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SAVINGS AND LOAN SUPERVISORS, (NASS & LS)

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A LOOK TO THE FUTURE: THE ROLE AND RESPONSIBILITY OF THE  
STATES IN FINANCIAL REGULATION

INTRODUCTION: GROWTH OF THE FEDERAL GOVERNMENT

I WANT TO DISCUSS MY VIEW OF THE PROPER RELATIONSHIP OF  
FEDERAL AND STATE REGULATION IN THE AREA OF FINANCIAL AFFAIRS,  
AND SPECIFICALLY OF THE SAVINGS AND LOAN INDUSTRY.

OVER THE PAST TWO DECADES, AMERICANS HAVE WITNESSED A  
PHENOMENAL GROWTH IN THE SIZE AND SCOPE OF THE FEDERAL GOVERNMENT.

AS LATE AS THE MID-1950'S, THE FEDERAL GOVERNMENT WAS INVOLVED  
IN ONLY FOUR AREAS OF MAJOR REGULATORY RESPONSIBILITY: ANTI-TRUST,

TRANSPORTATION, COMMUNICATIONS, AND FINANCIAL INSTITUTIONS.

YET SINCE 1962, SOME 25 NEW FEDERAL REGULATORY AGENCIES  
HAVE BEEN CREATED TO REGULATE SOME ASPECT OF PRIVATE BUSINESS  
ACTIVITY.

NOT ONLY HAS THE SIZE AND SCOPE OF THE FEDERAL GOVERNMENT  
EXPANDED IMMENSELY, BUT FEDERAL INVOLVEMENT IN THE TRADITIONALLY  
REGULATED AREAS HAS ALSO GROWN SUBSTANTIALLY.

CERTAINLY, THIS IS TRUE IN THE REALM OF FINANCIAL INSTITUTIONS.  
WITNESS ENACTMENT OF THE COMMUNITY REINVESTMENT ACT, WHICH I SUC-  
CEEDED IN MODIFYING BEFORE ITS PASSAGE. THIS LAW SIGNIFICANTLY  
EXPANDS FEDERAL OVERSIGHT OF PRIVATE LENDING ACTIVITY, AND PROMISES  
TO COMPLICATE AND CONFUSE THE LIVES OF THOUSANDS OF HONEST AND  
HARD-WORKING PEOPLE THROUGHOUT THE COUNTRY.

AS A GENERAL RULE, AN INCREASED FEDERAL ROLE HAS GONE HAND  
IN HAND WITH DIMINISHED RESPONSIBILITY FOR THE STATES.

I BELIEVE THIS TREND TOWARD EVER EXPANDING FEDERAL RESPON-  
SIBILITY IS A DANGEROUS AND UNHEALTHY ONE. AND I BELIEVE IT MUST  
BE REVERSED.

THE GROWTH OF THE FEDERAL ROLE IN REGULATION OF FINANCIAL  
INSTITUTIONS HAS INCREASED THE GENERAL COST OF DOING BUSINESS, HAS  
DRAMATICALLY INCREASED THE PAPERWORK BURDEN, AND TO MY MIND, HAS  
GENERALLY WORKED TO THE DETRIMENT OF THE AMERICAN PUBLIC.

THERE SEEMS AT TIMES IN WASHINGTON, A BASIC INABILITY ON THE  
PART OF MANY LAWMAKERS, TO COMPREHEND THAT INCREASED REGULATORY  
COSTS ULTIMATELY COME HOME TO THE INDIVIDUAL CONSUMER.

ONE SMALL SAVINGS AND LOAN HAS ESTIMATED THEIR COSTS OF

COMPLIANCE WITH PROPOSED ANTI-DISCRIMINATION REGULATIONS OF THE FEDERAL HOME LOAN BANK BOARD, TO BE IN THE THOUSANDS OF DOLLARS FOR A COMPUTER PROGRAM ALONE TO STORE REQUIRED INFORMATION. WHEN SUCH COSTS AS DAILY RECORD-KEEPING AND ON-GOING EMPLOYEE TRAINING ARE ADDED IN, IT BECOMES APPARENT THAT INCREASED REGULATION EATS AWAY AT THE VERY ABILITY OF SMALL S&L'S TO DO BUSINESS. REGULATION BEGINS TO STIFLE BUSINESS RATHER THAN ENHANCE IT.

