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**Folder Title:**  
Swearing-In of FDIC Chairman William Taylor 10/31/91 [OA 8317]

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(Duggan/Simon)  
October 29, 1991  
Draft Two  
FDIC.TS

PRESIDENTIAL REMARKS: SWEARING-IN FOR FDIC CHAIRMAN  
WILLIAM TAYLOR  
ROOM 450  
THURSDAY, OCTOBER 31, 1991  
1:00 P.M.

[Introductory acknowledgments]

Congratulations, Mr. Chairman. \\ It's a pleasure to welcome William Taylor aboard as he takes on one of America's toughest jobs -- chairmanship of the Federal Deposit Insurance Corporation.

*WASH. TIMES  
8-14-91  
+  
W.H. statement  
8-13-91*

Bill Taylor is a thorough professional who exemplifies the highest ideals of selfless public service. With more than twenty years' service as a bank regulator, he has earned a sterling reputation for fairness and leadership. He also brings to his new position valuable experience in the banking and real estate development industries.

My top priority remains economic growth -- sustaining and deepening our emerging recovery. In this, I already have benefited from Bill Taylor's advice. His ideas have helped shape our intensive efforts to ease the credit crunch. I know from working directly with Bill that he has a creative and independent mind, a deep understanding of banking, and above all, a firm sense of responsibility and duty.

We will not enjoy a full recovery until we get America's banking system in order. The FDIC belongs to a larger, more complex financial system that needs comprehensive renewal and

reform. For all his talent and integrity, Bill Taylor won't be able to do his work to the fullest if we fail to give him the teammates and the tools he needs. \\

Vital members of the bank regulation team have been held up by the Senate's dilatory confirmation process. The nation has been waiting more than nine months for the Senate to act upon my nomination for Comptroller of the Currency. Two nominees to fill vacancies on the Federal Reserve Board await Senate votes. One of these has been delayed more than eight months, largely at the whim of one senator who has placed a "hold" on the confirmation. Even our respected Fed Chairman, Alan Greenspan, remains trapped in the Senate holding pattern, as senators drag their feet on confirming him for a new term.

In my speech to public administrators last week, I had a lot to say about reforming such congressional practices as these archaic "holds" on nominees. At this moment of such pressing need for action and leadership, we simply cannot excuse the Senate's stall in getting our top-level bank regulation team in place. \\ We do not have that luxury.

Let me say today: I will repeat this message over and over and over: The Senate needs to act on a comprehensive growth package -- and on each one of these vital nominations. \\ \\

Our regulatory team needs modern tools to keep America's banks strong in competitive global markets. While the rest of the world forges ahead, we bear the dead weight of banking regulations enacted more than half a century ago. I have asked

*nominald  
1-23-91  
Exec.  
Clerk  
x2226  
Larry  
Lindsay*

Congress to enact comprehensive reforms of our banking laws to bring them up to date.

My bank reform package will knock down restraints that keep us from competing on an even basis with European and Japanese banks. Odd as it may seem, we permit a bank in Birmingham, England, to open branches in California, but we forbid a bank in Birmingham, Alabama, from doing the same. We can't compete if we place our own banking industry in shackles.

Our plan for deposit-insurance reform would safeguard depositors' hard-earned money and protect the taxpayers' pocketbooks as well. Our reforms would assure that bank laws never again expose taxpayers to such massive burdens as the savings-and-loan cleanup.

My legislation would set clear standards for prompt action by bank regulators. This can help us preserve sound banks and ensure sound loans. \\

Most important, our reforms would attract new capital to banking. This would give America's small and medium-sized businesses -- which depend on banks for capital -- the wherewithal to grow and create jobs. \\ This would give hope to our young people. This would let us move forward the way we always have -- by extending credit for the pursuit of prudent risks. \\

Our battle for banking reform faces opposition not just from protectors of the status quo. Incredible as it may seem, some in Congress actually want to move banking laws backward -- to make

our banks even less competitive in the global marketplace. \\  
But I don't care what interest groups have cozied up to which  
politicians. The stakes are too high, and we cannot afford to  
wait any longer. Nothing will stop me from fighting on principle  
for real bank reform that gets our economy moving toward the  
future. \\

Bill, I know you will be proud to lead the dedicated  
professionals of the FDIC. All of you enjoy my fullest support  
in the tough job you face. And be assured: I will continue to  
make every effort to help America's banking system compete now -  
- and in the 21st Century.

Thank you very much.

# # #

Acknowledge for William Taylor swearing-in

✓ Wife Sharon

✓ Children: Claire, William, and Emily

✓ Sister: Ruth Taylor

Sister Elizabeth Keating could not be here due to illness,  
hope she's better soon.

✓ Robert Clarke      Tim Ryan  
Richard Breeden, Chm. SEC

✓ Alan Greenspan

✓ Jack Kemp

✓ Nick Brady Swearing-in  
Members of Congress

Father Constantine White - prayers

Event in Room 450 at 1:00 p.m.

in M.C. - ?  
welcome - ?

who'll administer oath? Brady

Frank Annunzio

Chalmers Wylie

[Taylor remarks]

Dep. Sec. Robson

THE WHITE HOUSE  
WASHINGTON

DATE: 10-24-91

TO: Tony Snow

FROM: J. FRENCH HILL  
Special Assistant to the President and  
Executive Secretary to the  
Economic Policy Council  
Room 228, OEOB, x7968

Some background material  
for the President's remarks  
at William Taylor's  
swearing-in as Chairman  
of the FDIC. Scheduled  
for Thursday, October 31  
at 1:00 pm.)

Thanks.

Don't hesitate to call, if I  
can help.

cc: Claire Sechler

THE WHITE HOUSE  
Office of the Press Secretary

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For Immediate Release

October 8, 1991

STATEMENT BY THE PRESIDENT

I have today approved a set of proposals for additional action to relieve the "credit crunch." The proposals were developed by the Treasury Department working with the bank regulators. They were reviewed and presented to me by the Economic Policy Council -- in response to my directive of September 27th.

There are many signs that we are emerging from the recession. Housing starts are up 26 percent since January. Industrial production has risen for five straight months. Our unemployment rate in September fell to 6.7 percent. In addition, the index of leading economic indicators has been steady or increasing for seven straight months.

With mortgage interest rates at their lowest levels since 1977, I ~~want to ensure that we have sound banks making sound loans.~~ The genius of the American economy is the entrepreneurial spirit of our people. Ensuring sound credit for economic expansion which creates new jobs is important.

I am pleased with the additional steps we are announcing today. But let me emphasize: This is not all that can or should be done. I have directed the Economic Policy Council to examine additional measures that might be taken -- not only to relieve the credit crunch, but also to advance our agenda for job-creation and growth. We will be meeting to review additional recommendations in the weeks ahead.

# # #

# TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

Embargoed Until 3PM  
October 8, 1991

Contact:  
Claire Buchan  
566-8773

## EASING THE CREDIT CRUNCH TO PROMOTE ECONOMIC GROWTH

Secretary of the Treasury Nicholas Brady today announced new steps in the Administration's ongoing efforts to address "credit crunch" problems identified by the business community, bankers, and regulators. The steps build on the President's economic agenda and are aimed at sustaining the economic recovery.

"Maintaining the economic recovery depends on banks playing their traditional role, businesses making investments, and consumers purchasing goods and services," Brady said. Recent statistics show employment levels, housing starts, and industrial production rising. The Administration wants to insure that proper balance in the regulation of the banking sector continues the upward trend and that Congress passes other Administration economic growth proposals.

The Administration's new steps were developed in consultation with the Federal Reserve Board, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and the Office of Thrift Supervision. They are designed to promote confidence and balance in the lending environment, and to help businesses and consumers in their economic activity.

