

FROM:  
AMERICAN BANKERS ASSOCIATION  
NEWS BUREAU

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Washington, D. C.

Address by M. Monroe Kimbrel, Executive Vice President,  
First National Bank, Thomson, Georgia, at Annual Conven-  
tion of Wisconsin Bankers Association, Schroeder Hotel,  
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### Federal Banking Legislation

Reporting on Federal legislation while Congress is in session is like keeping score in professional basketball. By the time you announce it, it's changed.

I suggest, therefore, that we recognize this as an interim report and that we view it in terms of the general pattern of the banker-Government relationship.

Before turning to the status of specific bills, it may be helpful to identify the role and procedure of the <sup>AMERICAN BANKERS</sup> Association's Committee on Federal Legislation. The Committee recommends policy to the governing bodies of the Association; in this function it serves as a screen or lens through which the collective opinion of bankers with respect to pertinent Federal legislation is brought into focus. Its members frequently testify in behalf of the Association before Committees of the Congress. Its mission requires, perhaps to a greater extent than that of other groups, that we evaluate our objectives in the rather harsh and not always pleasing light of practicality.

The latter point is worth emphasizing. It accounts for a good bit of the frustration which we of the Committee and perhaps many of you

experience from time to time in our approach to the problem of banking legislation.

The plain fact is that what is desirable, from our point of view, is not necessarily obtainable. While we make proposals, the Congress makes decisions, and the judgment of the Congress is shaped by a great many factors in addition to banking needs and principles.

I mention these things not as handicaps or disadvantages but because they do play a vital part in Congressional actions.

As a practical matter we ought to acknowledge that what may appeal to me in Georgia or to you in Wisconsin as absolutely right and necessary may have very little appeal for a majority of Congressmen and Senators. In dealing with the Congress we deal with realists of the first order -- with men and women who naturally place great value in compromise and in their understanding of the public interest.

There are elements of timing, of emotion, of political philosophy to be reckoned with - apart from the matter of explaining the attitude of banking to busy and hard-pressed public servants.

Now what does this mean to us? It means that we have a man-sized job. We can do it. We've made a good start toward doing it. But it calls for individual effort all along the line. It requires perseverance, education, and - most important of all in my opinion - cooperation for the common good of banking itself.

As individual bankers we devote considerable effort to maintaining a climate of favorable customer and public relations. This is an integral part of sound banking; it makes sense from any standpoint. The question that puzzles me is why - when we come to the national legislative scene -



we tend to squander the fund of good will that has resulted from that effort by dividing and disagreeing among ourselves.

Now I know the problem isn't that simple. Perhaps the very nature of the banking industry with its disparity in type and size of institutions precludes real unity on the legislative firing line. Personally, I don't accept that idea. If a majority of us ever do accept it, then we might as well give up any notion of effective industry-wide representation in Washington.

It stands to reason that we are heard best when we speak with one voice. We can be heard reasonably well when we speak the same language with several voices. I submit that we ~~can't~~ <sup>CAN NOT</sup> expect to be heard at all when we carry our intra-banking debates into the halls of Congress.

Sometimes men find in the course of events a cause or challenge of such obvious importance to the common good that it brings them together of its own force. We are confronted by that type of challenge now - and I hope and believe that we will soon see a very significant response on the part of all commercial banking.

A fair system of Federal taxation of financial institutions is the Number One legislative goal of the American Bankers Association.

The present system is patently unfair. The degree of unfairness is reflected by Government totals of Federal income tax actually paid for the year 1958: savings and loan associations and mutual savings banks for that year paid approximately \$4½ million - or approximately one per cent of net income; commercial banks paid approximately \$950 million - or about 40 per cent of net income.

Here are two types of financial institutions, differing in some important ways in structure and function but occupying common competitive

ground in the savings and mortgage market, with one contributing substantially to the cost of Government and the other contributing little or nothing. We believe the scales of justice, in this instance, are indefensibly out of balance. We are confident that the Congress, after examining all of the facts, will order a fair adjustment.

Again, in the interests of realism, let's be sure we understand what's ahead. The road to a reasonably balanced tax program for the mutual institutions and commercial banks is neither short nor smooth. Savings and loan associations are not as concerned about this inequity as we are. They resent and will resist any change in the preferential status they now enjoy.

We should anticipate vigorous efforts to becloud the issue and to divert Congressional and public attention from the pertinent facts. The opposition undoubtedly will explain that under existing law the mutual institutions at a certain point are subjected to the same taxation at the same corporate rate that we pay; they may not explain that under existing law very few of them ever reach that point.

Congressman Curtis of Missouri and Congressman Harrison of Virginia have introduced bills which aim at the objective of more uniform taxation of mutual institutions and commercial banks. A new bill, which we believe embodies a more complete solution of the problem, will be introduced shortly. It will provide both for substantial taxation of mutual institutions and for the establishment of an adequate, industry-wide bad debt reserve for commercial banks.

You will be informed promptly and fully of the provisions of this latter bill. I ask you to bear in mind that it will represent a sincere and careful effort to help the Congress resolve the issue fairly and in a manner which all commercial banks can support.



