

EMBARGOED

until Sept. 21, 10:00 A. M.



Testimony

of

Jonathan L. Fiechter, Acting Director

Office of Thrift Supervision

concerning

Deposit Insurance and Thrift Charter Convergence

before the

Subcommittee on Financial Institutions and Consumer Credit

United States House of Representatives

September 21, 1995

Office of Thrift Supervision
Department of the Treasury

1700 G Street N.W.
Washington D.C. 20552
202•906•6288

I. Introduction

Good morning Chairwoman Roukema, Congressman Vento, and members of the Subcommittee. I appreciate this opportunity to testify regarding the Thrift Charter Convergence Act of 1995 (the "Convergence Act"), a draft bill that was circulated with the Chairwoman's invitation to this hearing. The views I express today are those of the Office of Thrift Supervision ("OTS") and not necessarily those of the Administration.

I commend the Chairwoman and the Subcommittee for your efforts to address an important issue.

The Convergence Act is a significant legislative initiative. It has three major components:

- o Title I addresses the funding problems of the Savings Association Insurance Fund ("SAIF"). It includes a requirement that institutions that presently hold SAIF-insured deposits pay approximately \$6.5 billion into the SAIF to bring that fund up to the statutory minimum reserve level of 1.25% of insured deposits as of January 1, 1996. Title I also spreads responsibility for paying interest on approximately \$8 billion in long-term Financing Corporation ("FICO") debt among all institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). Title I also provides for merger of the SAIF and the Bank Insurance Fund ("BIF") as of January 1, 1997.
- o Title II of the proposed legislation would require that all federal savings associations become commercial banks. In addition, Title II would provide that all state savings associations shall be deemed to be state banks for purposes of federal law. The effect of these provisions would be to apply the current set of activity and affiliation restrictions and authorizations that apply to commercial banks to thrift institutions. Companies which own thrifts, but that would not qualify as bank holding companies, would effectively be forced to sell or liquidate their

thrift institutions. Thrift institutions engaged in activities not presently authorized for commercial banks would be required to cease these activities within 24 months of becoming a commercial bank or being deemed to be a state bank. Thrift institutions that convert to commercial banks, however, would no longer be subject to commercial lending restrictions. Moreover, if Title IV is enacted, it would, as we understand it, prevent thrifts that are forced to convert to banks under Title II from being penalized by waiving Internal Revenue Code bad debt recapture rules.

- o Title III would abolish the Office of Thrift Supervision and apparently would distribute existing personnel, assets, and liabilities among the three remaining federal banking agencies.

I strongly support the intent of Title I despite the financial burden that it imposes on the thrift and banking industries. The current financing mechanism for SAIF and FICO is flawed and will only get worse with time.

I cannot support Title II, which would force federal thrifts to become commercial banks by January 1, 1997. This does not mean that I favor the status quo. Rather, I support a thorough review of the present statutory framework governing thrift institutions and of the effect enactment of Title II would have on the performance of thrift institutions, the housing market, and the financial system more generally. Such an analysis should include the costs and benefits of our current system of multiple charters for federally-insured institutions and an evaluation of whether a charter for a specialized housing lender is desirable in light of our current mortgage finance system. If it is concluded that our current federal statutory framework is not in the public interest, then a strategy for changing the current system should be developed that minimizes the costs of such changes. Legislation should follow rather than precede such analysis.

Finally, the future of OTS, which would be abolished in Title III of the Convergence Act, is primarily a function of the future of the thrift industry. If

thrifts and commercial banks end up with the same charter, then there would be no need for a fourth federal bank regulator. If OTS is to be dismantled, however, merging the OTS into one of the three remaining federal bank regulators would be a more practical approach than splitting OTS among the three federal banking agencies. If the OTS is eliminated, we strongly urge the Congress to provide employee protections such as those that were included in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") to assure a smooth transition and continuity of regulatory activities.