The Administration's program builds on the previous efforts by the Treasury Department and financial regulators to assure that sound businesses and consumers can get needed credit. These efforts include encouraging lenders to make prudent loans and assuring that examiners perform their reviews in a balanced, sensible manner. The federal banking and thrift regulators have stated that they do not want the availability of credit to sound borrowers to be adversely affected by supervisory policies or depository institutions' misunderstandings about them.

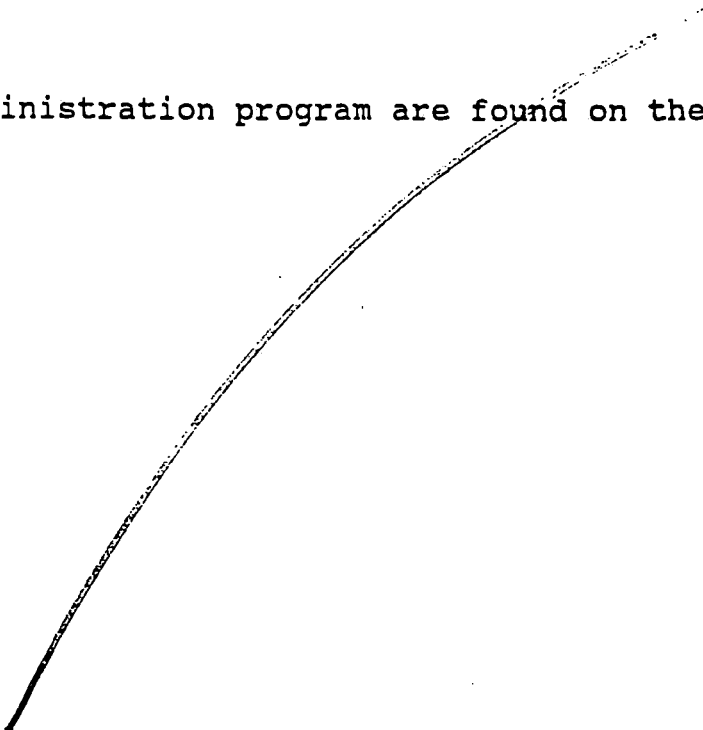
In particular, the Administration, while avoiding any encouragement of regulatory laxity, wants to ensure that the specific guidance issued by the regulators over the past several months is being fully implemented by examiners in the field, and that additional opportunities for assuring balanced regulation are pursued. Among the areas addressed are:

- Directives that bankers should work constructively with borrowers experiencing temporary difficulties and facilitate the orderly restructuring of credits;
- Prudent refinancing of economically sound commercial real estate loans;
- Improved verification by regulatory supervisors that recent policy changes and clarifications are appropriately applied in each examination;
- Enhancements in the process for appeals of alleged misapplication of regulatory standards;
- Harmonization of the treatment of preferred stock in U.S. capital standards with other signatory countries under the Basle capital accord;
- Appropriate application of valuation standards especially in real estate credits so as to avoid a liquidation approach to valuation;
- Improved guidance in the appraisal process and steps to reduce excessive appraisal costs for lenders;
- Legislative action to make permanent recent EPA regulations to limit lender liability for environmental cleanup of loan collateral properties;

This program is in addition to the President's comprehensive economic growth package, which has been stalled in the Congress. These proposals designed for increasing job-creating investment include: reducing the capital gains tax, permanently extending the research and experimentation tax credit, establishing enterprise zones, and promoting saving through Family Savings Accounts and expanded Individual Retirement Accounts. "These proposals should be voted upon without delay," Brady said.

"Congress can also help by passing the Administration's comprehensive banking reform legislation and approving its nominees for top financial regulatory positions which are before the Senate. Holding up these measures and appointments creates further uncertainty about fiscal, monetary, and regulatory policies," Brady said.

Details of the Administration program are found on the attached fact sheet.



EASING THE CREDIT CRUNCH TO HELP PROMOTE ECONOMIC GROWTH

FACT SHEET

I. NEW REGULATORY ACTIONS TO BE IMPLEMENTED

A. Efforts to Improve Lending Environment

Conform U. S. Implementation of Basle Capital Standards

Conform U. S. treatment of Preferred Stock in Tier One capital with other countries under the Basle accord. No amendment to the Basle capital standards is needed.

Removing this ceiling will give bank holding companies an additional method of raising Tier One capital, as there are investors who prefer preferred stock to common shares.

This could result in an increase in Tier One capital and thus expand lending capacity.

The target date for completing this conforming change is October 31, 1991.

B. Build Banker Confidence

1. Enhanced Examination Appeals Process

Each agency has an existing appeals process for bankers who believe that examiners have made an error in their evaluation of loans. Although the guidelines issued March 1st encouraged bankers to take advantage of this mechanism, few bankers have done so.

Thus, it is recommended that the appeals process be strengthened by allowing a banker to appeal directly to senior officials or a Reserve Bank President separate from the supervisory process. Investigations would be conducted in a confidential manner.

Each regulatory agency will implement this system by November 15, 1991.

2. Improve Examination Management

In order to further assure that consistent and balanced examination standards are applied, agencies will take the following steps:

- a. Regional supervisory management will be required to:
- i) make sure that the March 1st policy changes and clarifications, and all subsequent guidelines, have been effectively communicated to each examiner;
  - ii) make sure that these policy changes and guidelines have been explained to the banker by the examiner in each examination; and
  - iii) certify that these policy changes and clarifications, and all subsequent guidance, have been followed by examiners in each exam.

These policy changes and clarifications include the instruction that:

- o bankers should work in an appropriate and constructive fashion with borrowers who may be experiencing temporary difficulties;
- o income producing property loans are to be assessed on the income-producing capacity of the properties over time. Examiners should take into account the lack of liquidity and cyclical nature of real estate markets. Liquidation appraisal values are to be used only if the property is to be liquidated;
- o banks with real estate concentrations should not automatically refuse new credit to sound real estate developers or to work with existing borrowers;
- o regulatory agencies do not have rigid rules (or percentages) on asset concentrations, as bankers and regulators know well the benefits of adequate portfolio diversification;
- o institutions attempting to raise capital by shrinking assets should avoid actions such as the sale of all high-quality assets. Such actions by themselves, or the refusal to make sound, new loans, fail to achieve an important goal of improving the quality of the institution's loan portfolio;
- o bankers and examiners should not lump all real estate together: distinctions should be made. For example, credit for a residential builder, should not be automatically penalized by local oversupply conditions in commercial office development;
- o bankers should facilitate the orderly restructuring of

troubled credits by using established techniques under FASB 15, "Troubled Debt Restructurings"; and

- o banks should be able to prudently refinance commercial real estate loans without fear of regulatory retribution ("mini-perm" guidance).
- b. The agencies will develop a method for regular communication with bankers by central office and/or regional senior personnel to determine banker views on the fairness and balance of examination standards and practices. Examples of this communication would include polling and regular meetings with bankers.

The agencies will implement these changes by November 15, 1991.

C. Improve Real Estate Guidance

1. Real Estate Valuation Policies

The bank and thrift regulatory agencies have been developing a uniform and comprehensive set of real estate examination guidelines, especially for real estate in troubled markets. These detailed guidelines cover loan classification procedures, indicators of troubled loans, proper analysis of appraisals and loan values, and proper reserve analysis.

These guidelines will be released by October 31, 1991 and will be distributed to all examiners -- and bankers.

2. Use of Appraisals

As a part of Subsection 1 above, a letter will be sent by the primary regulator to every bank chief executive outlining the guidelines for using appraisals emphasizing balance and appropriate time lines.

3. Random Audit Program

The regulatory agencies would establish quality control through a random audit program to determine how examiners are using appraisals in the loan documentation process.

