

NORTHWESTERN Banker Newsletter

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August 3, 1987

At Iowa Independent Bankers Convention

Two Congressmen Discuss Banking Bills

TWO Iowa Republican Congressmen who are closely involved with banking bill H.R. 27 and the Farm Credit System refinancing bill addressed the annual convention of the Iowa Independent Bankers July 24-25 at Lake Okoboji. Giving personal insights on these legislative programs were the Hon. James Leach, U.S. House of Representatives, Iowa First District, and the Hon. Fred Grandy, U.S. House of Representatives, Iowa Sixth District. Because of their close identity with discussions on these bills and other related banking measures, a summary of their remarks follows.

Rep. Jim Leach

Mr. Leach said one impact of the 1986 tax law changes would be favorable to midwest agriculture. "The estate tax treatment of farm land is such that I believe Iowa is on the verge of an explosive value in Iowa farmland prices, and this is not all due to the two-thirds reduction in current values. There are two places for a farmer to put his funds—in stock and in land—and I believe you'll see some significant purchases of land in the future. For two-thirds of our farmers the worst is over, while one-third still face some difficult times."

On another matter before Con-

gress, Rep. Leach said, "There are two great scandals of the last generation. The first relates to international banks and their overextension in foreign loans. The second is the s&l scandal. On the first, Citicorp's chairman is responsible for the biggest foreign aid program in history due to the money his bank lost in foreign lending. But they have at least 50% of those losses covered now. Earlier, I introduced legislation, with no Congressional support, for major banks to set aside reserves—capital—for foreign lending. There was no support, but I warned of the danger. Now, this effort is part of current legislation introduced."

Regarding the s&l problem, Mr. Leach said, "They have a deficit of \$25 to \$50 billion. The current bill in Congress means only \$7.5 billion is available to apply against that deficit."

Rep. Leach is a member of the House Banking, Finance and Urban Affairs Committee and was assigned as a minority member to the conference committee that worked out agreement on banking bill H.R.27 within recent weeks. Speaking of the debate that took place in that conference, he stated, "I favor separation of banking and commerce and that's why I favored cancelling the

loophole to get commercial enterprises out of banking.

"You know, s&l can operate with one-half of 1% of net worth. In this bill I inserted a paragraph in four different phrases. Wherever it says, 'Thou shalt forbear,' I added the wording, 'as required by banking regulators.' It's a simple principle. If I have a certain amount of money I can go to California and own a bank with \$120 million deposits. But, if I do the same thing as an s&l, I can have \$2 billion in accounts! Some of these state regulators have granted broad s&l powers and literally said, 'Let Washington pick up the insurance coverage.'"

Responding to a question about whether FDIC would be expected to bail out the FSLIC, Mr. Leach said, "Generally, in Congress there is no mood to merge, *but* if it means taxing the public for a bailout, then the mood would be to take it from the FDIC. This issue supersedes *all other* issues. I think you'll see this discussed in five years. I think you bankers need to confront this issue head-on."

Rep. Fred Grandy

Mr. Grandy said his effort to exempt banks of \$5 million or under from the mandatory accrual accounting order might be successful, "or at least the compliance date rolled back."

Mr. Grandy said the ag committee would mark up the FCS rescue



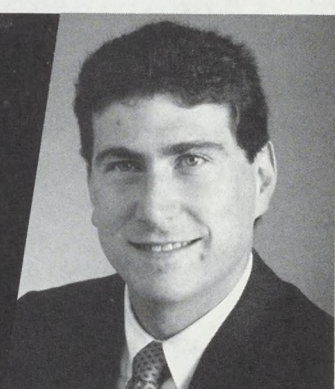
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Dorothea Wolfe

plan bill during the week following his appearance—July 30, earlier than planned—because House Speaker Jim Wright (D., Tex.) insisted on a bill. After the August recess it will probably be moved along. He decried such haste, saying “it precludes many of us from properly having the input we should have.” He said the committee could write a bill that Congress wouldn’t pass “and that’s a strong possibility.”

