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Comptroller Tells Congress that Agricultural Banks
Must Remain Strong in Order to Serve Communities

WASHINGTON, D.C. -- Comptroller of the Currency John D. Hawke, Jr. said in Congressional testimony today that the lesson of the last agricultural crisis is that banks must adhere to sound lending practices while continuing to support their communities.

"Bankers should continue to lend and serve their communities and devise ways to help farmers through temporary financial difficulties," he said in written testimony submitted to the General Farm Subcommittee of the House Committee on Agriculture.

However, he added, "If banks are to be a reliable source of agricultural loans in both good and bad times, they must remain financially strong."

Mr. Hawke said banks must ensure that their balance sheets accurately reflect the risks embedded in their loans and said they must maintain sufficient loan loss reserves and capital levels.

"One enduring lesson from the thrift crisis of the late 1980s is that too much forbearance on the part of the regulators -- particularly at times when the asset values are likely to be less than book value -- only leads to more serious problems for the banks down the road," he said.

Mr. Hawke noted that the OCC recently issued a handbook on agricultural lending aimed at helping examiners and bankers understand the fundamentals of sound agricultural lending. The handbook will help ensure that examiners do not automatically criticize loans solely because farmers may need more time to service them.

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches of foreign banks in the U.S., accounting for more than 58 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.