

MARCH 6, 1989

NATIONAL ASSOCIATION OF CREDIT MANAGEMENT

INTRODUCTION

O I WANT TO THANK YOU FOR GIVING ME THE
OPPORTUNITY TO PARTICIPATE IN THIS 18TH
ANNUAL LEGISLATIVE CONFERENCE.

O THE NATIONAL ASSOCIATION OF CREDIT
MANAGEMENT REPRESENTS THE VERY
LIFEBLOOD OF AMERICAN BUSINESS:
BUSINESS CREDIT. IT IS NO EXAGGERATION
TO SAY THAT BUSINESSES WOULD COLLAPSE
AND OUR ECONOMY WOULD SLOWLY
GROUND TO A HALT, IF THE AVAILABILITY OF
BUSINESS CREDIT WERE SERIOUSLY
RESTRICTED.

- 0 I UNDERSTAND THAT THERE ARE SOME
KANSANS IN THE AUDIENCE: MARK
BOROFSKY OF THE PIONEER BALLOON
COMPANY IN WICHITA AND JUDY BENJAMIN OF
MID-AMERICAN BANK IN SHAWNEE MISSION.
WELCOME TO WASHINGTON.
- 0 DURING YOUR STAY IN WASHINGTON, I
SUGGEST THAT YOU KEEP A PRETTY LOW
PROFILE. I WOULD ESPECIALLY STEER CLEAR
OF RUSSIAN BALLERINAS AND RUSSIAN
VODKA. THESE DAYS, THEY'RE NOT TOO
POPULAR IN THIS TOWN.

THE BUDGET DEFICIT

- O THIS 18TH ANNUAL CONFERENCE IS A SALUTE TO LEADERSHIP AND NO PROBLEM CONFRONTING OUR GOVERNMENT REQUIRES MORE LEADERSHIP THAN THE FEDERAL BUDGET DEFICIT.

- O IN HIS BUDGET, THE PRESIDENT MAKES GOOD ON HIS CAMPAIGN PROMISES. HE HAS PRODUCED A KINDER AND GENTLER BUDGET AND HAS MET THE GRAMM-RUDMAN-HOLLINGS TARGETS WITHOUT RAISING TAXES.

O DESPITE THE CLAIMS MADE BY SOME IN THE
DEMOCRATIC LEADERSHIP, THIS BUDGET
DOES NOT LEAVE THE TOUGH CHOICES
ABOUT WHAT TO CUT TO CONGRESS. THE
PRESIDENT HOLDS DEFENSE GROWTH TO THE
RATE OF INFLATION, SIGNIFICANTLY CUTS
MEDICARE, FEDERAL RETIREMENT,
AGRICULTURAL SUBSIDIES, AND FEDERAL
HEALTH BENEFITS.

O IN ADDITION, PRESIDENT BUSH APPLIES A
NOMINAL FREEZE TO A POT OF NONDEFENSE
DISCRETIONARY SPENDING WORTH \$136
BILLION. BY KEEPING SPENDING FOR THESE
PROGRAMS AT 1989 LEVELS, WE WILL SAVE
ALMOST \$11 BILLION IN A SINGLE YEAR.

- O EVEN WITHOUT ANY CHANGES IN CURRENT
POLICY, THE CONGRESSIONAL BUDGET
OFFICE EXPECTS REVENUES TO INCREASE BY
\$81.5 BILLION IN 1990. THIS PROJECTED GAIN
IS NOT OVERLY OPTIMISTIC; C.B.O.'S OWN
ESTIMATE OF REVENUE GROWTH BETWEEN
1989 AND 1990 IS HIGHER -- \$86 BILLION.

O WITH THIS REVENUE GROWTH, IT WILL BE
POSSIBLE TO MEET THE 1990
GRAMM-RUDMAN-HOLLINGS DEFICIT TARGET.
BUT IN ORDER TO DO SO, CONGRESS MUST
STICK TO PRESIDENT BUSH'S PLAN TO HOLD
THE OVERALL GROWTH IN SPENDING TO THE
RATE OF INFLATION.