This can be implemented by October 31, 1991.

4. Appraisal Costs

The Administration supports the actions taken recently by the regulatory agencies to limit the costs of appraisals on residential real estate loans by raising the minimum loan size subject to appraisal requirements to \$100,000 from \$50,000.

The Administration calls on the regulatory agencies to consider additional steps that can be taken administratively to lower the burden of appraisal costs, especially for home buyers and small business.

The agencies will report their recommendations to the Secretary of the Treasury by January 1, 1992.

D. Further Clarify the Definition of Highly Leveraged Transaction (HLT)

Leveraged borrowers in businesses such as cable television or broadcast media have cited the HLT definition as unreasonably restraining credit to their industries.

The agencies published their definition for public comment in the Federal Register. The comment period concluded on September 23, 1991, resulting in over 200 comment letters.

The regulatory agencies will review the comments and propose improvements to the definition by December 1, 1991.

E. Convene National Meeting of Examiners

The Treasury Secretary has requested that by mid-November, 1991, the regulatory agencies convene a meeting of all key supervisory management and senior field examination professionals.

Examiners would participate in a series of meetings about the economy and a thorough briefing on the policy changes and guidelines and their application.

II. PROPOSALS THAT WOULD HELP CURE THE CREDIT CRUNCH WHICH REQUIRE ACTION BY CONGRESS

The Administration supports a number of legislative proposals that would promote savings and economic growth, make the financial sector more efficient and create a better climate for lending. These include:

A. Banking Reform

The President's Banking Reform bill will spur confidence for investment by assuring that the United States has a modern banking system with stronger, safer banks.

Stronger, more competitive banks would have greater flexibility in working with borrowers to avoid future credit crunches.

B. Lender Liability Reform

Banks have been reluctant to make certain loans because of recent court cases that have found lenders liable for environmental clean-up costs, even when the bank's only interest in a property is a security interest to secure a loan.

To address this uncertainty concern, the EPA issued a proposed regulation interpreting the Superfund Act which would properly limit lenders' liability for any Superfund clean-up costs as long their participation is merely that of a lender, and not a long term operator.

To make this certainty permanent, the Administration is supportive of efforts to further clarify these rule changes in statute.

C. The President's Growth Initiatives

To increase demand and boost asset values, including real estate, the Administration continues to urge Congress to pass the President's growth package. The program would:

- o reduce the capital gains tax rate;
- o enhance personal savings through an expanded Individual Retirement Account (IRA) and Family Savings Account;
- o make the Research and Experimentation (R&E) tax credit permanent;
- o increase federal investment in science, technology and infrastructure;
- o reform the education system; and
- o keep the discipline of the budget agreement.

D. Nominees for Regulatory Positions

Three out of four bank and thrift regulatory agencies are ~~without a Senate-confirmed head.~~ Presidential nominees for regulatory positions awaiting Senate confirmation, include two members and the Chairman of the Federal Reserve Board, as well as the Comptroller of the Currency and the Chairman of the FDIC.

The Administration urges Congress to eliminate uncertainty about the direction of monetary policy and regulatory leadership by acting quickly to confirm the President's

nominees. Congress' preoccupation with second guessing regulators has continued to exacerbate the credit crunch.

E. Bankruptcy Reform

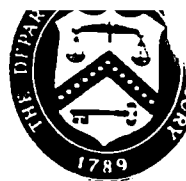
Some in Congress and the American Bankers Association point out that recent court decisions, a developing social acceptability of bankruptcy, and aggressive tactics by borrowers have weakened bankruptcy practices and thus, reduced the willingness of bankers to lend.

The Justice Department has recently undertaken a comprehensive review of the bankruptcy law and practice. The President has asked the Acting Attorney General to complete this review, analyze pending legislative initiatives, and, together with the Secretary of the Treasury, evaluate their impact on credit extensions by financial institutions.

This report will be made to the Economic Policy Council in January 1992.

The Economic Policy Council and the regulatory agencies will continue to review the credit crunch and related issues.

# TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-204

TEXT PREPARED FOR DELIVERY  
EMBARGOED UNTIL 1:00 P.M.

REMARKS BY  
NICHOLAS F. BRADY  
SECRETARY OF THE TREASURY  
TO THE  
ATLANTA ROTARY CLUB  
SEPTEMBER 30, 1991

Thank you, Rankin.

It's great to be back in Atlanta -- home of the Atlanta Braves, the Atlanta Falcons, the 1996 Summer Olympics, and John Robson, who used to be Dean of the Emory Business School and is now doing a great job as Deputy Secretary of the Treasury.

And, I'm privileged to have the opportunity to speak to this distinguished group. Many people believe that those of us in Washington do not know, or understand, what is going on in the real world -- that we are out of touch and living in a bubble inside the Washington Beltway. The President held two long meetings this past week with Cabinet members on the economy, and I can promise you, as long as you have a President like George Bush, you can rest assured that the message from Main Street will get through.

And one of the messages we have been hearing is that the credit crunch, and its effect on the economy, is a number one priority -- and not only here in Atlanta.

As we enter the fourth quarter of 1991, economic signals continue to read like mixed metaphors. The economic recovery, which began in the third quarter, is on track, although there are pockets of the economy where the recession clearly still lingers. Historically, the early stages of a recovery tend to be uneven, and this particular recovery seems to be following just such a bumpy route.

Assessments of the health of the economy are based on a variety of statistics, and the economy has, in fact, recorded a string of favorable statistics. These numbers indicate the economy turned the corner in the second quarter and is on the way up.

- The leading indicators, which typically point to the pace of future economic activity, have risen for six straight months.
- Industrial production, led by manufacturing, has also been on the rise for five months, and low inventories suggest that expansion will continue.
- Inflation is under control, currently averaging below three percent.
- The Fed funds rate has fallen 300 basis points since July 1990 and is now just over 5 percent.
- And the discount rate is down to five percent from last year's seven percent -- an eighteen year low.

But statistics don't mean much to people who aren't participating in the good news yet.

- The unemployment rate is down to 6.8 percent, but for the people who make up that 6.8 percent, that statistic is meaningless.
- There have been signs of recovery in the housing market, but they are fitful and sluggish.
- And most importantly, consumer confidence has not yet bounced back.

There is a statement often quoted in Washington that says "perception is reality". That saying can easily be applied to economic recovery. For the American people to perceive that economic recovery is here, they must believe that Congress, the Administration, and American businesses are doing all we can to promote that recovery. And until the recovery actually touches people's lives, all the economic statistics in the world will not convince them the recovery has arrived.

We must make the connection between perception and reality, and we can do that by addressing aspects of the economy that can add or subtract to economic growth. Most economists state that the recession has ended, and the economy is on track. But now we must continue to work to see that the recovery is not sidetracked.

\* One of the aspects of the recovery that is not on schedule is the availability of credit. If corporations are to expand and increase production, they must have access to credit. If small businesses, the traditional source of new job creation, are to be able to grow and perform that job-creating function, they must

have access to working capital. If homebuilders are to be able to meet downstream demand for new homes, they must have access to construction loans. If consumers are to release pent up demand for big ticket items, they must be able to obtain credit.

With the decline in the federal funds rate, credit should be more affordable than ever. And banks do have the liquidity to make loans. But they aren't making them.

There are numerous causes of the credit crunch. Clearly, the recession is a major cause. The downturn in the economy made financial institutions more cautious about lending, and businesses more cautious about borrowing. The recession scored a direct hit on the balance sheets of banks whose portfolios were not adequately diversified.

And, the recession resulted in an increase in non-performing loans in bank portfolios. When non-performing loans rise, bankers become more conservative, and regulators get nervous. For example, bank non-performing assets in real estate alone jumped 72 percent from March 1990 to March 1991. It is not surprising, then, that the credit crunch has been most evident in the real estate industry.

