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HOUSE COMMITTEE REPORT

(11)

Date Referred: February 1, 1989

FURTHER REFERRALS:

Date of Committee Action: 2/1/89

The FINANCE Committee recommends that:

HOUSE CONCURRENT RESOLUTION NO. 9
Relating to Alliance Bank.

[ALLIANCE BANK]

be replaced with CS HCR 9 (Finance) the same title
[] have attached amendment(s) a new title

- do pass
- [] do not pass
- [] no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal impact
- [] zero fiscal note
- [] zero with analysis

APPROVES PREVIOUS:

- [] fiscal note(s) published:
- zero fiscal notes(s) published:
2/1/89

SIGNING DO PASS:

Ronald J. Larson Larson
Dick Schultz Schultz
Roxana Barnes Barnes
Jay Brown Brown
Mike Koponen Koponen

SIGNING OTHER THAN DO PASS:

(Do Not Pass, No Recommendation, Amend)

F. Kousser Wallis
R. D. Phillips Phillips
John Rieger Rieger

Co- Ronald J. Larson Larson
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Resolution relating to Alliance Bank
Sponsor: Jacko, Navarre and Donley
Requestor: House Labor & Commerce

Agency Affected: Commerce & Economic Dev. Banking, Securities & Corp.
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Willis F. Kirkpatrick, Director *WFK* Phone: 465-2521
Division: Banking, Securities & Corp. Date: _____

Approved by Commissioner: Larry Mercurieff *L.M.* Date: 1/27/89
Agency: Commerce & Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

RECEIVED

JAN 30 1989

LEGISLATIVE FINANCE page 1 of 1

HCR 9

Original sponsors: Jacko, Navarre,
and Donley

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE CONCURRENT RESOLUTION NO. 9 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 Relating to Alliance Bank.

6 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 WHEREAS the concentration of commercial banks in the state has been
8 affected during the past two years by the closing of six banks; and

9 WHEREAS the legislature wants to ensure that a viable and competitive
10 banking system exists throughout the state; and

11 WHEREAS at the beginning of 1987, the Federal Deposit Insurance Corpo-
12 ration determined that public policy considerations in the state required
13 the financial restructuring of what are now known as the Alliance Bancorpo-
14 ration and its wholly-owned subsidiary Alliance Bank; and

15 WHEREAS these public policy considerations are still present in the
16 banking market and have become more acute due to the subsequent closing of
17 other commercial banks in the state; and

18 WHEREAS Alliance Bank operates an extensive network of branches in the
19 rural and southeast parts of the state; in several locations served by
20 Alliance Bank, there is only one other bank, and the next closest competi-
21 tor is hundreds of miles away; and

22 WHEREAS there has been vocal community support in rural Alaska for
23 Alliance Bank, and there have been requests for Alliance Bank to service
24 additional rural communities; and

25 WHEREAS Alliance Bank, in conjunction with the Alaska Department of
26 Community and Regional Affairs, handles a majority of the outstanding loans
27 for rural borrowers of the state; and

28 WHEREAS Alliance Bank has been, and continues to be, a major provider
29 of mortgage servicing in the state and is servicing over \$1,500,000,000

1 worth of loans; the failure of Alliance Bank would severely disrupt the
2 servicing of these loans and would cause additional financial strain on
3 governmental agency loans, including loans from the state Department of
4 Community and Regional Affairs, the Alaska Housing Finance Corporation, the
5 public employees' retirement system (AS 39.35), and the teachers' retire-
6 ment system (AS 14.25); and

7 WHEREAS the failure of Alliance Bank would hinder the economic re-
8 covery of the state, and the closure of the bank would result in a loss of
9 jobs for the 460 employees of Alliance Bank and an annual loss of
10 \$20,000,000 in wages;

11 BE IT RESOLVED that the Alaska State Legislature encourages the Gover-
12 nor to support a stable and competitive banking environment in the state by
13 working closely with Alliance Bank and the Federal Deposit Insurance Corpo-
14 ration to ensure that every reasonable approach is taken to continue the
15 operation of the bank, consistent with prudent banking practices.

16 COPIES of this resolution shall be sent to the Honorable Willis
17 Kirkpatrick, the Director of the Division of Banking, Securities and Corpo-
18 rations of the Alaska Department of Commerce and Economic Development; to
19 the Honorable L. William Seidman, Chair of the Board of Directors of the
20 Federal Deposit Insurance Corporation; and to the Honorable Alan Greenspan,
21 Chair of the Board of Governors of the Federal Reserve Board; and to the
22 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and
23 the Honorable Don Young, U.S. Representative, members of the Alaska delega-
24 tion in Congress.

Alaskans for Fair Banking

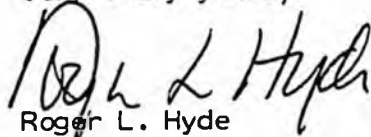
January 9, 1989

Dear Legislator:

The enclosed letter has been mailed to the governor, your fellow legislators, State Department of Banking, the FDIC, and the media.

We feel the questions asked are serious. The answers will provide assistance to you in evaluating if additional support should be given to Alliance Bank.

