.2	0.5%	1.7	0.3%
Citicorp Retail Services	\$1.2	0.5%	3.3	0.5%
First National Bank of Nebraska	\$1.2	0.5%	2.2	0.4%
First Wachovia Corp.	\$1.2	0.5%	1.3	0.2%
Dayton Hudson Corp.	\$1.1	0.5%	13.9	2.3%
Chevy Chase Federal Savings Bank	\$1.1	0.5%	0.8	0.1%
National City Corp.	\$1.1	0.4%	1.2	0.2%

Barclay's Bank	\$1.0	0.4%	1.9	0.3%
BP America	\$1.0	0.4%	3.5	0.6%
Household Retail Services	\$0.9	0.4%	2.0	0.3%
First Data Resources	\$0.9	0.4%	6.5	1.1%
Total System Services	\$0.9	0.4%	2.1	0.3%
Diners Club / Carte Blanche	\$0.9	0.4%	1.8	0.3%
Barnett Banks	\$0.9	0.4%	0.9	0.1%
Southeast Bank	\$0.9	0.4%	1.0	0.2%
Spiegel Inc.	\$0.9	0.3%	1.7	0.3%
First Bank Systems	\$0.9	0.3%	0.9	0.1%
Sears Payment Systems	\$0.9	0.3%	1.8	0.3%
PNC Financial Corp.	\$0.8	0.3%	0.9	0.2%
Hamilton Bank, Lancaster, Pa.	\$0.8	0.3%	0.8	0.1%
Mellon Bank Corp.	\$0.8	0.3%	1.0	0.2%
Rock Mountain BankCard Systems	\$0.8	0.3%	1.0	0.2%
Harris Trust & Savings Bank	\$0.8	0.3%	0.9	0.1%
First Union Corp.	\$0.8	0.3%	0.8	0.1%
Dillard Department Stores	\$0.7	0.3%	6.2	1.0%
Belk Stores	\$0.7	0.3%	3.5	0.6%
Suntrust Banks	\$0.7	0.3%	0.7	0.1%
Carter Hawley Hale Stores Inc.	\$0.7	0.3%	7.2	1.2%
BankOhio National	\$0.7	0.3%	0.8	0.1%
Amoco Corp.	\$0.7	0.3%	9.0	1.5%
First Omni Bank	\$0.7	0.3%	0.7	0.1%
U.S. Bancorp	\$0.7	0.3%	0.5	0.1%
Phillips Petroleum Co.	\$0.6	0.3%	2.7	0.4%
World Financial Network National Bank	\$0.6	0.3%	0.6	0.1%
Crestar Bank	\$0.6	0.2%	0.4	0.1%
Shawmut National Corp.	\$0.6	0.2%	0.6	0.1%
Society Corp.	\$0.6	0.2%	0.7	0.1%
People's Bank	\$0.6	0.2%	0.5	0.1%
Mercantile Stores	\$0.6	0.2%	3.0	0.5%
Valley National Corp.	\$0.6	0.2%	0.4	0.1%
The Limited Inc.	\$0.6	0.2%	8.5	1.4%
Meridian Bancorp	\$0.6	0.2%	0.6	0.1%
JC Penney National Bank	\$0.5	0.2%	0.6	0.1%
Sun Refining & Marketing Co.	\$0.5	0.2%	2.3	0.4%
Nordstrom Inc.	\$0.5	0.2%	4.4	0.7%
Comerica Bank	\$0.5	0.2%	0.6	0.1%
Security Bankcorp	\$0.5	0.2%	0.8	0.1%
First Wisconsin	\$0.5	0.2%	1.1	0.2%
BancSystems Inc.	\$0.5	0.2%	0.3	0.1%
Banco Popular de Puerto Rico	\$0.5	0.2%	0.0	0.0%
Firststar Corp.	\$0.5	0.2%	0.5	0.1%
State Street Boston Corp.	\$0.4	0.2%	0.5	0.1%
Fleet/Norstar Financial Group	\$0.4	0.2%	0.7	0.1%
National Westminster Bank USA	\$0.4	0.2%	0.6	0.1%
Central Bank Denver NA	\$0.4	0.2%	0.0	0.0%
Mercantile Bancorporation	\$0.4	0.2%	0.6	0.1%
Central Fidelity Bank	\$0.4	0.2%	0.4	0.1%
First National Bank of Commerce	\$0.4	0.2%	0.0	0.0%

Many of the figures in this table are approximations. The figures were gathered or derived from various issues of *American Banker*, *Credit Card News*, and *The Nilson Report* and *Card Industry Directory*, 1991 edition.

How Bank Credit Cards Compare

Low-Rate Cards

Banks or savings institutions with low interest rates offering bank credit cards nationally.