I believe that Congress' first priority, however, should be resolution of the SAIF and FICO funding problems. The solution put forth by the Administration has the support of all of the banking regulatory agencies. The issue of charter reform, by contrast, is more complex than the SAIF/FICO issue, has more far-reaching implications for our financial system, has not been thoroughly analyzed, and does not have the same level of urgency as the problems facing the SAIF and FICO. We should move forward promptly to enact the consensus solution for SAIF and FICO, while we simultaneously review how to address the issues of charter reform and charter modernization.

II. The SAIF

A. Problems with the Financing of SAIF and FICO

There are three major problems confronting the SAIF. First, almost half of the insurance premiums paid by institutions holding SAIF-insured deposits each year is diverted to fund interest payments on FICO bonds. This results in the second problem -- the SAIF is seriously undercapitalized. The third problem arises because the SAIF has not reached 1.25% of insured deposits. Therefore, its premiums remain significantly higher than the premiums charged by the BIF. This places SAIF-insured institutions at a serious competitive disadvantage. The premium disparity is also likely to make it more difficult for all SAIF-insured institutions to raise capital, may also make it more expensive for the SAIF to sell closed thrifts

because purchased deposits will be subject to the higher premium, and gives SAIF-insured institutions a strong incentive to reduce their reliance on SAIF deposits.

The problem confronting FICO is that the group of institutions responsible for paying interest on its bonds, primarily institutions supervised by the OTS, has declined over the last several years, contrary to the expectations of the drafters of FIRREA. The FICO assessment base continues to shrink.

B. The Proposed Legislative Solution

In a hearing before this Subcommittee last month, the Treasury Department, the FDIC and the OTS recommended a solution to the funding problems of the SAIF and FICO (the "Joint Proposal"). Title I appears generally to have incorporated the key elements of the Joint Proposal.

Under the Convergence Act, institutions holding SAIF-insured deposits would be charged a special premium sufficient to capitalize the SAIF as of January 1, 1996. It is expected that this special premium will total 85 to 90 cents per \$100 of assessable deposits. The Convergence Act would authorize the FDIC board of directors to exempt institutions from the special assessment where payment of the assessment would result in the institution becoming undercapitalized. Exempted institutions would be required to continue paying premiums at the rates applicable under the current SAIF schedule until the end of 1999.

To reduce the drain on SAIF premium income and to restore premium parity, the Convergence Act would also provide that responsibility for the annual FICO interest payments will be spread among all FDIC-insured institutions on a pro rata basis beginning January 1, 1996. The Convergence Act also provides that the BIF and the SAIF shall be merged no later than January 1, 1997.

As part of the Joint Proposal, the OTS and the FDIC (but not Treasury) also recommended that unspent Resolution Trust Corporation ("RTC") funds be made available as a backstop to cover any catastrophic SAIF losses that might occur prior

to merger of the SAIF and the BIF. Catastrophic losses are defined as losses in excess of \$500 million in any calendar year prior to the merger. The Convergence Act does not contain an RTC backstop.

In my view, Title I of the Convergence Act represents an appropriate response to the problems facing the SAIF and FICO. While we have concerns with some technical details, we fully support the overall thrust of the provisions of Title I in the bill.

I continue to support an RTC backstop prior to merger. The backstop would be used only in the event of unanticipated, catastrophic SAIF losses that exceed the estimates of the OTS, the FDIC, and the Congressional Budget Office. While I do not expect that the backstop would be used, it would provide an appropriate level of comfort to institutions paying the one-time special assessment that unexpected losses will not result in a recurrence of a SAIF funding problem prior to a merger of the funds.

C. The Urgency of Legislative Action

In my August testimony, I spoke at great length about the need for prompt resolution of the SAIF's funding problems. I would like to highlight three reasons for this urgency.

First, the funding problems of the SAIF and FICO, which have been caused by the declining assessment base, are likely to worsen with time. The premium disparity provides a significant market incentive for thrifts and banks with SAIF-insured deposits to restructure their balance sheets to avoid SAIF-assessments.

Second, several years of sustained profitability for thrifts and banks have opened a window of opportunity to solve the SAIF's problems with non-government resources. If we fail to act now, we may miss the best chance to resolve the SAIF's problems with minimal risk to the taxpayer.