THROUGHOUT THE BUSINESS COMMUNITY, THE KEY WORD IS UNFORTUNATELY BECOMING, NOT "PRODUCE" -- BUT "COMPLY." COMPLY WITH A HOST OF COMPLEX FEDERAL REGULATIONS.

WESTERN SAVINGS, AN S&L LOCATED HERE IN ARIZONA, REPORTS:

"WE ARE CONTINUOUSLY BEING OVERWHELMED WITH ADDED COSTS OF DOING BUSINESS: SUBSTANTIAL COSTS FOR PERSONNEL RETRAINING PROGRAMS, COSTS TO PRODUCE MANUALS, PRINT MATERIALS, FORMS AND NEW PAMPHLETS, COSTS TO REDESIGN

COMPUTER PROGRAMS TO ACCOMMODATE NEW REGULATIONS, TO SAY NOTHING OF THE COSTS FOR ADDED LEGAL AND OTHER SERVICE FEES."

UNFORTUNATELY, THERE IS PRECIOUS LITTLE EVIDENCE THAT THESE GOVERNMENT-MANDATED EXPENSES ARE COST-EFFECTIVE IN TERMS OF SOCIAL BENEFITS. IF ANYTHING, THEY MAY INDEED BE COUNTER-PRODUCTIVE.

ANOTHER SAVINGS AND LOAN REPORTED LAST SUMMER, THAT THEY WERE UNABLE TO TAKE LOAN APPLICATIONS, NOT DUE TO THE LACK OF LENDABLE FUNDS, OR A LACK OF DESIRE TO MAKE LOANS, BUT DUE TO THE INABILITY TO PROCESS THE ADDITIONAL PAPERWORK THAT THE REGULATORY AGENCIES HAVE FORCED UPON THEM.

WHEN THAT POINT HAS BEEN REACHED, IT IS INDEED TIME TO PUT ON THE BRAKE. AS A FORMER ATTORNEY GENERAL OF MY STATE, AND WITH MY PERSONAL EXPERIENCE IN A SMALL, COMMUNITY-BASED SAVINGS AND LOAN,

I KNOW FIRST-HAND THE STRENGTHS OF CREATIVE AND ENLIGHTENED  
STATE GOVERNMENT, AND THE VALUE OF DECISIONS MADE CLOSE TO HOME  
BY OFFICIALS IN TOUCH WITH THE PEOPLE THEY SERVE.

THE CHALLENGE TO STATE SUPERVISORS; STOP THE ABDICATION OF STATE  
RESPONSIBILITY

I BELIEVE THAT STATE SUPERVISORS, AND THAT THIS ORGANIZATION  
MUST PLAY A KEY ROLE IN THE EFFORT TO ROLL BACK THE TIDE OF EVER  
INCREASING FEDERAL AND EVER DECREASING STATE RESPONSIBILITY.

YOU MUST MAKE CERTAIN THAT LAWMAKERS UNDERSTAND THE FULL IMPACT  
OF WHAT THEY ARE DOING IN ENACTING NEW LAW. TIME AND TIME AGAIN  
IN THE SENATE BANKING COMMITTEE, IT APPEARS TO ME WE LEGISLATE WITH  
A WHOLLY INADEQUATE UNDERSTANDING OF WHAT THE DAY-TO-DAY IMPACT  
OF OUR ACTIONS WILL BE.