O EVEN WITH THESE CONSTRAINTS, THE PRESIDENT HAS FOUND FUNDS FOR INVESTING IN PEOPLE AS WELL AS TECHNOLOGY. THIS KINDER AND GENTLER BUDGET INCLUDES \$400 MILLION IN BUDGET AUTHORITY FOR NEW EDUCATION PROGRAMS, \$900 MILLION FOR THE WAR ON DRUGS, \$400 MILLION IN AID TO THE HOMELESS, AND THE RESTORATION OF PRESIDENT REAGAN'S \$1.7 BILLION CUT IN MEDICAID.

O PRESIDENT BUSH'S BUDGET MAY NOT BE ALL THINGS TO ALL PEOPLE -- NO RESPONSIBLE BUDGET EVER IS -- BUT HIS BUDGET IS A SERIOUS, WORKABLE FIRST STEP. NOW, THE DEMOCRATS NEED TO LAY THEIR CARDS ON THE TABLE, SO THAT BUDGET NEGOTIATIONS CAN BEGIN.

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O THE NEED FOR BUDGET NEGOTIATIONS IS ALL TOO APPARENT: THE FED RECENTLY RAISED THE DISCOUNT RATE, FOR THE FIRST TIME SINCE AUGUST. MANY BANKS, IN TURN, HAVE ALREADY RAISED THEIR INTEREST RATES ON EVERYTHING FROM THE PRIME RATE TO HOME MORTGAGES.

O IN THE NEXT FEW WEEKS, IT WILL BECOME
CLEAR WHETHER THE DEMOCRATS ARE
WILLING TO MOVE FORWARD. IMPORTANT
DEADLINES ARE LOOMING: THE SENATE
BUDGET COMMITTEE IS REQUIRED TO REPORT
A BUDGET RESOLUTION BY APRIL 1. WITH A
SPRING RECESS AT THE END OF MARCH, ONLY
TWO WEEKS ARE LEFT TO COMPLETE OUR
WORK ON TIME.

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O SQUABBLING OVER THE BUDGET PREVENTS
US FROM MOVING FORWARD ON THE
APPROPRIATIONS PROCESS, AS WELL AS
TACKLING IMPORTANT PROBLEMS LIKE THE
SAVINGS AND LOAN CRISIS. THE PRESIDENT
SHOULD NOT HAVE HIS LEGISLATIVE AGENDA
HELD HOSTAGE BY A CONGRESS THAT
PREFERS TO POINT FINGERS RATHER THAN
FACE UP TO THE TOUGH BUDGET CHOICES
NEEDED TO MEET THE
GRAMM-RUDMAN-HOLLINGS TARGETS.

TAXES

A. NO NEW TAXES

- O YOU CAN'T TALK ABOUT THE BUDGET THESE DAYS WITHOUT ALSO TALKING ABOUT TAXES.

- O MY POSITION ON TAXES SHOULD BE VERY CLEAR. I DO NOT BELIEVE THAT TAX INCREASES ARE A SUBSTITUTE FOR SPENDING RESTRAINT. I AGREE WITH THE PRESIDENT THAT TO BALANCE THE BUDGET WE NEED TO LOOK AT SPENDING CUTS AND NOT NEW TAXES.

- O I ALSO BELIEVE THAT KEEPING THE LOWER RATES ENACTED IN 1986 IS VERY IMPORTANT, BOTH AS AN ECONOMIC INCENTIVE AND TO ASSURE TAXPAYERS THAT OUR LAWS ARE FAIR. TAXPAYERS SHOULD NOT HAVE TO RELY ON TAX SHELTERS TO KEEP THEIR EFFECTIVE TAX RATES AT AN ACCEPTABLE LEVEL.

B. EXCISE TAX ON GASOLINE

- O AS I MENTIONED EARLIER, THE BUDGET PROPOSED BY THE PRESIDENT MAKES GOOD ON HIS CAMPAIGN PROMISES TO MEET THE GRAMM-RUDMAN-HOLLINGS TARGETS WITHOUT RAISING TAXES. IT IS NOW CLEAR THAT WHEN THE PRESIDENT SAID "NO NEW TAXES," HE MEANT IT. THAT INCLUDES EXCISE TAXES ON SUCH ITEMS AS GASOLINE.