And in the real estate industry, the real problem is in commercial real estate. Ten years of overbuilding contributed to the problem. Fifty percent of current office space was built during the 1980s, and demand did not keep up with supply. If you have ever flown into Dulles Airport, about 20 miles outside Washington DC, you know what I mean. The route to that airport, which used to be lined with trees, is now a solid wall of high-rise office buildings -- and many of them stand empty. Every city has its horror stories, and that reflects the fact that national vacancy rates for office space increased from eight percent in 1980 to twenty percent in 1990.

In addition to the recession and overbuilding in commercial real estate, you can add the presence of regulatory overkill. As examiners became more nervous over the tilting of bank balance sheets, some individual examiners have overreacted to bank losses, and to Congressional criticism that regulators have been too lax. The result has been to create a "fear factor" in the banking system, and a hesitancy on the part of bankers to make any new loans which might be questioned by an examiner.

The Administration is taking steps to address this problem, and John Robson has taken the lead for Treasury. For over a year, John, Alan Greenspan of the Federal Reserve, Bob Clarke of the OCC, Bill Seidman of the FDIC, and Tim Ryan of the OTS, have met with bank and thrift examiners to make sure they know they should not be part of the problem -- they have to be part of the solution.

This group, and others, have held over 150 meetings around the country with regulators, bankers, and borrowers to identify problems and work toward solutions. Some of the most effective of these meetings have been regional meetings that include Members of Congress, regulatory supervisors, bankers and borrowers. Congressman Gingrich has been very instrumental in coordinating this "town meeting" effort with his colleagues in the House, and in fact, this morning I attended a credit crunch meeting organized by Congressman Gingrich in Clayton County.

The message we hope to convey at these meetings is that financial institutions should be making loans to worthy borrowers, and we are working to get that message out. Over the past several months, we have worked with the regulators to achieve changes in regulatory policy and regulatory attitudes based on the use of balance and common sense. The regulators have issued a number of directives, beginning in March of this year, which have:

- Made clear that liquidation value appraisals should not be used;
- Allowed banks with real estate concentrations to work with existing borrowers and make sound new loans;
- Facilitated the restructuring of troubled credits;
- Allowed commercial real estate loans to be prudently refinanced by banks without regulatory criticism.
- And, clarified lender liability under Superfund legislation.

We believe these new guidelines will make a difference. As we have seen, the credit crunch has many causes, and regulatory zeal cannot be blamed for the entire problem. Each banker has his or her own board of directors and shareholders to whom they must answer. But it is a burden on the economy when banks do not perform their traditional role of providing loans. The financial world is changing, and the traditional role of banks as lenders has already been eroded as the market has developed new ways of raising capital.

Corporations raise capital through commercial paper. Consumers now use credit cards and personal finance corporations when they need additional credit. They get auto loans from GMAC and Ford Motor Credit, they save at Merrill Lynch and Sears Roebuck, and they even have checking accounts with Vanguard and Fidelity mutual funds.

I am sure each of you could provide your own reasons for the slowdown in credit availability. But the essential fact is that banks are not performing their traditional function as "shock absorbers", lending to businesses and individuals to help pull them through the tough times. Our financial institutions were weak heading into this recession. Instead of making loans to tide people over, they were forced to pull back and look out for themselves. Today, the banking industry is under stress, and that's not just a problem for the banks -- that's a problem for business. Financial institutions and businesses must work together if we are to see continued economic growth and more jobs.

At the President's urging, we in the Administration will continue to work with the regulators and the examiners to clarify regulatory guidelines and give examiners the confidence to perform honest, fair and balanced examinations of banks. We will also continue to work with the banking and thrift industries, as well as other business groups, to identify regulations and exam practices which are believed to contribute to the problem. We have heard many horror stories about draconian examinations, but most are from unnamed sources. If bankers believe exams, or examiners, are unfair, they need to step up and voice that concern.

Fear of retribution by the same examiners is the reason most given for the lack of official complaints. If that is the case, then bankers should work with us to devise an appeals process for examinations which alleviates that concern. All four regulators have assured me they have a strong commitment to address this problem, but we cannot solve nameless, faceless accusations. And we will not make examiners -- or regulators -- the scapegoats for bankers who have decided not to lend.

Addressing the credit crunch is a battle which must be waged in the short term to make the economic recovery a reality. We must also continue to work with the Congress to pass the President's economic growth package. When I say "work with the Congress", I have to admit to a certain level of frustration. The Administration is criticized for not having a domestic growth plan, but in fact, the Congress has chosen to ignore the President's plan.

In February of this year, the President proposed a package of economic growth incentives as part of the FY 1992 budget -- but the Congress has yet to act on a single one. The President's growth plan includes proposals which made sense at the beginning of this year, and make even more sense now. Our program would:

- Reduce the capital gains tax rate;
- Enhance personal savings through an expanded Individual Retirement Account (IRA) and the Family Savings Account;
- Make the Research & Experimentation (R&E) tax credit permanent;
- Increase federal investment in science, technology and infrastructure;
- And keep the pay-as-you-go system in the budget process to ensure that any new spending must be offset by decreased spending elsewhere in the budget. This restraint on federal spending is working, and we must keep it in place to bring down the deficit.

Finally, we must reform the antiquated laws governing the banking system to make banks safer, sounder and stronger. We must pass the President's comprehensive banking reform legislation now before Congress. It is just good common sense to help banks renew the value of their franchise by strengthening their capital positions, and encouraging more diversified portfolios.

Congress has been considering the Administration's financial services reform proposal since March, and the lines of the debate have been clearly drawn. Those who oppose the Administration's bill, who want to leave things as they are, would have you believe that reform is simply deregulation. It's not. These opponents support measures which would take the banking industry backwards, restrict competition, and protect special interests.

The financial services industry needs progressive reform which encourages competition and shuns the protection of special interests. There are strong advocates of responsible change on both sides of the aisle -- Democrats and Republicans. In fact, Georgia Congressman Doug Barnard is one of the leaders for comprehensive reform because he knows strong banks and financial service firms are a key to the economic health of our country.

Although we are entering an election year, economic growth should not be a partisan issue. When the economy is growing, jobs are created, personal income rises, businesses expand and increase production, and the standard of living is higher for everyone. We must make the economic recovery a reality that is perceived by everyone, and with your help, we can make that happen.

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# TREASURY NEWS



Department of the Treasury • Washington, D.C. • Telephone 566-2041

AS PREPARED FOR DELIVERY  
EMBARGOED UNTIL 8:30 P.M.  
(9:30 P.M. EDT)  
April 25, 1991

Contact: Desiree Tucker-Sorini  
(202) 566-8773

**THE HONORABLE NICHOLAS F. BRADY  
SECRETARY OF THE TREASURY  
REMARKS TO THE  
INTERAGENCY SUPERVISION CONFERENCE  
DALLAS, TEXAS  
APRIL 25, 1991**

Thank you, Tim [Ryan]. Chairman Seidman, Comptroller Clarke, and your colleagues here tonight representing the Federal Reserve, FDIC, OTS, OCC, and RTC -- I appreciate the invitation to speak to your conference and to discuss the U.S. economy and the Administration's banking reform proposal.

I have just returned from a trip to Europe and the Middle East, where I consulted with our G-7 partners, as well as other economic and business leaders in those regions. The purpose of my trip, undertaken at the request of the President, was to evaluate the financial and economic policies that will be needed to address the new challenges facing the world community.

We live in a highly integrated global system in which economic power is shared. A decade of prosperity based on economic growth has brought with it expanding responsibilities for all countries. A world of twenty-four hour global communications, instantaneous fund transfers and interdependent economies is necessarily a world of increased responsibility sharing. Obviously, each country will look to its own interests, but at the same time, as a community of nations, we must keep a strong weather eye on the fact that we are economically interdependent. The unique success of the international response to Iraqi aggression demonstrates how a common cause widely agreed to can advance our shared interests.

