HMOs now do for reduced medication costs for their seniors who are members of their HMO, just like as the Federal Government, the Veterans Administration does. They negotiate with prescription drug companies to be able to reduce prescription costs to veterans, because that is part of the service that is provided for our veterans who served our country.

Mr. Speaker, that would have so little Federal cost that it was something that we really should have been talking about in the spring and say, hey, let us see if this works. Let us at least have some hearings on it and see where everyone sits down and comes around on it. If there is a problem, let us try and fix it. That is what the legislative process is about and that is what we have not been doing for this year.

Again, I am disappointed because I have served a lot of years as a legislator and I enjoy problem-solving like some of my colleagues on the Republican side, but we have not had that opportunity this year. Let us problem-solve with managed care reform, prescription drug benefits and a minimum wage increase. However we have to couch it to make sure it can be beneficial to so many people.

Again, I thank the gentleman from New Jersey for taking the time tonight and asking for this special order, but also to say we know we have not finished our job. And as much as I want to go home and be with my family in Houston, I would like to be here to get our job done. And if we could stay for another week, I would be glad to take up prescription drugs and HMO because it would be a much nicer Christmas for the American people if we had something to take home to them.

Mr. PALLONE. Mr. Speaker, I appreciate what the gentleman said. It is so true. We know because just for the last few days when we were home for Friday over the couple of days we had around Veterans Day, that that is what I am hearing. I am hearing from my constituents about these unfinished needs and about the prescription drugs and the HMOs.

The one letter that I read earlier, this is from a gentleman who actually had a Medicare plan that included the prescription drug benefit and now it has been dropped completely. So I am getting all of that. I am getting a lot of people who had the benefit completely dropped and others for whom it costs a lot more.

The one thing that the gentleman from Texas said that I wanted to highlight again, before we conclude tonight, is a lot of times I think that the Republican leadership thinks that the American public, that they can pull the wool over their eyes, that they do not really understand what is going on down here, that a lot of people do not pay attention. And we always hear that people do not pay attention to what goes on in Congress.

Mr. Speaker, I find just the opposite to be true. When we had that situation with the trillion-dollar tax cut that the Republicans put forth during the summer, which was mostly to pay for the wealthy, to help the wealthy and the corporate interests, I was amazed when I went home because everybody always says the public is selfish, they want a tax cut. They are not going to worry about the implications of it. I found just the opposite was true.

Everyone, particularly the seniors, understood exactly that that was not a tax cut that was going to help the average person and that for senior citizens it meant that there would be no money left to deal with the solvency of Medicare and Social Security.

I think that is why when we came back, there was no effort to override the President's veto and we really have not heard any more about it for the last 2 or 3 months because they realize that the public got it and that the public understood that that was wrong and that it was taking away from other more important priorities. I do not know if it will stop them, because as I said before, we hear that the Speaker is talking about bringing up another major tax cut in January. We just have to make sure that this unfinished agenda that we have been talking about tonight, that we address it and that we force the Republican leadership to address it when we come back in January.

□ 2115

The President will deliver his State of the Union Address. I know he is going to talk about prescription drugs because he set the pace for that last year. That and these other priorities have to be met. But we will be here. We will be determined that we are going to deal with this unfinished agenda.

Mr. GREEN of Texas. Mr. Speaker, like the gentleman from New Jersey (Mr. PALLONE) said, we will, like the Terminator, we will be back. But it would not hurt me if we stayed a few days to get some of these things done. The gentleman and I know, if we have not done them in the 11 months we have been here, we are not going to do them in the next couple of weeks.

Mr. PALLONE. Mr. Speaker, we still do not control the process because we are in the minority.

Mr. GREEN of Texas. Mr. Speaker, they do not let the gentleman from New Jersey and I bring bills up on the floor.

FAILURE OF FIRST NATIONAL BANK OF KEYSTONE

The SPEAKER pro tempore (Mr. TANCREDO). Under a previous order of the House, the gentleman from Iowa (Mr. LEACH) is recognized for 5 minutes.

Mr. LEACH. Mr. Speaker, I rise to speak on the last day of the session about the introduction of a small bill related to what some might argue is a small event involving the loss by the Federal Government of an amount of money that would be considered gargantuan in every respect except its relative size to the United States Government budget.

Given all the budget decisions involving issues like Medicare, defense spending, and U.N. funding, this Congress should be aware that three-quarters of $1 billion has just become obligated outside the budget process because of regulatory laxness related to the failure of one rural bank, the First National Bank of Keystone, West Virginia.