THE MOST RECENT EXAMPLE OF THAT UNFORTUNATE TENDENCY IS  
LEGISLATION TO REGULATE ELECTRONIC FUNDS TRANSFER ACTIVITIES.  
EFT TECHNOLOGY IS BASCIALLY IN AN EMBRYONIC STATE, AND I FEAR  
THAT OVERLY ZEALOUS AND PREMATURE FEDERAL REGUALTION MAY WELL  
STIFLE AND STUNT ITS GROWTH, THUS DAMAGING THE VERY PUBLIC  
INTEREST WE ARE TRYING TO PROTECT.

THIS ORGANIZATION AND YOU AS ITS MEMBERS MUST ALSO HELP TO  
LEAD THE WAY IN TACKLING EXISTING LAWS AND REGULATIONS. HELP US  
IDENTIFY -- WITH SPECIFIC EXAMPLES AND DATA - THE COST AND COMPLEXITY  
OF DOING BUSINESS WITHOUT ANY CORRESPONDING GENUINE PUBLIC BENEFIT.

#### TRAINING OF STATE SUPERVISORY PERSONNEL

IN THE AREA OF TRAINING SUPERVISORY PERSONNEL, I WANT TO  
COMPLEMENT NASS AND LS FOR ITS ON-GOING WORK VIA YOUR INSTITUTE FOR  
SUPERVISORY EDUCATION. I SUPPORT YOUR EFFORTS TO COMBAT DUPLICATION

IN EXISTING SUPERVISION.

I AGREE WITH MY COLLEAGUE SENATOR PROXMIRE THAT WE CAN PROVIDE THE SAME DEGREE OF SAFETY AND SOUNDNESS IN THE SAVINGS AND LOAN INDUSTRY AND DO IT MORE ECONOMICALLY.

I BELIEVE THE FEDERAL HOME LOAN BANK BOARD IS VERY SHORT-SIGHTED IN IGNORING THE PRACTICALITY OF UTILIZING THE MORE THAN 700 TRAINED STATE EXAMINERS IN FAVOR OF HIRING MANY NEW, INEXPERIENCED FEDERAL EXAMINERS. I BELIEVE THAT ONCE TRAINED, STATE EXAMINERS WOULD BE ABLE TO HANDLE SOME OF THE FEDERAL WORKLOAD WHICH HAS PROMPTED THE FHLBB TO REQUEST ADDITIONAL PERSONNEL FOR FISCAL YEAR 1979.

I SUPPORT CHAIRMAN PROXMIRE IN HIS HOPE TO TAKE SOME OF THE MONEY REQUESTED BY FHLBB TO INITIATE AN EXPERIMENTAL, COOPERATIVE,



FEDERAL-STATE TRAINING PROGRAM TO TRAIN AND EDUCATE EXISTING STATE SAVINGS AND LOAN EXAMINERS. I KNOW THIS ORGANIZATION CAN PROVIDE INVALUABLE ASSISTANCE IN THAT ENDEAVOR.

FEDERAL PRE-EMPTION OF STATE LAW

THIS ORGANIZATION CAN ALSO HELP BY INCREASING AWARENESS OF THE TREND TOWARD FEDERAL PRE-EMPTION OF STATE LAW IN FINANCIAL AFFAIRS.

I QUESTION TO WHAT EXTENT UNIFORMITY SHOULD BE SEEN AS THE SUPREME VALUE IN A DUAL SYSTEM OF SAVINGS AND LOAN SUPERVISION.

AS FRANK GAILOR, YOUR VERY CAPABLE GENERAL COUNSEL, HAS POINTED OUT, UNIFORMITY IS JUST ONE VALUE AMONG OTHERS.

AS HE HAS WRITTEN, "THE STATE HAS A PERCEPTION OF WHAT THE PUBLIC INTEREST, THE PUBLIC HEALTH, AND THE PUBLIC WELFARE REQUIRES

WITHIN ITS BOUNDARIES. I WOULD SUBMIT TO YOU THAT THAT PERCEPTION IS PERHAPS MORE ACUTE AND CERTAINLY NO LESS ACUTE THAN THAT OF THE FEDERAL GOVERNMENT. FOR THAT REASON IT APPEARS THAT THE FEDERAL BANKING AGENCIES ILL-SERVE THE PUBLIC WHEN THEY PREOCCUPY THEMSELVES WITH PREEMPTING STATE LAW, AND THUS DEPRIVING A STATE'S CITIZENS OF PROTECTION THEY MIGHT OTHERWISE RECEIVE."