NB-1235

In the United States, we are meeting our international responsibility by reaffirming our commitment to low-inflationary economic growth. As the President said to a Joint Session of Congress earlier this year, "Our first priority is to get this economy rolling again." Most economists anticipate an end to the current recession by mid-year, and a resumption of moderate growth as the year progresses. The return to positive growth will be based on export opportunities, lower and more stable oil prices, increased credit availability, and lower interest rates.

I have no doubt we will see economic figures that send mixed signals before we see clearer signs of a turnaround. And that is why, in the long run, the most important domestic economic development is the President's budget agreement with Congress which has reformed Federal government spending and created the framework for future economic growth.

Think about it. The 1990 budget agreement mandates a \$492 billion reduction in federal borrowing over the next five years and dictates that federal spending shall be governed by the principle of pay-as-you-go. Since these reforms, the Federal Funds rate has fallen from 8% in October 1990 to 6% today. This was not an accident. This was President Bush's plan. Remember, prior to the budget agreement, Chairman Greenspan said a "credible, enforceable reduction in the budget deficit" would result in lower interest rates. The President forged just such an enforceable reduction package and interest rates have dramatically declined.

Those who don't think this will help stimulate economic growth are dead wrong. Americans who have received downward adjustments in their variable rate mortgages and home equity credit lines certainly understand what it means. Those who can buy a car or a house with substantially lower monthly payments know what it means. Lower interest rates and monthly payments have always made a difference before and they will now.

Although these developments are encouraging, this does not mean we have rested on our oars. And, we are taking additional steps which will strengthen the economy both in the short-run and the long-term.

In the short-run, in order to encourage the economic turnaround, we have taken steps to address the credit crunch. On March 1, 1991, your agencies announced a series of guidelines and clarifications aimed at facilitating credit for sound borrowers. These steps were developed and agreed to by your leadership to assure that the supervisory process is not, in and of itself, contributing to a tightening of credit. As your announcement stated: "We do not want the availability of credit to sound borrowers to be adversely affected by supervisory policies or depository institutions' misunderstandings about them."

The guidelines and clarifications were issued to provide examiners with the confidence to use their own common sense and judgment. The new guidelines will also provide borrowers with hope that appropriate lines of credit will be renewed. Customers will believe that a worthy, new project has a chance for funding, even in sectors where an institution may have a concentration of loans it is trying to reduce.

You and the 7,000 supervision professionals who work with you have a critical role to play in this effort. Banks will lend when they have financial strength and confidence. Unfortunately, this is not always the case. Instead, we are told that a widespread anxiety is being expressed by banks that regulatory overkill is directly contributing to a lack of credit availability.

But this is not an academic lecture. We recognize you have a difficult job to do. Many of you may have vivid memories of Congressional hearings called to evaluate the actions and judgments of bank supervisors. Believe me, I know how you feel -- that your judgments are reviewed only when loans go bad and second-guessed with the 20-20 vision of hindsight. It is not often -- perhaps never -- that an examiner receives public praise for using balance and common sense, but that's exactly what your responsibilities and the welfare of the country require that you do.

We all realize that bank examination -- just like bank lending -- is an art, not a science. And the new guidelines are intended to complement the tools examiners employ as they do their job.

You are on the front line of economic vitality in this country. The financial industries you oversee perform an essential role in stimulating and sustaining economic growth. So you must be mindful that the way you do your job can have a profound effect on the willingness of banks to lend. The regulators' recent guidelines were not intended to be just a press release to be cast aside. They are meant to be an expression of the philosophy of common sense. But, the guidelines will remain only guidelines until you and your colleagues apply them in your examinations.

I should also make it clear that bankers have a responsibility to meet. As President Bush said in his State of the Union address, "Sound banks should be making sound loans, now." I have urged the banks not to overreact and to keep lending to their good customers. There are many ways to strengthen a balance sheet in addition to shedding loans.

Many have said to us that bankers hesitate because of fear of regulators, and that the regulators bear down too hard for fear of being second-guessed. This has led to fingerpointing between regulators and banks. Neither the banking industry, nor the regulatory community will be able to resume its constructive, time-honored roles if this state of mind continues. With your help, we can achieve a balanced regulatory environment which gives financial institutions the confidence to make sound loans, while at the same time protecting the depositor from speculative, risky investments.

We must address the current credit crunch, but we must also come to terms with longer range problems in the financial services industry. One of the Administration's top domestic priorities is to modernize our antiquated 40- and 50-year old banking laws. This is important not just for the financial services sector, but for the economy as a whole. Businesses must be able to count on our financial services firms, particularly banks, in bad times as well as good.

As we have seen in the current economic downturn, weak banks are forced to pull back just when their good customers need them most. When loans stop at the first sign of trouble, jobs are imperiled. If we expect to exert world economic leadership in the 21st century, we must have a modern, world-class financial services system in our country. Right here in the United States.

Consumers need a broader choice of financial products when they go to the bank. Businesses and workers need strong, well-capitalized banks that can keep lending in economic downturns. The nation needs a banking system that is strong enough to compete toe-to-toe with the best our international rivals have to offer. And most of all, the taxpayer needs to be spared the prospect of another costly and unnecessary cleanup.

Today, the United States does not have a single bank among the world's 25 largest. Twenty years ago we led the standings with the top three and had seven banks in the top 25. Of course, the question of pure size is not the whole story. But against the backdrop of an economy that is twice the size of our nearest competitor's, I wonder if anyone can explain the complete absence of U.S. banks from the list of world leaders.

Surely that statistic tells us something. To me, it is strong evidence that something is very wrong. Would we be comfortable with no aerospace companies in the world's top 25? No pharmaceutical companies? No computer manufacturers? Of course not.

This is not a size issue, but a competitiveness issue. Foreign banks are increasing lending in the United States as American banks lose market share here at home. While some bank stock prices are up, two of our largest banks have recently turned to foreign sources for a capital infusion.

The simple fact is, our banks -- large and small -- are being asked to compete in a highly competitive world financial services market with one hand tied behind their backs. For example, we have out-of-date laws on the books that prohibit banks from getting into new financial markets, and even keep them from branching across state lines. Banks in California, Michigan and Texas can open branches in Birmingham, England, but not in Birmingham, Alabama.

These laws are totally out of touch with reality. And they impose unnecessary expenses on banks and consumers that have been estimated to cost \$10 billion annually, compared to total industry pre-tax profits of just \$25 billion. Taking the simple step of permitting interstate branching would significantly improve the soundness of our banking system and could lead to lower interest rates for American borrowers and lower transaction costs for depositors.

Consumers have long since begun to ignore the artificial restrictions on banking practices, using credit cards, cash machines, and the 800 number to handle their financial affairs when and where they want. Customers have increasingly turned away from the banks, and now get auto loans from GMAC and Ford Motor Credit, checking services from Vanguard and Fidelity mutual funds, business loans through General Electric Credit Corporation and Goldman Sachs, and they save at Merrill Lynch and Sears Roebuck. Well-capitalized banks should be allowed to participate in the full range of services in their natural markets -- but to do so safely, outside the bank and outside the federal deposit insurance safety net.

We also have a deposit insurance system that has wandered away from its original purpose of protecting only the small depositor. This safety net now covers almost every depositor, large and small, sophisticated and trusting, insured and uninsured. The system has bailed out large, money-wise investors who don't need the protection, and exposed the taxpayer to potential losses.

