



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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Comptroller Hawke Says Thrift Charter Remains Viable Despite Convergence of Banking and Thrift Industries

SAN FRANCISCO -- Comptroller of the Currency John D. Hawke, Jr. said today that while the banking and thrift industries have converged to a great extent, the thrift charter remains as viable as ever and there is no compelling reason to merge the agencies that supervise national banks and thrifts.

“I am a strong believer in the charter you hold, and I want to see it preserved,” Mr. Hawke said in a [speech](#) to the annual convention of America’s Community Bankers.

In his speech, the Comptroller noted that the public views savings institutions as virtually indistinguishable from banks and said that the balance sheets of the two industries have grown more similar. Thrifts hold more consumer loans today, and banks have greatly expanded their real estate lending activities.

“Commercial banks once held very few real estate-related loans, especially residential mortgage loans,” Mr. Hawke said. “Today, one-to-four family mortgages constitute 25 percent of loans held by banks, and many more mortgages are originated and then securitized.”

At the same time, he said, the issues that keep ACB members up at night also preoccupy bankers.

“Indeed, the vast majority of the institutions supervised by the OCC – some 2000 of the 2200 banks that make up the national system -- are community banks, with under \$1 billion in assets,” the Comptroller said. “Of those 2000, about half are under \$100 million in assets. You can’t get more ‘community’ – or more like the typical ACB member -- than that.”

Mr. Hawke said it remains to be seen whether the consumer will be able to continue to support the economy until business investment rebounds. He noted that several measures of consumer confidence have been dropping and that auto sales pulled back in September.

“It may be, in other words, that the consumer has already given about all that the consumer has to give,” he said. “Indeed, debt load statistics suggest that consumers may have given too much,

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and that retail customers could be especially vulnerable to an unexpected economic jolt -- in the form, say, of a spike in interest rates or energy costs, or what some believe is a long overdue softening of the housing market.”

Mr. Hawke said it was particularly disconcerting that debt service as a percentage of disposable income is higher than it’s been since the mid-1980s – despite rock bottom interest rates.

The OCC, he said, has been particularly concerned about subprime lenders, especially those that freely grant credit-limit increases to cardholders or that honor charges that exceed the cardholder’s limit and then carry the balance forward month after month with substantial penalty charges. In those cases, he said, borrowers often find that their minimum payment is insufficient to amortize the debt and finance charges pile up to increase the amount owed.

“It’s not uncommon for subprime borrowers to be current on their debt, and yet, when finance charges and over-limit fees are added in, to wind up owing their creditors more after making the minimum payment than they did before,” Mr. Hawke said. “This is obviously an untenable situation for borrowers, but it also exposes lenders to the possibility of large unsecured losses. The consequences for banks – and for the economy – could be serious.”

The OCC and the other federal financial regulatory agencies have recently issued proposed guidance on credit card lending to address such issues, Mr. Hawke added.

The Comptroller acknowledged that the “crazy quilt of U.S. financial supervisory agencies offends some people’s rigid conception of bureaucratic orderliness,” but said there is no reason to merge the OCC and the Office of Thrift Supervision.

After several years of budget deficits, OTS Director Jim Gilleran has not only balanced OTS’s budget, but now projects a small operating surplus, Mr. Hawke said.

“OTS continues to have a critical mass of institutions to supervise, and I see no useful purpose to be served in merging the two agencies,” he added.

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The OCC charters, regulates and examines approximately 2,100 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 55 percent of the nation’s banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.