I AGREE WITH FRANK, AND HOPE THAT NASS AND LS CAN HELP DISPEL THE NOTION THAT SUPERIOR WISDOM SOMEHOW RESIDES ONLY IN WASHINGTON.

#### THE DUAL SYSTEM OF S AND L REGULATION

I BELIEVE THE DUAL SYSTEM OF S&L REGULATION IS AN IMPORTANT PART OF OUR FEDERAL FINANCIAL STRUCTURE.

JUST AS OUR FEDERAL STRUCTURE, DIVIDING AUTHORITY AMONG THREE BRANCHES AND BETWEEN THE FEDERAL GOVERNMENT AND THE STATES, HELPS

TO PRESERVE OUR BASIC LIBERTIES, SO DOES A DUAL FINANCIAL SYSTEM.

I'D LIKE TO OFFER MY THOUGHTS ON THE DUAL SAVINGS AND LOAN SYSTEM, WHERE WE STAND NOW, AND WHAT THE FUTURE MAY HOLD:

TRENDS:

THE PAST THREE DECADES HAVE WITNESSED A REMARKABLE GROWTH OF SAVINGS ASSOCIATIONS, WITH TWO TRENDS STANDING OUT SINCE WORLD WAR II.

THE FIRST IS THE RAPID GROWTH OF THE FEDERAL SIDE OF THE BUSINESS. FEDERALLY CHARTERED SAVINGS AND LOANS HAVE EXPANDED IN SIZE AND NUMBERS AT A PACE SUBSTANTIALLY IN EXCESS OF THEIR STATE-CHARTERED COUNTERPARTS.

THIS PERFORMANCE CAN BE TRACED TO THE PROGRESSIVE STATE OF FEDERAL LAW. NATIONAL TRADE ORGANIZATIONS HAVE EFFECTIVELY LOBBIED

FOR LIBERALIZATION IN THE POWERS OF FEDERAL SAVINGS AND LOANS. ALSO, THE FEDERAL HOME LOAN BANK BOARD HAS EFFECTIVELY PROMOTED THE CHARTERING OF FEDERAL INSTITUTIONS THROUGHOUT THE COUNTRY. THE MOVES BY THE FEDERAL HOME LOAN BANK BOARD HAVE NOT BEEN EMULATED BY SOME OF THE STATES. REGRETTABLY, SOME STATES HAVE SEEMINGLY CHOSEN TO NEGLECT THE DEVELOPMENT OF STATE LICENSED FINANCIAL INSTITUTIONS.

THE SECOND SIGNIFICANT TREND IS THE RAPID GROWTH IN THE NUMBER, AND PARTICULARLY, THE ASSET BASE OF THE STATE-CHARTERED STOCK INSTITUTIONS. IN 1945, THERE WAS NO EXPRESS PROVISION IN ANY STATUTE - STATE OR FEDERAL - FOR THE CHARTERING OF SAVINGS AND LOAN STOCK COMPANIES. DURING THE POST-WORLD WAR II PERIOD, A NUMBER OF STATES MADE PROVISIONS FOR CAPITAL STOCK ASSOCIATIONS. THAT IN TURN, LED

