

S&Ls seek bank-like powers from Congress

By Suzie Rollins Singer
staff writer

Officials at area thrift institutions hope 1982 is the year when they can expand their financial powers. They have thrown their support behind Congressional bills which would broaden the scope of the federally chartered savings and loan associations and other depository institutions beyond home mortgages. If successful, they will have many of the powers of commercial banks. "We really need to expand," said Pete Eichinger, vice president of marketing at Metropolitan Savings Association. "The basic starting point for S&Ls was that people would put their money there, at a higher interest rate than offered by the bank, so the S&Ls would have enough money for housing mortgages. "But now investing has become sophisticated and mortgages aren't big business."

FEDERAL HOME Loan Bank Board Chairman Richard T. Pratt has proposed a Thrift Institutions Restructuring Act. It would give S&Ls and mutual savings banks more leeway to invest in other securities besides residential mortgages, their traditional investments. Senate Banking Committee Chairman Jake Garn, R-Utah, has introduced similar legislation, and the House Banking Committee is studying the issue.

The Congressional proposals would give S&Ls nearly all the powers of banks.

The President's Commission on Housing recently supported the Reagan administration's plan to broaden the powers of the nation's thrift institutions.

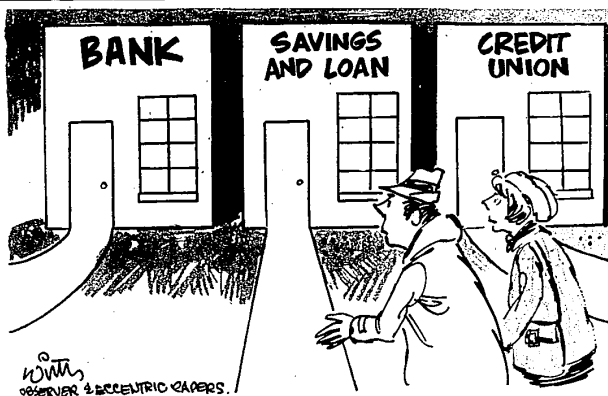
The housing commission's report recommended that S&Ls be permitted to offer corporate checking accounts; to invest in secured and unsecured commercial, consumer and farm loans; and to invest in municipal securities. Under certain circumstances, thrift institutions also would be allowed to invest directly in real estate ventures and to lease equipment.

WHILE SEVERAL bankers surveyed didn't object to thrift institutions' receiving broader based powers, they said it was imperative they live by the same restrictions as banks.

"All the (proposed) changes are fine, providing everyone on the playing field is on the 50-yard line at the same level," said Lowell Perry, executive director of the Michigan Bankers Association.

One major difference between banks and thrifts is that banks are required to have a federal reserve fund, while thrifts aren't, Perry explained.

Eichinger noted that when S&Ls were first established in 1930, their sole purpose was to provide home mortgages. They could offer depositors slightly higher interest rates on savings accounts than banks, but could not compete in other financial areas.



DURING 1980 thrifts gained the right to offer checking accounts to consumers, and state-chartered savings and loans won the right to offer commercial checking accounts.

"When the consumer checking account law was passed, we found a loophole that allows us to offer accounts to businesses, because we're a Michigan-chartered savings and loan and get our regulations from Lansing, not Washington," Eichinger said.

"But even that gives us problems. We can offer ABC Tool Co. a checking account but not a loan on machinery. So that makes it hard for us to compete with banks," he added.

He noted that with the rise of such "near banks" as Sears, American Express and Baldwin Piano, companies which have entered the financial circuit, expanded powers are even more necessary for survival of S&Ls.

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