

Press Releases

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OTS 96-25 - Fix SAIF-FICO, Lift Conversion Barriers Then Do Charter Reform, Fiechter Urges

Office of Thrift Supervision

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Fix SAIF-FICO, Lift Conversion Barriers Then Do Charter Reform, Fiechter Urges

WASHINGTON, D.C., April 17, 1996 -- The nation's chief thrift regulator today called on Congress to promptly resolve the funding problems of the Savings Association Insurance Fund (SAIF) and the FICO (Financing Corporation) bond and remove all barriers to thrift-to-bank and bank-to-thrift conversions.

In a speech to Washington's Exchequer Club, Acting Director Jonathan Fiechter of the Office of Thrift Supervision (OTS) said the joint proposal recommended to Congress by the Treasury, Federal Deposit Insurance Corporation (FDIC) and OTS to resolve the SAIF-FICO problem is a workable solution.

"It will benefit all FDIC-insured institutions -- and the American taxpayer -- by preventing another insurance fund crisis. It is in everyone's interest that we enact SAIF-FICO legislation promptly," he said.

Charter reform should follow resolution of the funding problems with the goal of making all insured financial institutions more competitive, Fiechter said. At a time of dramatic change in the financial services market, including the development of new products that blur the lines among traditional investment products, "the last thing the federal government should do is restrict choice and limit flexibility.

"Absent safety and soundness concerns and other overriding public policy issues, market forces, not government fiat, should determine how institutions structure their operations. Eliminating the unique features of the thrift charter...would be a step backwards," Fiechter said.

He suggested two possible approaches to charter reform. The first would be to create a "community bank charter" that combines the best features of the current bank and thrift charters, but sets limits on how much of its assets an institution may invest in commercial loans. The charter would be freely available to any institution that finds it attractive.

His second option would be to remove the consumer and small business lending limits from the existing federal thrift charter and ensure that all FDIC-insured institutions could adopt that charter if their business interests warrant. Restrictions on large-scale commercial lending would be retained.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.