



NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS
P.O. Box 3769 WASHINGTON, DC 20007
(703) 522-4770

February 7, 1990

The Honorable Robert J. Dole
Republican Leader of the Senate
United States Senate
Washington, D.C. 20510

Dear Senator Dole:

As I discussed with Mariam Bechtel earlier today, the National Association of Federal Credit Unions will be hosting its annual Congressional Caucus here in Washington at the Loews L'Enfant Plaza Hotel from March 11-14, 1990. More than 300 credit union leaders from throughout the nation will be in attendance to meet with and hear from key policymakers. We would be particularly honored if you could address our gathering on Monday, March 12th from 10:15 to 11:00 a.m.

While the condition of our nation's financial institution system has been the cause of grave concern in recent months, we are proud of the fact that by whatever measure one uses our nation's credit unions continue to perform remarkably well. Furthermore, the federal insurance fund which backs up our nation's credit union accounts continues its enviable track record of protecting members' deposits at no risk of loss to the American taxpayer. That is a good news story that every credit union member should be proud of!

Among those already scheduled to address our session are: Senator Roger Jepsen, Chairman of the National Credit Union Administration Board; Governor Martha Seger of the Federal Reserve Board; Chairman Danny Wall of the Office of Thrift Supervision; and, Congressman Frank Annunzio, Chairman of the House Banking Subcommittee on Financial Institutions. I know that the members of our Association, particularly those from Kansas, would be pleased if you could join our list of speakers. If you are able to do so, I would be available to meet with you or your staff at your convenience to discuss any questions you may have.

Thank you very much for your consideration. I look forward to hearing from you soon.

Steve Skonberg

Best personal regards,

WJD
William J. Donovan
Vice President/Government Affairs
Government Affairs Counsel

WJD:dt

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M E M O R A N D U M

To: The Honorable Robert Dole
Dennis Shea, Counsel

From: Steve Skonberg, Director of Legislative Affairs

Date: March 8, 1990

Subject: Your speech before NAFCU's Congressional Caucus on
Monday, March 12, 1990 at 10:15 - 11:00 a.m. at Loews
L'Enfant Plaza Hotel.

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On behalf of the Association, I would like to thank you for agreeing to speak at NAFCU's 1990 Congressional Caucus. As both a friend of the credit union community and among the most respected statesmen in America today, your participation in our Caucus is particularly appreciated.

In order to help prepare you, I have put together this memo consisting of general background information regarding NAFCU, and several specific issues of concern to the credit union community.

BACKGROUND

NAFCU is an association of 750 federally-chartered credit unions. Membership consists of mostly larger, more progressive credit unions from each of the fifty states, representing 60 billion in assets and 15.1 million credit union members nationwide. A few names of NAFCU officials you should be familiar with are:

- * NAFCU Chairman John Stanton who is President/General Manager of the Continental Federal Credit Union in Los Angeles, California and a native of Atchinson, KS and Benedictene College alumnus whose family owns the Stanton Mortuaries and are among the earliest political supporters of yours. John will be introducing you.
- * NAFCU President Ken Robinson, who is a retired Marine Corps Major General and a life-long credit union activist;
- * NAFCU Vice President for Government Affairs Bill Donovan; Steve Skonberg, Director of Legislative Affairs and John Zimmerman, Legislative Representative.

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- * The only other Kansan who we certainly know will be present is the General Counsel of the National Credit Union Administration, Robert Fenner, a University of Kansas alumnus. Since credit unions are the best regulated financial institutions (record low failures compared to record high bank and S&L failures, strongest insurance fund, highest capital ratios, etc.) thanks to the leadership of Senator Jepsen and Bob Fenner, it would be nice of you to recognize him.
- * In your introductory comments, we would deeply appreciate a few supportive words towards NAFCU such as "a vital lobbying force on Capitol Hill whose support and assistance I value and appreciate," etc.

There will be 350 credit union officials from across the country in attendance; the audience is about evenly split between volunteer credit union board members and professional credit union employees, mostly CEOs. It should be noted that this year's attendance is 25 percent higher than last year's record attendance level. This increase is primarily a result of last year's debate on FIRREA, during which various unfounded charges were directed at credit unions.