INSTITUTION	INTEREST RATE	ANNUAL FEE	GRACE DAYS
Simmons First Natl, Pine Bluff, Ark.	9.50% ¹	\$25	25
Arkansas Federal Savings, Little Rock	9.50 ¹	35	0 ²
Wachovia Bank, Wilmington, Del.	10.40 ¹	39	25
Prime Bank, Elkhart, Ind.	12.90	20	0 ²
AFBA Industrial, Alexandria, Va.	13.00 ¹	0	25
Bank of New York, Newark, Del.	13.40 ¹	0	0 ³
Fidelity National, Atlanta	13.70 ¹	20	25
USAA Federal Savings, Tulsa, Okla.	13.75 ¹	0	25
Bank of Montana, Great Falls, Mont.	13.75 ¹	19	25
Bank One Wisconsin, Milwaukee	13.90	25	25

Big-Name Cards

What the 10 largest U.S. bank-card issuers are offering on their standard cards.

INSTITUTION	INTEREST RATE	ANNUAL FEE	GRACE DAYS
Citicorp	19.80% ⁴	\$20	30
Greenwood Trust/Discover	19.80	0	25
Chase Manhattan	19.80 ⁴	20 ⁷	30
MBNA America	19.80 ⁴	20	25
Bank of America	19.80 ⁴	18	25
First Chicago	19.80 ⁴	20	25
Centurion/Optima	16.25 ^{1,5,6}	15	25
Bank of New York	16.98 ^{1,4}	18 ⁷	30
Manufacturers Hanover	19.80 ⁴	20	25
Household Bank	21.00 ⁴	0	25

NOTE: Rates shown are for regular cards, not premium cards or cards requiring a security deposit. Though not listed, some cards may be through affiliate or agent banks. Temporary or promotional interest rates are excluded. Grace period (interest free period for cardholders paying purchase balance in full each month) is calculated from the date of billing unless footnoted.

¹Variable rate ²Interest charged from date of posting ³Interest charged from date of purchase

⁴Special lower rate available on some cards ⁵Higher rate charged for cash advances

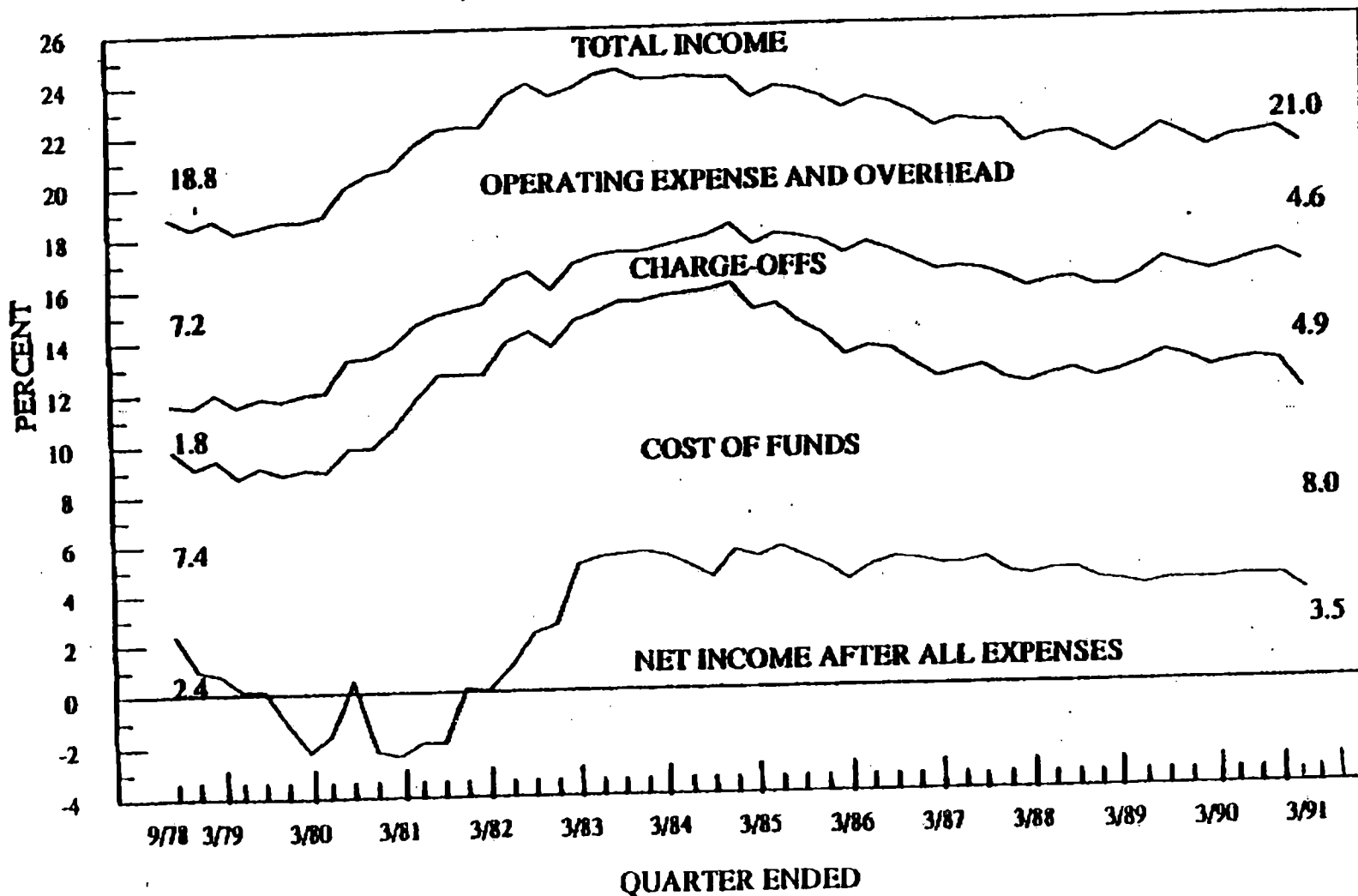
⁶Relationship required ⁷Fee waived under special conditions

