

HCR

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HOUSE COMMITTEE REPORT

(7)

Date Referred: January 25, 1989

FURTHER REFERRALS: FINANCE

Date of Committee Action: 1/31/89

The LABOR & COMMERCE Committee recommends that:

HOUSE CONCURRENT RESOLUTION NO. 9

[ALLIANCE BANK]

Relating to Alliance Bank.

be replaced with CS HCR 9 (L+C) 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:

SIGNING DO PASS:

Dave Donley
Mark Boyer
Max Guenzler
W.C. Gush

SIGNING OTHER THAN DO PASS:
(Do Not Pass, No Recommendation, Amend)

Carl Miller (no Rec)
Herwin A. Shuman (no Rec)

Dave Donley
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.
 BRU: Banking, Securities & Corp.
 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 |
|----------------|----------|----------|----------|----------|----------|----------|

| | | | | | | |
|----------------|----------|----------|----------|----------|----------|----------|
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |
|----------------|----------|----------|----------|----------|----------|----------|

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 *LMB* Date: 1/27/89
 Agency: Commerce & Economic Development

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



National Bank of Alaska

CORPORATE HEADQUARTERS • BOX 100600 • ANCHORAGE, ALASKA 99510-0600

ROBERT P. GRAY
PRESIDENT

January 31, 1989

Representative Dave Donley
Alaska State Legislature
P. O. Box V (MS 3100)
Juneau, Alaska 99811

Re: HCR No. 9

Dear Representative Donley:

The above referenced resolution, as introduced, contains factual errors which must be addressed prior to any sensible resolution being passed.

Comment No. 1 - (lines 20-24) - It is alleged that if Alliance Bank were closed "most consumers north of the Yukon River would be forced to travel long distances to find another bank." This statement is false. Alliance has only one bank north of the Yukon River - Nome. NBA has a bank in Nome on the same street. In fact, Alliance does not have a single location, anywhere in Alaska, where they are the only bank serving a community.

Comment No. 2 - (line 28, Page 1 and line 1, Page 2) - It is alleged that Alliance has vocal community support in rural Alaska. This should be substantiated in ways other than paid advertising.

Comment No. 3 - (lines 2-4, Page 2) - It is alleged that Alliance "handles over 50% of the outstanding loans for rural borrowers of the state." Neither Alliance Bank nor the State of Alaska nor the Comptroller of the Currency knows the total number or amount of rural loans handled by NBA. It is in none of our published reports. We make many different types of rural loans - DCRA, direct commercial loans, direct consumer loans, direct real estate loans, credit card loans, SBA loans, and etc. It is presumptuous of someone to state they know the percent of total rural loans Alliance has made when they do not know our totals.

Representative Dave Donley
January 31, 1989
Page 2

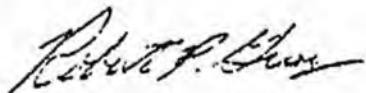
As far as DCRA loans are concerned, it is important to ascertain which institution actually made the loans.

Comment No. 4 - (lines 5-12, Page 2) - It is alleged that Alliance is "the premier provider of mortgage servicing in the State." To be the "premier provider" one must have both quantity and quality. I would suggest that Alliance's record for quality performance of the servicing function be investigated.

Comment No. 5 - (lines 13-15, Page 2) - It is alleged that "Alliance Bank has made a significant effort to support real estate values for bank owned real estate..." This has not been substantiated. There is a difference between attempting fast liquidation and supporting values.

With all due respect, it appears that SCR No. 12 is fraught with numerous deficiencies. If the legislature wishes to take the position that Alliance Bank should be vigorously supported, over and above the support given other troubled financial institutions and other troubled businesses of all sorts, then the legislature should so state without resorting to inaccuracies.

Sincerely,



Robert P. Gray
President

cc: Representatives - Max Gruenberg
Mark Boyer
Virginia Collins
Loren Leman
Mike Navarre
Sam Cotton
George Jacko

09005 NL ANCHORAGE ALASKA 97 01-30 510P AST

PMS HONORABLE DAVE DONELLY CHAIRMAN LABOR AND COMMERCE COMMITTEE
POBOX 4 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

Alaskans for Fair Banking

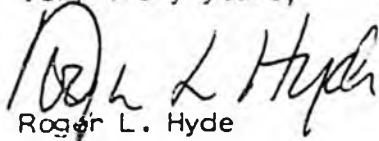
January 9, 1989

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.

6-0618H
Bannister
1/31/89

Original sponsors: Jacko, Navarre,
and Donley

BY THE LABOR AND
COMMERCE COMMITTEE

1 IN THE HOUSE

2 CS FOR HOUSE CONCURRENT RESOLUTION NO. 9 (L&C)

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 ~~several~~ ^{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 provides a unique service in the state because
19 it operates an extensive network of branches in the rural and southeast
20 parts of the state; in several locations served by Alliance Bank, there is
21 only one other bank, and the next closest competitor is hundreds of miles
22 away; and

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

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

29 WHEREAS Alliance Bank has been, and continues to be, a major provider

1 of mortgage servicing in the state and is servicing over \$1,500,000,000
2 worth of loans; the failure of Alliance Bank would severely disrupt the
3 servicing of these loans and would cause additional financial strain on
4 governmental agency loans, including loans from the state Department of
5 Community and Regional Affairs, the Alaska Housing Finance Corporation, the
6 public employees' retirement system (AS 39.35), and the teachers' retire-
7 ment system (AS 14.25); and

8 WHEREAS the failure of Alliance Bank would hinder the economic re-
9 covery of the state, and the closure of the bank would result in a loss of
10 jobs for the 460 employees of Alliance Bank and an annual loss of
11 \$20,000,000 in wages;

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

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