Third, while it is so thinly capitalized, the SAIF is vulnerable to sudden insolvency. Such an event could weaken public confidence in the financial strength of both federal deposit insurance funds.

III. Thrift Charter Reform

Title II of the Convergence Act would effectively eliminate the thrift industry as we know it today. Existing federal savings associations would be required either to liquidate or to convert to a national or state bank charter by January 1, 1997. State savings associations would, after enactment of the Convergence Act, be treated as state banks for purposes of federal law.

As a result, companies owning state or federal savings associations would be required either to become bank holding companies or to sell or liquidate their thrift subsidiaries. Any affiliations not permitted for commercial banks would be sharply curtailed unless certain stringent conditions are met. Diversified holding companies effectively could not commence any new activities not closely related to banking after September 13, 1995. Any activities presently permitted under federal law for savings associations, but not for national banks, would also have to be halted. Moreover, the Convergence Act would impose a moratorium on the chartering of new federal thrifts, including new thrifts formed via mutual-to-stock conversions, retroactive to September 13, 1995. Apparently, any federal thrifts chartered by the OTS after September 13, 1995, would have to be liquidated upon enactment of the Act.

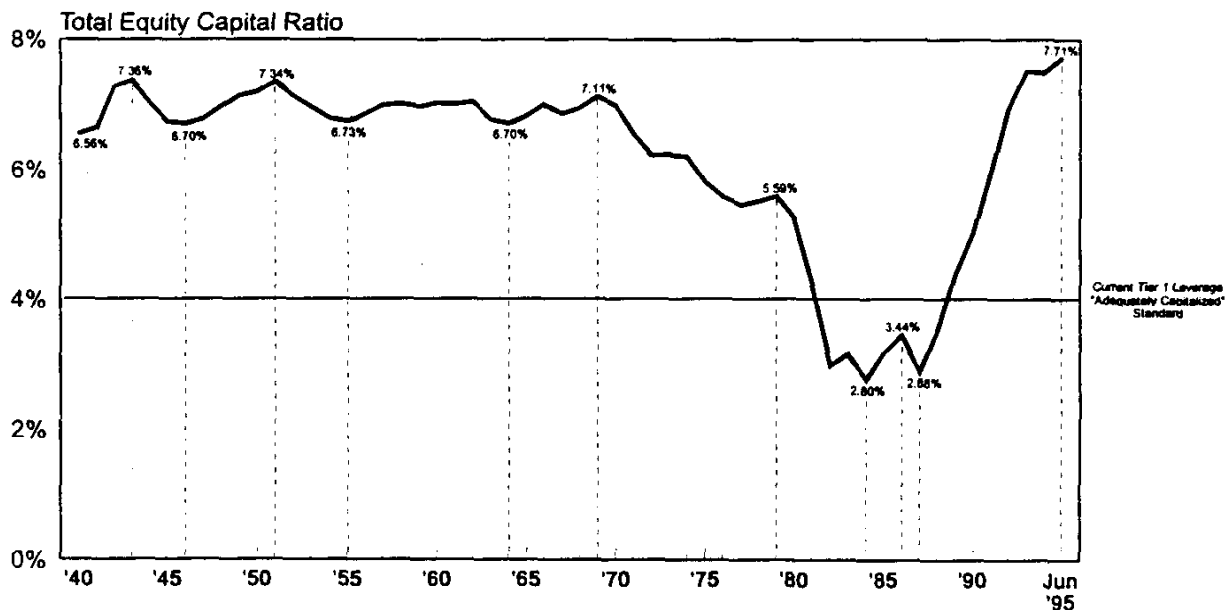
Because of the significant impact the Convergence Act would have on the thrift industry, a careful review of the status of today's thrift industry is in order.

