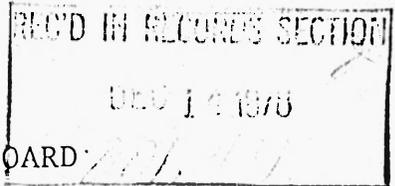


ROBERT MORRIS ASSOCIATES
CHICAGO FALL CONFERENCE
OCTOBER 18, 1976



STEPHEN S. GARDNER
VICE CHAIRMAN, FEDERAL RESERVE BOARD
SUMMARY REMARKS

GOOD AFTERNOON. I AM DELIGHTED TO BE HERE AT THE ANNUAL MEETING OF THE ROBERT MORRIS ASSOCIATES. AS A FORMER PHILADELPHIA BANKER AND A FORMER RMA MEMBER, I FEEL RIGHT AT HOME--EXCEPT FOR THE FACT THAT WE ARE IN CHICAGO, AND MY PROFESSIONAL CREDIT SKILLS ARE A LITTLE RUSTY. ACTUALLY, IT WASN'T TOO HARD TO BE A SATISFACTORY LENDING OFFICER IN THE 50'S AND IN THE 60'S AS THOSE WHO HAD BEEN THROUGH THE DEPRESSION CONSTANTLY REMINDED US. THE ECONOMY CORRECTED MOST OF OUR MISTAKES. SO I AM PROPERLY HUMBLLED TO APPEAR BEFORE THIS GROUP. YOU'VE WEATHERED A CREDIT CRISIS THAT I NEVER SAW EXCEPT FROM A DISTANCE. THAT IS, I ASSUME YOU WEATHERED IT AND THAT YOUR ATTENDANCE HERE TODAY MEANS THAT YOU ARE STILL EMPLOYED.

THAT TOUCHES REALLY THE GENERAL THEME OF MY TALK TODAY. I WANT TO STEP BACK FROM OUR CURRENT PROBLEMS AND TRY TO GAIN A VANTAGE POINT THAT GIVES US SOME PERSPECTIVE ON WHAT RECENT EVENTS MEAN TO THE BANKING INDUSTRY, TO REGULATION, AND TO PROSPECTIVE LEGISLATION. THE U.S. BANKING SYSTEM EXPERIENCED THE HIGHEST LEVEL OF LOAN LOSSES AT ANY TIME SINCE THE 30'S IN 1975. THAT'S NOT NEWS TO YOU-- IT'S ALSO NOT NEWS THAT BASED ON A REVIEW OF MID-YEAR RESULTS REPORTED BY THE MAJOR U.S. BANKING ORGANIZATIONS, IT SEEMS

CERTAIN THAT LOAN LOSSES WILL CONTINUE TO BE HIGH IN 1976 AND THOSE INTERMINABLE WORK-OUTS WILL AFFECT THE LOSS RESERVES FOR SOME YEARS TO COME. TO PUT THIS INTO PERSPECTIVE, HOWEVER, I CAN SAY THAT DESPITE THESE HEAVY LOAN LOSSES MOST BANKS HAVE REPORTED INCOME AT SUFFICIENT LEVELS TO NOT ONLY COVER THE LOSSES BUT TO CONTINUE DIVIDENDS AND TO MAKE A RESPECTABLE ADDITION TO CAPITAL. THIS AUGURS WELL FOR THE CONTINUING HEALTH OF THE U.S. BANKING SYSTEM AND IT'S ABILITY TO ADJUST TO THE SEVERE ECONOMIC PRESSURES THAT HAVE RECENTLY BESET THE ECONOMY. I DON'T MEAN TO INDICATE PROBLEM CREDITS ARE NOT HAVING AN ADVERSE IMPACT ON EARNINGS AS WELL AS A RESTRAINING INFLUENCE ON THE WILLINGNESS OF BANKS TO LEND. THE VERY SLOW GROWTH OF BANK LOANS IN THIS RECOVERY CANNOT ONLY BE ATTRIBUTED TO THE DIS-INCLINATION OF MANY BUSINESSES TO USE THEIR BANK CREDIT LINES. THE OTHER MISSING INGREDIENT IS THE DISINCLINATION OF BANKS TO CONTINUE TO AGGRESSIVELY SEEK LOANS WHICH IS AN UNDERSTANDABLE PART OF THE NEW CONSERVATISM IN BANK MANAGEMENT PHILOSOPHY.

