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Independent BANKERS ASSOCIATION OF AMERICA

OFFICE OF THE PRESIDENT

EXECUTIVE DIRECTOR: HOWARD BELL • SECRETARY: GENE MOORE • ASSOCIATE DIRECTOR: BILL McDONALD

BOX 19428, DENVER, COLORADO 80219

September 15, 1978

The Honorable Tom Steed
2405 Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Steed:

It is evident that in the very near future Chairman Reuss and Congressman St Germain will bring to the floor legislation which is crucial to the 7,400 commercial banks that are members of this association. The Financial Institutions Regulatory Act of 1978, H.R. 13471, has been granted an open rule with waivers of second and third readings and one hour general debate.

This measure is not endorsed by the Independent Bankers Association of America, for we see only a vast augmentation of the powers of the bureaucracy flowing from it. However, should the House decide to take favorable action on this incredibly complex 200-page bill, it is vital to the nation's small- and medium-sized banks that the alterations suggested in the attached memorandum are made. It seems certain that, at the time the bill reaches the floor, sponsors will be available to put the changes discussed in the memorandum before the House, and we hope you can support their efforts.

If you have any questions, please call Richard Peterson, Terry Klasky or Joel McConnell in our Washington office at 265-1921. Thank you for any consideration you can give these matters.

Very truly yours,

Ivan D. Fugate
President

IDF/pas

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H.R. 13471
FINANCIAL INSTITUTIONS REGULATORY ACT OF 1978

NEEDED CHANGES

1. Title VI contains a provision that no person can acquire control of a bank or holding company of a bank unless the Federal regulating authorities get 60 days prior written notice of the proposed acquisition. During that period they can disapprove the acquisition. IBAA is greatley concerned that the disapproval power could be abused by the agencies and that severe overregulation will result. The trend in Washington should be away from more government interference. Furthermore, this provision could disrupt the orderly transfer of banks. At a minimum, the disapproval authority should be struck and the requirements for what must be contained in the notice of acquisition should be modified.

2. Title XII contains a provision allowing existing mutual savings banks to have Federal charters. Due to a peculiarity in the bill, this would mean that mutual savings banks which obtained Federal charters could branch statewide in states where they now exist, and they could do so without restriction as to the number of branches they could establish in any given period. An amendment will be offered to make sure Federal mutual savings banks are placed under state law as far as their branches are concerned. We urge you to support this amendment whether or not you now have mutual savings banks in your state.

3. Title XVI would authorize checking accounts for Federal S&Ls in states which authorize checking accounts for state S&Ls. This title, while aimed at a unique situation in New York, creates the possibility of creeping nationwide checking accounts for Federal S&Ls while they retain all their competitive advantages. An amendment will be offered to restrict the effect of this title to New York and New Jersey.

4. Title I contains a provision in Section 104 which creates a national loan limit for insiders in state chartered banks. As written, executive officers and 10 percent shareholders in state banks would face aggregate loan limitations of 10 percent of capital and surplus despite different state law limits. This derogation of the dual banking system is unacceptable. Instead, state lending limits should apply to state banks. An amendment will be offered to achieve this result.

Equally important is to prevent erosion of the important modifications which were made by the House Banking Committee. It is possible that attempts will be made to reintroduce onerous provisions on the floor. We would urge you to resist such attempts.

(Over)

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At the same time it is our understanding that an attempt will be made to modify Title XIII which is a compromise designed to bring about some limitations on bank holding company authority to engage in insurance activities. The IBAA would not object to having the pending application portion of the grandfather clause of Title XIII eliminated.

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