Accordingly, the credit union message this year is to communicate 1) the safety and soundness of the credit union system, and 2) credit unions' desire not to be included in a "FIRREA II" -- in other words, "credit unions have been tending their own garden, we aren't a part of the problem of mounting bank and S&L failures, and we don't want to be part of the solution." The depth of credit union feelings on this subject is reflected by these attendance figures.

In addition, credit unions perceive an increase in attacks from the banking industry with regards to the credit union tax exemption -- referring to it as an "unfair advantage." As a member of the Senate Finance Committee, we would particularly appreciate your comment in this area. The following points are most pertinent to considerations of this issue.

- * Credit unions have always made up less than 6 percent of the depository marketplace, and pose no threat to the banking industry.
- * Credit unions provide low-cost, basic financial services to over 50 million Americans, and they are able to provide these services because of their cooperative nature.

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- * Taxation of credit unions would produce only nominal federal revenues (\$500 - 600 million according to CBO, \$150 - 200 million according to NAFCU's research), while irreversibly changing credit unions' non-profit, volunteer-directed nature to the detriment of the American public. Even if you use the higher CBO estimates, the credit union tax exemption "costs" the American taxpayer about \$5 annually, an amount roughly equal to the average monthly service charge on a bank checking account.

Press has been invited to attend the conference. In the past, the Congressional Caucus has been widely covered by the American Banker, BNA, and C-SPAN, among others.

Credit Union Issues

Attached are several fact sheets on issues of concern to credit unions which may be useful in preparing for your speech, as well as a conference program.

We will be calling you to set up a brief meeting to discuss these questions with you personally. In the meanwhile, if we may be of assistance to you, please do not hesitate to call me or NAFCU's Vice President for Government Affairs, Bill Donovan, at 522-4770. (Before or after working hours, please dial extension 229 or 203.) In addition, I may be reached at my home (965-7409) or in the Marquette Salon of the Loews L'Enfant Plaza Hotel (484-1000) on Sunday or Monday.

NAFCU'S CONGRESSSIONAL CAUCUS PROGRAM
Preliminary Program
March 7, 1990

Sunday, March 11

- 3:00 - 7:00 Registration
5:00 - 7:00 Welcoming Reception
(Sponsored by Minnesota Mutual Life)

Monday, March 12

- 8:00 - 8:30 Morning Coffee
(Sponsored by PAS Financial Group)

Opening General Session

- 8:30 - 8:34 * Presentation of Colors
United States Marine Corps
8:34 - 8:35 * Invocation
The Honorable Jim Molloy,
Doorkeeper of the House
8:35 - 8:40 * Welcoming Remarks
NAFCU Chairman John M. Stanton
8:40 - 9:20 * NCUA Update
NCUA Chairman Roger Jepsen
9:20 - 10:00 * Keynote Speaker
Rep. Frank Annunzio (D-IL)
10:00 - 10:15 BREAK
(Sponsored by PAS Financial Group)
10:15 - 11:00 * Senate Update
Sen. Robert Dole, (R-KS)
11:00 - 11:30 * The View from Treasury
J. French Hill, Deputy Assistant
Treasury Secretary for Corporate Finance
11:30 - 12:00 * Legislative Issues Briefing
Steve Harris, Senate Banking Committee Staff
Director (invited)
Bill Donovan, Steve Skonberg, John Zimmerman
12:00 - 1:30 Luncheon with Hon. Mary Rose Oakar (D-OH)
(Cosponsored by NAFCU Services Corp. and Action
Financial Services)

1:30 - 6:00 Appointments on Capitol Hill

Tuesday, March 13

General Session - The Financial Marketplace in the 1990's

- 8:30 - 9:00 Morning Coffee
(Sponsored by PAS Financial Group)
- 9:00 - 9:30 * Federal Reserve Report
FRB Governor Martha Seger
- 9:30 - 10:30 * Financial Institution Policy Issues Facing Congress
Rep. Doug Barnard (D-GA)
Rep. Stan Parris (R-VA)
Rep. Paul Kanjorski (D-PA)
John Stanton (Moderator)
- 10:30 - 10:45 BREAK
(Sponsored by PAS Financial Group)