The facts revealed to date suggest that this failure may cost the Bank Insurance Fund far more than the Federal Deposit Insurance Corporation estimated the fund would lose from all bank failures this year. Indeed, the expected loss is so high that it could make Keystone not only one of the 10 most expensive bank failures ever, but also one of the most spectacular for any institution of any size with losses approaching an astounding 70 percent of the bank's assets.

The public first learned of the failure of First National Bank of Keystone September 1, 1999, when the Office of the Comptroller of the Currency (OCC) announced it was closing the bank and appointing the FDIC as receiver. Bank examiners had discovered that loans on the bank's books totaling $515 million were missing—items that represented roughly half the bank's $1.1 billion in total reported assets. Other overstated assets, questionable accounting practices, and credit quality problems push the total expected losses toward the 750 million dollar mark. The picture that is emerging is of an institution which, in recent years, reported high profits at the same time management pursued dubious investment strategies and, ultimately, mischievous techniques to hide massive losses from the scrutiny of examiners.

It will take some time for criminal investigators and Federal bank regulators to unravel the full story of this bank failure, but it is not too early to ask if Federal regulators properly supervise the institution and prudentially stewarded the deposit insurance fund which back-stops risks in the banking system. For 5 or 6 years, red flag practices should have alerted regulators that the high-risk asset management strategies employed by Keystone were hardly of the kind expected in a rural institution situated in a West Virginia town of 627 residents and warranted vigilant supervisory measures.

From 1992 to 1998, Keystone increased its assets tenfold to over $1 billion as it offered depositors up to 2 percentage points more in interest than competitor institutions. Rather than expanding small business and agricultural loans in its West Virginia market area, Keystone engaged in a high-risk strategy of buying, securitizing, and selling subprime loans made to and by people the bank hardly knew. Management practices were reminiscent of those witnessed during the S&L crisis of the 1980s. Rapid asset growth, risky investment activity, and the practice of paying hyper-competitive interest rates were augmented by legal and administrative tactics designed to thwart regulatory oversight.

A combination of lax management and weak supervision by the bank's board were conducive to the imprudent and allegedly fraudulent activities that have been uncovered. Over the past several years, the OCC made futile attempts to curb Keystone's go-go activities with various enforcement actions and civil money penalties; but, in hindsight, the measures were too weak and too late. The OCC pushed for management changes, but the bank's board resisted. Several experienced officers were hired in 1999; however, the board gave them the cold shoulder and they quickly resigned. In May of 1999, an external accountant, Grant Thornton, conducted an independent audit as required by the OCC, and issued an unqualified opinion of the bank's 1998 financial statements. The firm detected no fraud. Just a few months later, however, federal examiners found that a half-billion dollars were missing from the bank's claimed assets.

The delay in uncovering the losses apparently occurred in part because bank management engaged in a sustained pattern of obfuscation. Another tactic of Keystone management was not unlike that employed 15 years earlier by Charles Keating. One of the hallmarks of the Keating tenure to the S&L called Lincoln was the hiring of many high-powered attorneys to represent his interests. When challenged, Keating and his people had a habit of threatening regulators and the United States Government with lawsuits.

In Keating-esque fashion, Keystone went so far as to hire a former Comptroller of the Currency to contest the OCC's supervisory activities. In an escalated twist, examiners on bank premises were so harassed and felt so threatened that the OCC had to request United States marshals to protect them when they were going over bank records.

In addition to similarities with respect to the 1980's go-go activities of S&Ls that cost American taxpayers approximately $140 billion, the Keystone case adds new elements. The profile of questionable bank leadership is no longer simply the smooth-talking male huckster, but it would now appear that Keystone's cops, Federal banking authorities, were taken in by a scam perpetrated by an institution headed by a grandmother.

With the threats to examiners and recent discovery that three truckloads of bank documents were buried on the property of a senior bank official, indictments have been issued for obstruction of a Federal examination, an unusual legal precept which some may find humorous; others, chilling.

Keystone's failure has not only revealed costly inadequacies at the field supervisory level, but also flaws in interagency cooperation in Washington.

For this reason, I have today introduced H.R. 3324, a bill designed to bolster the independence of the Federal Deposit Insurance Corporation.

By background, state chartered banks are regulated primarily by state banking agencies with the Federal Reserve serving as the primary federal regulator for state members. National banks are regulated by the OCC, and holding companies of all banks are regulated by the Federal Reserve. Analogously, state agencies regulate state chartered savings and loans, and the Office of Thrift Supervision (OTS) serves as the federal thrift regulator. The FDIC is a back-up regulator for all federally-insured institutions (banks and S&Ls) because it is responsible for stewardship of the deposit insurance system. It is also the primary federal regulator for state chartered banks which are not members of the Federal Reserve system. In order to avoid, to the maximum extent possible, duplicative regulation, the regulators are expected to cooperate and coordinate their examination activities. On the whole, this cooperation works, well, in part because America's banking system is so strong. But just as there is private sector competition for profits, there can at times be public sector competition for power, in this case, regulatory jurisdiction.

