Index

accelerated cost recovery system (ACRS), 140–141
agricultural banking crisis forbearance, 117–118
agricultural loan-loss amortization program, 49, 99, 118–119
agriculture
  agricultural banks versus small non-agricultural banks, 285–287
  bank failures, 269–270, 275–282
  farm debt, 262–264, 266–267
  farm exports, 262, 264–265
  farm income, 262
  farmland values, 267–269
  forecast reliability, 270–272
  in Southwest, 304–306
  nonbank credit sources, 273–275
  see also real estate
American Savings Bank, 359
appraisal standards, *see* real estate
Arizona, 185

bank failures, *see* failed-bank characteristics
Bank Holding Company Act, 98
Bank Insurance Fund (BIF), 100
  failed banks, 234
  insured deposits, 133–134
  reserve levels, 101, 103, 133
Bank of America, *see* California Big Four banks
Bank of New England Corp. (BNEC), 252, 373–378
  see also Too Big to Fail
bank performance, 5–9
Bank Performance Report (BPR), 478
bank powers
  dual banking system, effect of, 122–126
  expansion of, 96–97, 154, 176,
  state granting of, 104, 176–177, 400–401
Banks for Cooperatives (BCs), 273
Basle Committee on Banking Regulations and Supervisory Practices, 115
Bentsen, Lloyd (Secretary of the Treasury), 130
Big Four banks, *see* California
BNEC, *see* Bank of New England Corp.
Bowery Savings Bank, 228
BPR, *see* Bank Performance Report
Brady Plan, 44, 209–210
Brady, Nicholas (Secretary of the Treasury), 209
brokered deposits, 13, 102, 119–122
  restriction of, 104, 122
Burns, Arthur (chairman, Federal Reserve Board), 197

Cabinet Council on Economic Affairs, 177
CAEL rating system, 74, 507–510
  components of, 509
  effectiveness of, 74, 510
  versus FIMS, 511–512
California, 185
  bank failures, 410–418
  Big Four banks, 399, 407–410, 417
  competition in banking, 397, 399–402
  construction industry, 384–390
  defense-related manufacturing, 382–384, 392, 395

California *(cont.)*
economic growth, 380–382, 390–391
Japanese investment in, 388–390, 395–396, 401–402
recession, 391–396
Southern California, 382, 395–397, 407
see also real estate
Call Report, 479
off-site surveillance, use in, 478, 480, 511, 512
CAMEL rating system, 422
accuracy of, 58–61, 436–437
agricultural bank ratings, 283–285
California bank ratings, 402–403
components of, 469–470
composite ratings, 471–472
limitations of, 61–62, 437–438
Northeastern bank ratings, 361–363
Southwestern bank ratings, 327–328
versus GMS, 498–500, 506–507
capital requirements, 13, 40, 110–116
after less-developed-country debt crisis, 207
agencies' guidelines, 111–113
capital definition, 111, 115
risk-based capital, 40, 79–80, 84, 115–116, 148, 407
uniform standards, 40, 113–114, 207
see also forbearance
CDRI Act, *see* Riegle Community Development and Regulatory Improvement Act
cease-and-desist orders, *see* enforcement actions, formal
chartering, 185
FDIC policy, 12
FHLBB policy, 177–178
in California, 399, 401
new charter failures, 31–33
OCC policy, 12, 106–109, 178
of savings and loans, 179
state policy, 109
CINB, *see* Continental Illinois National Bank
Clark, Vance (Secretary of Agriculture), 274
Clarke, Robert (Comptroller of the Currency), 109, 354
Competitive Equality Banking Act of 1987 (CEBA), 184, 186
provisions of, 10, 97–100
Conover, C.T. (Comptroller of the Currency), 98, 120, 246–247
Continental Illinois National Bank (CINB), 44–45, 255–257
bank run, 243–244
correspondent banks, 250–251
growth, 236–240, 245
LDC lending, 241, 243
Penn Square Bank failure, effect of, 241–242, 247
regulatory assistance, 244–245
risk exposure, 485–486
supervision of, 245–247
see also Too Big to Fail
CrossLand Savings Bank, 359–360