General Session - Challenges Facing Credit Unions

- 10:45 - 11:30 * The Taxation Front
Rep. Mike Andrews (D-TX)
Rep. Ray McGrath (R-NY)
- 11:30 - 12:15 * Credit Unions as Model Financial Institutions
Rep. Marcy Kaptur (D-OH)
- 12:15 - 6:00 * Appointments on Capitol Hill
- 6:00 - 8:00 * Congressional Reception
Montpelier Room
Madison Building, Library of Congress
(Sponsored by AFTECH)

Wednesday, March 14

- 7:45 - 8:45 NAFCU/PAC Breakfast
(\$25 contribution to NAFCU/PAC)
Rep. Ben Jones (D-GA)
(Sponsored by BCR Services Group, exclusive agents
for Auto Loan Guarantee Co.)

General Session - Regulatory Affairs Affecting Credit Unions

- 9:00 - 9:30 * The View from the Bush Administration
Gregg Petersmeyer, Deputy Assistant to the
President for National Service

9:30 - 10:15 * Credit Union Regulation: A Retrospective
former NCUA Board Chairman Lawrence Connell

10:15 - 10:30 Break
(Sponsored by PAS Financial Group)

Closing General Session

10:30 - 10:50 * Senate Report
Sen. John Warner (R-VA)(invited)

10:50 - 11:20 * GAO Report Update
Steve Swain/Bob Roberts

11:15 - 12:00 * The S&L Crisis: Lessons for Credit Unions
M. Danny Wall, Director, Office of Thrift
Supervision

12:00 - 12:15 Closing Remarks
Ken Robinson

SENATOR BOB DOLE

NATIONAL ASSOCIATION OF FEDERAL CREDIT UNIONS

MARCH 12, 1990

THANK YOU, JOHN, FOR THOSE KIND WORDS OF
INTRODUCTION. I APPRECIATE HEARING FROM A FELLOW
KANSAN, PARTICULARLY ONE WHO HAS MADE IT BIG OUT
WEST IN LOS ANGELES.

I ALSO APPRECIATE THIS OPPORTUNITY TO SPEAK TO
THE MEMBERSHIP OF THE NATIONAL ASSOCIATION OF
FEDERAL CREDIT UNIONS. NORMALLY, I GET THE CREDIT
UNION PITCH FROM THE ASSOCIATION'S LEADERSHIP
HERE IN WASHINGTON. I ALSO HEAR A LOT FROM
SENATOR ROGER JEPSEN, WHO -- AS ALL OF YOU KNOW
-- WORKS IN TOWN AS THE CHAIRMAN OF THE NCUA.

I MUST SAY THAT THE CREDIT UNION INDUSTRY IS
FORTUNATE TO HAVE SOMEONE LIKE ROGER JEPSEN AT
ITS REGULATORY HELM. I HAVE KNOWN ROGER FOR
YEARS, AND I CAN THINK OF NO ONE WHO IS A MORE
COMPETENT AND DEDICATED PUBLIC SERVANT.

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THE CREDIT UNION INDUSTRY

AS CONGRESS GRAPPLES WITH THE IMMENSE TASK
OF CLEANING-UP THE SAVINGS AND LOAN INDUSTRY, I
PERSONALLY TAKE GREAT CONSOLATION IN THE
SOUNDNESS OF OUR NATION'S CREDIT UNIONS. AND I
AM PARTICULARLY IMPRESSED BY THE CONTINUED
FINANCIAL STRENGTH OF THE NATIONAL CREDIT UNION
SHARE INSURANCE FUND.

YOU CAN'T DISPUTE THE SIMPLE FACTS: WHILE THE THRIFT AND BANK INSURANCE FUNDS CONTINUE TO POST ANNUAL LOSSES, THE CREDIT UNION INSURANCE FUND ACTUALLY TURNS A PROFIT -- YEAR-IN AND YEAR-OUT. IN 1988, FOR EXAMPLE, THE CREDIT UNION INSURANCE FUND TURNED A \$40 MILLION PROFIT, AND LAST YEAR, THE PROFIT WAS \$24 MILLION.

SO, REST ASSURED, YOU WILL NOT HEAR THIS
SENATOR CALLING FOR THE CONSOLIDATION OF THE
THREE INSURANCE FUNDS. YOU DON'T MIX THE GOOD
WITH THE BAD. THAT KIND OF MIX HAS ALWAYS BEEN A
RECIPE FOR FAILURE.

