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Supplement

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS
WASHINGTON, DC 20510-6075

October 20, 1987

The Honorable Alan Greenspan
Chairman
Board of Governors of the Federal Reserve System
B-2046 Mariner S. Eccles Building
20th and Constitution Avenue, NW
Washington, D.C. 20551

Dear Mr. Chairman:

On August 10, 1987, the President signed the Competitive Equality Banking Act of 1987, Pub. L. 100-86 ("CEBA"). Section 101(d) of that statute contains a provision which permits qualified savings banks which are subsidiaries of savings bank holding companies to continue to engage "directly or through a subsidiary, in any activity in which such savings banks may engage . . . pursuant to express, incidental, or implied powers under any statute or regulation, or under any judicial interpretation of any law, of the State in which such savings bank is located."

When Congress adopted that language, we contemplated that it would permit state-chartered savings banks to form bank holding companies without terminating traditional activities in which they had engaged pursuant to applicable state laws. It is our understanding that since before CEBA was adopted, a number of state-chartered savings banks have had bank holding company applications pending before the Federal Reserve and that several of those applications have still not been acted upon because the banks concerned engage in real estate investment activities authorized by applicable state laws.

In our view, continued delay in consideration of these applications because of real estate investment activities authorized by state law is contrary to the intent of Section 101(d) of CEBA. In addition, since many of these applications involve a public stock offering, changing market conditions make expeditious regulatory action even more critical at the present time.

While we recognize the continuing authority of the Federal Reserve Board to take into account state-authorized activities of savings banks in evaluating the financial and managerial resources of applicants under section 3 of the Bank Holding

Company Act and in formulating capital adequacy standards for bank holding companies, it would be inappropriate to employ that authority in a manner that unduly delays regulatory consideration of any particular holding company application.

Sincerely,

Jake Garn
Ranking Minority Member

William Proxmire
Chairman

Chalmers P. Wylie
Ranking Minority Member
House Committee on Banking,
Finance & Urban Affairs

Fernand J. St Germain
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