LET'S TALK FOR A MINUTE ABOUT YOUR REAL ESTATE PROBLEMS IN ANOTHER PERSPECTIVE. THERE HAS BEEN A STEADY RECOVERY IN PRIVATE HOUSING STARTS AS YOU KNOW. AFTER RISING FOR SIX CONSECUTIVE QUARTERS, HOUSING STARTS ARE AS MUCH AS 50% ABOVE THE UNUSUALLY LOW TROUGH REACHED IN 1975. LARGE FLOWS OF FUNDS IN THE THRIFTS INSTITUTIONS

HAVE CONTRIBUTED TO A SIMILARLY STEADY RISE IN OUTSTANDING MORTGAGE COMMITMENTS AT SAVINGS AND LOANS AND THE STABLE TO DOWNWARD COURSE OF INTEREST RATES ON NEW MORTGAGE COMMITMENTS THAT HAS BEEN RECORDED THIS YEAR. SALES OF HOUSES, ESPECIALLY EXISTING DWELLINGS, HAVE REMAINED UNUSUALLY STRONG AT A TIME WHEN PRICES AS WELL AS OPERATING COSTS, FUEL TAXES, AND THE LIKE HAVE BEEN RISING. THERE HAS EVEN BEEN AN INCREASE OF SORTS IN MULTI-FAMILY STARTS FROM THE LOWEST LEVEL DESPITE THE CONTINUED LARGE OVERHANG OF UNSOLD UNITS. COMMERCIAL CONSTRUCTION IS NOT VERY VIGOROUS BUT IF BUSINESS INVESTMENT IN PLANT AND EQUIPMENT IMPROVES AS SOME OF US EXPECT COMMERCIAL CONSTRUCTION WILL BENEFIT. MY POINT IS THAT DESPITE ALL YOUR PROBLEMS, WHICH I MINIMIZE NOT ONE WHIT, THE PATIENT IS OFF THE CRITICAL LIST AND PERHAPS COULD BE REPORTED AS IN A GUARDED CONDITION. SO WHILE YOUR OWN PROBLEMS MAY BE INSOLVABLE WITHOUT INCURRING LOSSES, THE LOSSES WILL BE SMALLER IF THIS KEEPS ON AND YOUR RECOVERIES WILL BE LARGER.

A HEALTHY REAL ESTATE MARKET IS ESSENTIAL TO A BALANCED ECONOMY, BUT AN UNBRIDLED REAL ESTATE BOOM, AS WE HAVE SEEN CAN BE A DANGEROUS PERVERSION. I HOPE THOSE INCURABLE OPTIMISTS, THE REAL ESTATE DEVELOPERS, WILL BE OUTMATCHED BY SEASONED AND PRACTICAL CREDIT MEN AS THE RECOVERY IN REAL ESTATE CONTINUES.