C. CAPITAL GAINS

- O PRESIDENT BUSH IS ALSO COMMITTED TO A REDUCTION IN THE LONG-TERM CAPITAL GAINS TAX RATE IMPOSED ON CERTAIN INVESTMENT AND BUSINESS ASSETS. TREASURY AND CONGRESSIONAL ECONOMISTS DIFFER OVER THE REVENUE CONSEQUENCES OF THIS PROPOSAL. I BELIEVE THAT THE CONGRESS WILL BE RELUCTANT TO GAMBLE ON HYPOTHETICAL REVENUE GAINS, GIVEN THE CURRENT BUDGET SITUATION.

D. SECTION 89

- O I ALSO KNOW THAT SOME OF YOU ARE CONCERNED ABOUT THE ADMINISTRATIVE BURDENS IMPOSED ON HEALTH AND WELFARE BENEFIT PLANS BY SECTION 89 OF THE INTERNAL REVENUE CODE. I HAVE RECEIVED LETTERS FROM BUSINESSMEN ACROSS THE COUNTRY WHO ARE SIMILARLY CONCERNED. IN MANY CASES, I BELIEVE THAT THESE COMPLAINTS ARE JUSTIFIED.

O LAST YEAR, AT THE REQUEST OF PRIVATE
INDUSTRY GROUPS, I SUPPORTED
SUBSTANTIVE CHANGES TO SIMPLIFY SECTION
89 IN THE TECHNICAL CORRECTIONS ACT.
SEVERAL OF THESE PROVISIONS WERE
DESIGNED SPECIFICALLY TO EASE
COMPLIANCE BURDENS FOR SMALL
BUSINESSES.

O I RECOGNIZE THAT THESE CHANGES ARE NOT ENOUGH, AND FRANKLY, I WOULD HAVE PREFERRED TO DO EVEN MORE TO SIMPLIFY THESE RULES. ACCORDINGLY, I HAVE CO-SPONSORED LEGISLATION TO DELAY THE EFFECTIVE DATE OF SECTION 89 TO GIVE CONGRESS THE TIME TO REVIEW THIS PROVISION. MY STAFF IS CURRENTLY WORKING WITH STAFFS OF OTHER FINANCE COMMITTEE MEMBERS AND INDUSTRY EXPERTS TO DEVELOP WORKABLE TESTS.

CONCLUSION

- O THERE ARE NO EASY ANSWERS OR QUICK FIXES TO THESE DIFFICULT PROBLEMS. HOWEVER, WE ALL HAVE A STAKE IN LOWERING THE FEDERAL BUDGET DEFICIT AND IN IMPROVING THE CLIMATE FOR AMERICAN BUSINESS BOTH AT HOME AND ABROAD. I LOOK FORWARD TO WORKING WITH ALL OF YOU IN THE WEEKS AND MONTHS AHEAD. THERE IS MUCH TO BE DONE.

O I UNDERSTAND THAT LUNCH WILL BE SERVED
SHORTLY. I KNOW THAT MANY OF YOU ARE
HUNGRY, SO I WILL CONCLUDE MY REMARKS
AND TAKE YOUR QUESTIONS NOW.

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March 3, 1989

M E M O R A N D U M

TO: SENATOR DOLE
FROM: DENNIS SHEA
SUBJECT: SPEECH BEFORE THE NATIONAL ASSOCIATION OF CREDIT
MANAGEMENT

On Monday, March 6, you are scheduled to speak at a luncheon meeting of the National Association of Credit Management. The meeting will take place at the Caucus Room in the Russell Building.

The time of your speech is 12:15 p.m. Organizers of the annual conference have asked that you speak for 20 minutes. A question-and-answer period will follow your speech, also lasting approximately 20 minutes.

National Association of Credit Management

The National Association of Credit Management is an organization of over 40,000 business credit executives who represent American companies ranging in size from the Fortune 50 to "mom-and-pop" ventures.