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LET ME ALSO SAY THAT AS A STAUNCH REPUBLICAN,
BUT A SMALL "D" DEMOCRAT, I HAVE A GREAT
APPRECIATION FOR THE COOPERATIVE -- INDEED
DEMOCRATIC -- NATURE OF CREDIT UNION
MANAGEMENT.

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EVERYONE KNOWS THAT THE CREDIT UNION
INDUSTRY WAS BORN OUT OF THE FRUSTRATION OF
THOUSANDS OF INDIVIDUALS WHO COULDN'T GET
LOW-COST LOANS FROM THE NORMAL SOURCES OF
CAPITAL -- LIKE THE NEIGHBORHOOD BANK OR THRIFT.
INSTEAD OF STANDING ON THE SIDELINES, PEOPLE
JOINED TOGETHER, POOLED THEIR OWN SAVINGS, AND
TOOK CONTROL OF THEIR OWN FINANCIAL DESTINIES.
THIS RESPONSE WAS TYPICALLY AMERICAN AND IN THE
BEST SPIRIT OF OUR DEMOCRATIC TRADITIONS.

APPARENTLY, THE EXPERIMENT WITH PARTICIPATORY
DEMOCRACY HAS WORKED EXTRAODINARILY WELL IN THE
CREDIT UNION INDUSTRY -- JUDGING BY THE FACT THAT
CREDIT UNIONS TODAY PROVIDE SERVICES TO MORE
THAN 50 MILLION AMERICANS, INCLUDING SOME GOOD
FOLKS BACK IN KANSAS.

RTC CLEAN-UP

NOW, I KNOW THAT MANY OF YOU ARE INTENSELY
INTERESTED IN THE CONTINUING SAGA OF OUR SAVINGS
AND LOAN INDUSTRY. IT'S BEEN A BIG HEADACHE FOR
THE PRESIDENT, A BIG HEADACHE FOR CONGRESS, AND
PROBABLY EVEN A BIGGER HEADACHE FOR PEOPLE LIKE
YOURSELF WHO WORK IN THE FINANCIAL SERVICES
BUSINESS.

AS ALL OF YOU KNOW, LAST YEAR, CONGRESS
CREATED A NEW FEDERAL AGENCY CALLED THE
RESOLUTION TRUST CORPORATION. THE RTC WAS
CHARGED WITH TAKING OVER AND THEN SELLING THE
ASSETS OF HUNDREDS OF FAILED THRIFTS.

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ON THE TAKEOVER FRONT, THE RTC HAS
RESPONDED WELL -- PERHAPS TOO WELL -- WITH MORE
THAN 380 THRIFTS NOW UNDER RTC CONSERVATORSHIP.
ACCORDING TO ONE ESTIMATE, THE RTC OWNS 26,800
HOMES, 773 OFFICE BUILDINGS, 158 HOTELS, 205
RESORTS, 51 RESTAURANTS, 236 INDUSTRIAL FACILITIES
AND 43 MINES. THE RTC ALSO HOLDS 37 PROPERTIES IN
MY OWN HOMETOWN OF RUSSELL, KANSAS, SO I CAN
CERTAINLY UNDERSTAND THOSE WHO SAY THAT THE RTC
IS FAST BECOMING THE NATION'S LANDLORD.

HOWEVER, ON THE ASSET DISPOSITION FRONT, THE
RTC IS NOT LIVING UP TO EXPECTATIONS, HAVING SOLD
ONLY 50 OF THE THRIFTS THAT IT HAS CLOSED OR TAKEN
OVER. NEEDLESS TO SAY, THE RTC'S TARDINESS IN
DISPOSING OF ASSETS HAS BEEN VERY WELL-PUBLICIZED
AND ROUNDLY CRITICIZED, BUT THE UNDERLYING
REASONS FOR THE DELAY IN ASSET DISPOSITIONS HAVE
NOT BEEN ADEQUATELY FLESHED OUT.

SO, LET ME TAKE THE TIME NOW TO OFFER SEVERAL
POSSIBLE EXPLANATIONS.