From a Congressional perspective, the Keystone failure is worrisome because it appears that the FDIC was stymied at key points in its desire to conduct reviews of the bank's activities. The regulators—the OCC and the FDIC—failed to cooperate closely. Although satisfactory communication among the FDIC, the OCC, and other federal regulators in routine cases appears to be the norm, the Keystone case reveals some potentially serious flaws in the federal oversight system.

The tension between the OCC and the FDIC over Keystone was particularly evident in the period leading up to the 1998 examination of the bank. Instead of welcoming FDIC expertise and assistance in analyzing the increasingly complex operations of the bank, the OCC initially denied the FDIC's request to participate in a bank examination. The OCC says its decision was based in part largely on concerns that the inclusion of additional FDIC examiners might exacerbate the increasingly difficult environment for the examiners at the bank and heighten management's resistance to examiners' requests for information.

Retired examiners, like old soldiers and athletes, sometimes have a tendency to exaggerate reminiscences. In a discussion about Keystone, one opined to me the other day that the old rule was if a bank ever displayed reluctance in cooperating with examiners, a swat team of accountants should immediately be brought in, and if intransigence continued, the bank should immediately be closed. This perspective may be callously insensitive to law and to a system where agencies because of their extraordinary authority have an obligation to act with great caution. But one truth is self-evident: bank intransigence is a reason for more, not fewer, examiners.

In this regard, it is noteworthy that the OCC itself has acknowledged that by September of 1997 it considered Keystone's extensive problems required a "significant amount of examiner expertise." For it then to suggest that its objection to having FDIC professionals join the OCC in examinations of Keystone related less to turf concerns, than to apprehension that feathers would be ruffled at the bank, is profoundly indefensible.

Concerned that Keystone posed a serious risk to the insurance fund, FDIC staff decided to elevate their request to take part in the 1998 examination to the full FDIC board, of which the Comptroller is one of five statutory members. In the end, they chose not to present the case to the board because, after a lengthy delay, the OCC eventually acquiesced to limited FDIC participation. But what has become apparent in extensive discussions with FDIC and OCC staff is clear resistance on the OCC's part to FDIC review of banks in certain difficult situations and of some timidity of FDIC staff to challenge Treasury Department hegemony.

Although the OCC reversed its original position just one week before the June 30, 1998, FDIC board meeting at which this issue was to be discussed, it would appear that the OCC's reluctance to involve the FDIC in the examination and other important meetings may have contributed to a lesser FDIC involvement than was warranted. For example, in February of 1998, the FDIC asked for three examiner slots for the upcoming 1998 examination, but the OCC agreed, in the week before the June Board meeting, to allow only one. Although the OCC later agreed to permit two FDIC examiners, its basis for wanting to limit FDIC involvement is not clear. Less than a year later, after Keystone's condition had further deteriorated, the OCC agreed to allow seven FDIC examiners to participate in the 1999 examination. It was during that examination that the stunning losses were uncovered.

The turf battle over the number of examiners reflected the substantive disagreements the two agencies had over the bank's operations. The FDIC in 1998 questioned the valuation of the residual assets on Keystone's books and the potential loss exposure of the bank's subprime lending activities. In particular, the FDIC believed that Keystone's valuation of its residual assets, which comprised over 200 percent of keystone's capital, was not supported. After the OCC agreed to limited FDIC participation in the 1998 examination, the FDIC contends that its examiners were to remain on site until all questions about the bank's accounting and recordkeeping were answered. The OCC, however, completed the on-site portion of the examination in 15 workdays without obtaining sufficient support for the residual valuation and without completing the reconcilement of balance sheet accounts, leaving FDIC examiners with no resolution to this critical concern. When the bank's accountant finally provided the missing information to the OCC at a meeting in January 1999, the FDIC reports that it was neither invited nor even informed of the meeting—this despite the fact that the FDIC had specifically asked to be kept fully informed as insurer and backup supervisor on issues relating to Keystone. Similarly, the OCC did not invite the FDIC to an

April 1999 meeting with the developers of the bank's residual valuation model, which was a primary FDIC concern because it was central to determining the risk to the Bank Insurance Fund.