ON A RELATED BUT DIFFERENT SUBJECT, THE ECONOMIC TURBULENCE OF THE LAST THREE YEARS HAS QUITE PROPERLY RAISED QUESTIONS ABOUT THE EXPANSION OF ACTIVITIES IN BANK HOLDING COMPANIES. WHILE THIS CRITIQUE IN MY OPINION IS QUITE PROPER, IT IS MADE MORE DIFFICULT BY THE UNFORTUNATE COINCIDENCE OF SPIRALING INFLATION AND SHARP RECESSION OCCURRING SO SOON AFTER THE STATUTES WERE LIBERALIZED AND BANK HOLDING COMPANIES BECAME VERY ACTIVE IN ACQUIRING NONBANK BUSINESSES. EARLIER THIS YEAR THE BOARD REPORTED TO THE HOUSE BANKING AND CURRENCY COMMITTEE THAT IT BELIEVED THAT WHEN ALL FACTORS WERE CAREFULLY WEIGHED THE HOLDING COMPANY MOVEMENT ON BALANCE HAS BEEN IN THE PUBLIC INTEREST. BUT, HISTORY ALSO REQUIRES A LITTLE PERSPECTIVE AND THE BOARD ALSO SAID THAT IT IS TOO EARLY TO APPRAISE ADEQUATELY ALL OF THE CHANGES IN BANKING STRUCTURE, IN COMPETITION IN BANKING AND BANK-RELATED INDUSTRIES AND, FINALLY, IN THE PUBLIC BENEFITS REALIZED UNDER THE ACT. CLEARLY, THIS EXPERIENCE RAISED QUESTIONS ABOUT THE EFFECTIVENESS OF REGULATORY CONTROL AND I WILL TALK LATER ABOUT SOME OF THE OBVIOUS WAYS THAT FEDERAL REGULATORY POWER SHOULD BE IMPROVED.

NEVERTHELESS, IN THE BOARD'S VIEW, A MAJOR BENEFIT DERIVED FROM THE HODLING COMPANY MOVEMENT HAS BEEN INCREASED COMPETITIVENESS IN THE BANKING INDUSTRY. OUR STUDIES SHOW THAT THE MARKET SHARES OF SMALL BANKS THAT HAVE BEEN ACQUIRED

BY HOLDING COMPANIES HAVE INCREASED UNDER HOLDING COMPANY CONTROL AND THEIR SERVICES HAVE BEEN BROADENED. COMPETITIVE BENEFITS HAVE ALSO FLOWED FROM HOLDING COMPANIES ESTABLISHING DE NOVO BUSINESSES. THESE NEW ENTRANTS INTO MARKETS HAVE HAD A PRO-COMPETITIVE EFFECT. IN ADDITION, BANKING HOLDING COMPANIES HAVE HELPED MOBILIZE FUNDS TO A DEGREE THAT WOULD NOT HAVE BEEN POSSIBLE IN AREAS WHERE BRANCHING IS LIMITED. IT IS TRUE THAT SOME OF THESE BENEFITS MIGHT HAVE BEEN ACCOMPLISHED WITHOUT THE HOLDING COMPANY FORM BUT IT IS ALSO DOUBTFUL THAT THE TOTAL BENEFITS WOULD HAVE BEEN SO LARGE.

I HARDLY NEED TO TURN THE COIN OVER FOR YOU BUT I WILL. THERE IS NO QUESTION THAT BANK HOLDING COMPANIES HAVE EXPERIENCED FINANCIAL PROBLEMS WITH SOME OF THEIR NON-BANK AFFILIATES. BUT LET ME ASK YOU: WOULD THE PROBLEMS THAT MORTGAGE SERVICE COMPANIES, REIT'S AND FINANCE COMPANIES AND OTHER SUCH BUSINESSES EXPERIENCED NOT HAVE OCCURRED IF THESE FIRMS WERE NOT AFFILIATES OF BANK HOLDING COMPANIES. MOST OF THESE DIFFICULTIES BASICALLY AROSE FROM THE RECESSION, AND I SUSPECT YOU'D HAVE ALMOST AS MANY WORK-OUT LOANS TODAY IF THERE HAD BEEN NO BANK HODLING COMPANY EXPANSION.

THE EXPERIENCE THE BOARD HAS GAINED IN THESE YEARS OF ECONOMIC CRISIS WILL, I HOPE, BE JUST AS VALUABLE TO THE REGULATORS AS IT IS TO YOU IN THE BUSINESS OF LENDING.