Business credit involves virtually any transaction in which one business (e.g., a manufacturer) lends money to another business (e.g., a retailer). As a result, business credit is different from consumer credit, which typically involves credit used by individuals to pay for shopping, dining out, and other matters of a personal nature. Business credit is also different from venture capital or commercial loans, which are used to assist businesses in getting started or expanding existing operations.

Equal Credit Opportunity Act

The Association is particularly sensitive to any effort to restrict an exemption that business credit transactions currently enjoy under the Equal Credit Opportunity Act (the "ECOA"). The ECOA bans discrimination in any credit transaction, including business credit transactions. However, Regulation B of the ECOA -- promulgated by the Federal Reserve Board -- exempts business creditors from two important requirements: 1) the requirement that a written notice be provided to any credit applicant who has received an adverse credit decision, and 2) the requirement that a creditor maintain all records used in connection with any adverse credit decision for at least 25 months.

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To support the exemption, the Association claims that there is no evidence that discrimination plays a role in business credit decisions. The Association also claims that removing the exemption provided by Regulation B would make business credit much more expensive.

You would gain a lot of points with the membership of the Association if you mentioned that you support the current exemption provided by Regulation B.

Speech

Your speech, which is intended to provide a broad overview of the major issues before the 101st Congress, will primarily focus on the budget deficit and taxes.

You will be introduced by Michael Britain, who is Executive Director of the Association's Kansas affiliate.

Your speech will be preceded by a morning session involving Rep. Howard Berman of California, a State Department official, and a local attorney who is an expert on international debt.



March 6
in...
at...
SR-325

NATIONAL ASSOCIATION OF CREDIT MANAGEMENT

Dennis

December 19, 1988

World Headquarters
8815 Centre Park Drive, Suite 200
Columbia, MD 21045-2117
Tel. (301) 740-5560
FAX (301) 740-5574

12:15 Speak
O.K. to take

Ch... 09

The Honorable Robert Dole
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

On behalf of the National Association of Credit Management (NACM), we would like to extend an invitation to you to address our organization at our 18th Annual Legislative Conference in Washington, D.C. Our Conference will be held from March 5 through March 8, 1989 at the Hyatt Regency on Capitol Hill.

NACM is an association of over 40,000 business credit executives who represent American businesses ranging in size from the Fortune 50 to the smallest of businesses. Currently celebrating its 92nd year of providing assistance to business credit industry, NACM also represents every line of American business and industry. Our members promote the free flow of business credit which creates the backbone of the American free enterprise system.

We are hoping that your schedule will allow you to address our members at breakfast at the Hyatt Regency on either Monday, March 6 or on Wednesday, March 8. If it is more convenient, we would like for you to consider addressing our members at a luncheon in the Senate Caucus Room (Russell 325) on Monday, March 6. Typically, our speakers talk for about 20 minutes and we would like to allow for about 20 minutes of questions. *men*

We have included some information which explains a little more about NACM and some of the issues important to our members. We would, of course, be delighted to provide you with more detailed information about our members and our legislative program if you desire. We would hope that you would consider NACM's standard honoraria of \$2,000 for your time and effort in addressing our association.

We would be honored if you could join us and we know that our conferees, many of whom will travel from Kansas to attend the conference, would benefit greatly from your remarks. If you need any additional information, please don't hesitate to contact us, or our Washington representative, Jim Wise, at (703) 548-6295.

Thank you in advance for your consideration.

Sincerely yours,

Robert Johnston
Robert Johnston
President, NACM

Ronald Hoffman
Ronald Hoffman
Chairman, NACM Legislative Committee

Enclosures
1-5-89 Interview letter
2-7-89 Bio. + photo sent to Robin S.



NATIONAL ASSOCIATION OF CREDIT MANAGEMENT

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December, 1988

The National Association
of Credit Management

NACM -- Who and What We Are

Business credit is an integral part of the American economy, and the business credit executive -- the NACM member -- is an essential player in our free enterprise system.

Business credit refers to credit that is extended by one business firm to another. It does not refer to consumer credit, such as that used to charge a meal in a restaurant, or a purchase at a department store. Nor does business credit refer to venture capital, such as those funds provided to start up a new business or expand an existing one.

