

Garn Bill Goes into Senate Hopper

SENATE Banking Committee Chairman Jake Garn (R.-Utah) introduced his long-awaited comprehensive banking bill in the Senate on June 24 under the title, Deposit Insurance Reform and Competitive Enhancement Act (S. 2592). He said, "I am introducing legislation to strengthen the federal deposit insurance funds and reinforce public confidence in our nation's depository institutions." The 382 page bill has 12 titles. Sen. Garn's 1984 banking bill was approved overwhelmingly by the Senate that year, but was left in dry-dock by House Banking Committee Chairman Fernand St Germain (D., R.I.).

Title I would reduce from \$500 million in assets to \$250 million in assets the size of a failed bank or a group of banks within a holding company that FDIC could sell across state lines. FDIC also could sell a bank or bank holding company "in danger of closing" across state lines without waiting until the institution actually fails.

Title II would strengthen the deposit insurance system. FDIC could level premiums based on risk, as it has urged. In addition, FDIC could establish a "bridge bank" to keep a failed bank open until a purchase and assumption or similar transaction could be accomplished, at less FDIC expense. Title II also would establish a uniform depositor prefer-

ence system for paying claims of any federally insured bank that fails. It would also strengthen FDIC's enforcement powers against bank directors and others, insurance removal powers, and issuance of restraining orders.

Title III bails out the FSLIC with a \$25-\$30 billion injection over the next five years to aid the present \$6 billion level.

Title IV would recognize the growing competition between banks and s&ls by easing rules on s&ls.

Title V would enhance and strengthen authorities of the FSLIC.

Title VI expands bank and holding company powers. One would be securities affiliates for BHCs and s&l HCs. The Fed could grant non-bank activities to BHCs if such activities were of a financial nature and permit banks to either adjust to technological innovations or new competitive products, with limitations on insurance activities. Title VI also would define a bank as one with FDIC insurance, thus closing the non-bank bank loophole. It preserves grandfather rights for current non-bank banks by stipulating that they acquire a failing s&l or convert to an FSLIC institution within three years.

Title VII makes technical changes in statutory provisions.

Title VIII makes certain credit union amendments designed to

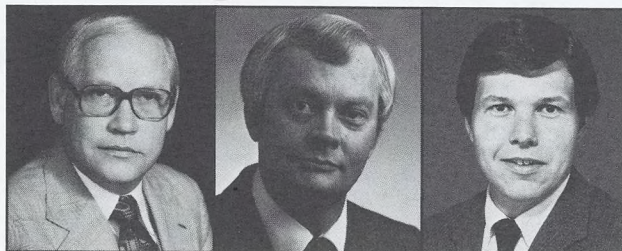
strengthen the flexibility and enforcement authority of the National Credit Union Administration (NCUA).

Title IX creates a new Title X to the Consumer Credit Protection Act.

Title X would require all depository institutions to disclose their check-hold policies to consumers and would instruct the Federal Reserve Board to issue regulations designed to speed up the now cumbersome and time-consuming process of returning a "bounced" check.

Title XI would require all mailed credit card solicitations to disclose the annual percentage rate, annual fees and other charges, and the existence of any grace period that will apply to the card. It would require third-party credit cards to use an "average daily balance" method, or a method more favorable to the borrower than average daily balance, as a balance calculating method, all designed to encourage card holders to shop for cheaper credit terms.

Title XII has miscellaneous provisions. First is an exemption for funds of the regulators from Gramm-Rudman-Hollings sequestering and the Office of Budget and Management appointment. OMB currently is preventing FDIC and OCC from pursuing hiring and training of needed examiners, and adequately paying them competitive salaries and fringes. Several other provisions of a differing nature are



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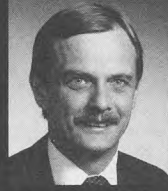


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The administrative Committee of ABA's Government Relations Council met on June 24, the day Sen. Garn introduced his bill, and gave general support to S. 2592, while calling for certain changes. ABA tabbed the bill a "welcome first step." The committee said provisions requiring more disclosure on delayed funds availability and on credit card advertising are unnecessary.

IBAA's legislative committee is scheduled to meet Tuesday, July 8 to review the proposed bill. IBAA's *Washington Weekly Report* said "The proposal is, in a sense, quite revolutionary, effecting a major overhaul of the banking laws the na-

tion has come to know and, if not always love, at least to trust." □

Iowa News

The Iowa Bankers Association is sponsoring the 1986 semi-annual Bank Directors Seminar at three Iowa locations July 22-24. The seminar will be held July 22 in Storm Lake at The Siebens Forum; July 23 in Des Moines at the Airport Hilton, and July 24 in Cedar Rapids at the Holiday Inn. Cost in advance is \$75 for members, \$100 for subscribers and \$125 for nonmembers. At the door, cost is \$20 extra.