What does this all add up to? Bank failures totalled 198 in the 38 years from 1942 to 1980, but reached 206 in 1989 alone. The Bank Insurance Fund (BIF) is at its lowest level in history as a percentage of insured deposits. The FDIC has projected that it will decline still further over the next two years. Without an infusion of funds, the FDIC could find itself with too little

cash to pay for losses, resulting in possible exposure for the taxpayer. The Bank Insurance Fund must therefore be recapitalized with industry funds.

How do we reverse this trend? How do we help banks provide better and less expensive services to the consumer, attract capital, and lend when the economy is weak? The answer is plain: We need to overhaul our outdated laws which hinder the banks ability to provide consumers with better services, lower costs, and the funds necessary to stimulate economic growth. As we strengthen our banking system, we strengthen the ability of banks to raise capital and compete internationally.

Our banks hold \$2.8 trillion in deposits. That means that, ultimately, there is simply no bank insurance fund large enough to protect the taxpayer, unless and until we address the underlying problems. We need to have deposit insurance reform, supervisory reform, and a recapitalized Bank Insurance Fund. But we also need interstate branching and broader financial activities so that our banks can finance economic growth.

Some have suggested that any financial services legislation passed this year should be restricted to just recapitalizing the Bank Insurance Fund. This is the height of folly. We should reform the industry and fix the problem, not just fund it.

The time has come to address these problems at their core; to deal with them decisively and comprehensively; and to put this country's financial services industry back where it belongs: number one in the world.

If we leave the job half done -- if we only tinker with the problem -- then we'll probably be back again, sooner rather than later, recapitalizing the Bank Insurance Fund again, perhaps the next time with taxpayer money. That's a prospect no one could relish.

By facing up to the reality of the marketplace today, we can help to ensure financial security for the future. Modernizing our financial services industry, encouraging sound lending practices, holding down the Federal Government's spending, pushing for lower U.S. interest rates and encouraging low-inflationary economic growth around the world will contribute to the strength of our own economy. With President Bush's leadership we can achieve these policy objectives and provide for a secure economic future, not only for all Americans, but for all nations. With your help, we'll get it done.

Thank you.

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The Honorable John E. Robson  
Deputy Secretary of the  
U. S. Department of the Treasury  
Before the Committee on Small Business  
U. S. House of Representatives

March 5, 1991

Mr. Chairman, members of the Committee, I am pleased to appear before you today to address issues relating to the availability of bank credit.

During the last several months there has been considerable discussion about the credit crunch and its impact on the economy. As we all know, accessible, affordable bank credit is important to all businesses, large and small. And a safe and financially strong banking system is the best assurance for the availability of credit.

Mr. Chairman, you and the Committee are to be commended for your work during the last Congress in researching the factors that promote a sound, financially strong and competitive banking system. Your Task Force report on "The International Competitiveness of U.S. Financial Institutions" was very helpful to us in the preparation of the analysis and recommendations contained in our study, "Modernizing the Financial System," on

NB-1164

which Secretary Brady testified before the House Banking Committee last week.

Strong, competitive institutions are necessary for the banking system to play the critically important role as a "shock absorber" in our economy. When the economic needs of industry expand, the banks are there to provide the credit necessary for growth and capital investment. And, when the economy contracts, our banks are needed to patiently work with borrowers on their working capital needs and to absorb some of the shock from falling sales and property values.

Today, I would like to give some opening comments and then my colleagues representing the four bank and thrift regulatory agencies -- the Federal Reserve, the FDIC, the Comptroller of the Currency, and the Office of Thrift Supervision -- (the "Regulatory Agencies") will discuss more fully the specific recommendations and proposals. My comments are in the spirit of the Treasury's role in this effort. We served as a "catalyst" in working with the Regulatory Agencies who actually developed the united set of recommendations and are now acting to implement them promptly and effectively.

### Factors Contributing to the Credit Crunch

For the last several months our country has experienced a declining economy and our citizens have been preoccupied with our service men and women in the Persian Gulf. This has had a deleterious effect on consumer confidence and has negatively impacted many borrowing decisions including home and automobile sales and corporate capital expenditure plans. Thus, demands for credit have fallen. Likewise, with a softening economy, real estate markets are experiencing increasing vacancy rates and falling rents. Commercial banks, as in all downturns, have seen a rise in non-performing assets and the need for greater loan loss reserves -- while at the same time they are working diligently to raise capital to meet international standards.

Recognizing these trends, the Federal Reserve has responded by moving to lower short-term interest rates and reduce the reserves that banks are required to maintain on deposit at the Federal Reserve. These steps are meant to address both credit demand by lowering rates and credit supply by freeing up reserves that banks can then lend to sound borrowers.

### Regulation's Impact on the Supply of Credit

However, even before the invasion of Kuwait, businesses and banks perceived a more stringent regulatory approach. It

must be said first that this approach was in substantial measure due to the application of prudent regulation in more severe economic conditions, where the creditworthiness of borrowers and the values of real estate and loans had in fact deteriorated, necessitating larger loan loss reserves. Praise, not criticism, should be given to the bank regulators for vigilance in difficult economic conditions. No one wants a return to the dangerous laxity that marked the savings and loan collapse.

However, the application of prudent regulation also requires balance, common sense, and a recognition that banks, borrowers, and economic sectors experiencing temporary difficulties may need some flexibility to work through their problems -- and that regulatory judgment should and can be quite responsibly exercised in those situations.

It is in these areas of permissible and appropriate regulatory judgment where the perception has been created among banks and businesses that examiners are inflexible and overly harsh. This perception -- right or wrong -- began to create an atmosphere of risk-adversity, apprehension and hesitation among lenders, and has resulted in the constraint of bank credit even to sound borrowers. This undesirable atmosphere appears to have been created in a number of areas of the country and seems to be largely traceable to the examiners' overly pessimistic and rigid

application of regulatory guidelines in areas where supervisory latitude exists and judgment can be properly employed.

For example, in the past, examiners reviewed appraisal information and also looked to the income generating capability of a real property in order to determine adequate reserves. However, regulators and bankers have recently reported a trend toward using only worst case, liquidation-type of valuations. Another instance might be the case where an examiner has instructed bank management to make a significant reduction in a loan concentration over a short period of time. Under that circumstance, many bankers will cease making or renewing any loans -- even sound ones -- in that concentration area.

Certainly, it was not the intention of the Regulatory Agencies to create a repressive lending climate. However, these perceptions are not facilitating the proper atmosphere to encourage bankers to work with borrowers experiencing problems and to avoid shutting off credit to sound borrowers, especially those in sectors of the economy experiencing temporary problems. And, commendably, in their statement released last Friday, the Regulatory Agencies stated that they "do not want the availability of credit for sound borrowers to be adversely affected by supervisory policies or depository institutions' misunderstandings of them."

Improving the Credit Climate

Following President Bush's State of the Union Address urging "sound banks to make sound loans," Secretary Brady suggested to the leadership of the Regulatory Agencies that they get their heads together and sort through the many recommendations from the Regulatory Agencies themselves, the business community and the bankers to address these issues.

On Friday, March 1, 1991, the Agencies announced a package of proposals to address the credit crunch. The package is the result of several weeks of work to determine what existing supervisory and examination policies and guidelines should be reassessed and clarified.

The proposals address a number of the areas of concern raised by both the regulatory community and the private sector. This includes guidance on the use of appraisals by examiners and other valuation issues -- especially in troubled real estate markets; broader disclosure to inform the investment community as to the true earning power of loans which have been technically placed in the non-performing assets category; continued prudent lending by institutions operating under a capital plan or with a loan concentration; clarification on the disclosure of credits in Highly Leveraged Transactions (HLTs); and, the need for clear and effective communication between bankers and their regulators.

Furthermore, the Regulatory Agencies will continue to review their supervisory practices to determine what other policies may require modification.