Business credit executives have the responsibility for managing their companies' trade credit, primarily their accounts receivables, in order to:

- * create a profit for their companies;
- * provide a free flow of goods and services to businesses that purchase from their companies;
- * help insure, through their expediting of the exchange of goods, the highest quality at the lowest price for the ultimate consumer of their companies' goods.

Because our business system is so intricate and interdependent, it is not an exaggeration to say that the business credit executives' decision to extend credit to another business is one of the most critical decisions in our economy. Their "yes" or "no" is a major factor in the current and future course of not only their own companies, but that of their business customers as well.

Business credit executives from every state in the Union make up the "Who" of NACM. Representing over 40,000 American businesses of all kinds -- manufacturers, wholesalers, service industries, and financial institutions -- from the smallest businesses to a majority of the Fortune 500, these professionals share a common responsibility: the making of sound and equitable business credit decisions for the benefit of their company, their customer, and the economy as a whole.

Through their membership in 75 autonomous state and regional associations, these executives make up NACM. Founded in 1896 and one of the oldest and largest business organizations in the United States, NACM provides many services to its members, including:

- * BUSINESS CREDIT REPORTING: This service to members involves a nationwide system of assembling and distributing to members the actual "ledger experience" of businesses selling to a common business customer -- a record of that common business customer's payments, not subjective evaluations of the company's operations.
- * LOSS PREVENTION: The Loss Prevention Department investigates cases of potential business fraud and cooperates with law enforcement agencies in its prosecution.
- * ADJUSTMENT SERVICES: Some regional associations offer expert counseling and rehabilitation services to troubled businesses. Often the result can be the avoidance of the stigma of bankruptcy for the business and the recovery of more of the funds due its business creditors.
- * CREDIT WOMEN: Comprising 68 groups across the nation, NACM credit women's activities serves over 3,200 members. Objectives are to promote and advance the interests of women credit executives; to foster credit management as a career for women; and to encourage education of women in credit work. The groups sponsor and award educational scholarships annually.
- * CONTINUING EDUCATION: Numerous colleges and universities offer courses developed by the National Institute of Credit (NIC), NACM's oldest and most broadly-based educational activity. NACM's Graduate School of Credit and Financial Management also offers special sessions on the campuses of Dartmouth College as well as Baylor and Santa Clara Universities.

In addition to these services, each year NACM holds a Legislative Conference in Washington, D.C., to work toward one of the Association's purposes and objectives: the assurance of good laws for sound credit. At this conference, business credit executives come to the Nation's Capital to represent the interests of business credit before Congress and the regulatory agencies of the Executive Department.



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December, 1988

Federal Regulation
&
The Business Credit Process

Virtually every business transaction that concerns another business involves credit. Indeed, trade credit is, by volume, the single largest source of business financing, even exceeding bank loans.

The extension of credit in this context is business credit, not the "credit card" type of credit used by individuals to pay for shopping, dining out, and other matters of a personal nature, called "consumer credit." Nor should business credit be confused with venture capital or commercial loans which are used to assist businesses in getting started or expanding existing operations.

Business credit is different. Business credit is extended from one business firm to another, for the purpose of acquiring goods that will eventually be resold, or items that will be used to make goods for resale. Without business credit, America's economic system as we know it would not exist.

Business credit is, in reality, the capital required to conduct business. Billions of dollars worth of goods and services are extended daily through the business credit process.

The differences between business credit and consumer credit are much more than simply a question of who gives and receives credit, or for what purpose the purchases are employed. Consider the following:

- * The dollar amount of business credit extensions is usually much larger than that of most consumer credit transactions;
- * Timeliness in reaching a decision whether or not to extend credit is often much more critical in the business setting. For example, delays in the manufacturing process can increase costs and reduce the quality of perishable goods;
- * Whereas consumers usually open charge accounts with a credit limit agreed upon in advance, business credit grantors face a never-ending responsibility for credit judgment that retailers alone do not face with respect to their credit recipients, such as assessing the outlook and prospects for the industry in which the business credit grantors' customers are engaged, the overall state of the economy, and these customers' business sources;
- * The sheer number of consumers often means that extenders of consumer credit generally aim for the broad market without the comparable "investment" in an individual customer that exists on the part of business credit grantors with their much more limited number of customers.

