

Washington Works in Strange Ways

By **BEN HALLER, JR.**
 Publisher

POWER is the name of the game in Washington and the pursuit and/or exercise of it is a science that leads to the sweet smell of success or the frustrations of defeat. Often, one or more of the victims or participants are innocent bystanders. Two such scenarios are being scripted in the nation's capital at this time.

The two federal banking regulators, the Comptroller of the Currency and the FDIC, are being targeted by the powerful Office of Management and Budget, an arm of the White House, for inclusion under the provisions of the Gramm-Rudman-Hollings Law enacted by Congress earlier to force a balanced budget. OMB wants a say-so over how much the OCC and FDIC spend each quarter, just as it does with taxpayer-supported agencies. The catch is that OCC and FDIC are not taxpayer supported, but receive their funds from the banks they regulate. By subjecting the agencies to rules applied to tax-supported agencies, OMB would automatically control the number of examiners and the amount of money each agency could spend in a quarter, despite what the demands of any emergency might be—such as bank closings.

During a visit to Washington last

month, an OCC official told us the agency had to close three banks over one weekend. Those actions exceeded the budget that OMB felt OCC was constrained to follow, so OMB instituted criminal proceedings! "The money continues to come in" from bank assessments, the official stated, "but we can't spend 4.3% of it in 1986 and OMB is telling us we can't spend 15% of these assessments in 1987. If we aren't removed from Gramm-Rudman by 1987 we'll have to cut staff—and 90% of our budget is spent on personnel and travel."

The OCC official went on to say, "Three years ago we had 3,300 people. That was cut back to 2,700. We had a hiring freeze imposed about four years ago and we now have 2,600 personnel with a ceiling of 2,850; yet we have 200 problem banks and one failure right now to deal with. You can see the effects of that freeze of four years ago, and this threat will do the same four years from now. This is an apprentice business. We take people in and keep moving them up with training and experience.

"We experience a 17% turnover, compared to 3% for the rest of government. We're losing examiners to

the Bank Board (FHLBB), for example, where they get a \$5,000 raise up front and offer higher levels to rise to." He concluded his comments by saying, "OMB suggested a cut in our travel expenses. We had to explain that bankers don't come to us, we have to go to them!"

FDIC is in the same position and officials at that agency are having their share of discussions trying to convince them that OMB should not be tinkering with non-taxpayer supported agencies that are obligated to assure the safety and soundness of the banking system.

Adding to their frustration is that the Federal Reserve is exempt!

Who are the best allies OCC and FDIC can probably get to speak on their behalf? Probably the banks themselves. Sen. Phil Gramm, a co-author of the bill, said the OMB's action with OCC and FDIC was not intended and he will introduce legislation to make that part of the Act clear.

The banking lobby itself is a player in the second scenario, which involves the tax revision package that would eliminate deductibility of IRA contributions for those workers who have company pensions, although interest earned would still be tax-deferred. Banks have won their battle to retain the loan loss provision and other points important to them. If they launch an all-out war on the IRA section at this time, they stand to lose the gains they made

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earlier. In the meantime, the Investment Institute of America and the general public has taken up the fight to retain full IRA deductibility directly with their Congressmen. Banks stand to lose billions of deposits if IRA contributions are not deductible, but find themselves in a crossfire. □

B of A Economist Named For Federal Reserve Post

President Ronald Reagan has nominated H. Robert Heller for the vacancy on the Federal Reserve System Board of Governors created by the resignation in April of Vice Chairman Preston Martin. That term runs until 1986. Governor

Manuel Johnson has been nominated to be vice chairman.

Mr. Heller, 46, is a native of Cologne, Germany. He was educated at Parsons College, Fairfield, Ia.; the University of Iowa and the University of California at Berkeley. He taught economics at UCLA and the University of Hawaii from 1965 to 1974. He was chief of financial studies at the International Monetary Fund from 1974-78, then joined Bank of America as senior vice president and director of international economic research, the position he holds now.

If his nomination is confirmed, Mr. Heller would be the fifth Reagan appointee to the seven-member Federal Reserve Board.

Iowa News

The Iowa Bankers Association will hold its 1986 Iowa Young Bankers Conference, "Commitment to Tomorrow," June 3-4 at the Hotel Fort Des Moines. The conference will concentrate on helping mid-management bankers become more efficient and productive. Advanced registration is \$150 for members, \$190 for subscribers, \$225 for non-members, and \$120 for spouses. At the door registration is \$20 additional. Register through the IBA office.