HARLAN: H. Rand Petersen, chairman and CEO of Shelby County State Bank, and Gerald F. Lapke, president, State Bank of Portsmouth, have announced the merger of the two banks under the Shelby County State Bank name. Merged assets exceed \$90 million, with capital accounts exceeding \$9.5 million. Mr. Lapke will become executive vice president. Gerald L. Waltz, who was executive vice president at Portsmouth, will become a vice president of the merged bank. Both men will become members of the merged board. Donald G. "Si" Mathiasen continues as president. The bank retains offices in Portsmouth, Elk Horn and Panama.

POCAHONTAS: The Commercial State Bank was declared insolvent by Superintendent of Banking William R. Bernau on June 27, the

seventh Iowa bank to fail this year. The FDIC accepted the bid of Carroll County Bancshares, Inc., with a premium of \$11,000 for the bank. The newly chartered state bank is named Citizens State Bank. Carroll County Bancshares owns the Carroll County State Bank, which has nearly \$60 million in assets. Deposits of the failed bank that were turned over to the new bank totaled approximately \$42 million.

Joe Gronstal, president of Carroll County Bancshares, is acting president of the new bank. All staff members of the failed bank, except Rod Amlie, president, and Michael F. Newland, vice president, have been retained. New board members include Joe, John, Tom and Bernie Gronstal, and Barry Bruner, who is the Carroll County attorney.

SIOUX CENTER: First National Bank has appointed Lawrence W. Jones as president and chief executive officer. Mr. Jones joined the bank in 1985 as loan portfolio manager.

Nebraska News

The Nebraska Supreme Court has ruled that Initiative 300 is *not* unconstitutional and rejected FirstTier Bank Omaha's (Omaha National Bank) charge that a lower court erred when it ruled that 300 prohibits ONB from holding farm and ranch lands in trust for noncorporate and nonsyndicate beneficiaries.



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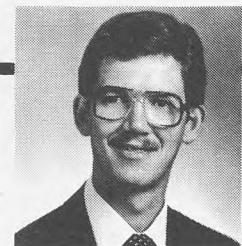
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NBA President C.G. "Kelly" Holthus expressed concerns about the effect of the ruling on banks and their trust customers, adding, "It is clear in my mind that the voters who approved Initiative 300 in 1982 did not understand the devastating consequences of the emotionally popular constitutional issue." He called on Nebraskans to work together to place the issue on the ballot in November for a recall of Initiative 300.

OMAHA: Three new department heads have been named by FirstTier Bank Omaha. John Clements has been appointed head of the bank's investment department. He has been with the bank since 1968. John Nahas is head of the commercial lending department. He joined the bank in 1975. John Morris is head of the credit services department. He was previously with Norwest Corporation.

Minnesota News

OWATONNA: James E. Hanks

has been elected president of First Bank Owatonna. He joined the bank in 1984 and most recently served as vice president and senior loan officer. He succeeds Luther N. Magelssen, who has joined First Bank St. Cloud.

ST. CLOUD: Luther N. Magelssen has been named president and chief executive officer of First Bank. He succeeds David Orlady. Mr. Magelssen has been with First Banks since 1956, most recently serving as president of First Bank Owatonna.

ST. PAUL: Donald G. Pullen has joined Midway National Bank as vice president, retail banking. He had been assistant vice president of consumer loans at First Bank Lake.

Montana News

W.E. "Buster" Schreiber, president of Mountain Bank in Whitefish was elected president of the Montana Bankers Association for 1986-87 at the annual convention held recently at the Outlaw Inn, Kalispell.

He succeeds Richard Timmerman, president of First Bank Butte. Jim Bennett, president of First Citizens Bank, Billings was elected vice president. Lynn Grobel, president of First National Bank, Glasco was elected treasurer, and John T. Cadby of Helena will continue as executive vice president.

Wyoming News

N.P. "Van" Van Maren, Jr., vice chairman of Hilltop National Bank, Casper, was advanced to the presidency of the Wyoming Bankers Association for 1986-87 at the annual convention held at Jackson Lake Lodge, Moran. He succeeds Hale Kreycik, president, Converse County Bank, Douglas. Bill Ruegamer, president of First Interstate Bank, Sheridan, moved up to become first vice president. Succeeding him as second vice president is Auburn Dowdy, president, Norwest Bank, Cheyenne. Gretchen Tea, Casper, continues as executive vice president.

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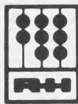
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