Source: RAM Research Bankcard Update/Barometer

NOTICE: The information furnished herein by Visa U.S.A. Inc. is CONFIDENTIAL and is distributed to card issuing members for their business use in evaluating their Visa programs and shall not be duplicated, published or disclosed in whole or in part without the prior express written permission of Visa U.S.A.

VISA U.S.A. CARD PROFITABILITY TRENDS

(RETURN ON AVERAGE OUTSTANDINGS)



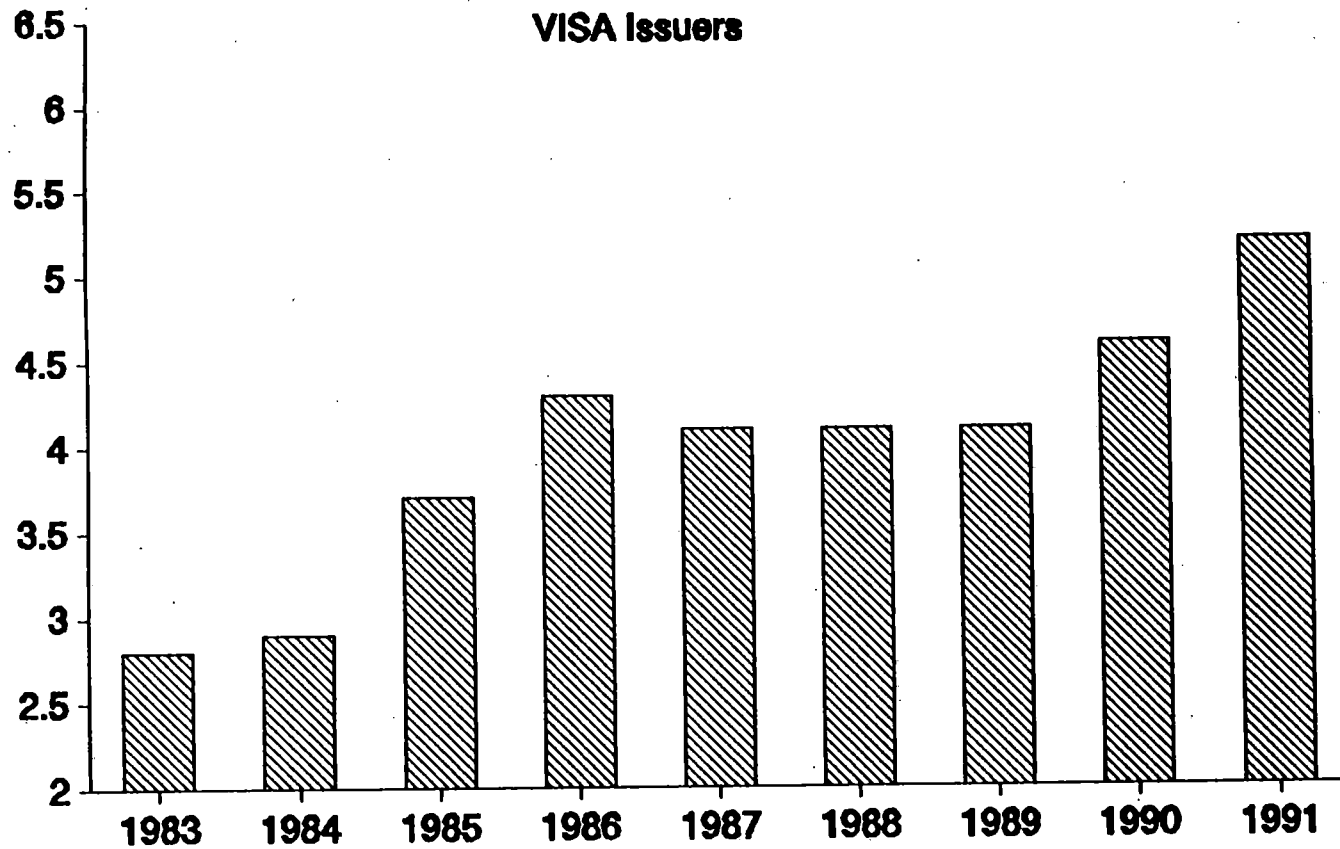
SEP 19 1991 03:35PM RESEARCH STATION

CHART 4

13

Credit Card Delinquency Rate

Delinquencies as percent of average outstanding



Source: VISA U.S.A.