Very truly yours,



Roger L. Hyde
President

RLH/paw

Enclosures

Alaskans for Fair Banking

January 9, 1989

In October 1988 a group of Anchorage business people ran an advertisement in an Anchorage newspaper requesting anyone who thought they were improperly treated by Alliance Bank to respond to a blind post office box. Over 110 businesses and individuals answered the advertisement.

The results of this response was the formation of Alaskans for Fair Banking, a non-profit corporation, consumer advocacy group, with these goals:

1. Change (stop) the "negative handling" of distressed loans by Alaskan banks.
2. To block additional funding of any bank by the State, or FDIC, without public hearings (town meetings) concerning bank management and collection practices.
3. To create significant public impact to adopt and pass new banking regulations to assist distressed Alaskan borrowers with loan workouts. (homeowners and commercial borrowers)

Alaska newspapers, recently, reported that Alliance Bank has been ordered by the State of Alaska to increase their capital by \$77,000,000. It is also reported that Alliance Bank is requesting State and FDIC assistance to save the bank from failure.

Alaskans for Fair Banking requests the following questions be answered by Alliance Bank before a response for additional funding is considered.

1. What are the salaries of executive officers, including fees paid to board members? How does this remuneration compare to other Alaskan banks?
2. Are bonuses being paid to executive officers, and if so, how much? Were other personnel salaries cut at the same time?
3. Do the executive officers have permanent residences in Alaska (where do their families and pets live)?
4. Have particular banking activities or departments, such as payroll, been moved outside of Alaska?

5. What are the fees paid to the top 10 consultants to Alliance Bank? Are these consultants Alaskan companies? Are there any personal relationships between consultants and the management/directors of Alliance Bank?
6. Are there any personal relationships between executive management or directors and attorneys representing Alliance Bank?

These are questions that many Alaskans would like to have answers to. Under the "Community Reinvest Act" aren't public meetings required prior to assistance being given to Alliance?

Alaskans for Fair Banking requests that public meetings be scheduled before any consideration be given on Alliance Banks request for additional assistance.



Alaska State Legislature

Please enter into ~~the~~ record my testimony to the Labor & Commerce and Finance
committee name

committee on House Concurrent Res. No. 9, dated 1/25/89
bill/subject

I would like to testify that Denali State Bank, the state's newest and smallest bank truly supports the competitive environment referred to in HCR #9 and that I do not desire to see any more financial institutions fail in the State of Alaska. However, I believe that the Regulators of the financial industry will confirm that poor management is the leading contributor to bank failures both in and out of Alaska. Even in a time of economic hardships, well-managed banks continue to show profitability and financial strength while some of their competitors fail in the same region.

I encourage the Committee and Legislature to thoroughly investigate the accuracy of statements made in HCR #9 and to consider the far-reaching implications of adopting any resolution relating to specific financial institutions in the State of Alaska. I urge you to consider changing the emphasis from Alliance Bank to the Alaskan Banking Industry. A competitive environment exists in almost all industries- not just the highly regulated financial industry. But as in most forms of competition, there are winners and losers. The important point is that the competition survives!

Let us not support the poor decision makers with government intervention as I fear that the Resolution as presented will have just the opposite effect desired. Once the Legislature starts endorsing individual financial institutions through resolutions of this nature, the "barn door" will have opened and true competition will have been eliminated from our industry.

Support the Alaskan Banking Industry as a whole so that those banks that are well-managed benefit equally from your efforts in the Legislature.

Thank you.

Signed: Gary Roth *Gary Roth*

Testifier

DENALI STATE BANK

Representing (Optional)

119 North Cushman St Box 74568 Fairbanks, Ak 99707

Address

907-456-1400

Phone No.

09005 NL ANCHORAGE ALASKA 97 01-30 510P AST

PMS HONORABLE DAVE DONNELLY CHAIRMAN LABOR AND COMMERCE COMMITTEE

POBOX V HOUSE OF REPRESENTATIVES

JUNEAU AK 99811

GENTLEMAN,

WE HAVE STRONG DIFFERENCES WITH THE CONCLUSIONS CONTAINED IN
HOUSE CONCURRENT RESOLUTION 9 RELATING TO ALLIANCE BANK. WE,
AT KEY BANK OF ALASKA, COMMEND YOUR COMMITTEE FOR ITS
COMMITMENT TO A STRONG, VIABLE AND COMPETITIVE BANKING SYSTEM

IN ALASKA. A BANKING SYSTEM WITH THOSE CHARACTERISTICS IS
BASIC TO THE ECONOMIC FUTURE OF THE STATE. CONCLUSIONS RELATING
TO THE ROLE OF ALLIANCE BANK IN THE ECONOMIC RECOVERY OF ALASKA
CONTAINED IN HR9 ARE BASED UPON MISREPRESENTATION OF FACT.
NEITHER THE STABILITY OF THE FINANCIAL SYSTEM OR THE ECONOMY,
AS A WHOLE, REQUIRE THE ASSISTANCE ENVISIONED IN HR9.
SINCERELY,

MICHAEL J. BURNS, PRESIDENT AND CHIEF OPERATING OFFICER