A. Brief Overview of the History of the Thrift Industry

The thrift industry traces its origins to the early nineteenth century when groups of neighbors pooled their savings and each member of the group in turn borrowed money to buy a house. The first thrift was a cooperative home-financing society founded in 1831 in Pennsylvania called the Oxford Provident Building Association of Philadelphia County. Although the thrift industry evolved over time, it still specializes in mortgage lending and in providing banking services to consumers. Most thrifts tend to be small community-based lenders. The median size of OTS-regulated thrifts is just over \$100 million. Residential mortgage loans account for over 70% of all assets of OTS-regulated thrifts.

The thrift industry stumbled during the 1970s when it encountered a period of rising interest rate volatility. Due in large part to federal statutes and regulations that placed ceilings on deposit rates and prohibited adjustable rate mortgages, the thrift industry of the 1970s was significantly exposed to interest rate risk. Interest rates rose in the late 1970s, thrift earnings and capital plummeted, and the number of thrift failures rose. An historical review of the fluctuations in net worth in the thrift industry provides a proxy for its health during this period. The chart on the following page traces the equity capital in the industry from 1940 to the present.

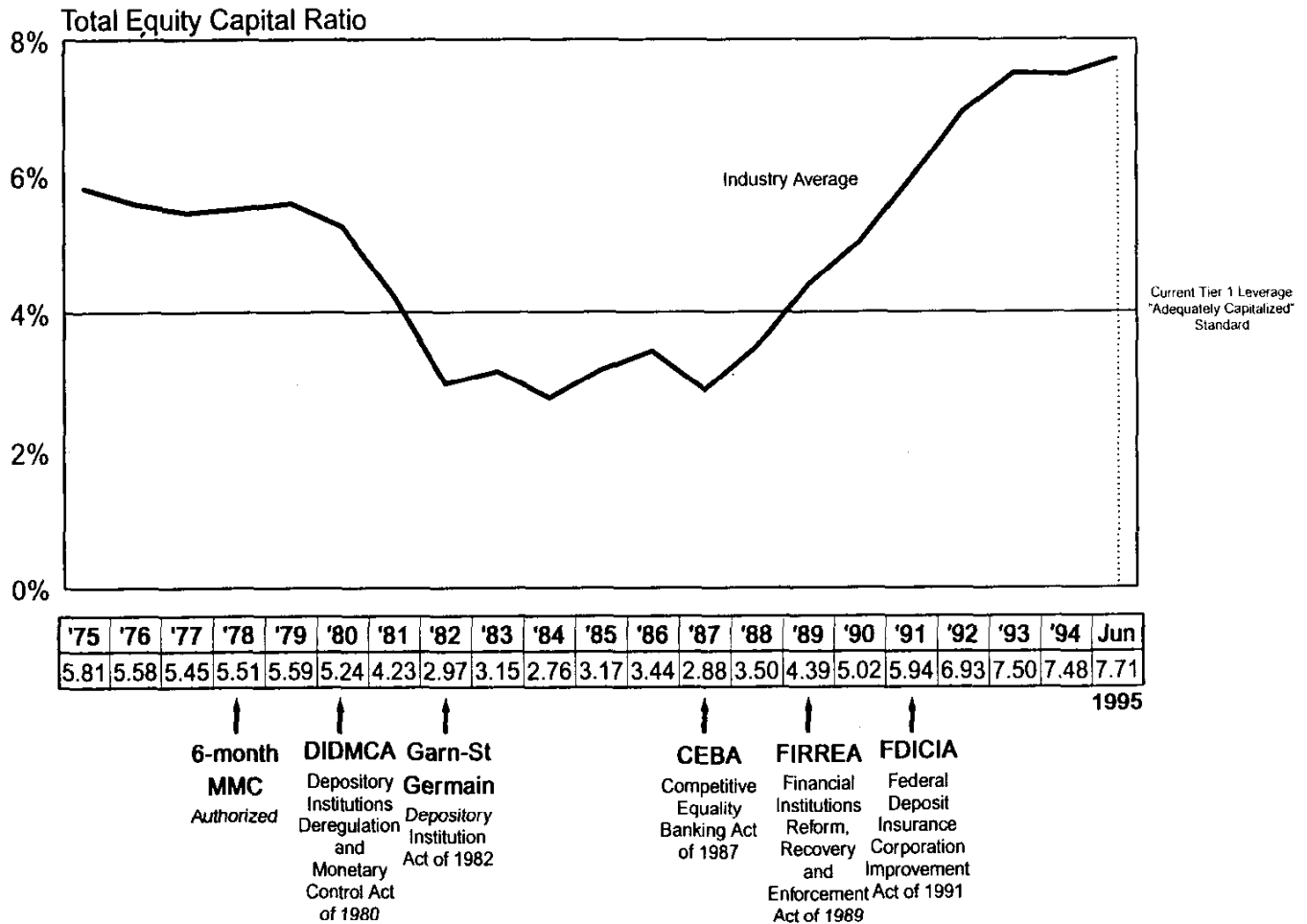
PRIOR TO THE 1970's, THRIFT CAPITAL HOVERED AROUND 7%



Office of Thrift Supervision / September 1995

After the difficulties encountered in the 1970s, a series of government initiatives to address the problems of the thrift industry followed. The chart on the next page tracks the capital position of the industry for the period 1975-1995 and shows on the bottom bar the dates of the various legislative and regulatory initiatives.

CAPITAL HAS STRENGTHENED CONSIDERABLY SINCE THE MID-1980's



It is commonly accepted that a number of mistakes were made in the handling of the thrift industry's problems, particularly in the 1980s. The expansion of lending and investment authority of state and federal thrifts while simultaneously reducing thrift capital levels in order to facilitate growth; the reduced level of supervision of the industry; a series of poor supervisory decisions; and the failure to ensure that the Federal Savings and Loan Insurance Corporation had sufficient funds to close insolvent institutions led to the worst financial debacle in the country's history.

B. Current Status of the Thrift Industry