Potential Impact of a Credit Card Usury Ceiling

(Excludes Securitizations—On Balance Sheet Impact Only. Dollars In Millions)

Issuer	<u>Citibank South Dakota</u>	<u>Citibank Maryland</u>	<u>Citibank Nevada</u>	<u>Top Three Citibank Card Banks</u>	<u>Chase Manhattan USA</u>	<u>MBNA</u>	<u>All US Bank Holding Companies</u>
Credit Card Outstandings							
12/31/90	\$8,194	\$3,255	\$4,602	\$16,051	\$10,399	\$3,240	
6/30/91	<u>6,379</u>	<u>3,520</u>	<u>3,689</u>	<u>13,588</u>	<u>9,115</u>	<u>3,005</u>	102,908 (1)
Average	7,286	3,388	4,145	14,820	9,757	3,122	
Credit Card Interest Income (annualized)	1,210	552	954	2,717	1,732	494	
Implied Interest Rate	16.61%	16.30%	23.02%	18.33%	17.75%	15.81%	17.90% (2)
Usury Ceiling	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Forced Reduction	2.61%	2.30%	9.02%	4.33%	3.75%	1.81%	3.90%
Pre-tax Impact	190	78	374	642	366	56	4,013
After-Tax Impact (34%)	125	51	247	424	242	37	2,649

(1) Does not include credit card assets which i) have been securitized, ii) are owned by a thrift, or iii) owned by a bank that is not part of a bank holding company.

(2) Based on average of companies presented.

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memo	From Roger Porter to John Sununu Re: Banking Legislation Saga (1 pp.)	11/7/91	P 5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
Series: Sununu, John, Files
Subseries: Issues Files
WHORM Cat.:
File Location: Banking Issues 1991

Open on Expiration of PRA
 (Document Follows)
 By JP (NLGB) on 10/28/05

Date Closed: 1/3/2005	OA/ID Number: 29136-002
FOIA/SYS Case #: 1998-0004-F[2]	Appeal Case #:
Re-review Case #: 2005-0426-S	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #:
AR Disposition:	MR Disposition:
AR Disposition Date:	MR Disposition Date:

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

Freedom of Information Act - [5 U.S.C. 552(b)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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 (b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
 (b)(9) Release would disclose geological or geophysical information

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

THE WHITE HOUSE

WASHINGTON

November 7, 1991

MEMORANDUM FOR GOVERNOR SUNUNU

FROM: ROGER B. PORTER *RBP*

SUBJECT: Banking Legislation Saga

THE CHIEF of STAFF
has seen

Bob Glauber, who has been managing the day-to-day negotiations on the Administration's banking reform proposals, reports that following the defeat of the banking bill on the House floor the Banking Committee has marked up a narrow bill that it will take to the Rules Committee either today or next Tuesday.

The narrow bill includes a \$70 billion recapitalization provision for the Bank Insurance Fund (which is widely viewed as necessary) coupled with regulatory reforms calling for early action by regulators before a bank becomes insolvent.

The rule will likely include an amendment permitting interstate branching of the opt-out variety. A state could take itself out over a three year period. This version of interstate branching passed the House 366-4 when the bill was on the floor earlier this week.

There is also some sentiment for giving the insurance agents something. They want a rollback of the Citicorp v. Delaware decision that permits a bank to form a state chartered subsidiary bank and sell insurance by mail across the country, notwithstanding that some states don't permit banks to sell insurance. This is the highest priority of the insurance agents.

They also want a rollback of the current provisions that allow national banks to sell insurance in any state in towns with populations under 5,000 inhabitants.

There are also indications that Chairman Dingell wants to give the securities industry a moratorium on Section 20 orders that allow major banks to underwrite securities. If this moratorium were enacted no order could be issued giving banks the right to underwrite securities.

Glauber indicated that the Rules Committee could act today and take it to the floor tomorrow or taking it to the Rules Committee on Tuesday and to the floor on Wednesday. He advised that the situation remains very fluid and estimated the chances of getting both interstate branching and the insurance changes at roughly 50-50.

THE WHITE HOUSE

WASHINGTON

October 11, 1991

MEMORANDUM FOR GOVERNOR SUNUNU ✓
DIRECTOR DARMAN
CHAIRMAN BOSKIN
ASSISTANT TO THE PRESIDENT PORTER
ASSISTANT TO THE PRESIDENT McCLURE

From: J. French Hill *JFH*
Executive Secretary
Economic Policy Council

Subject: Briefing on the Legislative Status of the
President's Banking Reform Proposal

You have requested that Treasury officials brief you on the legislative status of the President's banking reform proposal. You also asked which amendments the Administration should oppose that were added as the bill has moved through the committee process and what, if any, pay-as-you-go implications may exist.