**These Proposals are not "Forbearance"**

It is important to properly characterize the actions undertaken by the Regulatory Agencies last week and to address the concerns expressed by some that this is a kind of improper and risky forbearance. Such concerns have no foundation in fact. In no part of this package of recommendations from the Regulatory Agencies is there any -- I repeat -- any proposal to create fictitious capital, permit accounting practices not in accord with generally accepted accounting standards, or otherwise encourage "toying" with the books. This package encourages the application of common sense and judgment in supervisory actions and promotes lending to sound borrowers. To condone an approach of discredited forbearance would not be in keeping with the reforms implemented under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) or that we are now asking the Congress to consider as a part of our recommendations to modernize the financial services industry. Furthermore, it would ignore the disciplines of the market place and protect institutions which operate in an unsafe and unsound manner. That is not the case here.

Importance of Communication

Mr. Chairman, in the past, I have served as head of a federal regulatory agency and as chief executive officer of a company operating in a regulated industry. Thus, I believe I can speak with some perspective on the dynamics of the regulatory process. In order to achieve policy goals it takes clear communication and a great deal of management effort to achieve the desired policy objective.

I cannot emphasize enough that the encouragement of prudent lending activities rests on the shared confidence and understanding among both examiners and those whom they regulate. The guidance released last Friday must be clearly communicated to the more than 6,700 field examiners and to the financial institutions, and implemented in an even-handed, common sense manner. I am pleased that each Regulatory Agency has committed to make a special effort in disseminating these initiatives.

These steps alone will not end the credit crunch. However, they should have a very positive impact on the regulatory environment -- giving greater confidence to lenders that extending credit to sound borrowers will not result in regulatory retribution -- giving greater assurance to examiners that their exercise of appropriate judgment, balance and recognition of economic reality will not result in criticism from

their superiors -- and giving greater confidence to borrowers to come forward in the expectation that sound projects will be funded. So, it is my hope that when combined with steps already taken by the Federal Reserve to lower interest rates and reduce bank reserve requirements, these efforts will result in greater credit availability to sound borrowers.

I would be pleased to respond to the Committee's questions.

realities, and important opportunities that now confront us.

This report emphasizes the enduring political, economic, and military foundations of our national strategy, yet acknowledges the mandate for change in implementing elements of that strategy. While addressing our strategic relationship with the Soviet Union as an inescapable priority, we will work with our allies to respond to new political challenges, taking into account a more internally oriented and less threatening Soviet Union. While contributing to global stability as only America can, we will shift our focus to regional threats and peaceful engagement. While reducing nuclear and conventional force levels on the Continent, we will work with our NATO allies to foster reconciliation, security, and democracy in a Europe whole and free. And while providing adequately for our defense, our economic well-being will remain the foundation of our long-term strength.

Our response to strategic challenges has always been shaped by what we are as a people, for our values are the link between our past and our future, between our domestic life and our foreign policy, between our power and our purpose. Our responsibility as a Nation remains not only to protect our citizens and our interests but also to help create a new world in which our fundamental ideals not only survive but flourish. That is the essence of our national security strategy.

I look to this report to be the foundation for a productive, nonpartisan, national dialog as we continue to develop and articulate a strategic approach that will guide us safely into the 21st century.

**Nomination of William Taylor To Be a Member and Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation**  
*August 13, 1991*

The President today announced his intention to nominate William Taylor, of Illinois, to be a member and Chairperson of the Board of Directors of the Federal Deposit Insurance Corporation for a term expiring

February 28, 1993. He would succeed L. William Seidman.

Currently Mr. Taylor serves as staff director of the Division of Banking Supervision and Regulation at the Board of Governors of the Federal Reserve Bank in Washington, DC. He served as a bank examiner with the Federal Reserve Bank in Chicago, IL, 1961-1968; and as vice president in charge of lending with the Upper Avenue Bank in Chicago, IL, 1968-1972. From 1972 to 1976, he served as vice president and manager of James W. Rouse and Co., a real estate development and banking firm in Chicago, IL.

Mr. Taylor graduated from Cornell College (B.A., 1961). He was born June 24, 1939, in Chicago, IL. Mr. Taylor is married, has three children, and resides in Oakton, VA.

**Remarks at the Annual Convention of the National Fraternal Order of Police in Pittsburgh, Pennsylvania**  
*August 14, 1991*

Thank you all. And Dewey, thank you for that very generous introduction. The Government has a good relationship with this outstanding organization. Many of you have been to the White House. Many more I hope will come. But I want to thank your president for the introduction and for his leadership.

I want to, of course, salute the Attorney General, Dick Thornburgh, so well-known to everybody, not just in Pittsburgh, but across this country, for the job he's done for law enforcement. I want to thank the members of the Fraternal Order of Police, ladies and gentlemen. I want to thank all of you, all 3,000 of you, for the warmth of that greeting.

Now I know how Barry Bonds and Bobby Bonilla feel over at Three Rivers Stadium. [Laughter] I don't think so many great defenders have gathered in Pittsburgh since the last reunion of the Steelers' Super Bowl teams. [Laughter]

A couple of years ago, 2 years ago, I was scheduled to address you. I couldn't because of the tragic death of an American

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# Taylor named to head the FDIC

By Stella Dawson  
REUTERS NEWS AGENCY 6/161

President Bush yesterday nominated William Taylor, a veteran regulator with a reputation for toughness on bank management, to be the new chairman of the Federal Deposit Insurance Corp.

Mr. Taylor, 52, the director of the Federal Reserve Board's bank regulation and supervision division, would replace FDIC Chairman L. William Seidman, 70, who said last week he will retire Oct. 16 when his term expires.

Taking a 16-month appointment through February 1993 as the nation's top bank regulator, Mr. Taylor faces a daunting task.

Bank failures have drained the government's deposit insurance fund to its lowest level since the Great Depression, and a weak economy has pushed some banks into huge mergers to survive, resulting in more industry concentration.

Matching Mr. Seidman's skill for charming Congress could be an important challenge for Mr. Taylor. The lawmakers are considering legislation to fund the depleted bank deposit insurance fund and the bailout of savings and loan depositors, as well as a major banking bill sought by the industry.

The Senate must approve the nomination of Mr. Taylor on the five-member board. He could be asked embarrassing questions about supervision of the Bank of Credit and



Taylor

Commerce International, whose operations in Britain and several other countries were shut down last month amid allegations of widespread fraud and other violations.

Mr. Taylor was one of two top officials at the Fed supervising BCCI's activities in the United States. The Fed has proposed slapping a record \$200 million fine on the bank for breaking U.S. law, but critics say the regulators were slow to act in the case.

Mr. Taylor has spent 26 years at the Fed.

A graduate of Cornell College in Mount Vernon, Iowa, in 1961 he became a bank examiner at the Federal Reserve Bank of Chicago and remained there until 1968.

He was vice president of Chicago's Upper Avenue Bank until 1972 and was manager of the Chicago office of the James W. Rouse and Co. real estate development firm until 1976, when he rejoined the Federal Reserve.

His nomination to head the FDIC, which supervises 7,307 of the nation's approximately 12,000 banks and administers the fund that insures bank deposits, was announced at the president's vacation home in Kennebunkport, Maine.

As FDIC chairman, Mr. Taylor also would head the Resolution Trust Corp., the agency formed two years ago to sell off failed savings and loans seized by the government. The RTC has about \$160 billion in assets after taking over 623 thrifts.

His nomination was widely expected and was welcomed on Capitol Hill and by banking groups.

"The banking industry has found Mr. Taylor to be a tough but fair regulator," said Richard Kirk, president of the American Bankers Association.

"He has a lot of experience in supervision, which is exactly what we need right now — strong supervision and strong oversight," said a spokes-

man for Rep. Chalmers Wylie of Ohio, the top Republican on the House Banking Committee.

