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Collection/Office of Origin: Speechwriting, White House Office of
Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13680
Folder ID Number: 13680-005

Folder Title:
Savings & Loan Signing 8/9/89 [OA 6267]

Stack:	Row:	Section:	Shelf:	Position:
G	26	19	2	7

Christina

REMARKS: SAVINGS & LOAN SIGNING
ROSE GARDEN
WEDNESDAY, AUGUST 9, 1989
10:45 A.M.

SECRETARY BRADY, DIRECTOR DARMAN, SENATORS RIEGLE
AND GRAMM, CONGRESSMEN WYLIE AND GONZALEZ, OTHER
MEMBERS OF THE HOUSE AND SENATE, LADIES AND GENTLEMEN,
FRIENDS.

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THOMAS JEFFERSON ONCE OBSERVED THAT "THE CARE OF
HUMAN LIFE AND HAPPINESS, AND NOT THEIR DESTRUCTION, IS
THE FIRST AND ONLY LEGITIMATE OBJECT OF GOOD
GOVERNMENT."

TODAY, WE GATHER HERE TO SIGN LEGISLATION -- THE
"FINANCIAL INSTITUTIONS REFORM, RECOVERY, AND
ENFORCEMENT ACT OF 1989" -- WHICH REAFFIRMS THOSE
WORDS.

THIS LEGISLATION COMES TO GRIPS WITH THE PROBLEMS FACING OUR SAVINGS AND LOAN INDUSTRY. IT WILL SAFEGUARD AND STABILIZE AMERICA'S FINANCIAL SYSTEM. AND PUT IN PLACE PERMANENT REFORMS SO THESE PROBLEMS WILL NEVER HAPPEN AGAIN.

MOREOVER, IT SAYS TO TENS OF MILLIONS OF S&L DEPOSITORS: "YOU WILL NOT BE THE VICTIM OF OTHERS' MISTAKES. WE WILL SEE -- GUARANTEE -- THAT YOUR INSURED DEPOSITS ARE SECURE."

THIS, OF COURSE, WAS GOVERNMENT'S INTENT WHEN FEDERAL DEPOSIT INSURANCE WAS CREATED IN 1933. YET AS THAT SYSTEM INCURRED MASSIVE LOSSES OVER THE PAST TWO DECADES, THE FUND DESIGNED TO PROTECT DEPOSITORS ITSELF BECAME INSOLVENT.

THE CRISIS HAS BEEN TOLD, AND RE-TOLD. THE FEDERAL INSURANCE FUND WAS UNABLE TO MAKE GOOD ON ITS COMMITMENTS TO THE PUBLIC, OR TO CLOSE INSOLVENT INSTITUTIONS.

THEIR LOSSES MOUNTING, HUNDREDS OF BANKRUPT INSTITUTIONS WERE ALLOWED TO CONTINUE OPERATING.

ON FEBRUARY 6, I ANNOUNCED A PLAN TO CHANGE ALL THAT. TO PROTECT INSURED DEPOSITORS. AND TO RESPONSIBLY FINANCE THE CLOSING OR OTHER RESOLUTION OF ALL INSOLVENT INSTITUTIONS. WE SOUGHT TO ABOLISH LAX REGULATIONS; TO INCREASE PENALTIES FOR WRONGDOING; AND TO REFORM THE FINANCIAL SYSTEM.

AND ABOVE ALL, WE SOUGHT TO PROTECT THOSE WHO HAVE RELIED ON GOVERNMENT TO FAITHFULLY FULFILL ITS OBLIGATIONS.

I TAKE SPECIAL PLEASURE IN THE HISTORIC LEGISLATION I WILL SIGN THIS MORNING. FOR THE TASK GROUP ON REGULATION OF FINANCIAL SERVICES, WHICH I WAS PROUD TO CHAIR, BEGAN THE EFFORT TO STRENGTHEN OUR FINANCIAL SYSTEM. ITS WORK, AND THAT OF MANY OTHERS, WAS DEBATED AND REFINED BY CONGRESS.

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YOU SEE IT HERE: ALL 371 PAGES OF IT. NO, THE BILL'S NOT PERFECT. BUT IT IS A FIRST STEP, A CRUCIAL STEP, TOWARD RESTORING PUBLIC CONFIDENCE. H.R. 1278 IS RESPONSIVE, AND RESPONSIBLE. AND FOR THAT I SALUTE THE CONGRESS. THIS BILL BALANCES AMERICA'S NEED FOR FINANCIAL SECURITY, COMPETITIVENESS, AND EQUITY.