Treasury Under Secretary Glauber and Assistant Secretary Jay Powell are happy to provide this briefing. I will have my office arrange this briefing at a mutually convenient time for you or a member of your staff.

ALSO ATTENDING: JOHN DUGGAN, DAS (TREASURY)
FINANCIAL INSTITUTIONS

*yes
10/21 at
10:30a*

Withdrawal/Redaction Sheet (George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Report	Status Report on Banking Reform Legislation (15 pp.)	n.d.	P/5	

Collection:

Record Group: Bush Presidential Records
Office: Chief of Staff, White House Office of
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STATUS REPORT
ON
BANKING REFORM LEGISLATION

For Internal Use Only; Not for Distribution

PROCEDURAL STATUS

- **Committee action completed on comprehensive bill**
 - **One committee in Senate (Banking)**
 - **Five committees in House (Banking, Energy and Commerce, Ways and Means, Agriculture, and Judiciary)**

- **Senate bill awaiting floor action**
 - **Leadership fears contentious floor debate because of narrow vote in Committee (12-9)**
 - **Hoping key controversial issues can be worked out in advance of debate**

- **House bill awaiting Rules Committee action**
 - **Bitter jurisdictional fight between Banking and Energy and Commerce**
 - **Leadership hoping for compromise before adopting Rule or going to floor**

- **Time running out for comprehensive legislation if Congress hopes to adjourn by Thanksgiving**

ISSUES RESOLVED FROM ADMINISTRATION'S ORIGINAL PROPOSAL

Administration Proposals Adopted

- \$25 billion recapitalization of Bank Insurance Fund with industry funds
- Risk-based deposit insurance premiums
- New supervisory system of prompt corrective action and early resolution of troubled banks
- Rollback of "too-big-to-fail" policy (routine protection of uninsured deposits in bank failures)
- Limits on brokered deposits
- Limits on "pass-through" deposit insurance for institutional investors
- Supplemental disclosures of market value of assets
- Limits on direct investment of insured deposits in riskier assets like stocks and commercial real estate
- Auditing reforms
- Mandatory annual bank examinations
- No deposit assessments on deposits in foreign branches of U.S. banks

Administration Proposals Rejected

- Limits on individual deposit insurance coverage
- Regulatory restructuring

ISSUES OUTSTANDING

Administration Proposals

- Interstate Branching
- Banking and Securities (Glass-Steagall)
- Banking and Insurance
- Banking and Commerce

Other Issues

- "Core banking"
- "Independence" of OCC and OTS from Administration
- "Consumer" Issues

INTERSTATE BRANCHING

- Administration proposed nationwide banking and branching

- House Banking agreed

- Senate Banking generally agreed but would allow a state to "opt out" of new system if statute is passed within 3 years

- Strong support for interstate branching from large and regional banks, but strong opposition from small banks

- Emerging compromise in Senate and House
 - Three-year state "opt-out" as in Senate bill

 - Requirement that banks can only establish interstate branches by acquiring local banks, not by establishing branches from scratch

- Compromise could be acceptable to the Administration

NEW SECURITIES ACTIVITIES FOR BANKS

- Administration proposed full securities activities for highly capitalized banks (Glass-Steagall repeal)
 - Securities activities must be in separate affiliates
 - Safeguards or "firewalls" set by Fed
- Senate Banking generally agreed, but by close vote
- House Banking agreed but with rigid firewalls set in statute
- House Energy and Commerce agreed but with even higher firewalls and overlapping role for SEC as firewall rulemaker and enforcer
 - Administration has strongly opposed Energy and Commerce bill
- Banks extremely apprehensive about Energy and Commerce version and fear it will prevail in conference
 - Banks would prefer loopholes in existing law to Energy and Commerce version
- Acceptable compromise still possible

NEW INSURANCE ACTIVITIES FOR BANKS

- Administration proposed that:
 - Strong banks be allowed to affiliate with insurance underwriters
 - State law should govern the insurance agency activities of all banks

- All committees have essentially rejected insurance underwriting for banks

- House Banking and Energy and Commerce have rolled back existing insurance agency activities for banks

- Senate Banking has given limited new agency activities to some banks, but has rolled back other activities even more than House

- Banks bitterly oppose insurance rollbacks; would prefer to strike whole title of bill dealing with new bank activities
 - But possible that some insurance rollbacks would still be attached to a narrower bill

- Insurance agents strongly support current versions, but fear banks' effort to strike whole title

- Compromise possible, but difficult
 - Would give some new agency activities to banks, but roll back some existing activities