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Bank Loan Management, Inc., consultant to bankers of Ocheyedan,

and King, Reinsch, Prosser & Co., CPAs of Sioux City, are holding a joint senior bank management seminar, Wednesday, June 11 at the Lodge at Okoboji. The seminar, for bank CEOs and senior credit officers, will cover loan workouts, monitoring loan portfolio risks, loan loss reserved planning, and more. For more information, contact Bank Loan Management Inc. at (712) 758-3660 or King, Reinsch, Prosser & Co., CPAs at (712) 258-5550.

TREYNOR: Eugene W. Young has been promoted to vice president of operations and cashier, and Richard Saar to vice president of lending at Treynor State Bank. Mr. Young was previously cashier at the bank. Mr. Saar was promoted from assistant vice president.

Nebraska News

H. L. "Bud" Gerhart, Jr., president and CEO of the First National Bank of Newman Grove, has been elected a Class A director of the Federal Reserve Bank of Kansas City. He will complete the term of Wayne D. Angell, which expires December 31, 1986. Mr. Angell was appointed in February by President Reagan to serve on the Federal Reserve System Board of Governors in Washington, D.C. Mr. Gerhart was graduated from the University of Nebraska—Lincoln in 1950 with a business degree. He joined his father at First National Bank in 1953 as vice president and cashier and has been president since 1968.

* * *

Capital Forbearance/Clear Title workshops sponsored by the Nebraska Bankers Association and conducted by FDIC and Comptroller of the Currency representatives will begin this week in a series of five locations, running from 9:30 a.m. to 3:30 p.m. Dates and locations are:



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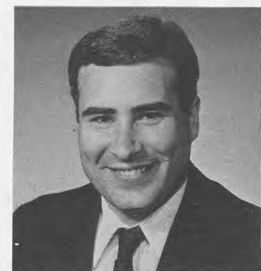
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May 20—Scottsbluff Country Club; May 21—North Platte Stockman Inn; May 22—Kearney Ramada Inn; June 3—Norfolk Villa Inn, and June 4—Lincoln Hilton.

* * *

The Iowa-Nebraska chapter of the Bank Marketing Association has elected its officers and directors. Those elected are: Pam Hunzeker, president; Stan Wirth, first vice president; Randy Sheden, second vice president; Nadine McHenry, secretary; Phyllis Otto, treasurer, and Don Slifer, Marlene Ahrenholz, Becky Jenkins, Mary White, D. Dwaine Penner, Jodi Mahlberg and Cathy Miller, board members.

FREMONT: The board of the American National Bank of Fremont has elected Douglas L. Heim as acting president and CEO. He formerly was executive vice president and head of the bank's loan division.

NORFOLK: Raymond H. Tiedje has resigned as president at Bank of Norfolk, effective June 1, to become president and CEO of the Founders Bank of Arizona, which has received a state charter to be located in the Gainey Ranch Financial Center complex in the Phoenix-Scottsdale area. It is awaiting FDIC approval. Lyle Campbell of Downers Grove, Ill., chairman of 11 Illinois banks, heads a group of investors organizing the bank with \$7 million capital. He will be chairman of the Founders Bank. Mr. Tiedje joined Bank of Norfolk 15 years ago, shortly after its opening, and has guided its growth from \$2 million to more than \$37 million.

OMAHA: Three have been promoted to vice presidents at FirstTier Mortgage Company. Gary Rifkin joined the company in 1983 as second vice



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president. George Akers joined FirstTier Mortgage in 1981 as supervisor in loan administration. Kevin McDermott came to the company this year in the finance and operations department.

Minnesota News

The Minnesota Bankers Association has announced the appointment of Ray Murray as MBA finance director. Mr. Murray is a certified public accountant and a former senior staff accountant for Touche Ross and Co. in Minneapolis. He has 10 years experience in both public and private accounting.

MINNEAPOLIS: Richard B. Huart, Leonard P. Kiskis, Lucy W. Mattson and Duane C. Ostlund have been promoted to vice president at First Bank Minneapolis. Mr. Huart had been assistant vice president in

the executive and professional banking division/professional banking I since joining the bank in 1983. Mr. Kiskis had been assistant vice president since 1984. Ms. Mattson had been assistant vice president in the business owners section since 1983. Mr. Ostlund had been assistant vice president in the personal banking division since 1983.

Illinois News

SKOKIE: Roger Sadler has joined First National Bank of Skokie as vice president in the commercial loan department.

Wisconsin News

SHEBOYGAN: First Interstate Corporation has announced the Federal Reserve Board has approved the acquisition of Outagamie Bank Shares, Inc., Appleton, by First Interstate.

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FOR FURTHER INFORMATION CONTACT: KURT ROSENCRANTS

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