PERSPECTIVE IS EASY TO COME BY HERE. IT HAS SET US ON THE TASK OF IMPROVING OUR SUPERVISION OF BANKS AND BANK HOLDING COMPANY ACTIVITIES. WE HAVE STEPPED UP THE MONITORING OF HOLDING COMPANY FINANCES AND INTER-COMPANY TRANSACTIONS. WE HAVE INCREASED OUR INSPECTION PROGRAM FOR BANK HOLDING COMPANIES AND NON-BANK SUBSIDIARIES TO INSURE THAT DEVELOPING FINANCIAL PROBLEMS ARE IDENTIFIED AS EARLY AS POSSIBLE. INCREASING OUR CONTACTS WITH THE MANAGERMENTS OF BANK HOLDING COMPANIES IS JUST THE OBVIOUS AND SIMPLE WAY FOR THE REGULATOR TO BE BETTER INFORMED ABOUT INDUSTRY CONDITIONS. MORE IMPORTANTLY, WE ARE INCREASING OUR USE OF AGREEMENTS, OR CEASE AND DESIST ORDERS DIRECTED AT THE CORRECTION OF SPECIFIC PROBLEMS. WHAT OUR EXPERIENCE OVER THE PAST TWO YEARS ALSO INDICATES IS THAT THERE ARE GAPS IN OUR REGULATORY AND STATUTORY AUTHORITY THAT CONGRESS NEEDS TO ADDRESS. THE BOARD IN COOPERATION WITH THE OTHER FEDERAL REGULATORS HAS PROPOSED SUCH REMEDIES TO THE CONGRESS.

SPECIFICALLY, LEGISLATION INTRODUCED AS S 2304 IN THE 94th CONGRESS CONTAINS THE MANY APPROPRIATE REMEDIES. THE LEGISLATIVE PROPOSAL CAN BE DIVIDED INTO THREE GENERAL CATEGORIES: (1) FIRST, IT PROPOSES CIVIL PENALTIES FOR VIOLATIONS OF CERTAIN PROVISIONS OF FEDERAL BANKING LAWS WHICH PRESENTLY CARRY NO PENALTIES OR CARRY CRIMINAL PENALTIES; (2) SECOND, IT PROPOSES TO RESTRICT DEALINGS WITH INSIDERS AND, (3) FINALLY, IT CONTAINS PROPOSALS TO INCREASE AND SIMPLIFY THE ABILITY OF THE AGENCIES TO TAKE REMEDIAL ACTIONS.

THE PRESENT REGULATORY STRUCTURE THAT RESTRICTS ACTIVITIES OF BANKS AND ACTIONS OF BANK OFFICERS, DIRECTORS AND EMPLOYEES IN MANY INSTANCES IS INCOMPLETE. THE OVERWHELMING MAJORITY OF VIOLATIONS OF

REGULATORY PROCEDURES ARE NOT THE RESULT OF CRIMINAL INTENT ON THE PART OF BANKERS, AND CLEARLY AN EXPEDITIOUS CIVIL PENALTY PROCEDURE WOULD BALANCE THE SPAN OF CONTROL OF REGULATORS OVER PROHIBITED ACTIVITIES AND SIGNIFICANTLY DECREASE THE NUMBER OF SUCH VIOLATIONS. OUR EXPERIENCE HAS ALSO INDICATED THAT IT WOULD BE WISE TO PLACE AGGREGATE LIMITS ON THE AMOUNT OF LENDING TO INSIDERS AND TO CLARIFY THE RULES RELATED TO WHAT IS PERMISSIBLE AND WHAT IT IMPERMISSIBLE. THERE IS AN IMPLICIT PUBLIC BENEFIT HERE IN REMOVING THE APPEARANCE OF THE CONFLICT BY DEFINING ACCEPTABLE PRACTICE. WHILE THE AMENDMENTS WE HAVE PROPOSED WOULD PLACE A LIMITATION ON LOANS TO ANY OFFICER OR SHAREHOLDER WHO OWNS MORE THAN 10 PER CENT OF THE STOCK OF THE LENDING BANK AND REQUIRE THAT ALL LOANS AND EXTENSIONS OR CREDIT TO SUCH AN INDIVIDUAL OR HIS RELATED BUSINESSES BE AGGREGATED, IT WOULD NOT PROHIBIT A DIRECTOR WHO IS NOT AN OFFICER OR WHO OWNS LESS THAN 10 PER CENT OF THE STOCK OF THE BANK FROM OBTAINING FOR HIS BUSINESS PURPOSES THE BANK'S LEGAL LENDING LIMIT. THE PROPOSAL IS CAREFULLY DRAWN TO ASSURE THAT MEDIUM-SIZED AND SMALLER BANKS ARE THUS NOT PREVENTED FROM ATTRACTING TO THEIR BOARDS OF DIRECTORS THE LENDING BUSINESSMEN IMPORTANT TO THE BANK'S MARKET AREA.