deposit insurance, 101
adequate funding, 82
deposit insurance limit, 93, 176
moral hazard, 38–39, 323–324
mutual savings banks, 213, 222–223
risk taking, controlling, 39–41
risk-based premiums, 84, 104
see also Bank Insurance Fund, Savings Association Insurance Fund
Deposit Insurance Funds Act of 1996, 132
provisions of, 11
depositor discipline, 250
depositor preference, 126–127
Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA)
mutual savings banks, effect on, 219
provisions of, 10, 91–93
savings and loans, effect on, 175–176

Depository Institutions Deregulation Committee (DIDC), 92
Dingell, John (chairman, Energy and Commerce Committee), 97
disintermediation, 214–217, 220
Dollar-Dry Dock Savings Bank, 228–230, 359
staffing levels, 56–57, 170–171, 177, 426–427
troubled bank identification, 432–438
types of, 422
see also CAMEL rating system, off-site surveillance

Economic Emergency Credit Act of 1978, 274
Economic Growth and Financial Institutions Paperwork Reduction Act of 1993, 128
Economic Recovery Tax Act of 1981, 140–141, 163, 175, 302
Empire Savings and Loan Association, 182
energy markets, 182
less-developed-country debt crisis, effect on, 192–193, 199, 205
natural gas prices, 298–299
oil prices, 184, 192–193, 240, 293–297, 312–313
Southwestern economy, effect on, 293–301
see also Southwest
enforcement actions, 101–102
by FHLBB, 172
formal, 62, 441–442, 467, 473–474
by FDIC, 442–445
by Federal Reserve, 445–449
effectiveness of, 62–68, 450–452
informal, 441, 467
types of, 473
Eurodollar, 195, 223
examination, 81–82, 479
bank risk taking, effect on, 439–441
by FHLBB, 170–171, 181
by OCC, 478–479
coordination of examinations, 467–468
FDIC policies, 56–57, 424–425
Federal Reserve policies, 425
frequency of, 57–59, 103, 149, 422–423, 428–430, 478
OCC policies, 56–57, 423–424
process of, 463–466

failed-bank characteristics, 27, 35–38, 74, 480–488, 513–514
agricultural banks, 280–282
economic boom-and-bust conditions, 19–27
fraud and misconduct, 33–34
geographic failure pattern, 13–18
in California, 410–412
in Northeast, 366–370
in Southwest, 321, 330–335
in Texas, 321
real estate lending, 25–27, 158–160
risk taking, 27–31
Farm Credit Administration, 273
Farm Credit System (FCS), 273
Farmers Home Administration (FmHA), 273–274
Federal Deposit Insurance Act
Section 13, 223
Section 8, 473–474
Federal Deposit Insurance Corporation (FDIC)
CINB crisis, 244
effect on state chartering, 109–110
enforcement actions, formal, 442–445
examination policies, 56–57, 424–425
failed-bank resolution method, 248–249
mutual savings bank crisis, 220–221, 231–232
regulatory policy, 12–13
Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), 188
large-bank failure resolution requirements, 75–79
provisions of, 10–11, 103–105, 452–454
risk-based capital standards, 407

