

HOUSE BILL REPORT

HJM 4022

As Reported By House Committee On:
Financial Institutions & Insurance

Brief Description: Urging repeal of unfairly restrictive and burdensome federal banking laws.

Sponsors: Representative Zellinsky.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, March 25, 1993, DP.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 14 members:
Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Reams; Schmidt; and Tate.

Staff: Charlie Gavigan (786-7340).

Background: In the past decade, savings and loan associations (S&L's) failed at a historically high rate caused in large part by a combination of insufficient regulatory oversight and poor or fraudulent management practices by S&L officers and directors. In addition, many S&L's suffered through declines in regional economies that adversely affected their real estate and business loan portfolios. As a consequence, the Federal Savings and Loan Insurance Corporation (FSLIC) which insured S&L deposits, required massive infusions of taxpayer funds to cover the liabilities of failed institutions. These events and fears over the potential for similarly poor performance by commercial banks led the enactment of a series of comprehensive federal laws reorganizing both federal oversight of financial institutions and federal deposit insurance programs.

Summary of Bill: The Washington State Legislature finds that Congress went too far when enacting new regulatory statutes and that these statutes are preventing Washington financial institutions from providing needed credit in recessionary times. The Legislature therefore requests that

Congress examine federal banking laws and repeal unfairly restrictive and burdensome statutes and regulations.

Fiscal Note: Not requested.

Testimony For: Commercial banks are spending nearly 25 percent of operating expenses for compliance with new federal banking regulations. While regulation is necessary to prevent bank failures, new federal regulations are wasting money that could be used to extend credit. In some instances, federal regulations are not only burdensome and costly but also irrational.

Testimony Against: None.

Witnesses: John Bley, Supervisor of Banking; Trevor Sandison, Washington Bankers Association (pro); and Bruce Koppe, Washington Bankers Association (pro).