

PRESENTATION BY

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REGULATION STRANGLING THE BANKING INDUSTRY

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I'D LIKE TO SPEAK TO YOU IN PLAIN SOUTHERN LANGUAGE ABOUT SOME OF THE ISSUES FACING OUR REGION AND WAYS THE BANKING INDUSTRY CAN PLAY A LARGER ROLE. AND I'D LIKE TO START WITH SOME GOOD NEWS.

ACCORDING TO A RECENT REPORT BY THE FEDERAL RESERVE BANK OF ATLANTA, MUCH OF SUNBELT WILL EXPERIENCE GREATER ECONOMIC GROWTH THAN THE NATION AS A WHOLE IN 1993. INDUSTRIES SUCH AS TEXTILES, FURNITURE, APPLIANCES AND LUMBER SHOULD LEAD THE WAY AS THE REGION BUILDS ON THE MOMENTUM OF THE SECOND HALF OF LAST YEAR.

BUT ALONG WITH HIGH HOPES, THE REPORT ALSO DELIVERS A STRONG DOSE OF REALITY FOR OUR REGION. LOOKING AHEAD, THE FED'S RESEARCHERS HAVE THIS TO OFFER: "THE REGION'S ABOVE-PAR PERFORMANCE WILL DEPEND IN THE LONGER TERM UPON ITS ABILITY TO ATTRACT CAPITAL AND LABOR ... AND ITS RESPONSE TO UNDERLYING STRUCTURAL CHANGES IN THE DOMESTIC ECONOMY AND IN INTERNATIONAL COMPETITION."

CAPITAL AND LABOR.

MORE THAN ANY OTHERS, THOSE TWO FACTORS WILL DECIDE WHETHER OUR REGION'S ECONOMY CONTINUES TO STRUGGLE AGAINST THE VESTIGES OF ITS PAST OR SEIZES ITS INHERENT STRENGTHS TO LEAD THE ECONOMY OF OUR COUNTRY.

ONE OF THE BRIGHT SPOTS FOR OUR REGION IN THE LAST DECADE IS THE EMERGENCE OF A NEW BREED OF SUNBELT-BASED FINANCIAL INSTITUTIONS. FOR DECADES PAST, NO HOME-GROWN INSTITUTION COULD FULLY SERVE THE REGION'S BUSINESS AND INDUSTRY. BUT NO LONGER MUST BUSINESSES TURN TO THE MONEY CENTER BANKS OF NEW YORK OR CHICAGO FOR THEIR LARGEST OR MOST COMPLEX FINANCING NEEDS. TODAY, A GROUP OF SUPER-REGIONAL BANKING COMPANIES, HAVING RAISED UNPRECEDENTED AMOUNTS OF CAPITAL FOR THE REGION, STANDS READY TO FUEL THE ECONOMIC EXPANSION OF THE SUNBELT.

NOW, I WANT TO ACKNOWLEDGE A FACT: MY INDUSTRY, HAS NOT BEEN LENDING ENOUGH MONEY --- TO BUSINESSES OR TO INDIVIDUALS. AND I'D LIKE TO EXPLAIN WHY.

PUNDITS HAVE PUT FORTH THE IDEA THAT BANKS WOULD PREFER TO INVEST IN GOVERNMENT BONDS BECAUSE THERE IS NO RISK. NOTHING COULD BE FURTHER FROM THE FACTS. MY ASSOCIATES AND I ARE PAID NOT ON WHETHER WE CAN ENGINEER PROFITS THROUGH BOND TRADING BUT ON HOW MUCH MONEY WE CAN LEND. WE ARE BANKERS, NOT '80S-STYLE HIGH-FINANCE PROFITEERS. WE WANT TO INVEST IN OUR COMMUNITIES BECAUSE OUR INDUSTRY IS ONLY AS HEALTHY AS ITS COMMUNITIES.

BUT FULFILLING THE ROLE OF THE BANKER HAS BECOME INCREASINGLY DIFFICULT. IN SHORT, A CRUSH OF REGULATIONS HAS TRANSFORMED BANKERS INTO BUREAUCRATS. THE STEADY BUILDUP OF DOCUMENTATION AND RECORD-KEEPING REQUIREMENTS OVER THE OVER THE LAST 25 YEARS HAS REACHED THE BREAKING POINT FOR BORROWER AND LENDER ALIKE---AND ULTIMATELY, THE ECONOMY.