ENTREPRENEURS TO CHANNEL FUNDS INTO STATE INSTITUTIONS--THE REST IS HISTORY. STATE STOCK ASSOCIATIONS, AS OF 1972, HAD ASSETS GREATER THAN \$50 BILLION DISTRIBUTED IN 682 DIFFERENT ASSOCIATIONS. AT PRESENT, THE SCALE OF THE STATE STOCK INDUSTRY IS MADE PARTICULARLY REMARKABLE WHEN REVIEWED IN LIGHT OF THE FACT THAT FEWER THAN HALF OF THE STATES MAKE PROVISIONS FOR STATE STOCK COMPANIES, AND THAT SINCE 1960 THERE HAS BEEN VIRTUALLY NO ALLOWABLE OPPORTUNITY FOR THE CONVERSION OF MUTUAL INSTITUTIONS TO THE STOCK FORM OF OWNERSHIP. WERE THERE MORE STATES ALLOWING FOR STOCK INSTITUTIONS AND HAD THERE NOT BEEN A MORATORIUM ON CONVERSIONS, ONE CAN ONLY SPECULATE AS TO THE EXTENT TO WHICH STOCK INSTITUTIONS MIGHT DOMINATE THE SAVINGS AND LOAN SCENE TODAY.

IN MY OWN STATE OF NORTH CAROLINA, BILL COLEMAN, OUR STATE

SUPERVISOR, FROM WHOM YOU WILL ALSO HEAR IN THIS CONFERENCE, TELLS ME THAT AS OF LAST JULY, SIX NEW STOCK COMPANIES WERE IN OPERATION IN THE STATE, WITH EIGHTEEN MORE APPROVED FOR CHARTER, AND SEVENTEEN APPLICATIONS FOR NEW CHARTERS PRESENTLY PENDING.

### CURRENT STATUS OF THE DUAL SYSTEM

I WOULD LIKE TO EXAMINE THE CURRENT STATUS OF THE DUAL S AND L SYSTEM, LOOKING AT THE HEALTH OF STATE-CHARTERED INSTITUTIONS, THE POSTURE OF STATE SUPERVISION, AND THE POSTURE OF ATTEMPTS TO REFORM STATE LAW.

### FINANCIAL HEALTH

CLEARLY IN SOME STATES, STATE-CHARTERED INSTITUTIONS ARE FLOURISHING. IN TEXAS, RANKING FOURTH NATIONALLY IN SAVINGS AND LOAN ASSETS, STATE-CHARTERED INSTITUTIONS DOMINATE ALL ASPECTS OF

THE SAVINGS AND LOAN BUSINESS AND SHOW NO INCLINATION TO RELINQUISH THEIR PREEMINATE ROLE. IN CALIFORNIA, STATE-CHARTERED INSTITUTIONS PREDOMINATE, BUT WE HAVE SEEN A TREND IN WHICH GIANT FEDERAL MUTUAL INSTITUTIONS HAVE PURCHASED CONTROL OF VIABLE STATE-CHARTERED INSTITUTIONS AT PRICES WHICH BORDER ON THE RIDICULOUS. INSTANCES HAVE BEEN REPORTED IN WHICH STATE-CHARTERED STOCK COMPANIES HAVE SOLD THEIR STOCK TO THE GIANT FEDERALS FOR 30 TIMES THE EARNINGS AND SIX TIMES THE BOOK VALUE OF THE SELLING INSTITUTION. IF PURCHASES IN THESE PRICE RANGES CONTINUE, THE SMALLER INSTITUTIONS COMPRISING THE STATE-CHARTERED STOCK INDUSTRY MAY WELL DISAPPEAR.

IN MY OWN STATE OF NORTH CAROLINA, THERE ARE 143 STATE CHARTERED SAVINGS AND LOANS, WITH ASSETS TOTALLING OVER 5.5 BILLION DOLLARS AT THE END OF 1977, A RELATIVELY HEALTHY PICTURE.

SUPERVISION

WHAT OF THE CURRENT STATUS OF STATE SUPERVISION?