IN PARTICULAR, I WANT TO THANK TWO COMMITTEE CHAIRMEN -- SENATOR DONALD RIEGLE AND REPRESENTATIVE HENRY B. GONZALEZ -- FOR THEIR LEADERSHIP.

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AND THEY WERE AIDED BY SENATOR JAKE GARN AND REPRESENTATIVE CHALMERS WYLIE, WHO HELPED MAKE THESE PROPOSALS A REALITY. AND SENATOR PHIL GRAMM. AND NUMEROUS OTHER MEMBERS OF THE BANKING AND OTHER COMMITTEES, FROM BOTH SIDES OF THE AISLE, WHO TOOK UP THE CAUSE OF THE PUBLIC'S INTEREST.

THEN THERE'S TREASURY SECRETARY NICK BRADY, WHOSE DEDICATED EFFORTS HAVE BEEN VITAL AND WHOSE LEADERSHIP HAS BEEN TRULY OUTSTANDING.

AND SO HAVE THOSE OF DIRECTOR DICK DARMAN. AND I WOULD BE REMISS NOT TO SALUTE HUNDREDS OF OTHERS ON THE STAFFS OF THE VARIOUS REGULATORY AGENCIES AND CONGRESSIONAL COMMITTEES. THEY, TOO, DESERVE OUR THANKS.

BECAUSE OF THEM, OF YOU HERE TODAY, AND SO MANY OTHERS, THIS LEGISLATION WILL GIVE US THE TOOLS TO MAKE OUR THRIFT INSTITUTIONS AND OUR FINANCIAL SYSTEM AS A WHOLE STRONG AND STABLE.

WITH THIS BILL'S SUBSTANTIAL FUNDING, WE WILL BEGIN -- HERE, AND NOW -- TO ELIMINATE THE ONGOING LOSSES OF THE INSOLVENT FIRMS. AND TO ENSURE THAT NOT ONE DOLLAR OF INSURED FUNDS WILL BE LOST BY ANY DEPOSITOR.

TOWARD THAT END, THIS LEGISLATION ABOLISHES THE AGENCY ONCE RESPONSIBLE FOR THRIFT SUPERVISION. IN ITS PLACE A NEW AGENCY WILL OPERATE AS PART OF THE TREASURY DEPARTMENT -- ENSURING THE TAXPAYERS' INTERESTS WILL ALWAYS COME FIRST.

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AT THE SAME TIME, A COMPLETELY NEW INSURANCE FUND WILL PROTECT DEPOSITS IN THRIFT INSTITUTIONS. THE OBLIGATIONS OF THIS NEW FUND -- CALLED SAIF [SAFE] -- WILL BE FULLY GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES. THE NEW SEAL DISPLAYED HERE SYMBOLIZES THIS NEW FUND, AND OUR COMMITMENT TO PROTECTING DEPOSITORS.

GOOD STEPS? VITAL STEPS. AND THIS LEGISLATION GOES STILL FURTHER.

- 12 -

BEGINNING TODAY, PENALTIES FOR WRONGDOING BY OFFICERS AND DIRECTORS OF INSURED INSTITUTIONS WILL BE INCREASED TO UP TO \$1 MILLION PER DAY. AND CRIMINAL PENALTIES WILL BE TOUGHENED FROM YESTERDAY'S SLAP ON THE WRIST TO THE CLANG OF A PRISON DOOR. THOSE WHO TRY AND LOOT THE SAVINGS OF THEIR FELLOW CITIZENS DESERVE, AND WILL RECEIVE, SWIFT AND SEVERE PUNISHMENT.

ALSO: STARTING TODAY, TOUGHER REQUIREMENTS FOR SAFE AND SOUND OPERATING PRACTICES WILL BEGIN TO TAKE EFFECT. NEVER AGAIN WILL AMERICA ALLOW ANY INSURED INSTITUTION TO OPERATE NORMALLY IF OWNERS LACK SUFFICIENT TANGIBLE CAPITAL TO PROTECT DEPOSITORS AND TAXPAYERS ALIKE. AND TODAY, TOO, WE BEGIN USING THE NEW RESOURCES AVAILABLE TO ACCELERATE THE RESOLUTION OF FAILED INSTITUTIONS. AND TO RECOVER EVERY POSSIBLE DOLLAR FROM THEIR ASSETS FOR THE TAXPAYERS.

