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It is a pleasure for me to be with you today and to have this chance to visit with the members of the Graduate School of Consumer Bankers. Consumer Bankers perform a very vital function in our financial system and you as the leaders in this field must constantly stay alert to new developments and initiatives in your area. I thank you for the many courtesies which you have extended to me and for the counsel and good advice which you have provided during this my first term in the United States Senate.

I do appreciate your letting me be with you today. Your invitation has given me a reason to do some thinking about two or three things which are of particular concern to me right now and a chance to pass on to you some suggestions that might help you increase your effectiveness as businessmen with legitimate interests in the legislative affairs of the Congress

of the United States.

I have always considered myself something of a "States' Righter" and been concerned about expanding federal jurisdiction and burdensome federal regulations.

For example, there have been several bills introduced in the 95th Congress to create a Consumer Protection Agency. I voted for this proposal my first year in the Senate. However, after seeing how the Washington bureaucracy works, I have come to feel an Agency for Consumer Advocacy, as it is now called, could easily become another unresponsive federal boondoggle.

When I was Attorney General of North Carolina, we established a Consumer Protection Division within our office. It became known as one of the most active and responsive offices for consumer advocacy in the

country. We argued cases before the State Utilities Commission on behalf of power and telephone users that saved these consumers in North Carolina over \$400 million. We also appeared before the North Carolina Milk Commission, the Federal Power Commission, as well as many smaller agencies on behalf of individuals and class actions. So, I am familiar with consumer concerns, but I am afraid that a federal consumer agency would never achieve the purpose of helping the average citizen. It appears to me that it simply would be too far removed from the people. I would suggest that the major task of providing consumer protection in this nation be left at the state level with the Attorneys General, many of whom already have established good track records and could do much more with increased support.

But as you in the banking industry know, that is a hard battle to fight. It seems that it is the nature of the federal creature to want

to extend itself and engulf that which it touches. But actually, compared with other areas of federal activity, I think we all would agree that federal regulation of banking for years has been one of the more successful fields of government action. It is certainly not a simple system, and I, for one, don't claim to understand it all, but I would consider it more even handed and efficient than other areas of government regulation because, at best, it is a partnership between the government and the private sector.

But sometimes the government will act, with a good purpose in mind, pursuing the most laudable ends, and the result will be unfortunate for almost everyone concerned. A good case in point is the Community Reinvestment Act whose intent is to insure that the credit needs of the inner city are met.

Although I support the intent of the bill, I feel that the bill is

unnecessary and will create an additional paperwork burden on you

gentlemen who already are one of the most regulated segments of our economy.

This bill, introduced by Senator Proxmire, would require an ongoing assessment of a financial institution's community credit effectiveness.

The financial supervisory agencies will have to assess whether or not a financial institution is meeting the community credit needs of its primary savings deposit area.

It seems to me that the proponents of this bill have a basic misunderstanding of the financial industry when they argue that inner city deposits are being funneled into the suburbs. The truth of the matter is that residents of these deteriorating neighborhoods cannot provide the needed funds to maintain savings institutions in their areas.

In fact, a great deal of the deposits in urban areas come from suburban residents who work within the city and who deposit their savings in

institutions near their places of employment.

If this bill becomes law -- and I certainly hope it does not -- I am afraid the inner city branches will vanish if these institutions are required to reinvest a certain percentage of their savings deposits within their primary savings deposit areas. Experience shows that the majority of savings deposits come from the more affluent areas of town; thus, the more affluent savings institutions would have an excuse not to make loans in the inner city and could defend it by claiming that this would not be meeting the credit needs of their primary savings areas.

Statistics clearly show that in areas where the money should be funneled, there may be little or no savings deposit activity.

The bill, as written, is a significant step in the direction of credit allocation. I cannot help but feel that credit allocation would

most probably have the effect of drying up all credit availability in the more depressed areas of our nation's cities, as branches within the city are closed. But more seriously, I feel that credit allocation is a serious infringement on our free enterprise system.

In addition, in the past six months three other pieces of legislation specifically addressed to meeting the credit needs of the inner city have gone into effect, and I feel that we in the Congress should sit back and give these three new programs sufficient time to prove themselves before we try to assess whether additional measures are needed to stimulate inner city lending.