I AM TOLD THAT THE QUALITY OF PERSONS BEING RECRUITED TO SERVE IN STATE SAVINGS AND LOAN DEPARTMENTS IS IMPROVING. YET, I AM ALSO INFORMED THERE ARE STATES IN WHICH SUPERANNUATED OFFICIALS OCCUPY KEY POSITIONS IN THE SUPERVISION OF SAVINGS AND LOANS. IT IS NO COINCIDENCE THAT IN THOSE STATES THE STATE CHARTERED INDUSTRY IS HELD BACK BY THE LACK OF ENLIGHTENED SUPERVISION. IN MANY STATES, THE STATE SAVINGS AND LOAN SECTOR IS SUPERVISED BY THE DEPARTMENT OF BANKING. IN THESE INSTANCES, IT SEEMS INEVITABLE THAT WHERE CONFLICT RESULTS BETWEEN BANKS AND SAVINGS AND LOANS, THE INDEPENDENT INTERESTS OF EACH ARE NOT ALWAYS WELL REPRESENTED BEFORE A NEUTRAL BODY. I AM ALSO TOLD THAT STATE BANKING SUPERINTENDENTS HAVE



FREQUENTLY MADE DECISIONS OVERRULING THE EFFECT OF MOVES INTENDED TO IMPROVE THE STATE SAVINGS AND LOAN SUPERVISION.

### STATE LAW REFORM

IN THAT RESPECT, THE REFORM OF STATE LAW IS ALSO DIRECTLY RELEVANT. AS I NOTED, THE MORE RAPID GROWTH IN FEDERALLY CHARTERED S AND L'S IS DUE IN PART TO THE COMPARATIVELY PROGRESSIVE STATUS OF FEDERAL LAW. THIS MAKES REFORM OF OUT-DATED STATE LAW IMPERATIVE.

THE RATE OF INNOVATION IN THE SAVINGS AND LOAN BUSINESS HAS INCREASED RAPIDLY. THUS, THE DEMANDS FOR INNOVATION AND REFORM IN THE DEVELOPMENT OF STATE LAWS HAVE GROWN AT AN EVER INCREASING PACE. THE VARIETY THAT IS INHERENT IN A SYSTEM OF FIFTY SEPARATE SOVEREIGN STATES EACH CHARTERING, LICENSING AND SUPERVISING SAVINGS AND LOAN ASSOCIATIONS MAKES DIFFICULT, AND PRESENTLY OFTEN IMPOSSIBLE,

ATTEMPTS TO COHERENTLY REFORM STATE SAVINGS AND LOAN LAW. ONE OF THE GREAT CHALLENGES STATE-CHARTERED SAVINGS AND LOANS FACE IS TO FIND THE WAYS AND MEANS OF BRINGING TO BEAR UPON THE PROBLEM OF STATE LAW REFORM THE BEST MINDS AVAILABLE AND TO SHARE THE OUTCOME OF THAT EFFORT TO PROMOTE THE BETTERMENT OF ALL STATES. THIS IS NOT TO SAY THAT STATE SUPERVISORS, LIKE THEIR FEDERAL COUNTERPARTS, SHOULD SEEK HOMOGENEITY. IT IS TO SUGGEST THAT TIME IS SO SHORT, TALENT IS SO SCARCE, AND COSTS ARE SO GREAT THAT WE SHOULD TRY IN EVERY WAY POSSIBLE TO SHARE INFORMATION AND TO PROFIT FROM IT THROUGH INNOVATIONS WHICH MOVE ACROSS THE COUNTRY AT A PACE SUFFICIENT TO MEET THE DEMAND FOR CHANGE AND PROGRESS IN THE SAVINGS AND LOAN BUSINESS.

THE FUTURE OF THE DUAL SYSTEM

WHAT DOES THE FUTURE HOLD FOR THE DUAL SAVINGS AND LOAN SYSTEM?

IT SEEMS TO ME THAT THE ANSWER TO THAT QUESTION LIES LARGELY IN YOUR HANDS AS STATE SUPERVISORS, AND IN THE HANDS OF THE LEADERS OF THE STATE-CHARTERED SAVINGS AND LOANS.

