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National Council of Savings Institutions

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For Members:

MORATORIUM EXTENSION BANS HITCHHIKERS

A plan to pass a banking bill this year suddenly developed a conspicuous flaw... The legislative vehicle that was to carry it disappeared...

The strategy focused on a bill which proposes extending the moratorium on transfers between the FSLIC and FDIC that is due to expire Aug. 10... The moratorium bill is certain to pass... So the idea was to attach broader amendments to the moratorium bill...

But the bill became irrelevant when the Senate voted to extend the moratorium by tacking on an amendment to a minor House-passed coinage bill... It was a nifty piece of parliamentary craftsmanship by Chairman Proxmire of the Senate Banking Committee..who is against using the moratorium as an all-purpose banking bill...

The situation could change but the Senate action suggests a reluctance in Congress to deal with banking issues right now... Many members don't want to grapple with the FSLIC dilemma during an election year... They feel it's better to postpone this tough decision..and pass the responsibility to another administration...

Next stop for the moratorium is the House... Passage is expected..but how and when is still unclear...

MOMENTUM FOR THE FREDDIE MAC STOCK BILL

The Senate is sending clear signals that it's taking the Freddie Mac stock bill seriously... The bill..which the Council strongly supports..would remove ownership restrictions on Freddie Mac preferred stock...

Adding to the bill's momentum is a growing list of Senate co-sponsors: William Armstrong of Colorado..Richard Shelby of Alabama..Alan Cranston of California..Lowell Welcker of Connecticut..and Kit Bond of Missouri...

The Senate Banking Committee will hold hearings on the bill next week...

Council Chairman Koch will testify... The hearings should help the bill's chances because it will reveal massive savings industry backing... The committee is scheduled to vote July 11...

Also..a vote is expected that day on legislation to help the industry attract capital by enhancing the thrift charter... The bill..introduced by Sen. David Karnes of Nebraska..also has the Council's support...

Because the Freddie Mac stock bill is on a fast track..it's important to let your senators know of your support as soon as possible...

READING THE SUPREME COURT RULING ON NEW SECURITIES POWERS

There's talk the Supreme Court decision on securities powers will breathe new life into a bill repealing Glass-Steagall... We think this is off base... Securities powers aren't the real issue here... Controversy about insurance and real estate powers is the reason Glass-Steagall reform is stalled...

First..a recap... The Supreme Court on Monday let stand a lower court ruling on new securities powers for bank subsidiaries... The action means the Fed under current law can give a sub limited power to deal in municipal revenue bonds.. mortgage-backed securities and commercial paper...

Some say this decision will hasten action in the House on securities legislation... (Recall..the Senate passed a Glass-Steagall repealer in March...)
Reason: House members are becoming upset (and embarrassed) that regulators and the courts are the ones redefining the industry...

But the securities issue isn't what's holding things up in the House... Not much opposition to this in Congress... And not much interest among financial institutions... The real sticking points have to do with limits on insurance and real estate... And with new consumer-oriented restrictions proposed for savings institutions and commercial banks... In that sense..the problems are still there... Which is why one lobbyist referred to the Supreme Court decision as a huge nonevent...

KEEPING A LID ON STUDENT LOAN DEFAULTS

Chances are good Congress will do something this year to stem defaults on government-guaranteed student loans... Budget pressures (defaults are expected to cost the government \$1.6 billion this year)..plus heavy jawboning from Education Secretary Bennett..are getting lawmakers in gear...

Hearings took place this week before a House Education and Labor subcommittee... Focused on a bill from Subcommittee Chairman Pat Williams of Montana that would..among other things..stiffen reporting and notification requirements for lenders...

Bank lobbyists list some technical objections but consider the Williams bill generally workable... One reason: A suggestion from Secretary Bennett to lower the government guarantee below 100 percent is NOT in the bill... The idea was dropped for fear that it would drive institutions out of the GSL program and reduce the availability of these loans...