On a more positive note, FIRREA -- which included funding to close insolvent thrifts, required increased capital, and restricted thrift investment and lending powers -- appears to have created a set of rules that have worked well. The thrift industry today is healthy, profitable, and well-capitalized.

For the quarter ending June 30, 1995, thrift institutions supervised by the OTS reported the highest level of equity capital in the industry's history, 7.71% of total assets. Risk-based capital stood at 14.70%. Earnings for the first half of 1995 were \$2.5 billion compared to \$2.0 billion in 1994. Second quarter net income produced an average return on assets ("ROA") of 70 basis points, the third highest quarterly ROA in the last decade.

Troubled assets continue to decline as do the number of problem institutions. Only ten of the thrifts supervised by OTS have failed in the last 2 1/2 years. By contrast, in the period stretching from enactment of FIRREA to the end of 1992, about 740 thrifts failed. Total assets of OTS supervised thrifts, after falling steadily since 1988, have held steady over the past two years, and now stand at about \$777 billion.

C. The Need to Change the Thrift Charter

The OTS fully supports reforming the thrift charter. The combination of the qualified thrift lender ("QTL") test, which forces thrifts to concentrate their lending and investment activities in residential mortgages, with barriers to thrift institutions converting to commercial banks, has caused problems at some thrift institutions. Commercial banks have greater ability to alter their lending and investment activities in response to shifting market conditions. The typical thrift, by contrast, has an infrastructure geared toward residential mortgage lending and must remain in this market in both good years and lean years.

In the last few years, several major banks have announced they were withdrawing from the home loan business because of poor profits and intense competition. Thrifts do not have that option.

Arguably, in the past, the disadvantages of forced specialization by thrifts in home lending were offset by a number of regulatory benefits, including liberal branching authority, the deposit rate ceiling differentials, support from the Federal Home Loan Bank System and Federal Home Loan Mortgage Corporation, and favorable tax treatment. But in the last 15 years, virtually all of these benefits have either been eliminated or shared with competitors. Thus, the benefits created to offset the lower rates of profitability associated with residential mortgage lending have been reduced in recent years.