FDICIA *(cont.)*
Too Big to Fail, limitation of, 252–253, 376
see also prompt corrective action
Federal Financial Institutions Examination Council (FFIEC), 102, 106, 158, 468
Federal Home Loan Bank Act of 1932, 170
Federal Home Loan Bank Board (FHLBB), 100, 170–172
Federal Intermediate Credit Banks (FICBs), 273
Federal Land Banks (FLBs), 273
Federal Power Commission (FPC), 298
Federal Reserve
enforcement actions, formal, 445–449
examination policies, 425
off-site surveillance systems, 510–512
regulatory policy, 12
Federal Savings and Loan Insurance Corporation (FSLIC), 170, 224
abolishment of, 100
recapitalization of, 97, 186
resources, 41, 173, 181, 184
FHLBB, *see* Federal Home Loan Bank Board
Financial Institutions in the Nation's Economy (FINE) Report, 91, 217
Financial Institutions Monitoring System (FIMS), 75, 510–512
versus CAEL, 511–512
Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), 149, 187–188
appraisal standards, 158
civil money penalties, 474–475
cross guarantee provisions, 101, 375–376
provisions of, 10, 100–102
Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRIRCA), 468
civil money penalties, 474–475
provisions of, 218
Financing Corporation (FICO), 133–135
First City Bancorporation, 60, 245, 254, 323, 434–435, 492
First Interstate Bank, *see* California Big Four banks
First National Bank of Midland, failure of, 324–326
First Pennsylvania Bank, N.A., failure of, 42
First RepublicBank Corporation, 60, 245, 254, 323, 434–435, 492
Fleet/Norstar Financial Group, Inc., 376
Florida, 185
forbearance, 177
agriculture and energy sector banks, 49
effect of, 49–51
FDICIA limitation of, 51
FSLIC use of, 46–47
Net Worth Certificate Program, 47–49, 95, 117, 175–176, 227–230
to agriculture and energy sector banks, 118–119
to less-developed-country lenders, 44, 47, 204, 207–208
to savings and loans, 173
FSLIC Resolution Fund, 100

GAAP, *see* generally accepted accounting principles
Garn, Jake (chairman, Senate Banking Committee), 96
Garn–St Germain Depository Institutions Act of 1982 (Garn–St Germain), 161, 225–227
Net Worth Certificate Program, 47
provisions of, 10, 94–95
real estate investment, effect on, 302
savings and loans, effect on, 175–176, 315
generally accepted accounting principles (GAAP), 173, 180
Glass–Steagall Act, 96
GMS, *see* Growth Monitoring System
Gonzalez, Henry (chairman, House Banking Committee), 102
goodwill, 174–175

Greenspan, Alan (chairman, Federal Reserve Board), 252
Greenwich Savings Bank, 42–43, 223–224
Growth Monitoring System (GMS), 75, 496–507
  components of, 496
  effectiveness of, 497–501
  growth types, 502
  peer groups, 502–503
  versus CAMEL rating system, 498–499, 506–507
  weighting system, 503–504

Heinz, John (Senator), 97
Herfindahl-Hirschman Index (HHI), 504
Home Owners' Loan Act of 1933, 170
Home Savings Bank, 228
Howard Savings Bank, The, 359, 360
Hudson City Savings Bank, 228
Hunt Commission, 91, 217

income maintenance agreement, *see* mergers
Integrated Monitoring System (IMS), 508
Interagency Country Exposure Review Committee (ICERC), 203
interest-rate deregulation, 92, 176, 217–218
International Lending Supervision Act of 1983 (ILSA), 113, 207
International Monetary Fund (IMF), 206, 209
interstate banking and branching, 11, 129–132
  see also Riegle-Neal Interstate Banking and Branching Efficiency Act
Isaac, William M. (chairman, FDIC), 93, 113, 121, 227, 247

Keefe, Harry V. (chairman, Keefe, Bruyette & Woods, Inc.), 222
Kohlberg, Kravis, Roberts & Co. (KKR), 376

large banks, *see* Too Big to Fail
Latin America, *see* less-developed-country debt crisis
LDC, *see* less-developed-country debt crisis
legislation, 9–11, 91–105, 126–135
  see also names of individual acts
less-developed-country (LDC) debt crisis
  Brady Plan, 209–210
  agriculture, effect on, 265
  capital requirements, 113
  causes of, 192–199
  Continental Illinois National Bank, effect on, 241
  creditor government policy, 206
  crisis resolution, 207–210
  Latin American debt, 193–195, 199–200, 206
  regulation of lending, 203–204
  U.S. bank lending, 195–200
  see also money-center banks, forbearance
loans-to-assets ratio, 331, 492, 493
loans to one borrower, 94, 203–204
London Interbank Offering Rate (LIBOR), 193–195, 205

