Agency Chief Pressed Thrifts, Senator Charges

Cranston Says Bank Board's Gray Pressured Group On Brokered Deposits

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WASHINGTON — The chairman of the Federal Home Loan Bank Board was accused of pressuring an industry group to go along with his proposal to curb the brokerage of insured savings and loan deposits.

During hearings by the Senate Banking Committee, Sen. Alan Cranston (D., Calif.) told Bank Board Chairman Edwin Gray, "You're seemingly putting pressure on people where your regulatory authority is involved."

Sen. Cranston, who is the ranking Democrat on the subcommittee that oversees the Bank Board, raised the possibility that Mr. Gray may have breached the Administrative Procedures Act, which bars agency officials from using their regulatory clout to gain support for rule proposals. The question of possible violations further complicates an already bitter regulatory battle in which the Bank Board chief is facing off with powerful Wall Street firms and top officials within the Reagan administration.

Propriety of Message Questioned

Specifically, Sen. Cranston questioned the propriety of a message that Mr. Gray delivered earlier this month in a speech to the U.S. League of Savings Institutions. In the speech, the bank board chief criticized the thrift industry executives for their "passivity" in failing to support a controversial proposal to curb federal insurance for funds channeled to savings institutions by independent brokers.

The chairman then said that if this proposal is defeated, the board might increase the thrifts' insurance premiums by as much as $780 million a year, an amount nearly one-half of the $1.7 billion in 1983 thrift industry profits

Following the speech, the thrift industry executives expressed alarm over the prospect of increased insurance premiums. And the group's legislative council, changing an earlier position, voted to support Mr. Gray's stance.

The proposed rule, issued jointly by the Bank Board and the Federal Deposit Insurance Corp , would end federal insurance for all but the first $100,000 deposited in a thrift or bank by a broker. The two agencies say the rule is necessary because brokers are funneling money into troubled institutions, creating a drain on federal insurance funds if those institutions fail.

The Bank Board and the FDIC plan to consider final rules on brokered deposits Monday. The scheduling also has come under congressional criticism as lawmakers have asked the agencies to hold off on a final rule until the matter can be examined more closely. Bank Board officials say that if the proposal is adopted, as many expect, it will carry an effective date of October 4, which would give Congress some time to overturn it.

Mr. Gray defended his actions before the thrift board. The possibility of raising the insurance premiums "was presented as relevant information in a public forum, rather than being any form of coercion," he said. "That's repugnant to me. I would not do that. It's not my way." However, an aide to Sen. Cranston says some thrift executives said "they felt threatened" to support the chairman.

Merrill Lynch & Co., the nation's largest deposit broker, has led a lobbying campaign to kill the proposal. In addition, the Reagan administration has taken the position that the rule would go too far.

C. Todd Conover, the comptroller of the currency, advanced a compromise plan during the hearings under which federal insurance would be limited to $100,000 for any single depositor using a broker. This would have the effect of curtailing insurance for credit unions and other institutions that often use deposit brokers to seek out the highest rates on their deposits. Merrill Lynch, for example, acts as a broker for retail consumers who make deposits smaller than those of institutions. Its program would be left intact under the Conover compromise. "I don't see why we should deprive the American public of that convenience," Mr. Conover said.

Intense Lobbying Continues

Meanwhile, the intense lobbying on the rule continues. Tuesday, Merrill Lynch's chairman, Roger Birk, and Prudential Insurance Co. of America's chairman, Robert Beck, met in the White House with John Svahn, an assistant to the president on domestic affairs. The two financial industry leaders reportedly sought White House help in persuading the Bank Board and FDIC to modify the proposed crackdown.

Although the rule would effectively close Merrill Lynch's deposit brokerage program, which is aimed at individuals, it wouldn't necessarily stop institutions such as credit unions from using brokers. The treasurer of one credit union says he has mapped out plans with several deposit brokers to buy lists of rates available at various depository institutions. After obtaining the information from brokers, he would deposit funds directly, thereby preserving the insurance protection.

The FDIC chairman William Isaac, said his agency may later combat this practice by ending federal insurance for deposits made by financial institutions.