BANKING AND COMMERCE

- Administration proposed allowing commercial firms to own banks, provided they maintain strong bank capital levels
 - The purpose is to allow more capital to flow into the banking system to absorb losses ahead of the taxpayer
- House Banking agreed, but Senate Banking and House Energy and Commerce strongly disagreed
- Strong opposition from small banks, insurance companies, and others, claiming it will lead to concentration of resources (but really objecting to increased competition)
- Uphill fight for inclusion in final legislation
- Better chance for allowing commercial firms to purchase failing banks where there would be clear taxpayer savings
 - Good issue for Republicans, because it makes Democrats choose between special interests and the taxpayer
 - If amendment fails, Congress will be more accountable if taxpayer ends up paying for failed banks

CORE BANK

- **Radical proposal to shift massive amounts of lending from insured banks to other parts of financial markets (as much as \$600-800 billion)**
 - **Aimed at large lending like commercial real estate**
 - **Led by Cong. Schumer and partisan Democrats in House**
- **No guarantee that financial markets will pick up slack for good commercial real estate loans**
- **Strongly opposed by banks and real estate lobbies as a guarantee for future credit crunches**
- **Democrats will argue that without core bank to protect the taxpayer, the banking bill is "just like S&L deregulation"**
- **Unlikely to be enacted, but good partisan issue for Democrats to lose so they can blame later problems on Republicans**
- **May be possible to work out favorable compromise with Schumer to attract support from a block of House members**

"INDEPENDENCE" OF OCC AND OTS FROM ADMINISTRATION

- **Sen. Riegle narrowly failed in Committee to remove the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS) from Treasury**
 - **This would have removed the Administration from any direct influence over banking policy**

- **Senate Democrats could renew this effort to try to blame banking problems on "improper Administration influence"**
 - **They may try to use the Clarke nomination as further evidence of this problem**

- **An amendment like this can be beaten on the Senate floor, but only with very hard work**

"CONSUMER" ISSUES

- **Senate Banking has added a number of onerous "consumer" provisions to the banking legislation**
 - **Banks required to cash government checks held by non-customers**
 - **Banks required to offer low-cost checking accounts to low-income customers**
 - **Banks required to give prior notice of branch closings to give "neighborhood and political" groups the opportunity to protest**

- **Similar provisions likely to be offered on House floor**

- **Bankers strongly opposed, and again, would rather have a narrow bill than one with onerous consumer provisions**

- **But these provisions could be attached even to a narrow bill, especially one that has interstate branching**

- **A new Fed study to be released this week will suggest patterns of discrimination by banks against minority lenders**
 - **This will only fan the flames for consumer amendments**

NEW ESTIMATES OF BANK INSURANCE FUND LOSSES

- **The Administration has requested \$25 billion to pay for anticipated losses of the Bank Insurance Fund (BIF)**
- **This request was based on estimates by FDIC and OMB**
- **Seidman announced at his departure that the number could be higher if the economic recovery is weak, and directed his staff to make new estimates**
- **A substantially larger number will raise questions about whether the banking industry can bear the entire cost**
- **If there is a clear perception that the taxpayer will bear part of the cost, Democrats will try to pin blame on Administration**
 - **This perception would also make it more difficult to pass any legislation designed to make banks more profitable**

"PAY-AS-YOU-GO" ISSUES

- There are some "PAYGO" issues in the various banking bills, but none as serious as the Kennedy RTC funding amendment
- OMB has prepared a draft assessment of these PAYGO issues

LEGISLATIVE OUTLOOK

- The prospects for a narrower bill are increasing
 - Time is running out (only 5 1/2 weeks until Thanksgiving)
 - Proponents of our bill are convinced that a Dingell-led conference will produce a bad comprehensive bill
 - Banks now support a narrower bill (including interstate but no new activities), while insurance agents are strongly supporting comprehensive legislation
 - Ugly mood in Congress with RTC refunding, Salomon, BCCI, new BIF numbers (perhaps), and unrelated issues
- But good comprehensive legislation still possible if compromises reached quickly
 - Parts of Congressional leadership still sensitive to allegation that a narrow bill will not fix the problem
 - Potentially acceptable branching compromise is just about completed
 - Efforts underway to broker insurance compromise
 - Dingell and Gonzalez may soon reach a securities compromise, which could be further improved in conference
 - Some chance for commercial ownership of failing banks

THREE REMAINING OBJECTIVES

1. Final Action by Congress before Adjournment

- Can't afford to put off comprehensive reform until election year, which will cause bad comprehensive bill
- Don't want to address BIF recapitalization issues in an election year
- A narrow bill (if it includes interstate) is better than putting off BIF refunding until next year

2. Achieve as Much Comprehensive Reform as Possible

- Keep pressure on Congress to fix problem, not just throw money at it
- Try to achieve compromises quickly
- At all cost, hold on to interstate branching, which will be significant Administration victory

3. Hold Congress Responsible If Comprehensive Legislation Not Passed



LEGISLATIVE ALERT!