Consequently, the typical thrift continues to perform at a level below that of a comparable commercial bank. The average ROA of thrifts is 30% below that of commercial banks. Several of the largest thrifts in the country have expressed their desire to convert to a commercial bank.

Once the SAIF is fully capitalized and the funding of FICO is resolved, the barriers to thrift institutions converting to banks should be removed. Institutions

should not be forced by statute or tax policy to remain a housing lender if the market in which they compete cannot support such specialization.

D. The Need for Careful Deliberation

Let me repeat, OTS is not opposed to charter reform, even if that results in elimination of the federal thrift charter. I strongly recommend, however, that charter reform legislation be developed in a careful and deliberative manner, so that the legislation does not inadvertently increase risk to the federal deposit insurance funds.

One of the disadvantages faced by the thrift industry has been an unstable regulatory environment. Long-term planning has been difficult if not impossible. Rules and policies change on a fairly constant basis.

The thrift industry has been subjected to a series of legislative twists and turns over the years. For example, in 1982, Congress enacted the Garn-St Germain Depository Institutions Act ("DIA"). One of the key purposes of the Act was to enhance the safety and soundness of savings associations by providing "additional asset flexibility and earnings opportunities . . . [by authorizing] a broader range of lending and related investment activities."¹ Thus, the DIA authorized federal thrifts to expand their investments in corporate debt securities and secured and unsecured commercial and consumer loans. The Senate Report accompanying the DIA explained that:

The potential benefits to thrifts that can be gained by authorizing the [expanded] powers . . . are illustrated by the experience of state-chartered savings and loan associations in Texas, which have powers in the areas of commercial and consumer lending similar to those the bill would provide to federal associations. . . . [A recent study] disclosed that the average net returns on the non-traditional assets exceeded the

¹ S. Rep. No. 536, 97th Cong., 2nd Sess., 13 (1982).

average return on the conventional mortgage portfolio by the substantial margin of about 200 basis points. This contributed importantly to the fact that, for the period from 1977 through 1981, Texas state-chartered stock associations had an average before-tax return on assets of 40 basis points, compared to 33 basis points for federally chartered associations -- a difference representing almost 10 percent of the federal associations' best annual return on assets.²

The Report went on to note that some states were authorizing even broader powers for state-chartered thrift institutions.³

Less than seven years later, with the enactment of FIRREA, a very different view prevailed. For example, the Senate Report accompanying FIRREA noted that:

In 1982, in the face of continuing concern over the [thrift] industry's plight, Congress enacted the Garn-St Germain Depository Institutions Act. . . . That Act created some new competitive opportunities for federal chartered thrifts by increasing their ability to make commercial and consumer loans. . . . Evidence presented to the Committee suggests that many thrifts were not merely aggressive but imprudent in their exercise of new investment powers, using insured deposits to finance questionable, high-risk ventures. . . .⁴

FIRREA, as a consequence, imposed new limits on the ability of savings associations to make commercial real estate loans and to invest in corporate debt securities. The intent was to return thrift institutions to a focus on residential mortgage lending.

² Id.

³ Id. at 15.

⁴ S. Rep. No. 19, 101st Cong., 1st Sess., 9 (1989).

I do not mean to suggest that expanding the powers of thrift institutions is inappropriate. Given the developments in the mortgage markets over the past two decades, I believe it is legitimate to ask whether a statutorily-mandated narrow focus of lending in an increasingly "cutthroat" and competitive mortgage market can generate sufficient profits.

At the same time, there are many thrift managers who are successfully operating institutions that concentrate in residential mortgage lending. These thrifts have experienced steady levels of profitability and their managers have indicated that they would not change their business focus regardless of what happens to the thrift charter and asset restrictions.

E. Evaluation of Charter Reform Options

What the foregoing suggests is that before we modify or abolish the thrift charter, we need to define our objectives and make certain that the "solutions" meet the objectives.

I believe the first objective should be to preserve the safety and soundness of today's thrift institutions in order to protect the insurance fund. We should make certain that our statutes reflect market realities.

A second, and more ambitious, objective is to create a flexible and competitive charter or set of charters that will allow all insured depository institutions to retain and better serve their retail and corporate customers.