AS IMPORTANT AS THIS NEW RESTRICTION ON INSIDER LOANS, ARE THE PROPOSALS IN THE BILL TO STRENGTHEN THE AUTHORITY OF REGULATORS TO REMOVE OFFICERS, DIRECTORS OR

PROHIBIT SHAREHOLDERS FROM PARTICIPATING IN THE CONDUCT OF THE AFFAIRS OF A BANK WHEN SUCH INDIVIDUALS' ACTIVITIES ARE CAUSING OR ARE LIKELY TO CAUSE SUBSTANTIAL FINANCIAL DIFFICULTY FOR THE BANK. AS A BANKER I HAD ALWAYS ASSUMED THE REGULATORS HAD MUCH OF THIS AUTHORITY. AS A REGULATOR, I NOW FIND THE PROVISION NEEDS CONSIDERABLE STRENGTHENING. IN ADDITION, IMPORTANT REMEDIAL POWER CONTAINED IN S. 2304 GIVES THE BOARD AUTHORITY UNDER THE BANK HOLDING COMPANY ACT TO ORDER THE DIVESTITURE OF BANKING OR NONBANKING SUBSIDIARIES WHENEVER THE BOARD HAS REASONABLE CAUSE TO BELIEVE THAT THE CONTINUATION OF SUCH ACTIVITIES CARRIES A SERIOUS RISK TO THE SAFETY AND SOUNDNESS OF THE HOLDING COMPANY SUBSIDIARY BANK. AGAIN, THIS PROVIDES THE REGULATOR WITH A MORE BALANCED SET OF TOOLS. WE HAVE THESE POWERS WHERE THE ACTIVITIES ARE IMPERMISSIBLE OR ACQUISITIONS WERE MADE WITHOUT BOARD CONSENT. WE SHOULD HAVE THEM WHERE THE COURSE OF EVENTS INDICATES A FUNDAMENTAL RISK IS PRESENT.

ALL OF WHAT I HAVE SAID HERE IS A SIMPLY PLAN TO UTILIZE THE EXPERIENCE THE REGULATORS HAVE GAINED IN ADMINISTERING THOSE FEW AND NOTEWORTHY CASES OF RECENT BANK FAILURES. IT SHOULD NOT BE INTERPRETED OTHERWISE. THE BANKING INDUSTRY HAS HAD SOME CRISES YEARS AND AS AN INDUSTRY HAS WEATHRED THE CRISES EFFECTIVELY. BUT, CERTAINLY, WE CAN NOT BE HESITANT TO APPLY THE LESSONS TO IMPROVING THE REGULATORY STRUCTURE.