ONE. THE SAVINGS AND LOAN LEGISLATION --

FIRREA -- CAUSES DELAYS BY PROVIDING CONFLICTING GOALS FOR THE RTC. THE RTC, FOR EXAMPLE, IS SUPPOSED TO ACT QUICKLY, BUT IT IS ALSO PROHIBITED FROM "DUMPING" ASSETS INTO SOFT REAL ESTATE MARKETS. THE RTC IS ALSO SUPPOSED TO GET THE BEST POSSIBLE RETURN ON ASSETS, YET CERTAIN PROPERTIES MUST BE OFFERED TO LOW-INCOME GROUPS FOR UP TO 90 DAYS. AND THE RTC IS SUPPOSED TO UTILIZE THE PRIVATE SECTOR, YET MANY OF THE CONFLICT-OF-INTEREST PROVISIONS MAKE PRIVATE SECTOR PARTICIPATION DIFFICULT.

TWO. WHEN THE BANK BOARD CUT SEVERAL
"RESOLUTION DEALS" IN 1988, IT BECAME THE SUBJECT
OF PUBLIC RIDICULE, EVEN THOUGH SOME OF THESE
DEALS DON'T LOOK ALL THAT BAD IN RETROSPECT. AS A
RESULT OF THE BANK BOARD EXPERIENCE, THE RTC IS
TIMID -- IT'S AFRAID TO DO ANYTHING INNOVATIVE THAT
MIGHT SHOCK SOMEONE ON A CONGRESSIONAL
COMMITTEE. SO, THE RTC IS PLAYING IT ABSOLUTELY
SAFE WHEN IT COMES TO THE ASSET DISPOSITION GAME,
WHICH HAS THE EFFECT OF SLOWING DOWN THE
PROCESS AND PERHAPS ADDING TO THE OVERALL COST
OF THE THRIFT CLEAN-UP.

THREE. FIRREA IMPOSES MANY RESTRICTIONS ON THRIFTS, AS WELL AS STRINGENT NEW CAPITAL REQUIREMENTS, WITH LITTLE AGENCY FLEXIBILITY TO MODIFY THESE REQUIREMENTS. THE RTC, FOR EXAMPLE, CANNOT MAKE ADJUSTMENTS IN THE MINIMUM CAPITAL REQUIREMENTS, OR IN THE REQUIREMENTS IMPOSED BY THE QUALIFIED-THRIFT-LENDER TEST. IN SOME INSTANCES, HOWEVER, A LITTLE AGENCY FLEXIBILITY TO MODIFY THESE REQUIREMENTS WOULD BE USEFUL AS A WAY OF ASSISTING THE ACQUISITION OF A FAILED THRIFT.

AND FINALLY, NEWS REPORTS SUGGEST THAT THERE IS FRICTION BETWEEN THE RTC AND THE RTC OVERSIGHT BOARD. ACCORDING TO SOME, THE TREASURY DEPARTMENT -- THROUGH THE OVERSIGHT BOARD -- IS ATTEMPTING TO MICRO-MANAGE THE RTC. OTHERS ARGUE THAT THE RTC IS USING THE OVERSIGHT BOARD AS A SCAPEGOAT, AND THAT IT'S PERSONNEL -- NOT THE ORGANIZATIONAL FLOW-CHART -- THAT IS TO BLAME. AS IN MOST DISPUTES OF THIS NATURE, REALITY PROBABLY LIES SOMEWHERE IN BETWEEN.

I CERTAINLY DON'T HAVE THE ANSWERS, NOR IS IT
USEFUL TO GO AROUND BLAMING PEOPLE. AND IN
DEFENSE OF THE RTC, IT DOES TAKE A CONSIDERABLE
AMOUNT OF TIME TO ENGAGE IN THE MASSIVE HIRING,
TRAINING, COMPUTERIZATION OF SYSTEMS, AND OTHER
HOUSEKEEPING CHORES THAT MUST FIRST BE DONE
BEFORE ANY NEW FEDERAL BUREAUCRACY CAN BUILD
UP A HEAD OF STEAM AND ACCOMPLISH ITS MISSION.

