

## Banking by Kathy Burdman

### California growth advocate fights back

*State Savings and Loan Commissioner Linda Yang is getting in the way of Fed Chairman Paul Volcker.*

California State Savings and Loan Commissioner Linda Tsao Yang is taking a vocal position in defense of homebuilding and family formation in the United States, and causing headaches for the "post-industrial society" strategists who avowedly want to shut down the nation's savings and loans in order to gut the housing industry.

Mrs. Yang told me in an interview May 6 that she objects to the "policy thinking" behind the Federal regulators' proposals, which she said are exemplified by comments made by the FSLIC Director, Brent Beesley (known in California as "Mr. Doom"), in San Diego recently. Departing from the prepared text of a speech, Beesley told S&L executives that "there are too many S&Ls," Mrs. Yang related. "He said, 'We have too many walking dead, and we might as well give the walking dead a decent burial,' and I listened in stunned silence. That is playing God."

The Fed and FSLIC are putting together a new Omnibus Banking Bill, Capitol Hill sources told me May 6. It will take shape when House Banking Committee Chairman Fernand St. Germain (D-R.I.) reports his "Net Worth Guarantee" bill (H.R.6267) to the full House the last week in May. That bill will help S&Ls by providing \$8.5 billion in U.S. Treasury notes to shore up their capital ("net worth"), and will be supported by Senate Banking Committee Chair-

man Jake Garn (R-Utah).

In conference, the Senate plans to add to the House bill provisions including the "Volcker Bill" or "Regulators' Bill," first devised by the Fed Chairman. It would allow big commercial banks to buy up S&Ls, the aides said. By also tacking on portions of Senator Garn's Financial Institutions Deregulation bills, S.1720, "We'll make this into another Omnibus Banking Act," one aide stated (the first was passed in 1980). The entire bill could be law by June. Its aim is to "get the S&Ls out of the market, and out of housing," said a Treasury source.

But Mrs. Yang doesn't hold with what she calls the "trendy" idea that "housing should be put on the back burner—or killed," as she put it. She flew to Washington May 3 to meet with the banking committees on this.

In particular, she "objects to provisions" in both St. Germain's and Garn's bills which would allow the FSLIC and the Fed life-and-death control of all the nation's state-chartered S&Ls, including the \$55 billion in state-chartered S&Ls' assets in the state of California. Both H.R.6267 and the "Volcker Bill" now contain "provisions which would allow the federal regulators exclusive authority to "determine the 'economic viability' of state-chartered S&Ls," she warned. "I feel the state should make that determination for the benefit of the

state economy."

Mrs. Yang said that U.S. industrial growth depends on "building 30 to 40 million new housing units in the U.S. during the 1980s, a job which only S&L people know how to get done, because they are the most efficient mechanism for collecting funds from Wall Street and around the country, and putting into homes. How can we re-industrialize and raise productivity if workers can't find adequate housing? Or have to drive 50 to 80 miles to work? They say, 'let people double up and triple up the number of families per house! Let the married sons and daughters move back in and live with the folks!' I don't buy this."

Mrs. Yang related how, when she came to this country from China years ago as a student, she viewed the "wonderful housing conditions such as I had never seen" as central to Americans' social stability. "Every person in America has the right to expect that by working hard and saving, he can shelter himself and his children decently."

For her efforts, Mrs. Yang has been attacked by Gov. Jerry Brown's administration recently as "blocking progress" in S&L deregulation. Brown's Secretary of State for Business, Lynn Schenk, has demanded that she quit, S&L executives say.

The real pressure, she acknowledged, is coming from Washington, because "California always leads the nation," and her vocal denunciations of zero growth are being noticed nationally. "A lot of pressure has been exerted [from Washington] to make me change my policy," Mrs. Yang told me.

"But I will not."