The merits of any charter reform proposal should be measured by these standards. There are at least three alternative charter reform approaches:

1. One option is what I refer to as the "free market" approach. This involves reducing but not eliminating the mortgage concentration requirement for thrifts without altering other aspects of the charter. If combined with eliminating the current

tax barrier to thrift-to-bank conversions, then market forces could dictate charter type by permitting institutions' boards of directors to decide for themselves whether to continue in the thrift business or become commercial banks. It avoids the government substituting its judgment for that of the market.

2. Another option is to force thrifts to become commercial banks and, subject to limited grandfathering, relinquish activities and powers that go beyond those permissible for national banks. This is the approach taken in Title II of the Convergence Act.
3. A third approach would be to develop a new charter that incorporates the best of both the commercial bank and thrift charters, an approach first suggested by a bank trade association.

I am concerned that Option 2 may be the least desirable option. It is not obvious that conversion to a bank charter would improve the financial performance or safety and soundness of the typical thrift institution. In fact, for many thrifts that wish to specialize in mortgage lending, forced conversion would produce no obvious benefits, while stripping them of the operating flexibility provided by the federal thrift charter.⁵

I do not intend to suggest that, on balance, the current federal thrift charter is better than the national bank charter. National banks are not lining up to convert to federal thrifts. The forced mortgage concentration requirement of the thrift charter may be problematic in highly competitive markets. But for institutions that are located in markets where specializing in

⁵ The federal thrift charter provides a more flexible operating structure in several respects. First, thrift holding companies are subject to fewer activities restrictions than bank holding companies. Thus, thrifts can affiliate with companies providing a broad range of financial services, as well as commercial and industrial enterprises. Second, thrift holding companies and their subsidiaries are regulated by a single federal agency, whereas bank holding companies and their bank subsidiaries are generally regulated by two federal agencies. Third, service corporations of thrifts are also subject to fewer activities restrictions than service corporations of national banks.

mortgage lending is still attractive, the thrift charter offers distinct advantages. This prompts two important questions.

First, will the cause of financial modernization be advanced or hindered if we eliminate the federal thrift charter, without simultaneously modernizing the national bank charter?

Second, in an era in which the Congress, the Administration, and the banking regulatory agencies are seeking to eliminate unnecessary regulatory constraints on depository institutions, does our financial system benefit from eliminating a charter option that offers certain advantages over the current bank charter? Forced conversion from a thrift to a bank charter may strip thrift institutions of operational flexibility without conferring any meaningful offsetting advantage.

As noted above, in the past, government intervention in the thrift industry has at times had unintended and unfortunate consequences. If forcing thrifts to convert to commercial banks does not meet a market need, we risk weakening rather than strengthening our system of depository institutions. The commercial lending market is very competitive. It is also a market that to some degree is built around personal relationships. Thus, it will prove difficult for most thrifts, with their mortgage lending background, initially to compete in the commercial lending arena.

I have seen no evidence to suggest that our country needs 1,500 additional commercial banks. In fact, a number of studies conducted over the years have concluded that the regulatory framework governing today's commercial bank charter is outmoded.

In testimony before the House Banking Committee earlier this spring, it was noted that commercial banks operate under a set of "outdated restrictions that serve no useful purpose, that decrease economic efficiency, and that, as a result, limit choices and options for the consumer of financial services. Such

statutory prohibitions result in higher costs and lower quality services for the public and should be removed."⁶

Many of the outdated restrictions referred to above do not apply to thrifts. Thus, it is not clear that simply forcing thrifts to adopt a commercial bank charter will strengthen insured financial institutions and reduce risks to the FDIC. Thus, Option 2 does not fare well under the first objective I articulated above -- preserving safety and soundness. Moreover, Option 2 would not result in a more flexible and competitive charter for banks or thrifts. Indeed, it could impose significant initial costs on existing thrift institutions. Thus, Option 2 also does not fare well under the second objective I stated above -- enhancing flexibility and competitiveness.