WHILE S. 2304 IS PURELY A REGULATORY BILL DIRECTED AT IMPROVING THE FEDERAL AGENCIES' ABILITY TO COPE WITH PROBLEMS THAT ARISE IN OUR EXISTING BANKING SYSTEM, THERE ARE OTHER PROPOSALS THAT THE NEXT CONGRESS SHOULD ACT UPON WHICH WOULD ALSO IMPROVE REGULATION BUT RAISE CONTROVERSIAL ISSUES ABOUT THE STRUCTURE OF THE BANKING SYSTEM. S. 890 IS SUCH A BILL. THIS IS SIMPLY THE BOARD'S PROPOSAL TO ALLOW A FAILING BANK TO BE ACQUIRED BY AN OUT-OF-STATE HOLDING COMPANY WHEN NO SATISFACTORY ALTERNATIVE FOR PRESERVING THE BANK'S SERVICES EXIST. THIS BILL ALSO CARRIES AN AMENDMENT WHICH WOULD ELIMINATE THE STATUTORY 30-DAY DELAY IN EMERGENCY BANK HOLDING COMPANY ACQUISITION. WHILE THE RATIONALE FOR SUCH A PROPOSAL IS CLEAR, I THINK IT MUST ALSO BE CLEAR TO YOU WHY CONGRESS HAS FOUND THIS A MOST CONTROVERSIAL PROPOSAL.

THE SAME DIFFICULTY ATTACHES TO THE INTERNATIONAL BANKING ACT OF 1976, H.R. 13876. THIS BILL PASSED THE HOUSE AND WAS LITERALLY IN THE SENATE BANKING COMMITTEE PROCESS RIGHT UP TO ADJOURNMENT. IN MY VIEW, THE PROBLEMS THE BILL FACES ARE LESS RELATED TO ITS SUBSTANTIVE PROVISIONS THAN TO THE ISSUES RAISED ABOUT DOMESTIC BANK REGULATORY PROPOSALS. SOME STATE BANKING COMMISSIONERS HAVE OPPOSED THE BILL BECAUSE THEY WOULD LIKE TO ATTRACT MAJOR FOREIGN BANKS TO THEIR STATES. OTHERS HAVE OPPOSED THE BILL BECAUSE THEY FEARED FEDERAL LEGISLATION WOULD PERMIT FOREIGN BANKS INTO THEIR STATES, COUNTERVENING STATE LAW.

BUT THE FACTS ARE THAT FOREIGN BANKS HAVE BEEN COMING TO THE U.S. IN INCREASING NUMBERS IN RECENT YEARS WITHOUT ANY PROVISIONS FOR THE KIND OF FEDERAL OVERSIGHT THAT EXISTS FOR THE DOMESTIC BANKING INDUSTRY. I SUGGEST THAT THE ECONOMIC PERSPECTIVES WE HAVE GAINED FROM THE RECESSION CLEARLY SUPPORT THE CONCLUSION THAT THERE SHOULD BE FEDERAL SUPERVISION AND REGULATION AND EXAMINATION OF FOREIGN BANKS THAT IS FAIRLY COMPARABLE TO THE REGULATION OF DOMESTIC BANKS. IF THERE ARE INDEED OPPORTUNITIES TO ABUSE THE PUBLIC TRUST IN BANKING, IT WOULD SEEM TO ME THAT PROPOSALS SUCH AS THE HOUSE BILL WITH THE AMENDMENTS SUBMITTED BY THE BOARD AND THE FDIC IS ESSENTIAL.

MY LAST PERSPECTIVE IS THAT THE ECONOMIC PROBLEMS OF THE LAST THREE YEARS HAVE HEIGHTENED DISSATISFACTION WITH THE STATUS QUO AND HASTENED THE TIME WHEN STRUCTURAL REFORM OF THE POWERS OF DEPOSITORY INSTITUTIONS MAY BE ENACTED BY CONGRESS. I COULD CITE A LITANY OF ISSUES THAT WERE PART OF PORPOSED LEGISLATIVE INITIATIVES IN THE 94th CONGRESS, INCLUDING INTEREST ON DEMAND DEPOSITS, REGULATION Q, THE FINANCIAL INSTITUTIONS ACT, LEGISLATION TO EXTEND THE NOW ACCOUNT EXPERIENT BUT EVEN THAT WOULD BE INCOMPLETE. I THINK THE MCFADDEN ACT AND GLASS-STEAGALL ACT WHICH AREN'T ADDRESSED SPECIFICALLY, WILL BE IN THE NEXT LEGISLATURE. BUT I DON'T INTEND TO REVIEW THESE MANY SUBJECTS. LATER IN YOUR PROGRAM YOU WILL HEAR THE CHAIRMAN OF THE HOUSE