THE EXTENT TO WHICH STATE-CHARTERED S AND L'S ARE ABLE TO COPE WITH THE NEEDS OF THE PUBLIC WILL DETERMINE WHETHER THOSE INSTITUTIONS HAVE A FUTURE, OR WHETHER, IN TIME, THEY WILL BE ASSIMILATED INTO A FEDERAL INSTITUTION.

STATE LEGISLATURES AS WELL AS THE CONGRESS, AND A PRESIDENTIAL COMMISSION, HAVE QUESTIONED THE NEED FOR OVERLAPPING FINANCIAL SYSTEMS. AT TIMES, IT MUST INDEED SEEM TO SOME PEOPLE THAT THE ONLY DIFFERENCE BETWEEN THE TWO PARALLEL SYSTEMS OF S AND L'S IS THAT

ONE HAS THE WORD "FEDERAL" OR "NATIONAL" IN ITS NAME, AND THE OTHER DOES NOT.

I WOULD NOT HAZARD TOO SPECIFIC A GUESS AS TO WHAT THE FUTURE MAY HOLD, BUT I, FOR ONE, BELIEVE THERE ARE SOME VERY PERSUASIVE REASONS WHY WE CANNOT AFFORD TO RELINQUISH THE DUAL SYSTEM.

1. DECISIONS CLOSER TO HOME:

THE FIRST IS MY BASIC POLITICAL FAITH THAT DECISIONS MADE CLOSER TO HOME ARE BETTER DECISIONS, AND ARE MADE MUCH MORE QUICKLY THAN IN WASHINGTON.

I HAVE HEARD THE HORROR STORIES OF LENGTHY DELAYS ON BRANCH APPLICATIONS AND MERGERS. LIFE IS TOO SHORT TO SPEND IT WAITING FOR A DECISION TO BE MADE MILES AWAY IN AN ENVIRONMENT WHICH HAS NO NECESSARY KNOWLEDGE OF, OR EMPATHY FOR, THE NEEDS AND CONCERNS OF

THE PEOPLE AFFECTED.

2. STRENGTH FROM DIVERSITY:

SECONDLY, IT SEEMS TO ME THAT IF A DUAL SYSTEM HAS PROVED ANYTHING, AND CONTINUES TO PROVE SOMETHING, IT IS THAT FROM DIVERSITY COMES STRENGTH. THE FACT THAT WE HAVE TWO SEPARATE SYSTEMS OF FINANCIAL INSTITUTIONS INSURES <sup>A VARIETY OF</sup> DIFFERING EXPERIENCES. FROM THAT DIFFERING EXPERIENCE WE CAN LEARN. IF ALL SAVINGS ASSOCIATIONS WERE SUBJECT TO ONE SET OF REGULATIONS, ONE SET OF LAWS AND ONE SET OF REGULATORS, I SUGGEST TO YOU THAT UNIFORMITY WOULD TEND TO STIFLE INNOVATION AND CREATIVE THINKING.

IN MY OWN STATE, FOR EXAMPLE, I BELIEVE WE HAVE SOMETHING WHICH MAKES THE DUAL SYSTEM THERE GENUINELY DUAL. WE HAVE A PRIVATE INSURANCE AGENCY FOR MEMBER STATE S AND L'S AND CREDIT UNIONS, THE

NORTH CAROLINA GUARANTY CORPORATION. THIS ORGANIZATION -- WHICH INSURES DEPOSIT ACCOUNTS UP TO \$50,000 -- NOW INSURES 28 NORTH CAROLINA S AND L'S AND 22 CREDIT UNIONS. IN ITS 11TH YEAR, THE CORPORATION HAS NEVER HAD A CLAIM.