Management Consignment Program (MCP), 182
Mehle, Roger (Assistant Secretary of the Treasury), 173
mergers, 223
  assisted mergers, 223–225
  income maintenance agreement, 224–225
  voluntary mergers, 227–228
Metropolitan Savings Bank, 223
Mexico
  debt default, 205–206
  see also less-developed-country debt crisis
modified payoff, 250
money market certificate of deposit, 218–219
money-center banks
  corporate bond ratings, 201–203

money-center banks *(cont.)*
less-developed-country lending, 43–44, 195–196, 208–209
Moore Financial Group, Inc., 228
moral hazard, *see* deposit insurance
MSB, *see* mutual savings banks
mutual savings banks
conversion to stock form, 32–33, 154, 233, 348–349
cost of failures and mergers, 224–225, 231–232
expanded powers, 93, 212, 217–218
in New York, 221–222
industry growth, 212
insolvencies, 42–43, 222–223
mergers, 223–225
versus savings and loan crisis, 187

National Association of Mutual Savings Banks (NAMSB), 220
National Bank Act of 1864, 423
National Bank Surveillance System (NBSS), 478, 508, 511
National Housing Act of 1934, 170
natural gas, *see* energy markets
Natural Gas Act of 1938, 298
Natural Gas Policy Act of 1978, 298
Net Worth Certificate Program, *see* forbearance
New England, *see* Northeast
New Jersey, *see* Northeast
New York, *see* Northeast, mutual savings banks
Nolan Bill, 400–401
Northeast
bank failures, 365–373
chartering of new banks, 349, 366
mutual to stock conversions, 186, 348–349
New England, banking in, 356–357
New York and New Jersey, banking in, 358–359
Northeast versus non-Northeast banks, 362–365
savings and loans in, 187
see also real estate
NWC (Net Worth Certificate), *see* forbearance

Oakar institutions, 133
OCC, *see* Office of the Comptroller of the Currency
off-site surveillance
accuracy of, 486–487
condition indicators, 69, 481
failure forecasting, 72–74, 488–489, 491–495, 513–514
risk indicators, 69, 481–486, 490–491, 494
strengths and weaknesses, 68, 479–480
surveillance systems, 74–75, 496–512
use of computers, 477–479
versus on-site examination, 68, 479
Office of the Comptroller of the Currency (OCC)
bank closures, 455–458
Bank of New England Corp., supervision of, 374–377
Continental Illinois National Bank crisis, 243, 245–247
examination policies, 56–57, 423–424
less-developed-country lending policy, 204
off-site surveillance systems, 512
regulatory policy, 11–13
Office of Thrift Supervision (OTS), 100
oil, *see* energy markets
Omnibus Budget Reconciliation Act of 1993, 126
provisions of, 11
on-site examination, *see* examination
Orange Savings Bank, 228
Oregon Mutual Savings Bank, 228
Organization of Petroleum Exporting Countries (OPEC), 295–296
OTS, *see* Office of Thrift Supervision

PCA, *see* prompt corrective action
Penn Square Bank, N.A., 241, 247
  brokered deposits, 119
  failure of, 324–325
Philadelphia Saving Fund Society, 211
Presidential administrations
  Bush, 102, 186
  Carter, 426
  Clinton, 128
  Reagan, 96, 177–178, 426
prompt corrective action (PCA), 474
  closure cost savings, 53–54, 458–460
  early intervention requirement, 461–462
  FDICIA requirements, 51, 55, 103
  impact of, 51–56
  timely closure requirement, 454–461
Provident Institution for Savings, 211
Proxmire, William (Senator), 97