Mr. Taylor's emphasis on strong capital reserves — a bank's cushion against losses — and strict oversight is highly valued by Congress, which is in the midst of contentious debate over whether to allow banks to expand nationwide and underwrite securities. Such powers have been severely restricted since the 1930s.

"We believe he will be a conservative regulator, an advocate of strong capital, an advocate of safety and soundness," said Diane Casey, executive director of the Independent Bankers Association of America.

At the Fed, Mr. Taylor was involved in the government's handling of the biggest bank crises of the 1980s: Continental Illinois in Chicago, First Republic in Texas and Bank of New England.

Mr. Seidman said recently that the FDIC estimates 340 to 400 banks will fail in the next two years, compared with 376 bank failures in 1989-90.

The failures threaten to exhaust the FDIC's fund that pays off insured depositors at failed banks and thrifts. The agency is seeking a \$70 billion government loan by October to stay afloat. The RTC also is short of funds, seeking an additional \$80 billion to keep operating.

After his confirmation, Mr. Taylor's term begins Oct. 17 and extends through February 1993. The abbreviated term is the result of a reorganization of the FDIC in the 1989 S&L bailout law. The term beginning in March 1993 will extend five years.

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THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

October 31, 1991

REMARKS BY THE PRESIDENT  
AT SWEARING-IN CEREMONY FOR WILLIAM TAYLOR  
AS CHAIRMAN OF THE FEDERAL DEPOSIT INSURANCE CORPORATION

The Old Executive Office Building

1:03 P.M. EST

THE PRESIDENT: Thank you, Father White, for that prayer.

It's a pleasure to welcome William Taylor aboard as he takes on one of America's toughest jobs -- Chairman of the FDIC.

I'm delighted that Bill's family could be with us here. I don't know if they've been introduced, but Sharon, his wife, and then Claire, William, and Emily, and his sister, Ruth. We're especially pleased you all are here, and you've got good seats for the occasion, I noticed. (Laughter.) That's the way it ought to be.

I'm also pleased to salute our Secretary of the Treasury and Secretary of Housing Jack Kemp; Alan Greenspan, the Chairman of the Fed; and Richard Breeden of the SEC. I don't see Bob Clarke -- oh, here he is, sitting right here. Bob Clarke and also Tim Ryan with us from OTS. And missing in action are two members of Congress who were supposed to be here, but let's hope they're not doing things bad up there on the Hill. (Laughter.)

Bill Taylor is a thorough professional who really does exemplify the highest ideals of selfless public service. With more than twenty years' service as a bank regulator, he has earned a sterling reputation for fairness and also strength of leadership. He also brings to his new position valuable private sector experience in the banking and real estate finance industries.

My top priority must be for this country economic growth -- sustaining and accelerating that which has been proclaimed by economists as an emerging recovery. And in this, I already have benefited from Bill Taylor's advice. His ideas have helped shape our intensive efforts to ease this credit crunch -- the credit shortage. And I know from working directly with Bill that he has a creative and independent mind -- he calls them as he sees them -- a deep understanding of banking, and above all, a firm sense of responsibility and duty.

We will not enjoy a full recovery until we get our banking system in order. The FDIC belongs to a larger, more complex financial system that needs comprehensive renewal and reform. For all his talent and integrity, Bill Taylor won't be able to do his work to the fullest if we fail to give him the teammates and the tools that he needs.

Vital members of the bank regulation team have been held up by the Senate's confirmation process. The nation has been waiting

MORE

more than nine months for the Senate to act upon my nomination for Comptroller of the Currency. Two nominees to fill vacancies on the Federal Reserve Board await Senate votes. One of these has been delayed more than eight months.

And in my speech to the public administrators last week, I had a lot to say about reforming the confirmation process, including the archaic practice of placing "holds" on nominees. At this moment of such pressing need for action and leadership, the Senate must act now to get our top-level bank regulation team in place. We have good people. And they ought to be put in there, and let them do the job.

Let me say today -- I will repeat this message over and over and over: The Congress needs to act on a comprehensive growth package -- and the Senate on each one of these vital nominations.

Our regulatory team also needs modern tools to keep America's banks strong in competitive global markets. While the rest of the world forges ahead, our banks and businesses bear the dead weight of banking regulations enacted more than half a century ago. And I have asked Congress to enact comprehensive reforms of our banking laws to bring them up to date.

My bank reform package will knock down restraints that keep us from competing on an even basis with the banks of others -- European banks, Japanese banks. Odd as it may seem, we permit a bank in Birmingham, England, to open branches in California, but we forbid a bank in Birmingham, Alabama, from doing the same thing. We can't compete if we place our own banking industry in shackles.

Our plan for deposit insurance reform would safeguard depositors' hard-earned money and protect the taxpayers' pocketbooks as well.

Our legislation would set standards for prompt action by bank regulators. This can help us preserve sound banks and ensure sound loans.

Most important, our reforms would allow banks to offer new products and services and to tap new sources of investment. Diversification of risks and assets would put our banks in a stronger position to simply make good loans. This would give America's small and medium-sized businesses -- which depend on banks for their capital -- the wherewithal to grow. This would let us move forward the way we always have -- by extending credit for the pursuit of prudent risks and by supplying capital to create new jobs and open up new opportunities.

Our battle for banking reform faces opposition not just from protectors of the status quo. Incredible as it may seem, some in Congress actually want to move banking laws backwards -- to make our banks even less competitive in the global marketplace. Congress must not give in to the interest groups that seek to hold back progress. The stakes are too high, and we cannot afford to wait any longer. Nothing will stop me from fighting on principle for real bank reform that gets our economy moving toward the future.

Bill, I know that you will be proud to lead what I am told is a bunch -- a group -- of really dedicated professionals over there at FDIC. And all of you enjoy my fullest support in the tough job that you there at that agency face. And be assured, I will continue to make every effort to strengthen America's banking system so that it can support a strong and competitive economy now and in the 21st century.

Thank you very much. And now let us all witness the swearing-in of this good man to go over to FDIC.

(Chairman Taylor is sworn in.) (Applause.)

CHAIRMAN TAYLOR: Mr. President, Secretary Brady, Secretary Kemp, Deputy Secretary Robson, Chairman Greenspan, Comptroller Clark, Director Ryan, Father Constantine White and friends. You notice I had to put myself up a little bit here. I'm not quite as tall as the President. (Laughter.)

Mr. President, I am honored to have been nominated and confirmed and now sworn in as Chairman of the Federal Deposit Insurance Corporation. I would like to thank you for the confidence that you have shown in me and for the opportunity to take on this challenge. With your support, the help of the Congress, the hard work and dedication of the fine people at the FDIC, the continuing friendship and contribution of friends and colleagues in and out of government, the strength of my family, and an occasional intervention offered through such tradesman as Father Constantine -- (laughter) -- I shall seek to accomplish the goal as outlined: A strong and safe banking system capable of soundly based risk-taking in support of a deep, vibrant and growing economy.

If I can play such a role in such an accomplishment, then I will have, in some small measure, given back -- got to take a deep breath here -- to my children and to the children of others the opportunity -- the framework for opportunity and advancement that has been so generously given to me.

Thank you.

This concludes the program, but I would be pleased if you would like to visit the offices of the FDIC -- bring your money with you. (Laughter.) They are located just across the street at 17th Street between F and G. I appreciate all of you coming. We're having cookies, and cake, and other things at our house. We invite everyone. We have directions if you need them. Lali or generally half the people in the room know how to get to my house -- half probably do not. And so if you'll turn to your neighbor, I'm sure you'll be able to get there. (Laughter.) Thank you very much. (Applause.)

END

1:20 P.M. EST