

# 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
- 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
  - 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
- 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