These three pieces of legislation are the Home Mortgage Disclosure Act which was just recently effective and requires that regulated institutions disclose in detail the type and amount of mortgage lending that they do

in all geographical areas. (2) The Equal Credit Opportunity Act and Federal Reserve Regulation B which provide stringent procedures to prevent any kind of discrimination in the granting of credit by any federally insured or regulated deposit institution. Compliance with these regulations should assure that credit is granted whenever it is needed and borrowers have the capability to support the debt. The complaint and reporting provisions of these regulations should also supply a fairly sound and realistic appraisal of the situation in which credit is being denied. And finally the National Neighborhood Policy Act which also provides a forum for the consideration of the extent to which credit deficiencies might exist and how they might best be dealt with.

All these programs, aimed at redlining and the financial needs of the inner city, create additional paperwork and costs which must eventually be borne by the consumer.

During the hearings before the Banking Committee, we heard how a group of financial institutions in Philadelphia joined together to form the Philadelphia Mortgage Plan to help meet the credit needs of the inner city. It is my opinion that this same type of concerted effort is being made by concerned financial institutions throughout the country, and I believe initiatives like the one in Philadelphia are the way in which we must deal with the financial problems of the inner city, not additional legislation and paperwork as the Community Reinvestment Act would require.

Initiatives of this type are encouraged and designed by groups such as the office of Neighborhood Investment of the Federal Home Loan Bank Board. S. 1724 which I am co-sponsoring with Senators Proxmire and Garn will make this into a permanent neighborhood reinvestment

corporation to work with local community groups in setting up programs such as this one in Philadelphia in decaying neighborhoods throughout the country. This I feel is constructive legislation with local involvement and not additional bureaucracy and paperwork flowing out of Washington.

Two other pieces of legislation which the Banking Committee is considering which should be of great interest to you as consumer bankers are the Debt Collection Practices Act and the Truth in Lending Simplification Act.

As I stated previously, I consider myself a states rightist, and thus I feel that the regulation of professional debt collectors should be left up to the individual states to regulate as they see fit. Unfortunately, a great number of states have refused to take any action in this area and many of the states which have adopted laws to prohibit unethical practices

have failed to enforce the laws on their books. In addition, many of these debt collection services now cross state lines and thus intrastate enforcement proceedings are not available or are ineffective.

As a result, some of my colleagues on the Banking Committee introduced the Debt Collection Practices Act to set national debt collection policies. The abuses which were described during the hearings were certainly abominable but they related to professional debt collectors -- not banks. However, at the last minute, banks were included in the legislation, at least in regard to reciprocal agreements. During the mark-up I inquired of the Committee staff as to what testimony they had received concerning abusive practices on the part of banks and since that time they have furnished me with copies of several complaints received by the committee against banks.

It is my feeling as I have stated previously, that banks are sufficiently

regulated at the present time without being included under the Debt Collection Practices Act. And I might add to avoid any misunderstanding, I in no way believe that banks, or anyone for that matter, ought to be allowed to participate in the conduct prohibited by this bill; however, as I have stated previously, I feel that in most instances the matters ought to be left up to the states or in the case of financial institutions, to the existing regulatory agencies. In the final mark-up, the Committee agreed to allow the administration of this Act as it applies to financial institutions to the financial regulatory agencies and not the FTC as originally intended, which was a significant improvement in my opinion.

Another bill being considered is the Truth in Lending Simplification Act. The Committee held three days of extensive hearings on this matter. The general consensus was that the forms now being used are so complex and hard to understand that the consumer is not benefiting from these disclosures and the financial institutions are often subjected to severe penalties for inadvertent or mere technical violations of the Act.

A great many of the witnesses testified that the number and types of disclosures should not be reduced but that some standardized form, possibly one such as offered by the Federal Reserve should be adopted.

To me the Truth in Lending Act is legislation passed by the Congress with every good intention to see that the consumer was made aware of exactly what he was paying but which has been taken over by the administering agency and the result is a bureaucratic nightmare for both the consuming public and the financial institutions involved. There are no simple answers to the problem and I understand that the Banking Committee may very well hold additional hearings on the matter prior to taking any action.

In any event, it now appears extremely unlikely that the Committee will take any action on the bill prior to adjournment in October.

The problem is that we sometimes pass bills that we think are good

with the best of motives. Then we have to delegate to regulatory agencies or to the bureaucrats who run these agencies the authority to adopt rules and regulations for carrying those out. That's often where the problems really begin.

I certainly believe in the federal system, but I believe in the federal system as it was originally created. I believe that the states hold all the powers that were not specifically delegated to the Federal government in the Constitution. Many of the areas the Federal government is now regulating, I feel, ought to be left up to the states.

