

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 73-277
October 30, 1973

REGULATION Y

Notice of Hearing Regarding the Underwriting of Real Estate Mortgage Guaranty Insurance

To All Banks, Bank Holding Companies, and Others
Concerned in the Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System announced that on November 28, 1973, it will conduct a hearing on the question of whether the underwriting of mortgage guaranty insurance should be added to the list of activities that are considered to be closely related to banking and permissible to bank holding companies.

The Board first proposed to add the activity of underwriting mortgage guaranty insurance as a permissible activity for bank holding companies on May 14, 1973. A copy of that proposal was forwarded to you on May 21, 1973. Many of the comments received suggested that a hearing be held.

In addition to considering whether the activity of underwriting mortgage guaranty insurance would be a permissible activity for bank holding companies the Board also will consider a number of possible requirements as to the extent to which bank holding companies should be authorized to engage in this activity.

A copy of the Board's statement announcing the November 28 hearing is enclosed. If you wish to participate in this proceeding, you should file a written request not later than November 14, 1973, with the Secretary of the Board of Governors of the Federal Reserve System, Washington, D. C. 20551. Written comments may also be submitted to the Office of the Secretary to be received not later than December 12, 1973.

Yours very truly,

P. E. Coldwell,

President

Enclosure

FEDERAL RESERVE SYSTEM

[Reg. Y]

12 CFR Part 225

BANK HOLDING COMPANIES

Notice of Hearing Regarding the Underwriting of Real
Estate Mortgage Guaranty Insurance

The Board of Governors has proposed, by notice published in the Federal Register on May 23, 1973 (38 F.R. 13572), to add to the list of activities that it has determined to be closely related to banking or managing or controlling banks (Section 225.4(a) of Regulation Y) the following: "Engaging in the underwriting of real estate mortgage guaranty insurance".

The comment period has expired and numerous comments have been received; many of those commenting requested that the Board hold a hearing on the proposal, some requested a formal hearing, and some requested that the Board defer any action on the proposal pending completion of the study of the private mortgage insurance industry by the Federal National Mortgage Association.

After consideration of the comments submitted, the Board has decided not to defer action on the proposal and to conduct an oral presentation on the matter, to be held before available members of the Board in the Board Room of its building on 20th Street and Constitution Avenue, N.W., Washington, D. C. on November 28, 1973, beginning at 10:00 a.m. The proceeding will consist of presentations of statements in oral or written form, which are to be addressed to the

question of whether the proposed activity is so closely related to banking as to be a proper incident thereto; and to the desirability of the following restrictions and requirements on the performance of the activity:

(a) The proposed subsidiary may not underwrite real estate mortgage guaranty insurance on mortgages originated by the holding company system;

(b) The proposed subsidiary must, prior to underwriting any insurance, become an insurer qualified by the Federal Home Loan Mortgage Corporation;

(c) The bank holding company system may not make demand deposits in or reduce correspondent service charges for any financial institution as an indirect means of compensating that financial institution for utilizing the holding company's proposed underwriting subsidiary;

(d) The name of the proposed subsidiary may not resemble that of the holding company or any subsidiary bank; and

(e) The proposal that, with respect to any proposed mortgage guaranty subsidiary, due to its status as a nonbanking subsidiary, in no event may the resources of any banking subsidiary of the holding company be used to support such company if it encounters financial difficulties.

Any person desiring to give testimony, present evidence, or otherwise participate in these proceedings should file with the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, on or before November 14, 1973, a written request containing a statement of the nature of the petitioner's interest in the proceedings, the extent of participation desired, a summary of the matters concerning which petitioner wishes to give testimony or submit evidence, and the names and identity of witnesses who propose to appear.

Interested persons need not participate in the proceedings through oral presentation in order to have their views considered. All views previously expressed in written comments on the pending proposal are under consideration by the Board and are available for inspection and copying in Room 1020 of the Board's building. Anyone wishing to submit written comments on the issues to be considered at the hearing may do so at any time before the close of business on December 12, 1973.

By order of the Board of Governors, effective October 29, 1973.

(Signed) Chester B. Feldberg

Chester B. Feldberg
Secretary of the Board

[SEAL]