RAP, *see* regulatory accounting principles
real estate in Southwest, 301–304
  appraisal standards, 102, 156–158, 304
  commercial, 137
    asset prices, 150–151
    boom and bust, 141–151
    in California, 143, 387–390, 395–396
    in New England, 340–343
    in New York and New Jersey, 345–346
    in Northeast, 143, 351–352
    in Southwest, 142–143, 317
    industrial sector, 148
    investment risk, 138–140
    office sector, 143–146, 303–304
    retail sector, 146–148
    role in bank failures, 26–27
    savings and loan lending in, 184–185
  farmland values, 261–263, 266
  in Northeast, 354–356
  increased bank lending in, 151–154, 413–418
  lending restrictions, 95, 104, 124–126
  residential
    in California, 385–387, 392–393, 396
    in New England, 343–345
    in New York and New Jersey, 346–348
    in Northeast, 351
    in Texas, 307–310
  role in bank failures, 25–27, 158–160
  see also tax code, underwriting standards
Regan, Donald (Secretary of the Treasury), 177
Regulation Q, *see* interest-rate deregulation
regulatory accounting principles (RAP), 173, 181
Resolution Trust Corporation (RTC), 100, 148, 158, 188
Resolution Trust Corporation Completion Act of 1993, 105
Revenue Act of 1951, 219
Riegle Community Development and Regulatory Improvement Act (CDRI Act), 126, 129
Riegle, Donald (chairman, Senate Banking Committee), 102
Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, 11, 126, 129
risk-based capital, *see* capital requirements
risk-based premiums, *see* deposit insurance

S&L, *see* savings and loans
Sasser institutions, 133
savings and loans
  competition, 181–186, 314–315
  expanded powers, 93, 94
  industry growth, 178–183
  insolvencies, 168–169
  net worth requirements, 173–175
  real estate lending, 184–185
  resolutions, 186–187
  versus mutual savings bank crisis, 187
Savings Association Insurance Fund (SAIF), 100, 188
  insured deposits, 133–135

SAIF (cont.)
recapitalization of, 103, 134–135
reserve levels, 133
Seamen's Savings Bank, 230
Security Pacific Bank, *see* California Big Four banks
Seidman, L. William (chairman, FDIC), 108, 122, 196, 354
Southern California, *see* California
Southwest
agricultural banks, 305–306
bank examination frequency, 429–430
bank failures, 310, 320–326
chartering of new banks, 313–314
competition in banking, 304, 314–315
energy market lending, 299–301, 315, 317
Louisiana, banking in, 311
oil drilling in, 296–297, 311–312
Oklahoma, banking in, 312
savings and loans in, 187
Southwest versus non-Southwest banks, 328–329
see also energy markets, real estate
Southwest Plan, *see* Texas
provisions of, 131–132
Sprague, Irvine (chairman, FDIC), 93
St Germain, Fernand (chairman, House Banking Committee), 96–97, 119
supervision
by FHLBB, 171–172, 180
effectiveness of, 245–247, 439–441
Syracuse Savings Bank, 228
systemic risk, *see* Too Big to Fail

tax code
mutual savings banks, effect on, 219–220, 222
real estate, effect on, 139–140, 163–165
Tax Reform Act of 1969, 219
Tax Reform Act of 1986, 140–141, 163, 385
Taylor, William (chairman, FDIC), 360
TBTF, *see* Too Big to Fail (TBTF)
Texas, 185
bank failures, 321–324, 493
construction boom in, 306–310
savings and loans in, 183–184
Southwest Plan, 183
see also Southwest
Third World, *see* less-developed-country debt crisis
Too Big to Fail (TBTF), 247–253
Bank of New England Corp., 376
FDICIA limitation of, 104–105, 252–253
large-bank treatment, 42–46, 82–83
large versus small banks, 251
systemic risk, 42–43, 76, 78–79, 249–251, 253
uninsured depositor protection, 75–77
see also Continental Illinois National Bank

underwriting standards, 185, 315
in real estate lending, 149, 153–156, 304
Uniform Bank Performance Report (UBPR), 74, 478, 496
Uniform Bank Surveillance System (UBSS), 74, 478, 510, 512
uninsured depositors, *see* Too Big to Fail

Volcker, Paul (chairman, Federal Reserve Board), 114, 124, 200, 247

Wall, M. Danny (chairman, FHLBB), 186
Wallich, Henry (governor, Federal Reserve Board), 200
Wells Fargo Bank, *see* California Big Four banks
World Bank, 206, 209