

Press Releases

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OTS 98-47 - H.R. 10's Ban on New Thrift Holding

Office of Thrift Supervision

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Contact: William Fulwider

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H.R.10's Ban on New Thrift Holding Companies 'Unnecessary:' Seidman

WASHINGTON, D.C., June 25, 1998 - The House-imposed prohibition on creating any new unitary thrift holding companies is "unnecessary," because existing law limits thrifts' ability to "engage in the traditional type of banking activity - unlimited commercial lending - that raises concerns with the mixing of banking and commerce," Director Ellen Seidman of the Office of Thrift Supervision (OTS) testified today.

Appearing with other financial services regulators before the Senate Banking Committee, Ms. Seidman reassured members that the thrift holding company is not a "loophole" through which banking and commerce may be mixed.

In fact, she said, very few existing thrift holding companies engage in commercial business. Most recent applicants for the holding company and thrift charters have been insurance companies and securities firms, "entities that could acquire a bank" if the House-passed H.R.10 modernization legislation were enacted, she noted.

Commercial lending restrictions and the qualified thrift lender (QTL) test together limit a thrift's ability to lend to a commercial parent or to any commercial entity. Thrifts' commercial lending is limited to 20 percent of assets, provided any amount over 10 percent is in small

business lending. Since small businesses are the backbone of local economies, this enhances thrifts' already strong community orientation.

In formulating modernization legislation, she said four principles should guide the effort. Legislation should:

1. include market incentives and regulatory reforms that protect the safety and soundness of insured institutions and the federal deposit insurance funds.
2. facilitate the ability of institutions to provide consumer- and community-based financial services to all Americans in all communities.
3. preserve flexibility for insured depository institutions to compete effectively in today's marketplace.
4. minimize regulatory burdens, consistent with safety and soundness, while ensuring the availability, on fair terms, of financial services to all.

"There are thousands of insured institutions whose primary business focus is meeting the lending and credit needs of their local communities," Ms. Seidman said, and she listed most of the 1,200 OTS-regulated thrifts among them.

With home ownership at an all time high of 65.9 percent at the end of March - in part due to the considerable efforts of thrifts to serve those previously underserved, "it would be a shame to do anything to discourage lenders from continuing to service this market," she said.

"The current attributes of the thrift charter make it an excellent vehicle through which to offer a full range of consumer-oriented financial services. For institutions that wish to focus their business operations in this manner, the thrift charter provides one model of the modern charter. At the very least, financial modernization should preserve the freedom of institutions to choose whether the attributes and limitations of the thrift charter suit their particular business goals and needs," she asserted.

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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' 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 call PubliFax at 202/906-5660, or visit the OTS web page at www.ots.treas.gov.