LET'S TAKE A TYPICAL HOME MORTGAGE FROM A NATIONAL BANK AS AN EXAMPLE. BORROWING MONEY TO BUY OR IMPROVE A HOME IS THE SINGLE-MOST IMPORTANT PIECE OF BANKING MOST AMERICANS WILL EVER DO. HOUSING-RELATED LOANS ALSO SET OFF POSITIVE ECONOMIC RIPPLES THROUGHOUT THE ECONOMY. (BUT) MANY OF YOU KNOW FROM PERSONAL EXPERIENCE HOW COMPLEX THE PROCESS HAS BECOME. THE TYPICAL FILE FOR A HOME MORTGAGE LOAN FROM A NATIONAL BANK INCLUDES INFORMATION CALLED FOR BY MORE THAN 260 SEPARATE REGULATORY REQUIREMENTS.

MAKING HOME-RELATED LOANS IS MADE ALL THE MORE DIFFICULT BY THE HOME MORTGAGE DISCLOSURE ACT---A WELL INTENTIONED LAW BUT ONE THAT TODAY REQUIRES LENDERS TO COLLECT AND REPORT 19 SEPARATE PIECES OF INFORMATION FOR EVERY APPLICATION WE RECEIVE, WITH NO ALLOWABLE MARGIN FOR ERRORS. FOR A COMPANY LIKE OURS, WE REPORT 2.5 MILLION TO 3 MILLION PIECES OF INFORMATION EACH YEAR AND WE ARE SUBJECT TO PENALTY FOR ANY ERRORS. IN OTHER WORDS, WE MUST BE PERFECT, AND PERFECTION EXACTS A HIGH COST ON OUR ECONOMY.

PROVIDING BASIC DEPOSIT PRODUCTS IS NO EASIER. WE HAVE NOTEBOOKS CONTAINING 500 PAGES OF LAWS AND INSTRUCTIONS COVERING THE 200 REGULATORY REQUIREMENTS FOR A BASIC, INTEREST-BEARING CHECKING ACCOUNT.

CHAIRMAN HENRY GONZALES OF THE HOUSE BANKING COMMITTEE, ALONG WITH TREASURY SECRETARY LLOYD BENTSEN EXPRESS CONCERN THAT BANKS ARE NOT SERVING THE SMALL

CUSTOMER. BUT THE TRUTH IS THAT EVERY DAY MY ASSOCIATES FACE A DILEMMA: SHOULD THEY TURN AWAY A POTENTIAL LOW-OR MODERATE-INCOME BORROWER WHO CANNOT FILL OUT THE COMPLEX PAPERWORK, OR THE SMALL BUSINESS OWNER WHO CANNOT FURNISH THE SOPHISTICATED CASHFLOW PROJECTIONS REQUIRED BY REGULATIONS? OR SHOULD THEY BOOK THE LOAN AND RISK IT BECOMING LISTED BY REGULATORS AS A TROUBLED ASSET?

THE GLUT OF REGULATION SEEKS TO TAKE JUDGMENT OUT OF A JUDGMENT BUSINESS, TO ELIMINATE RISK RATHER THAN ALLOWING PROFESSIONALS TO MANAGE RISK. BUT IT SIMPLY CAN'T WORK THAT WAY. AND THE RESULT IS NOT A TRUE REGULATION OF THE FLOW OF CREDIT, BUT A VICE SLOWLY CLAMPING OFF THE LIFEBLOOD OF THE ECONOMY.

I USE THESE EXAMPLES SIMPLY TO SHOW YOU, THE PROLIFERATION OF REGULATION AND INTERPREATION THAT RESULTS FROM BANK LEGISLATION, MAKE THE CASE FOR REGULATORY RELIEF AS A REPRESENTATIVE OF THE INDUSTRY.

IN FACT, BALANCED REGULATORY RELIEF WOULD BE ESPECIALLY HELPFUL TO SMALL COMMUNITY BANKS, WHICH SPEND AN ESTIMATED 24 PERCENT OF THEIR NET INCOME MEETING REGULATORY REQUIREMENTS, NOT INCLUDING THOSE IMPOSED BY THE FDIC IMPROVEMENT ACT. BY FREE-ING UP ONLY A PORTION OF THESE RESOURCES, COMMUNITY BANKS WOULD BUILD CAPITAL, LEND MORE TO THEIR COMMUNITIES AND MINIMIZE THEIR CHANCE OF BURDENING THE FDIC.