He said the policy of an FCS rescue shows that every person wants to preserve the borrower’s stock. There should be joint and several liability by way of a co-insurance fund among the Land Banks to create an insurance fund to ac-

complish such borrower protection. This would probably take five years to accumulate. Other policy statements would include language to protect borrowers with forbearance instead of foreclosure, and a method of appeal before foreclosure.

All of these things, Mr. Grandy stated, would “be contingent on creation of a new entity within the FCS. I think you can kiss their Capital Corporation goodbye. You may now see an Oversight Board or Temporary Assistance Board, with a five-year sunset, to take temporary custody of all monies in the System. This means Omaha would have to submit all its restructuring programs to such a board. We need some temporary centralization of control until we restore financial viability. Who should sit on such a board? All government officials? All FCS officials? Some farmers/ranchers? Probably some kind of combination. This board would sunset when the insurance fund to protect borrower’s stock is completely funded.

“Congress hasn’t made up its mind yet whether the FCA should be a regulatory body only, or have some quasi-supervisory authority.”

Mr. Grandy also stated that “The secondary market is an odds-on favorite to get in the bill. Our opponent is Treasury, which has a narrow-minded, big city perspective. If it becomes a part of the FCS package, I’ve been told by Treasury, it’s not enough to get the bill

vetoed. Who will control the secondary market board? My guess is *not* the FCS because in the eyes of Congress their credibility has suffered and certainly has not been enhanced by their actions and performance.

“We need something in the bill to force FCS to be a better borrower—perhaps by utilizing bond experts. How do you inject accountability into the System?”

Mr. Grandy said the main point right now is how much an FCS rescue will cost. “We don’t know, and we don’t know where the funds will come from, but I can’t see Congress, which bailed out Chrysler and Continental Bank, letting the FCS die out.” □

Iowa News

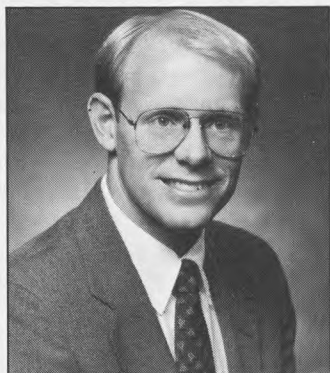
Thomas H. Huston, president, Columbus Junction State Bank, was advanced to the presidency of the Iowa Independent Bankers at the IIB annual convention at Lake Okoboji on July 25. He succeeds John Chrystal, chairman and CEO of Bankers Trust Company, Des Moines, who was then elected vice president of IIB for the coming year. Ronald E. Fenton, president and CEO of Security Bank, Marshalltown, was named to a two-year term as treasurer. Richard W. Berglund continues as executive vice president of the association and Diane Gibbs as executive director.

* * *

Gary L. Hughes, vice president and cashier of Iowa Trust and Savings Bank in Emmetsburg, has been named secretary of Group 12 of the Iowa Bankers Association. He fills the vacancy created by the advancement of James L. Cuttell, president of George State Bank, to chairman of Group 12, as reported in last week’s issue.

* * *

The Citizens Savings Bank, Gilman, will hold its Sixth Annual Golf



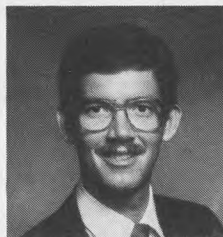
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Great business development skills! This professional account administrator has 2 ½ years of direct client contact. Experience includes estate planning, profit sharing, and investments.

Earns: \$25,000.

OPERATIONS MANAGER, B.S.

Project oriented individual has 8 + years operations experience. Background includes overseeing teller line, accounting, general ledger and security functions. Some experience in lending. An excellent motivator and all-around banker! Willing to put in the hours!

Asks: \$28,000.

