

WISCONSIN, CHAIRMAN

ALAN CRANSTON, CALIFORNIA
DONALD W. RIEGLE, JR., MICHIGAN
PAUL S. SARBANES, MARYLAND
CHRISTOPHER J. DODD, CONNECTICUT
ALAN J. DIXON, ILLINOIS
JIM SASSER, TENNESSEE
TERRY SANFORD, NORTH CAROLINA
RICHARD C. SHELBY, ALABAMA
ROBERT GRAHAM, FLORIDA

JAKE GARN, UTAH
JOHN HEINZ, PENNSYLVANIA
WILLIAM L. ARMSTRONG, COLORADO
ALFONSE M. D'AMATO, NEW YORK
CHIC HECHT, NEVADA
PHIL GRAMM, TEXAS
CHRISTOPHER S. BOND, MISSOURI
JOHN H. CHAFEE, RHODE ISLAND

KENNETH A. McLEAN, STAFF DIRECTOR
M. DANNY WALL, MINORITY STAFF DIRECTOR

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510-6075

TO: Media

FROM: Senate Banking Committee

WHAT: Sen. William Proxmire addresses Thomas Circle, a coalition of groups promoting the availability of credit for farmers, small business, consumers, and others.

WHEN: 9.30 a.m., Friday, February 20, 1987

WHERE: Dirksen 538; Senate Banking Committee hearing room

BACKGROUND: On February 25, the Senate Banking Committee will vote on major banking legislation. One of the more controversial elements is a ban on so-called nonbank banks. These are vehicles that permit commercial firms such as retailers and manufacturers to enter the banking industry. Congress has traditionally prohibited the mixing of banking and commerce because it led to serious conflicts of interest and the general concentration of capital. The number of banks has now swollen to about 14,000, thrifts to 7,000 and credit unions to 20,000. Sen. Proxmire, who authored the bill slated for a February 25 vote, is concerned that a relatively few commercial firms may swallow up the credit markets now served by a great number of independent banks, making it difficult for smaller borrowers to secure loans.

THOMAS CIRCLE: More than 30 groups are involved, representing agriculture, small business, consumer and other interests. The name derives from the address of several of the members.

contact: Ken McLean or Bart Naylor: 224-7391

Banks are businesses that both make commercial loans and accept deposits. As such, they're prevented from branching interstate (except where states permit them); and from being owned by commercial businesses, such as agribusiness conglomerates. Nonbank banks, however, escape these restrictions by only taking deposits, or only making loans. So they can branch interstate, and they can be owned by agribusiness conglomerates. There are those who are already saying, "Why shouldn't any company be able to buy a bank, and why shouldn't a bank be able to buy any company? Won't this increase the availability of credit?" Here are some questions to consider.

-- Conflict of Interest

*Will banks go through "work out" situations with a struggling farmer who has long-term potential if they can foreclose on the company instead and acquire the company at a fire sale price.

*Will banks make loans to a farmer if they have an ownership interest in a competitor? Will the bank use the information gained in the credit relationship to buy or start a competing business?

*New sources of credit are good, but do big companies such as Merrill Lynch and Sears really want to make farm loans?

-- Concentrations of Economic Power

*If businesses are permitted to own banks, it will also follow that banks will be able to acquire businesses. Does the public want to permit the largest banks in the country to acquire the largest businesses and vice versa?

* Once some of the Fortune 500 acquire banks there will be a snowball effect among other major companies to acquire a bank to assure themselves a ready source of credit. Is it in the public interest to have big businesses owning banks while farmers generally will not have that advantage?

On February 25, the Senate Banking Committee will vote on a bill aimed at preserving farm credit. It will ban nonbank banks.

Another important provision calls for what's known as a bridge bank. This is an intermediate institution set up by federal authorities after closing a bank. The intention is to help the failed bank service farm loans, until new management can be found. Under current law, federal authorities must either sell the bank immediately, or close it.

THOMAS CIRCLE

FEB 20 9:30

<u>Name</u>	<u>Organization</u>	<u>Phone #</u>
Keith Heard	Natl Cotton Council	833-2943
KEVEN SANDY	Prentice-Hall	293-0707
Bonnie Oken	US COC	463 5620
GORDON L SMITH	{ FLORISTS' TRANSWORLD DELIVERY (HILL & KNOWLTON) (FTD)	944-5153
ANITA BEDELIS	BRODY ASSOCIATES	659-3282
Ellis Rinaldi	Timothy D. Naegele & Associates	466-7500
TIM NAEGELE	NAEGELE & ASSOCIATES (BAYBANKS, INC.)	"
DAVID K. REHR	National Federation of Independent Business	554-900
FRANK TOTI	NFIB	554-9000
TIM HANLON	Amer. Assoc. of Advertising Agencies	331-7345
Dori GILLMAN	IBAA	659-8111
Kevin Scarborough	IBAA	" "
Alison Butolph	Verner, Lipfert	775-1022
Grant Bantrock	National Farm Org	484-7075
David Senter	American Ag. Movement	544-5750
Steve Verdier	Independent Bankers	659-8111
Kevin Collis	ABRH	
JIM SCHUYLER	NATL ASSN OF HOME BUILDERS	822-0470
Ginger Brown	NAHB	822-0470
Colin O'Brien	Un. League of Learning Inst.	637-8956
Phil Bastejer	US League	637-8900
Margaret Kriz	National Journal	862-0608
JONATHAN BROWN	BANKWATCH	387-8030
Martha Records	New Populist Forum	626-5620
Alex Maroulis	Indep. Bkrs Assn	659-8111
Diane Casey	IBAA	" "

<u>Name</u>	<u>Organization</u>	<u>Phone #</u>
RICHARD THORNBURG	STATE OF TEXAS	488-3927
Michael Ansham	Naegle and Associates	466-7500
Jim Callow	STATE OF MI	624-5840
SARA COOPER	NAT'L CONSUMERS LEAGUE	639-8140
PHILIP S. CORWIN	American Bankers Assn.	663-5347
Ken Guenther	JBA W	659-8111
John Motley III	NFLB	
Ken McLean	Some Banking	
Richard S. Carnell	Senate Banking	
MARISA SENCER	NAT. ASSOC. OF REALTORS	383-1093
CLIFF BRODY	BRODY ASSOCIATES	659-3282
Gordon P. Stoddard	Naegle & Associates	466-7500
JANE UEBERGER	ACORN	

f 3