AT THE SAME TIME, SEEKING TO MINIMIZE ADVERSE IMPACT ON LOCAL MARKETS.

THESE REFORMS WILL HELP OUR SYSTEM RIGHT ITSELF. FOR WHILE THE S&L CRISIS ISN'T BEHIND US, WE HAVE MET -- AND PASSED -- OUR FIRST CRITICAL TEST. MORE HARD CHOICES, AND CHALLENGES, LIE AHEAD. BUT WE WILL MEET THEM AS WE HAVE THIS CHALLENGE -- CONSULTING, COOPERATING, BETWEEN CONGRESS AND THE EXECUTIVE BRANCH.

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AS WE DO, WE WILL KEEP THE NEW FEDERAL DEPOSIT INSURANCE SYSTEM SOLVANT. AND HELP SERVE THOSE MILLIONS OF SMALL SAVERS WHO MAKE AMERICA GREAT: THE LOCAL PAPERBOY LOOKING AHEAD TO COLLEGE; THE YOUNG COUPLE DREAMING OF THEIR FIRST HOME; THE RETIRED TEACHER WHOSE SAVINGS ARE HER LIFE LINE. WE HAVE A COMMITMENT TO PROTECT THE SAVINGS OF THESE AMERICANS AND MILLIONS LIKE THEM ACROSS THE NATION. AND WE WILL HONOR THAT COMMITMENT.

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TOGETHER -- REPUBLICANS AND DEMOCRATS -- WE CAN KEEP AMERICA'S ECONOMY NO. 1 IN THE WORLD. WE CAN -- AND WILL -- PRESERVE A SAFE, EFFICIENT, AND EQUITABLE FINANCIAL SYSTEM FOR OURSELVES AND, YES, FOR OUR KIDS.

THANK YOU FOR COMING HERE AND FOR YOUR SUPPORT, BOTH PAST AND FUTURE.

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AND NOW, IT IS MY HONOR TO SIGN THE LEGISLATION WHICH
WILL PROTECT OUR NATION'S FINANCIAL SYSTEM, AND TENS OF
MILLIONS OF OUR FELLOW AMERICANS.

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ALSO: STARTING TODAY, TOUGHER REQUIREMENTS FOR SAFE AND SOUND OPERATING PRACTICES WILL BEGIN TO TAKE EFFECT. NEVER AGAIN WILL AMERICA ALLOW ANY INSURED INSTITUTION TO OPERATE NORMALLY IF OWNERS LACK SUFFICIENT TANGIBLE CAPITAL TO PROTECT DEPOSITORS AND TAXPAYERS ALIKE. AND TODAY, TOO, WE BEGIN USING THE NEW RESOURCES AVAILABLE TO ACCELERATE THE RESOLUTION OF FAILED INSTITUTIONS. AND TO RECOVER EVERY POSSIBLE DOLLAR FROM THEIR ASSETS FOR THE TAXPAYERS.

AT THE SAME TIME, WE WILL SEEK TO MINIMIZE ADVERSE IMPACT ON LOCAL MARKETS.

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- 11 -

AT THE SAME TIME, A COMPLETELY NEW INSURANCE FUND WILL PROTECT DEPOSITS IN THRIFT INSTITUTIONS. THE OBLIGATIONS OF THIS NEW FUND -- CALLED THE SAVINGS ASSOCIATION INSURANCE FUND -- SAIF [SAFE] -- WILL BE FULLY GUARANTEED BY THE FULL FAITH AND CREDIT OF THE UNITED STATES. THE NEW SEAL DISPLAYED HERE SYMBOLIZES THIS NEW FUND, AND OUR COMMITMENT TO PROTECTING DEPOSITORS.

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(Smith/Martin)
Draft Three
August 8, 1989
S&L

PRESIDENTIAL REMARKS: SAVINGS & LOAN SIGNING
ROSE GARDEN
WEDNESDAY, AUGUST 9, 1989
10:45 A.M.

Members of the House and Senate, Ladies and gentlemen,
Friends.

That great patriot, Daniel Webster, once referred to "the people's government -- made for the people, made by the people, and answerable to the people."

Today, we gather here to sign legislation -- the "Financial Institution Reform, Recovery, and Enforcement Act of 1989" -- which reaffirms those words.