AS FOR LARGER, MULIT-STATE BANKS, THERE IS ONE SIMPLE WAY TO ACHIEVE THE SAME GOALS TO BUILD CAPITAL, CREATE MORE STABILITY FOR THE INDUSTRY AND LOOSEN UP MORE LENDING DOLLARS FOR THE ECONOMY. THAT IS BY ALLOWING MULTI-STATE BANKS SIMPLY TO MERGE THE BANKS THEY ALREADY OWN.

WITH THIS ONESTEP, CONGRESS COULD EASE THE FLOW OF CREDIT FROM THE LARGEST SEGMENT OF THE BANKING INDUSTRY. IN THE SUNBELT ALONE, 65 MULTI-STATE BANKING COMPANIES OPERATE 434 DIFFERENT BANKS. THEY ACCOUNT FOR MORE THAN HALF OF ALL DEPOSITS AND LOANS. THE NATIONWIDE IMPACT IS EVEN GREATER.

REGULATIONS REQUIRE US TO BREAK LARGE COMPANIES APART AND REBUILD ON PAPER ON A STATE-BY-STATE BASIS FOR NO REASON OTHER THAN TO MEET REPORTING REQUIREMENTS. AS A RESULT SUBSIDIARIES MUST PREPARE THOUSANDS OF INTERNAL AND REGULATORY REPORTS A YEAR. WHO IS BEING SERVED HERE? THE PUBLIC? I DOUBT IT. CONSOLIDATING BANKS

INTO ONE COMPANY WOULD CUT THE NUMBER OF REPORTS TO ONE-FIFTH.

LET ME BE CLEAR: WHAT THE BANKING INDUSTRY DOES NOT NEED IS DEREGULATION. SOME BANKS HAVE BEEN GUILTY OF MISLEADING BORROWERS ABOUT INTEREST RATES AND OTHER BORROWING COSTS. BUT THE SAFETY OF THE CONSUMER AND THE SAFETY OF THE INDUSTRY CAN BE ACHIEVED THROUGH BALANCED REGULATORY RELIEF.

AND THAT IS JUST THE BEGINNING. ACCORDING TO CONSERVATIVE ESTIMATES BY THE TREASURY DEPARTMENT AND MCKINSEY AND COMPANY, ELIMINATION OF THESE DUPLICATIONS WOULD RESULT IN SAVINGS FOR ALL MULTI-STATE BANKS OF \$500 MILLION TO \$2 BILLION A YEAR. BECAUSE THESE ESTIMATES ASSUME BANKING CONSOLIDATION WILL CONTINUE --- AND MARKET FORCES DICTATE IT WILL ---THOSE SAVINGS COULD REACH \$5 BILLION TO \$10 BILLION A YEAR. IF THAT ADDITION TO CAPITAL IS LEVERAGED CONSERVATIVELY, THE RESULT COULD BE \$50 BILLION TO \$100 BILLION IN NEW LOAN DOLLARS FOR OUR ECONOMY.

BANKS ARE WILLING TO INVEST THESE FUNDS IN OUR NEEDIEST NEIGHBORHOODS---HOWEVER THE WHITE HOUSE OR CONGRESS WOULD LIKE---FOR AN AGREED-UPON PERIOD OF TIME. MY POINT IS WE WOULD MUCH RATHER INVEST IN FEEDING OUR COMMUNITIES INSTEAD OF FEEDING A BUREAUCRACY.

IN CONCLUSION... I HAVE PROPOSED WHAT MY INDUSTRY COULD DO FOR THE COUNTRY--- PROPOSALS THAT COULD MAKE A REAL DIFFERENCE IN THE LIVES OF OUR NEIGHBORS. CLEARLY, WE HAVE SEEN THE ALTERNATIVE. CHILLED BY ONEROUS REGULATIONS, BANKERS PROLONGED THE RECESSION BY CONTRIBUTING TO A CREDIT CRUNCH. BUT BANKERS ARE IN BUSINESS TO BE PART OF THE SOLUTION.

BANKERS CAN BE A GREATER PART OF THE SOLUTION---THROUGH REGULATORY RELIEF THAT ALLOWS CAPITAL TO FLOW TO WHERE IT IS NEEDED AND ALLOWS BANKERS TO ONCE AGAIN BE BANKERS.