JUNE 18, 1991

NAHB CALL TO ACTION

THE CHIEF of STAFF
has seen

National
Association
of Home
Builders

CONTACT YOUR SENATORS BEFORE SENATE CONFIRMATION HEARINGS

ON ROBERT CLARKE'S REAPPOINTMENT AS COMPTROLLER OF THE CURRENCY

Government
Affairs
Division

15th & M Streets, N.W.
Washington, D.C.
20005
(202) 822-0470
(800) 368-5242
ext. 470

* * * * *

* The reappointment of Robert L. Clarke as Comptroller of the Currency is going to be considered by the Senate Committee on Banking, Housing, and Urban Affairs this summer. The Committee must act on Mr. Clarke's reappointment, and forward its recommendation to the full Senate for a vote. Mr. Clarke cannot serve another five year term without Senate approval. Mr. Clarke's directive to national banks has contributed to the severe credit crunch. This should be raised by Senators during the confirmation hearings.

* * * * *

WHAT YOU SHOULD DO:

- Write your Senators to let him or her know what your personal experience has been in trying to deal with the ongoing credit crunch. If you have found lenders increasingly unwilling to make even prudently underwritten loans -- especially due to overzealous regulation -- let your Senators know.
- If one or both of your Senators serve on the Senate Banking Committee, ask him or her to raise your situation with Comptroller of the Currency Clarke during the Committee's hearings on Mr. Clarke's reappointment. Request that your Senator(s) question Mr. Clarke on whether his Office has taken any steps in recent weeks to alleviate the credit crunch, and if not, what actions he plans to take in the future. If Mr. Clarke is not willing to do this, then -- as an individual, since NAHB has no direct policy on Mr. Clarke's confirmation -- you should ask your Senator to consider opposing his confirmation.

If your Senators do not serve on the Senate Banking Committee, ask that they contact their colleagues on the Committee and share your concerns with them prior to any Clarke confirmation hearings. Also ask them to speak up on the Senate Floor on the severity of the credit crunch.

BACKGROUND:

In February 1990, Comptroller of the Currency Robert L. Clarke wrote the chief executives and directors of all national banks warning them of what his Office perceived to be the perils of real estate lending (OCC Advisory attached). Mr. Clarke's advisory directed banks under the OCC's regulatory authority "to review carefully real estate lending activities and to initiate corrective action promptly." His notice went on to state: "The OCC has been and will continue to be aggressive in requiring the correction of such weaknesses. Examiners have been instructed to recommend formal enforcement actions as appropriate."

Not surprisingly, Mr. Clarke's "OCC Advisory" set off alarms throughout the nation's banking industry, leading lenders to virtually cease making any types of real estate loans. Bank examiners have failed to distinguish between housing and other types of lending, and this situation has inevitably led to the severe liquidity crisis we are experiencing today in housing and in numerous other businesses.

After much prodding by NAHB and Congress, the four federal bank regulators (the Office of the Comptroller of the Currency, the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision) announced on March 1, 1991, that they intended to launch a joint effort aimed at encouraging lenders to once again start using common sense in making loans -- including real estate loans -- rather than shutting off lending for fear of incurring the regulators' wrath.

However, it appears that the word regarding the regulators' March 1st agreement is just not getting down to the examiners and banks in the field. Further, of all the banking regulators, the Comptroller appears to be the least enthusiastic in implementing these clarifications.

WHAT YOU SHOULD SAY:

Tell your Senators just what the credit crunch has done to your business. Let them know how the drying up of credit throughout the nation has taken its toll on your ability to make a living, as well as depriving Americans of the ability to own a home. In addition to citing the direct impact the crunch has had on you, be sure to point out how many others, who would otherwise be working on your jobs, are now out of work as a result of your inability to obtain credit.

Legislative Alert
June 18, 1991
Page Three

Ask that this message be conveyed directly to Comptroller of the Currency Robert L. Clarke during his confirmation hearings. Further, ask that he be questioned as to how he intends to carry out the joint regulators' March 1st commitment to encourage more housing and real estate lending. If he isn't willing to do this, then -- as an individual -- you should ask your Senator to vote against Clarke's confirmation.

The Senate Banking Committee has not yet set a date for Mr. Clarke's confirmation hearings because of investigations which are under way on Mr. Clarke's financial activities. However, they are expected to take place ~~some time in the summer. Because they may be scheduled unexpectedly, be sure to get your message to your Senators as soon as possible.~~ The Members of the Senate Banking Committee are as follows:

DEMOCRATS

Donald Riegle (MI), Chairman
Alan Cranston (CA)
Paul Sarbanes (MD)
Christopher Dodd (CT)
Alan Dixon (IL)
Jim Sasser (TN)
Terry Sanford (NC)
Richard Shelby (AL)
Bob Graham (FL)
Timothy Wirth (CO)
John Kerry (MA)
Richard Bryan (NV)

REPUBLICANS

Jake Garn (UT)
Alfonse D'Amato (NY)
Phil Gramm (TX)
Christopher Bond (MO)
Connie Mack (FL)
William Roth (DE)
Pete Domenici (NM)
Nancy Kassebaum (KS)
John H. Chafee (RI)

AL 90-2



OCC ADVISORY

Comptroller of the Currency
Administrator of National Banks

TO: Chief Executive Officers and Directors of All National Banks

SUBJECT: Real Estate Project and Development Lending by National Banks

Over the last year, OCC examination activity has revealed a significant number of fundamental deficiencies and negative trends in national bank real estate lending which require the immediate attention of bank managements and Boards of Directors. Our observations fall into three key areas:

Underwriting Standards - Basic lending principles have been ignored or compromised to increase volume and achieve higher levels of interest and fee income. The lack of borrower equity in real estate projects is a critical part of this weakness.