BUT THE PATIENCE OF CONGRESS AND THE
AMERICAN PEOPLE WILL WEAR VERY THIN IF THE RTC
DOESN'T SPEED-UP THE ASSET DISPOSITION PROCESS,
AND SPEED IT UP SOON. IT'S NOT YET "RED ALERT" TIME,
BUT IT WILL BE SOON ENOUGH IF THE RTC DOESN'T
IMPROVE ITS TRACK RECORD WITHIN THE NEXT FEW
MONTHS.

TAXPAYER RECOVERY ACT

BEFORE I GET OFF THE SUBJECT OF BANKING, I
WOULD LIKE TO TAKE THIS OPPORTUNITY TO SAY A FEW
WORDS ABOUT A BILL THAT I INTRODUCED LAST JANUARY
CALLED THE TAXPAYER RECOVERY ACT. SIMPLY PUT, THE
BILL WOULD MAKE CRIMINAL RESTITUTION ORDERS
ISSUED AGAINST THOSE INDIVIDUALS WHO HAVE
DEFRAUDED A FINANCIAL INSTITUTION
NON-DISCHARGEABLE IN CHAPTER 13 PROCEEDINGS. IT
WOULD ALSO PREVENT THOSE WHO HAVE DEFRAUDED A
FINANCIAL INSTITUTION THAT IS NOW IN RECEIVERSHIP
FROM TAKING ADVANTAGE OF THE GENEROUS STATE
HOMESTEAD EXEMPTIONS.

I'M SURE MOST OF US WOULD AGREE THAT THOSE
WHO HAVE FLOUTED THE LAW FOR SO LONG SHOULD
NOT BE ABLE TO HIDE BEHIND THE PROTECTIVE SHIELD
OF THE BANKRUPTCY CODE -- AT THE EXPENSE OF THE
AMERICAN TAXPAYER WHO HAS TO FOOT THE ENORMOUS
BILL FOR THE THRIFT CLEAN-UP.

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THE TAXPAYER RECOVERY ACT NOW HAS 15
CO-SPONSORS IN THE SENATE, HAS RECEIVED THE
ENDORSEMENT OF THE FDIC, AND HAS BEEN
INTRODUCED IN THE HOUSE OF REPRESENTATIVES BY
CHALMERS WYLIE, RANKING MEMBER ON THE HOUSE
BANKING COMMITTEE. I LOOK FORWARD TO FURTHER
ACTION ON THE BILL LATER THIS YEAR.

THE BUDGET PROCESS

NOW ON TO A PERHAPS EVEN MORE DIFFICULT
SUBJECT -- THE BUDGET PROCESS.

SLOWLY -- WE'RE IN RECESS THIS WEEK, RESTING UP
FROM A WEEK'S DEBATE ON THE CLEAN AIR BILL --
CONGRESS IS BEGINNING ITS ANNUAL RAIN DANCE TO
COME UP WITH A BUDGET THAT MEETS OUR DEFICIT
TARGET OF \$64 BILLION UNDER THE
GRAMM-RUDMAN-HOLLINGS LAW.

ON JANUARY 29, THE PRESIDENT SUBMITTED HIS 1991
BUDGET PROPOSAL. IT IS A REASONABLE PLAN, BUT IT IS
CERTAINLY NOT A BOLD ONE. IT USES OPTIMISTIC
ECONOMIC ASSUMPTIONS, IT IGNORES UP TO \$30 BILLION
IN UP-FRONT COSTS TO RESOLVE THE S&L CRISIS, AND IT
FALLS BACK ON THE USUSAL ONE-TIME GIMMICKS, SUCH
AS ANOTHER PAYROLL TAX SPEED-UP, TO RAISE
REVENUE.

AS YOU KNOW, LAST YEAR WE BASICALLY TOOK A
WALK ON THE DEFICIT ALTHOUGH WE HAD AN
OPPORTUNITY, GIVEN THE ELECTION MANDATE, TO ENACT
SOME TOUGH PROGRAMS LIKE THE FLEXIBLE FREEZE.

INSTEAD, WE SPENT 10 MONTHS AND DEVOTED OVER
60% OF OUR ROLL CALL VOTES IN THE SENATE TO
REDUCE THE DEFICIT BY ONLY \$16 BILLION. THESE WERE
NOT TOUGH VOTES. WE FOUND \$500 MILLION IN LOST
FOOD STAMPS, WE ACCELERATED MILITARY PAY DATES,
AND WE NEEDED FOUR MONTHS OF SEQUESTER ON TOP
OF EVERYTHING ELSE.