AUDITOR, B.A.

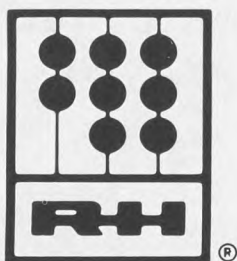
High energy person with streamlined ideas that generate cost savings. 5 + years experience includes the set up and management responsibility for the internal audit function of a medium-sized bank. Outstanding technical competence!

Asks: Mid \$30's.

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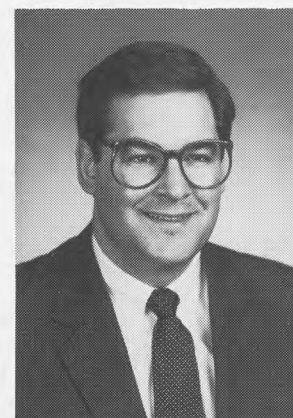
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Day on Aug. 26. It will be held at the Oakland Acres Golf Course west of Grinnell on U.S. 6. Tee-offs begin at noon, cocktail hour is 5:00, and a prime rib dinner will be served at 6:00. Cost is \$35 for the day or \$12.50 for cocktails and dinner. Make reservations by Aug. 12 by calling the bank at (515) 498-7714.

* * *

Iowa's four largest multi-bank holding companies have formed the Association of Iowa Bank Holding Companies. Initial members include Banks of Iowa, Inc., Brenton Banks, Inc., First Interstate of Iowa, Inc., and Hawkeye Bancorporation. According to the Association's president, Holmes Foster, it was formed largely to promote the cause of interstate banking. Norwest Bank Des Moines, N.A., has declined to join at this time.

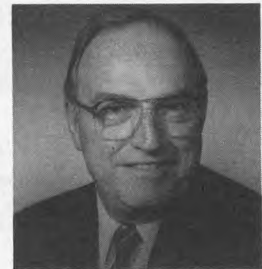
WATERLOO: Dennis E. Egel has joined Peoples Bank and Trust Co. as vice president and trust division head. He previously was a trust officer at Waterloo Savings Bank, and is also an attorney.

Nebraska News

CRAWFORD: At Crawford State Bank, Don Bell has resigned as president and chief operating officer to pursue other business interests. Ben Norman has been appointed executive vice president and COO. He was previously vice president at Security National Bank in Harrison. Max Hasselbring has resigned as installment loan officer to accept a position with the Casey Insurance Agency in Johnson. He is succeeded by Scott Haskell, former assistant cashier at the First National Bank of Fairbury.

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Illinois News

CHICAGO: Thomas C. Theobald, 50, has been elected to replace John E. Swearingen as chairman and CEO of both Continental Illinois Corporation and its lead bank, Continental Illinois National Bank and Trust Company. Mr. Swearingen, 68, had announced several months ago his intention to retire from Continental.

Minnesota News

MINNEAPOLIS: Daniel A. Saklad, president of a mortgage and insurance subsidiary of Citicorp, has been named Minnesota-Wisconsin regional president for retail and business banking for Norwest Corp. and executive vice president of Norwest Bank Minneapolis. Gerald M. Kanne, current regional president for retail and business banking in the two states, has been named chief administrative officer for Norwest's

\$12.6 billion retail and business banking group.

Wisconsin News

MILWAUKEE: The Marine Corporation, Wisconsin's third largest bank holding company, has agreed to be acquired by Banc One Corp. of Columbus, Ohio in a stock swap valued at \$546 million. After regulatory approval, Marine will then become a subsidiary of Banc One under the name of Banc One Wisconsin Corp., and each Marine subsidiary will assume the Banc One name. George Slater, chairman and CEO of Marine, will hold the same titles in the new corporation.

Colorado News

DENVER: Kent D. Boyd has been elected president of Central Bank of Aurora. He has 17 years banking experience, and most recently was executive vice president of Central Bank of Chatfield.



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