Appraisals, Structuring and Documentation - Appraisal policies are deficient. Too many banks have failed to obtain accurate, independent, and timely appraisals. The absence of proper documentation has often been excused by the need to "meet the competition." After origination, timely reviews of projects and market conditions are not conducted.

Risk Identification - Certain practices have inhibited the ability of lenders to properly categorize risk. These practices include: continuing to accrue interest on loans where interest is being paid from unadvanced loan amounts, despite substantial deterioration in the condition of the project, the market or the borrower; advancing increased interest carry without additional financial support or justification; and operating with incomplete or nonexistent "in substance" foreclosure policies.

Directors should instruct bank management to review carefully real estate lending activities and to initiate corrective action promptly. The OCC has been and will continue to be aggressive in requiring the correction of such weaknesses. Examiners have been instructed to recommend formal enforcement actions as appropriate.

The OCC is currently reviewing its specific guidance on real estate lending (Banking Circulars 208, 225, the Comptroller's Handbook for National Bank Examiners and other issuances on real estate topics). Questions about any of these materials should be directed to your supervisory office.

Nothing in this advisory or in OCC examination policy is intended to discourage sound real estate (project and development) lending. Our supervisory activity confirms that the vast majority of national banks have not deviated from traditional high lending standards.


Robert L. Clarke
Comptroller of the Currency

Date: February 8, 1990

Page 1 of 1

ASSOCIATION of BANK HOLDING COMPANIESTHOMAS LUDLOW ASHLEY
PRESIDENT730 FIFTEENTH STREET, N.W., WASHINGTON, D.C. 20005
(202) 363-1158

April 22, 1991

TO: President Bush
FROM: Lud Ashley
RE: Banking Reform Legislation

Congressman Doug Barnard showed me a copy of the letter he and Chuck Schumer sent you and I'm afraid it reflects the historical fact that major banking reform legislation never passes the Congress without White House initiative and persistence. That's because banking legislation tends to be complex, contentious and politically unrewarding. However, the letter also reflects that there is bipartisan support for Treasury's comprehensive reform package if you get involved. Here's why I think you should.

While the most immediate concern of members of the House and Senate Banking Committees is recapitalization of the Bank Insurance Fund without another hit on taxpayers, there is as yet no consensus for a narrow bill that would be limited to recap and repairing a wobbly deposit insurance system. On the contrary, despite press reports that both Riegle and Gonzo are moving toward a de minimus bill, there are a number of Democrats on both committees who understand that a safe, sound and competitive banking system requires broad changes in the current bank regulatory structure. If you say the word, a coalition of these Democrats and committee Republicans can deliver much of Treasury's omnibus bill this year.

I have some experience with Banking Committee coalitions and I can assure you the votes are there. But the first law of politics (as you know and as I learned the hard way) is that you have to ask for support. Neither Democrats nor Republicans will push the Treasury reform package unless they feel the Administration itself is committed to the legislation sufficiently to ask for their vote. As Barnard and Schumer indicate (and most Republican committee members as well), that just hasn't happened.

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As a result of this vacuum, Gonzalez and Wylie got together last week "to discuss a compromise that might improve the chances of passing a major banking bill," according to the AMERICAN BANKER. This might sound promising were it not for the fact that Gonzalez disagrees with almost everything in the Treasury proposal and Wylie isn't exactly your most cerebral operative on Capitol Hill. Meanwhile Frank Annunzio, whose Subcommittee will mark up the banking legislation that will be considered by the full Committee, has indicated his intention to produce a Committee Print as the legislative vehicle for his Subcommittee rather than using the Treasury bill. If this happens, your Administration's initiative on bank reform will have been deep-sixed but good.

Annunzio also has said that he expects his Subcommittee to complete its markup by Memorial Day. This means that within a very few weeks the key vote may occur on which version the Subcommittee will use for its markup.

If the Administration is ready to fight for its reform package, you can win this vote hands down, with a strong possibility that Annunzio will simply concede when he starts to count noses. All it will take is for you to enter the fray with a meeting or two and a few phone calls, etc., and for Nick and his crew to follow up. All of the bank regulatory agencies support your reform package, and in all important respects so does the GAO, and they all should be part of the orchestration. Of course, important elements in the banking and business community are ready to weigh in as well.

Between you and me, Mr. President, this should be no contest. No sane person can justify the status quo. A coherent alternative is available. Why let the Congress set the terms of debate when you have the votes? Why stall when you can slam dunk?