BANKING AND CURRENCY COMMITTEE WHO WILL GIVE YOU MORE VALUABLE INSIGHTS AS TO THE INTENTIONS OF THE CONGRESS THAN I POSSIBLY CAN. I WANT TO CONTINUE TO APPLY THE PERSPECTIVE THAT I TALKED ABOUT EARLIER. IT SEEMS TO ME THAT THERE ARE MORE QUESTIONS ABOUT THE VIABILITY OF THE BANKING INDUSTRY TODAY THAN AT ANY TIME IN THE LAST THREE DECADES. THE THRIFT INSTITUTIONS WHICH HAVE SUFFERED CYCLICALLY, SEE NEW OPPORTUNITIES FOR GAINING COMPETITIVE POWERS. THE CREDIT UNIONS, WHO HAD THE LEAST TROUBLE MAINTAINING STABILITY IN THE CRISES YEARS, ARE GROWING AND AGGRESSIVELY SEEKING BROADER POWERS. A NEW BODY OF CONSUMER PROTECTION MEASURES HAVE BECOME LAW THROUGH STATUTE AND REGULATION. IN SHORT, THE PRESSURES FOR CHANGE ARE INCREASING, NOT SUBSIDING. THIS IS UNDERSTANDABLE. AN ECONOMIC SYSTEM THAT DOES NOT CHANGE AND PROGRESS IS LIKELY TO BE INCAPABLE OF MEETING SOCIETY'S DEMANDS IN TIME.

I CONFIDENTLY BELIEVE THAT OUR SYSTEM HAS THAT RESILIENCY BUT AN ESSENTIAL INGREDIENT OF THAT BELIEF IS AN ASSESSMENT OF THE WILLINGNESS OF AN INDUSTRY TO CHANGE. AS FOR BANKING I DON'T DOUBT THAT YOU WILL BE ABLE TO MANAGE THE LOAN PROBLEMS THAT SURFACED IN THE SEVENTIES. INDUSTRY, THE GOVERNMENT, AND LITERALLY THE PUBLIC EXPECTS YOU TO. BUT IT SEEMS TO ME ESSENTIAL THAT WHILE YOU ARE

LIQUIDATING YOUR PROBLEMS, YOU MUST BE JUST AS ACTIVELY DEVELOPING INNOVATIVE LENDING PROGRAMS TO ASSURE THE ECONOMY AN APPROPRIATE SUPPLY OF BANK CREDIT AND INDEED TO ASSURE BANKING A COMPETITIVE FUTURE. THE SENIOR LENDING OFFICERS AND LOAN POLICY MAKERS WILL HAVE A HEAVY PART IN THE OUTCOME AS THEY OFTEN HAVE HAD IN THE PAST. IT'S JUST THAT THIS TIME, AS WE EMERGE FROM AN ECONOMIC CRISIS, THE LEGISLATURE, THE PUBLIC, AND EVEN TECHNOLOGY ARE FORMIDABLE FORCES PRESSING CHANGES ON THE BANKING INDUSTRY. YOU ARE WELL EQUIPPED TO RESPOND TO THAT CHALLENGE POSITIVELY, BETTER NOW THAN YOU WERE IN 1970. IT'S A WORTHY CHALLENGE AND I WISH YOU SUCCESS.

THANK YOU.