For these reasons, mistakes and delays in the business credit process can have much more serious consequences than in the consumer credit area. Wisely, the Congress has recognized the differences between business and consumer credit when it passed legislation in the credit area in the past.

Congress has realized that, in the area of Federal regulation of the credit reporting process, there is a greater need for business, as opposed to personal, information; a lesser likelihood of individual injury in the commercial setting; and fewer complaints about the unregulated business credit reporting system as it exists today. Indeed, experts have warned Congress that regulation in this area could result in serious delays in the availability of business credit information. Such delays, it is cautioned, could cost the economy an annual sales loss of over \$60 billion.

Pressure from international markets has forced American businesses to be more competitive than ever. This pressure is intensified when regulatory requirements are imposed on American companies while similar restrictions do not exist for foreign corporations. Any restriction on the free flow of credit information will retard the economy and further place American businesses at a competitive disadvantage.

Virtually every business is a seeker of business credit as well as a credit grantor. Accordingly, the Congress has realized that when one business buys from another, both the buyer and seller generally know and understand their rights as well as their responsibilities in the transaction. This is an essential ingredient in the establishment and operation of any successful business that the marketplace, not Federal regulation, imposes.

In the final analysis, anything that interferes with the free and complete ability of the business credit grantor to make a sound, accurate and equitable credit decision is an impediment to the commerce of this country. Everyone loses -- not only the businesses themselves, but also the ultimate consumer of the goods and services that they provide.

03/03/89; 4:00PM

S&L TALKING POINTS

DECISIVE ACTION BY THE PRESIDENT

- O TO HIS CREDIT, GEORGE BUSH ACTED SWIFTLY AND DECISIVELY ON THIS ISSUE. HE SAT DOWN WITH INDUSTRY REPRESENTATIVES AND CONGRESSIONAL LEADERS, ASKED FOR OUR INPUT AND MADE HIS DECISION. OBVIOUSLY CONGRESS HAS A ROLE TO PLAY IN THIS PROCESS. A LOT OF PEOPLE WILL BE ASKING TOUGH QUESTIONS. BUT, I THINK THIS WAS A VERY POSITIVE FIRST STEP FOR THE PRESIDENT.

TIMING

- O THE ADMINISTRATION WENT RIGHT TO WORK AND DEVELOPED A LEGISLATIVE PACKAGE THAT WAS RELEASED BY TREASURY SECRETARY BRADY ON FEBRUARY 22. THE BILL WAS INTRODUCED IN THE SENATE AS S. 413, THE FINANCIAL INSTITUTIONS REFORM, RECOVERY, AND ENFORCEMENT ACT OF 1989.
- O IN TERMS OF CONGRESSIONAL ACTION, THE PRESIDENT MENTIONED IN HIS BUDGET ADDRESS THAT HE WANTED CONGRESS TO ACT WITHIN 45 DAYS. SENATOR RIEGLE REVISED THE BANKING COMMITTEE'S HEARING SCHEDULE IN AN EFFORT TO COMPLY WITH THE PRESIDENT'S DEADLINE, BUT IT IS UNLIKELY THAT THE COMMITTEE WILL COMPLETE ACTION ON THE BILL BEFORE MID-APRIL. THE COMMITTEE IS EXPECTED TO BEGIN WORK ON A LEGISLATIVE PACKAGE OF ITS OWN DURING THE EASTER RECESS.
- O IN THE HOUSE, THE PROSPECTS FOR ACTION ARE MORE UNCERTAIN. LAST THURSDAY, BANKING COMMITTEE CHAIRMAN HENRY GONZALEZ APPEARED AT A PRESS CONFERENCE TO ENDORSE JESSE JACKSON'S THRIFT REFORM PLAN. WHO KNOWS WHAT WILL EMERGE FROM MR. GONZALEZ'S COMMITTEE?