THIS YEAR, WE NEED \$36 BILLION IN DEFICIT
REDUCTION -- MORE THAN TWICE AS MUCH -- UNDER
OMB'S OPTIMISTIC ASSUMPTIONS. AND THE
CONGRESSIONAL BUDGET OFFICE NOW SAYS WE NEED
\$60 BILLION MORE!

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SO, YOU CAN SEE WHY THE PROCESS IS SO
FRUSTRATING AND WHY THE BUDGET COMMITTEE
PREFERS TO FOCUS ON REFORMING THE
GRAMM-RUDMAN-HOLLINGS LAW -- ONCE AGAIN! IN
FACT, THE COMMITTEE WILL NOT EVEN BEGIN ITS WORK
ON A 1991 BUDGET RESOLUTION UNTIL AFTER THE
MARCH RECESS, TWO WEEKS BEFORE ITS APRIL 1
DEADLINE. AND I DON'T EXPECT ANY SERIOUS ACTION
BEFORE JUNE.

CAPITAL GAINS

THE PRESIDENT'S BUDGET CONTAINS A REVISED CAPITAL GAINS RATE REDUCTION PLAN MODELLED ON THE PACKWOOD-ROTH BILL INTRODUCED IN THE SENATE LAST YEAR. UNDER THE PRESIDENT'S NEW PROPOSAL, A 10% INCOME EXCLUSION WOULD BE EARNED IN EACH OF THE FIRST THREE YEARS THAT A CAPITAL ASSET IS HELD. AND IT HAS BEEN BROADENED TO INCLUDE ALL CAPITAL ASSETS HELD BY INDIVIDUALS, WITH THE EXCEPTION OF COLLECTIBLES.

PRESIDENT BUSH HAS INDICATED THAT HE IS WILLING
TO WORK WITH MEMBERS OF CONGRESS, WHO WANT TO
INCLUDE CORPORATIONS OR INDEXING, TO ENACT A
PROGRAM THAT WILL ENCOURAGE LONG-TERM
INVESTMENT IN AMERICA.

ACCORDINGLY, I BELIEVE THAT SOME FORM OF
CAPITAL GAINS RELIEF WILL PASS THE CONGRESS THIS
YEAR -- PROBABLY IN COMBINATION WITH A
MIDDLE-CLASS SAVINGS INITIATIVE.

FAMILY SAVINGS ACCOUNTS

I KNOW THAT YOU HAVE ALL HAD EXPERIENCE WITH
TAX-DEFFERED SAVINGS PLANS, SO I WILL BE INTERESTED
IN HEARING YOUR VIEWS ON THE PRESIDENT'S FAMILY
SAVINGS ACCOUNTS. SUCH ACCOUNTS -- FIRST TRIED IN
POST-WAR JAPAN -- WOULD ENABLE LOW- AND
MIDDLE-INCOME TAXPAYERS TO EARN TAX-FREE INCOME
ON FUNDS THAT ARE NOT WITHDRAWN FOR AT LEAST
SEVEN YEARS.

THE OBVIOUS NEED TO INCREASE OUR POOR
NATIONAL SAVINGS RATE SHOULD PRODUCE SOME FORM
OF SAVINGS INCENTIVE LEGISLATION THIS YEAR --
PERHAPS AN IRA EXPANSION OR THE CREATION OF A
NEW ACCOUNT. HOWEVER, I QUESTION THE
EFFECTIVENESS OF THESE PLANS IN GENERATING NEW
NET SAVINGS. IN FACT, THEY COULD RESULT IN A MERE
SHIFTING OF ASSETS.

CONCLUSION

I KNOW THAT YOU HAVE A FULL DAY OF EVENTS
SCHEDULED, INCLUDING A BRIEFING FROM THE
TREASURY DEPARTMENT AND LUNCH WITH MARY ROSE
OAKAR, SO I DON'T WANT TO TAKE UP ANY MORE OF
YOUR PRECIOUS TIME WITH A SPEECH.
I WILL BE ABLE TO TAKE A FEW QUESTIONS, THOUGH.