WHILE I AM BRAGGING ABOUT NORTH CAROLINA, I SHOULD ALSO NOTE THAT WE HAVE JUST INSTITUTED A NEW "PASS-THROUGH" MORTGAGE-BACKED CERTIFICATE. THE INNOVATION HERE IS THAT SMALLER SAVINGS AND LOANS HAVE JOINED TOGETHER TO POOL LOANS SO THAT THEY CAN COMPETE WITH SUCH MAJOR BANKS AS BANK OF AMERICA WHICH HAS BEEN OFFERING "PASS-THROUGH" CERTIFICATES FOR THE LAST 10 MONTHS OR SO.

THIS IS THE KIND OF CREATIVE INNOVATION WHICH IS SO IMPORTANT TO THE FUTURE OF SMALL S AND L'S.

3. INCREASED COMPETITION:

THIRDLY, I BELIEVE THAT COMPETITION BETWEEN STATE AND FEDERALLY CHARTERED INSTITUTIONS IS A HIGHLY DESIRABLE CONDITION AND HAS AS ITS BY-PRODUCT BETTER PERFORMANCE.

I HAVE OFTEN ADMONISHED MY COLLEAGUES ON THE SENATE BANKING COMMITTEE THAT WE SEEM TO ACT SOMETIMES AS IF FINANCIAL INSTITUTIONS WERE PUBLIC UTILITIES RATHER THAN COMPETITIVE PROFIT MAKING ENTERPRISES. WE HAVE TOO LITTLE COMPETITION GENERALLY, AND GOVERNMENT SHOULD DO ALL IT CAN TO ENCOURAGE MORE OF IT.

4. DEGREE OF GOVERNMENT INTERVENTION CORRELATES WITH  
ECONOMIC PROSPERITY

FOURTH, AND TO MY MIND BY FAR MOST IMPORTANT, IS THAT IT MAY NOT BE COINCIDENTIAL THAT OUR COUNTRY, CHARACTERIZED AS IT

IS BY A MINIMUM LEVEL OF GOVERNMENTAL INTERVENTION IN THE AFFAIRS OF FINANCIAL INSTITUTIONS, HAS ENJOYED REMARKABLE PROSPERITY.

UNLIKE OUR EUROPEAN AND ASIAN COUNTERPARTS, OUR FINANCIAL INSTITUTIONS OPERATE WITHOUT GOVERNMENT INTERVENTION IN THE ESTABLISHMENT OF CREDIT ALLOCATION PRIORITIES. OUR FINANCIAL INSTITUTIONS, WITH ONLY FEW EXCEPTIONS, HAVE NOT BEEN REQUIRED TO FUNCTION AS PURVEYORS OF GOVERNMENTAL ASSISTANCE. IN SHORT, OUR FINANCIAL INSTITUTIONS REMAIN PREDOMINATELY PRIVATE ENTERPRISE INSTITUTIONS WHOSE POLICIES ARE DICTATED BY THOSE IN POSITIONS OF OWNERSHIP AND CONTROL. I, FOR ONE, STRONGLY FAVOR A PRIVATELY CONTROLLED FINANCIAL INSTITUTION SYSTEM. I LOOK WITH GREAT CONCERN ON ANY STEP WHICH TENDS TO CONCENTRATE CONTROL OF OUR NATION'S FINANCIAL INSTITUTIONS. TO THE EXTENT THAT A TREND EMERGES TOWARDS THE CONCENTRATION OF CONTROL



IN THE HANDS OF A SINGLE TIER OR EVEN AGENCY OF GOVERNMENT, WE  
HAVE BY THE MERE FUSION OF POWER IN ONE PERSON OR SEVERAL PEOPLE,  
CREATED THE POSSIBILITY FOR ABSOLUTE AUTHORITY AND ALL THE POTENTIALS  
FOR ABUSE THAT IT IMPLIES.

THE RESPONSIBILITY FOR RESISTING THAT TREND AND FOR KEEPING OUR  
DUAL SYSTEM VITAL AND ALIVE RESTS LARGELY WITH YOU. I WISH YOU  
THE BEST, AND OFFER MY COOPERATION, IN THE EFFORT TO MEET THAT  
RESPONSIBILITY.