COST ESTIMATES/ASSUMPTIONS

- O A LOT OF PEOPLE ARE QUESTIONING THE ASSUMPTIONS OMB USED IN DEVELOPING COST PROJECTIONS FOR THE PRESIDENT'S PLAN. LAST WEEK, OMB DIRECTOR DICK DARMAN ADMITTED THAT THEIR ECONOMIC ASSUMPTIONS ARE ON THE OPTIMISTIC SIDE AND THAT INTEREST RATE FLUCTUATIONS COULD AFFECT THE FINAL COST OF SHUTTING DOWN THE NATION'S INSOLVENT THRIFTS. IT IS MY UNDERSTANDING THAT A 1-POINT INCREASE IN LONG-TERM INTEREST RATES WOULD RAISE INTEREST PAYMENTS UNDER THE BUSH PLAN BY MORE THAN \$12 BILLION.

A BALANCING ACT

- O THE EFFECT OF THESE PROPOSALS ON THE MARGINAL INSTITUTIONS IS AN IMPORTANT CONSIDERATION. FOR EVERY INSOLVENT THRIFT, THERE IS A SOLVENT INSTITUTION THAT IS BARELY SCRAPING BY.

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- O WE HAVE TO DO A BALANCING ACT. I FIRMLY BELIEVE THAT WE SHOULD ONLY TURN TO THE TAXPAYER AS A LAST RESORT, BUT IF WE ARE TOO HEAVY-HANDED WITH THE INDUSTRY, WE RISK DRIVING THE MARGINAL INSTITUTIONS INTO INSOLVENCY AND CREATING AN EVEN BIGGER PROBLEM.

BAD PUBLICITY AGGRAVATES THE PROBLEM

- O THE FIGURES ARE IN. DEPOSITORS WITHDREW \$5.2 BILLION FROM SAVINGS & LOANS LAST MIONTH, \$7.0 BILLION IN JANUARY AND A RECORD \$8.1 BILLION IN DECEMBER 1988. BAD PUBLICITY AGGRAVATES THIS PROBLEM BECAUSE IT AFFECTS DEPOSITOR CONFIDENCE. THE PRESIDENT, SENATOR RIEGLE, AND SENATOR GARN HAVE EACH TRIED TO REASSURE DEPOSITORS THAT THE "FULL FAITH AND CREDIT" OF THE U.S. GOVERNMENT STANDS BEHIND THESE DEPOSITS. THAT IS AN IMPORTANT POINT FOR EVERYONE TO KEEP IN MIND.

FRAUD & MISMANAGEMENT

- O I WAS PLEASED TO SEE THAT THE PRESIDENT'S PLAN INCLUDES \$50 MILLION FOR THE JUSTICE DEPARTMENT TO HELP THEM FERRET OUT AND PROSECUTE FRAUD WITHIN THE SAVINGS & LOAN INDUSTRY. THOSE THAT TOOK ADVANTAGE OF THE SYSTEM SHOULD BE PROSECUTED TO THE FULLEST EXTENT OF THE LAW. WE DON'T WANT TAX DOLLARS GOING TO LINE THE POCKETS OF CRIMINALS.

THE FDIC FUND

- O WHILE THE BUSH PLAN CALLS FOR AN ADMINISTRATIVE MERGER OF THE TWO FUNDS, LET THERE BE NO MISTAKE. THE INSURANCE FUNDS FOR THE BANKING AND THRIFT INDUSTRIES WILL REMAIN SEPARATE. FDIC FUNDS WILL NOT BE USED TO "BAIL OUT" THE THRIFT INDUSTRY.

BANK POWERS

- O A LOT OF PEOPLE HAVE BEEN WONDERING IF THE S&L ISSUE WILL PUT BANK POWERS BACK ON THE AGENDA. I CAN TELL YOU THAT ON THE SENATE SIDE BOTH THE CHAIRMAN AND THE RANKING MEMBER OF THE BANKING COMMITTEE ARE CONCERNED THAT PUTTING BANK POWERS ON THE TABLE WILL DELAY ACTION ON SAVINGS & LOANS. I AGREE.
- O THE COST OF BAILING OUT THE THRIFT INDUSTRY HAS BEEN GROWING AT A RATE OF \$1 BILLION A MONTH. WE CAN'T AFFORD TO HOLD THIS UP ANY LONGER.