In my view, Option 3 is the best approach. Option 3 would combine the best aspects of the thrift and bank charters. This is a "best practices" approach toward the development of a new uniform federal depository-institution charter. Ideally, this new charter would improve the competitiveness of all depository institutions and better meet the public's needs, while minimizing the FDIC's risk exposure. While this is clearly a more difficult legislative approach, it is one that holds the greatest hope for the future competitiveness and safety and soundness of our depository institutions.

F. Abolishment of OTS

Title III would abolish the Office of Thrift Supervision on January 1, 1997, dividing the agency's resources and liabilities among the remaining three banking agencies. The draft bill provides few specifics on what, if any, rights and protections OTS employees might be granted.

⁶ Hearings on H.R. 18, the Financial Services Competitiveness Act of 1995, Before the Committee on Banking and Financial Services, 104th Cong., 1st Sess. (Feb. 28, 1995) (statement of Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, at 4).

Based on my last 3 years as head of OTS as well as my role as an FDIC director, I am well aware of the difficulties associated with downsizing and merging agencies. Since 1990, OTS employment has dropped from a high of 3,400 employees to a current staffing level of 1,500. This has been accomplished through a combination of buy-outs, RIFs, directed reassignments and attrition. None of the downsizing was mandated from external sources. OTS does not fund itself with appropriations. OTS employees are accustomed to both uncertainty and the pain associated with downsizing. Morale has suffered as year after year, divisions were cut in size. Nonetheless, OTS employees generally agreed with the premise that it was appropriate and necessary that the agency's resources remain in line with an industry that was also shrinking. While OTS staff have gone through a difficult several years, I am proud of their hard work and long hours, and the accomplishments of the agency.

As I noted earlier, the thrift industry today has returned to health. While the recovery of the weak institutions is due in large part to the competence and efforts of the management of these institutions, it was aided by a dedicated and hard working OTS staff.

OTS staff have forcefully, but fairly, worked with the industry to assure that new capital standards have been achieved or even exceeded as quickly as practicable. We have used the Prompt Corrective Action authorities to eliminate the ability of thrifts to operate at a critically undercapitalized level. Capital insolvent thrifts and the excessive losses they imposed on federal taxpayers simply do not occur today.

OTS staff have also developed new techniques for effectively monitoring the safety and soundness of thrift operations to assure we can implement the Prompt Corrective Action authorities. OTS staff have been at the forefront in analyzing interest rate risk problems, so critical to the thrift industry. We expect most thrifts, even if forced to convert to banks, will continue to concentrate in home mortgages, and the expertise of OTS staff in

supervising residential mortgage lenders will be a valuable asset to the federal regulatory system. We risk losing this asset if OTS employees are not treated fairly in any restructuring of the federal regulatory system.

If the thrift charter is abolished over the next several years, the thrift industry will obviously be under considerable strain. This difficult transition period is precisely the moment when effective federal supervision will be most critically needed. One of the lessons from the thrift debacle of the 80's is that lax or inadequate federal supervision only compounds the cost of resolving potential financial problems. OTS employees require and deserve a more certain future than is provided in Title III. At a minimum, I would urge you to consider adoption of the FIRREA protections, which proved effective in addressing both the interests of the employees in achieving some stability and the insurance fund in assuring continued regulatory oversight.

IV. Conclusion

I recognize that the Congress faces a difficult set of issues. The legislative process often involves balancing competing objectives and compromise. Nonetheless, I urge this Subcommittee to focus on the long-term.

Any reader of the financial press cannot help but be struck by the significant changes underway in the financial services markets. Technology, the growing presence of non-regulated entities in the financial services industry, the continued growth in the market share of mutual funds and credit unions, all suggest that maintenance of the status quo for thrifts or banks should be unacceptable.

Our focus should be on development of an enhanced depository institution charter. It is not clear that simply eliminating the federal thrift charter would be a step forward. I urge you to take the time to sort out and

evaluate all options while moving immediately to resolve the funding issues faced by the SAIF and the FICO.

Thank you.