Our states are small enough and state government officials are close enough to the businessmen of the community, as well as the people of the community, to be responsive to day-to-day needs and day-to-day problems. States are not so large that their officials become divorced from personal involvement in the affairs of the people and the businesses

of their community. However, when the Federal government decides to intervene in these matters, then the business community of the nation must face the problem of complying with the multitude of regulations which faceless bureaucrats in Washington pour out.

I am familiar with the problems you encounter when you try to interpret the regulations which have been promulgated and try to keep yourself out of court even when you are acting in the best of faith.

But you may ask; "What can I as a businessman and banker do to effect the outcome of these governmental regulations?" I say to you that there is something you can do. You operate banks and financial institutions in the big cities and the small towns and have a great deal of influence on your elected representatives in Washington. You must learn how to use this influence and frequently contact your elected representatives in

Washington.

I realize that you have trade associations in Washington representing your interests, but I say to you that you cannot depend upon your staff in Washington to do all of your work for you. I know for a fact that as a Senator I am much more interested in hearing from the bankers in small towns and communities throughout the state than from the national associations representing them. I develop a personal contact with the folks at home and trust their judgement.

Something can be done about over-regulation by the Federal government and now is the time to do it because if we learned one thing in last years' election, it is that the people are fed up with the burdens of government regulations. Our new President has made a commitment to do something about this over regulation and I feel that the constant support and

encouragement of the business community back in the home states can

help him to do something about those things.

So what then should you do. First of all, if there is a person in this room who doesn't know his Congressman or Senator personally, then you ought to get to know him. You ought to know him by his first name and be able to sit down and talk with him. And he ought to know you so that when you are talking to him about a problem he will know who you are and will have confidence in what you say. You can't delegate it all to the banking staff in Washington. Let them be your eyes and ears, but you had better do most of the talking yourselves. We need close personal contact with you.

Another way you can help is by writing letters. I know you will say, "Well, they get so many letters that it doesn't make any difference." But let me briefly describe to you the three kinds of letters that I get.

The first is the kind of mail that I call "hate mail" and that is written by a lot of different types of people but you would be surprised how much hate mail we get which is written on the finest letterheads and written in anger. We are all human, and when something happens we don't like we tend to fire off a letter to tell somebody off. However, I am not sure that kind of letter does much good. The staff will pull that kind of mail out and you will get an answer but you can bet your bottom dollar that most of it is answered by the staff and the Senator never sees it.

Another kind of mail which we get which is helpful to a limited degree is correspondence prompted by your professional trade associations which says to you, "Look, the Common Situs Picketing Bill is coming up in Washington. Write and express your concern to your Congressman." We get those letters by the thousands, and they are helpful in that they give us an indication

about how wide-spread the concern is in our home states and across America. But you know, after the first few form letters we spot them and often they usually just become part of a tally. For instance, last session I got over 25 thousand letters on gun control, 40 some thousand on the Family Services Act, and thousands on common situs picketing.

But the kind of mail that I solicit from you on my behalf and behalf of your Senators and Congressman is letters of substance. You can sit down and in your own words in just a few minutes tell us more about how a proposed bill will effect your businesses than my staff can learn in a month over in the Library of Congress. In other words, you know the business; you know it on a day-to-day basis. You can give us some examples of how it will effect you; then if we believe your arguments have merit we in turn can use your arguments in our debate on the floor of the Senate. That's the kind of mail we need; that's the kind we pay careful attention to.

So if I can't do anything else today but convince you to get involved, then I think that my time here would have been well spent because we do need your help. I know that business people all over America are not much different from the business people in North Carolina. And yet when I sit there with the other members of the Banking Committee and watch some of my colleagues continually vote for more and more regulation, I can only assume that businessmen are not aware of these problems back in their home states or simply are unconcerned. Keep up with what is going on in Washington and let us hear from you personally.

Obviously I do think that there is something you can do about these burdensome regulations that we are talking about here today, but it is only when people like you across the whole country get involved that can you have a real effect on the policies coming out of Washington. I urge you to become active in the political process and in so doing I assure you

that your sentiments will be heard.

Serving on the Banking Committee is a continuing education for me. Help me and help my colleagues learn by giving us the benefit of your experience and concern. We want to be responsive and responsible but in order for us to be so, we must have your active interest and assistance.