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FEDERAL DEPOSIT INSURANCE
CORPORATION

Statement on

H. R. 5280

"To amend the National Bank Act, to provide for financial regulation simplification, to increase home mortgage financing, and for other purposes."

Presented to

Subcommittee on Financial Institutions Supervision,
Regulation and Insurance

of the

House Committee on Banking, Finance and Urban Affairs

House of Representatives

by

Irvine H. Sprague, Chairman
Federal Deposit Insurance Corporation

September 27, 1979

Mr. Chairman, we appreciate this opportunity to present our views on H. R. 5280, the "Depository Institutions Act of 1979."

TITLE I - AMENDMENTS TO THE NATIONAL BANKING LAWS

Title I would amend the National Bank Act by eliminating the six percent ceiling on dividends of preferred stock of national banks; extending the length of time that a national bank may hold real estate, subject to certain conditions; authorizing the Office of the Comptroller of the Currency to restrict the trust activities of a national bank; authorizing the Comptroller to proclaim certain days as legal holidays for national banks; authorizing the Comptroller to delegate powers and prescribe rules and regulations to carry out the responsibilities of the Office of the Comptroller of the Currency; providing for more flexibility in the bank examination process; altering the ownership requirements for directors of national banks; changing the voting procedure for selecting panels to determine the value of shares of stock of national banks which have been converted, consolidated or merged for dissenting shareholders; and permitting the purchase of shares of stock in federally insured State-chartered banks, which are owned exclusively by other banks and which provide banking services exclusively for other banks and their officers, directors or employees, and are located in States where State-chartered banks are permitted to make such purchases.

Since the Comptroller of the Currency has the responsibility for supervising national banks, that Office would be in the best position to evaluate these proposed amendments to the National Bank Act.

The Comptroller of the Currency believes that these amendments will strengthen his ability to supervise the national banking system, and we agree. Therefore, in our role as insurer of the deposits of all national banks, the FDIC supports enactment of this Title.

TITLE II - TERMINATION OF NATIONAL BANK CLOSED RECEIVERSHIP FUND

Title II of this bill is concerned with the disposition of undisbursed receivership funds from national banks closed prior to January 23, 1934. Pursuant to Title II, a claimant would be able to submit a claim against these funds within 12 months of the time that the Comptroller issues a final notice of the availability of such funds. Failure to submit a claim during that period would cut off all rights, with the money remaining in the receivership fund becoming part of the general funds of the Comptroller of the Currency.

We defer to the Comptroller of the Currency with respect to the provisions of this Title.

TITLE III - FINANCIAL REGULATION SIMPLIFICATION

Title III provides that regulations issued by the Federal financial regulatory agencies shall insure that the need for and purpose of a particular regulation are shown, meaningful alternatives are considered, burdens to all parties are minimized, language is clearly written, timely participation and comment are made available, and conflicts, duplication and inconsistencies between regulations issued by Federal financial regulatory agencies are eliminated to the extent possible. This Title would also call for a review of existing regulations and the submission of an annual progress report to Congress.

Title III, in effect, extends the coverage of Executive Order 12044 to the Federal financial regulatory agencies. In accordance with the spirit of that Executive Order the FDIC has implemented a policy of reviewing existing regulations regularly to determine whether they should be continued, modified or eliminated. Additionally, the FDIC has established a Task Force on Regulations. The policy objectives of the Task Force, which are almost identical to the objectives of Title III, seek to insure that regulations are clearly and understandably written, that their need and purpose are clearly established, that the public is afforded a meaningful opportunity to participate in the rulemaking process, that alternative approaches are carefully considered, and that burdens imposed on the public are minimized.

The FDIC presently seems to be in compliance with the requirements of Title III and would have no objection to enactment thereof. We would recommend, however, that the introductory portion of § 303 be revised to require that the Federal financial regulatory agencies issue regulations in a manner designed to ensure that the bill's objectives are met. As presently worded, the section seems to require, absolutely, that Title III's objectives be achieved in every detailed respect in each and every case. While every effort should certainly be made to achieve these objectives, an absolute requirement of this nature could give rise to frivolous litigation challenging the validity of each new regulation which an agency seeks to promulgate.

TITLE IV - INCREASING HOME MORTGAGE FINANCING

This Title contains four technical amendments to Federal legislation affecting savings and loan associations. It would (1) reduce required reserve accounts of Federal savings and loan associations from five to four percent of their insured accounts, (2) increase from \$60,000 to \$75,000 the amount which Federal savings and loan associations may lend on residential property, (3) increase the amount limitations on Federal Home Loan Bank advances to member institutions, and (4) otherwise make certain liberalizing changes in the requirements applicable to Federal Home Loan Bank loans to member institutions.

We express no opinion on these amendments and defer to the Federal Home Loan Bank Board with respect to the merits thereof.