This legislation comes to grips with the problems facing our savings and loan industry. And will safeguard and stabilize America's financial system. Moreover, it says to tens of millions of S&L depositors: "You will not be the victim of others' mistakes. We will see -- guarantee -- that your deposits are secure."

This, of course, was government's intent when S&L institutions were created at the Federal level in 1933. Yet as that system incurred massive losses over the past two decades, the fund designed to protect depositors itself became insolvent.

The crisis has been told, and re-told. The fund was unable to make good on its commitments to the public, or to close

insolvent institutions. Poorly supervised, their losses mounting, hundreds of bankrupt institutions were allowed to continue.

On February 6, I announced a plan to change all that. To protect insured depositors. And to finance -- responsibly, and fairly -- the closing or other resolution of all insolvent institutions. We sought to abolish lax regulations; to increase penalties for wrongdoing; and to reform the financial system. And above all, to protect those who have relied on government to do what is both legally and morally right.

The historic legislation I will sign this morning was tested and refined by Congress. You see it here: All ___ pages of it. No, the bill's not perfect. And it is only a first step toward restoring public confidence. But H.R. 1278 is responsive, and responsible. And for that I salute the Congress. For this bill balances America's need for financial security, competitiveness, and equity.

In particular, I want to thank two committee chairmen -- Senator Donald Riegle and Representative Henry B. Gonzalez -- for their leadership. And they were aided by Senator Jake Garn and Representative Chalmers Wylie, who helped make these proposals a reality. And Senator Phil Gramm. And numerous other members of the banking and other committees, from both sides of the aisle, who were "answerable to the people."

Then there's Treasury Secretary Nick Brady: His efforts have been vital. And so have those of Director Dick Darman, who

has worked on this issue from the beginning. And I would be remiss not to salute hundreds of others in the staffs of the various regulatory agencies and Congressional committees. They, too, deserve our thanks.

Because of them -- of you -- this legislation will give us the tools to make our thrift institutions strong and stable. And our financial system as a whole. With this bill's substantial funding, we will begin -- here, and now -- to eliminate the ongoing losses of the insolvent firms. And to recover every possible dollar from their assets for the taxpayers.

Toward that end, this legislation abolishes the agency once responsible for thrift supervision. In its place a new agency will operate as part of the Treasury Department -- ensuring the taxpayers' interests will always come first.

At the same time, a completely new insurance fund will protect deposits in thrift institutions. The obligations of this new fund -- called SAIF [SAFE] -- will be fully guaranteed by the full faith and credit of the United States. The new seal displayed here symbolizes this new fund, and our commitment to protecting depositors.

Good steps? Vital steps. And this legislation goes still further.

Beginning today, penalties for wrongdoing by insured officers and directors of insured institutions will be increased to up to \$1 million per day. And criminal penalties will be toughened from yesterday's slap on the wrist to the clang of a

prison door. Those who try and loot the savings of their fellow citizens deserve, and will receive, our contempt.

Also: Beginning today, tougher requirements for safe and sound operating practices will take effect. Never again will America allow any insured institution to operate normally if owners lack sufficient capital to protect depositors and taxpayers alike. And today, too, we begin the task of resolving failed institutions. Yet we will also seek to minimize adverse impact on local markets.

These reforms will help our system right itself. For while the S&L crisis isn't behind us, the worst -- I believe -- is over. Yes, we will face more hard choices ahead, and challenges. Yet we will meet them as we have this challenge: As friends, and bi-partisan colleagues -- consulting, cooperating, between Congress and the Executive Branch.

The great American humorist, Will Rogers, was once asked about the place of politics. "Politics isn't worrying our people," he said, "half as much as parking space." And he was right. Americans shouldn't have to worry about politics, or public honesty, or our financial system. We must do our job, so that they can do theirs.

If we do, we will keep the system solvent. And help serve those millions of small savers who make America great: The local paperboy looking ahead to college; the young couple dreaming of their first home; the retired teacher whose savings are her life line. They have earned our help. And they must have it.

Together -- Republicans and Democrats -- we can keep America's economy No. 1 in the world. And by remaining "answerable to the people," we can -- and will -- preserve a safe, efficient, and equitable financial system for ourselves and, yes, for our kids.

Thank you for coming here. And your support, both past and future. And now, it is my honor to sign the legislation which protects tens of millions of Savings and Loan depositors.

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