Among other current proposals of broad interest to banking, three have made significant progress in the Congress this Session. They involve revision of Federal Reserve member banks' reserve requirements, Federal supervision over bank mergers, and amendments to national bank laws.

The Association for a number of years has advocated adjustments in the Federal Reserve Board's authority over reserve requirements, particularly with respect to the counting of vault cash as part of the required reserves. A Bill incorporating the essentials of our recommendation, including the vault cash provision, has been passed by the Senate and is expected to be voted on in the House <sup>today.</sup> ~~this week.~~ We testified in favor of it before Committees of the Senate and House, and bankers throughout the country have given the Bill their vigorous support. Congressional handling of this legislation serves to illustrate the value of affirmative and coordinated action by the banking industry.

The immediate future of bank merger legislation, on the other hand, is far from certain. The Association again this year is supporting Senator Robertson's proposal to place final authority over bank mergers in the Federal bank supervisory agencies under conditions that would have the effect of tightening the procedure to which merger requests are subjected. The Bill, S. 1062, as approved last month by the Senate, provides that in acting on a merger request the Federal supervisory agency must take into account the competitive factors as well as the banking factors involved and also must request a report from the Justice Department as to the competitive factors. Furthermore, each supervisory agency must consult the others in order to develop uniform standards. In our judgment, the Bill offers a workable formula for responsible control of bank mergers at the Federal level.

Certainly, banking factors should be weighed in decisions of this kind - and by agencies that understand and bear some responsibility for banking activity. By the same token, it seems right that the law should require consideration of the competitive impact of proposed mergers. The Robertson Bill meets both objectives. We are hopeful that these features of the Bill, which perhaps are not widely understood, will attract the support needed to insure favorable House action on S. 1062.

Important amendments to the National Bank Act are contained in two bills introduced by Representative Paul Brown of Georgia. These measures are comprised, for the most part, of provisions which were included in last year's Financial Institutions Bill.

One of the Brown bills would revise the lending powers of national banks in a number of respects, including authorization for an increased dollar volume of construction loans and new authority for financing the construction of industrial or commercial buildings without being subject to the real estate loan limitation. It also provides for an increase in the limitation on certain loans secured by frozen foods and dairy cattle, some modification of the limitation on certain types of consumer instalment loans, and an increased borrowing authority. It also would raise to 75 per cent the maximum loan-to-value ratio of 20-year amortized real estate loans.

The other bill would clarify the National Bank Act by eliminating obsolete provisions and would make a number of helpful changes of relatively minor substance.

*We HOPE THAT* *will be* *this week*  
These bills ~~have been~~ reported to the House Banking and Currency Committee by the Subcommittee of which Representative Brown is Chairman. During public hearings they received the endorsement of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, as well as that



of the A.B.A. If approved by the Banking and Currency Committee and the membership of the House, they will have a very good chance of passage in the Senate.

The matters I have summarized so far involve affirmative steps to improve and strengthen Federal laws affecting banking - and our object, of course, is to encourage our friends in the Congress who have seen fit to propose them. There are some current proposals affecting banking that fall into a different category.

Representative Patman of Texas, for example, introduced again this year a House Resolution calling for the establishment of a select House Committee to investigate just about everything from A to Z in the field of monetary and fiscal policy. The Resolution, to date, has made no progress. A good many people who would welcome a broad study along these lines provided it promised any real hope of objective approach and useful results, are of the opinion that our economy can get along very well without this particular project of Mr. Patman.

The omnibus housing bill which the Senate passed back in January appears finally to be headed for a showdown. The House amended the bill substantially and a conference committee of the two bodies is at work now ironing out the differences. One provision of the House version would authorize the Federal National Mortgage Association to make short-term loans secured by government insured or guaranteed mortgages up to 90% of the unpaid balances of such collateral mortgages. Although this is a very small part of the overall bill, I mention it because it would have a direct and, we feel, destructive effect upon the operations of many banks. If enacted, this would place Fannie Mae in a position to compete with banks in the provision of interim mortgage credit - a function which banks are

performing adequately under present conditions and which Fannie Mae was never intended to encompass.

*LAS VEGAS  
4/10/83*

In these and other issues presently before the Congress you and I as individual bankers have a valid interest. Our trade associations furnish us with information, forums for self-expression, and other helpful aids. In the last analysis, however, we must supply our own initiative and our own enthusiasm for effective participation in banking's legislative endeavors. We can afford to be wrong. We can afford to have decisions go against us. But we cannot afford to lose by default.

Initiative, information and teamwork are tools we use at the office every day. Self-interest alone, it seems to me, requires that we use these same tools in relation to our broader responsibilities as members of the banking family.

Let me repeat that this is necessarily an interim report on our legislative program. The final results when the Congress recesses several months hence may add up to more or less than has been indicated here today. I believe sincerely, however, that whatever the box score shows we will have clarified and improved Congressional understanding of banking's place in our competitive economy.

In the long run, that is the goal we ~~need to~~ strive for, ~~together~~.

*I am confident we shall be equal to the challenge.*

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*SHIPPING DEPT.  
"EVERYTHING I KNOW"*