The bureaucratic turf battle over Keystone disturbingly reveals flaws in the current system. While the FDIC, to the maximum extent possible, should coordinate examinations with other regulators, it has long been the assumption of legislators that the FDIC could, at its discretion, fully participate in examinations with other regulators or conduct special examinations of any federally-insured institution without delay or interference whenever it identified a risk of loss to the insurance fund. The Keystone incident shows the FDIC to be coerced, not by the regulated, but by its fellow regulators, who have a shared accountability with the FDIC to the American taxpayer.

The FDIC has a unique role in our financial system and it must be insulated from regulatory turf battles and political considerations. It is instrumental in maintaining the safety and soundness of the banking industry, and is responsible for safeguarding the deposits of customers of all insured financial institutions. Implicitly, the FDIC also has a role in assuring competitive equity. By safeguarding the insurance funds it keeps insurance premiums as low as possible and protects well-run institutions from assuming liabilities associated with high flyers.

It would appear that the FDIC, in its role as guardian of the insurance funds, should have taken a more aggressive stance in insisting on its authority to examine Keystone. In response to a letter of mine on the subject, the FDIC made a strong case that it should have been given a more active role in Keystone examinations. Yet the agency did not rigorously pursue its rights and obligations in the matter. For example, the FDIC initially agreed to the OCC's terms of allowing only one FDIC examiner in the 1998 examination of Keystone despite its judgment four months earlier that it needed three. If the FDIC had serious concerns about Keystone's threat to the fund, it had a fiduciary obligation to press its case to the Board that three examiners were needed and should be approved.

Concern also exists about the length of time that elapsed between the FDIC's February 1998 request to participate in the Keystone examination and its planned presentation of the case to the Board in June. While this delay allowed the agencies time to negotiate before the start of the examination, the FDIC should have acted on a more forceful and timely basis to resolve the disagreement. While coordination among the agencies is important, cooperation should not overshadow the FDIC's primary responsibility to protect the safety and soundness of the insurance funds.

In attempting to understand the interagency conflict that existed in the supervision of Keystone, it is instructive to review the legislative history of the FDIC's authority to examine national banks and other insured institutions. Prior to 1950, the FDIC could utilize its special examination authority to examine a national bank only with the written consent of the OCC. This veto power over the FDIC proved untenable and the House passed legislation that year, which permitted the FDIC to examine national banks as back-up supervisor without the OCC's written consent. In conference with the Senate, however, the bill was modified to require the full FDIC board—of which the OCC is a member—to authorize any special examination requests. This provision has survived to this day as Section 10(b)(3) of the Federal Deposit Insurance Act. While more restrictive of FDIC independence than the original House language, the 1950 change in law ended the ability of other agencies to veto FDIC participation in examinations as back-up supervisor, as was possible from 1935 until 1950.

In 1950, the FDIC board consisted of three members. Only the Comptroller was from the Treasury Department; the other two directors were affiliated only with the FDIC. In 1989, the board was changed to the current five-member format. There are now three independent members, plus the heads of the OCC and the OTS, who represent the Treasury Department. This arrangement does not give Treasury agencies majority control under normal circumstances. When, however, there is a vacancy in one of the three FDIC positions, half of the four remaining board members represent agencies of the Treasury Department. If two of the independent seats were to be vacant, the Treasury Department would effectively control the FDIC board. This is not an insignificant matter, considering that the current statutory language regarding FDIC back-up examination authority was written at a time when the majority of the FDIC's original three-member Board reflected control by an independent agency, rather than a Cabinet department.

However, when there is a vacancy on the FDIC board, the Treasury Department assumes a larger role than Congress intended, and the FDIC's back-up authority can be subject to challenge. From 1983 until 1993, for example, the OCC and the FDIC operated under an agreement whereby the OCC would invite FDIC participation in examinations of banks with composite '4' and '5' ratings indicating a troubled bank; additionally, the OCC would allow FDIC participation in examination of higher rated banks, with an emphasis on '3'-rated banks.

In September 1993, this collegial arrangement changed. Two of the independent seats were vacant, and the FDIC's board, then dominated by the two Treasury representatives voted to end this long-standing agreement. The new policy reserve to the FDIC Board all decisions regarding concurrent or special examinations, regardless of the rating of the institution. This change in policy was entered into despite an explicit written communication to the FDIC by then-House Banking Committee Chairman Henry B. Gonzalez and me, the then-Ranking Member, that Congress had serious reservations that the proposal under consideration would have the effect of the FDIC improperly derogating its authority.

While the OCC board member seemed sympathetic at the time to the need for FDIC special examinations for '4'- and '5'-rated institutions, he clearly had concerns about FDIC involvement in higher-rated institutions. Yet, the FDIC Acting Chairman and FDIC staff who attended the meeting insisted that under certain circumstances it may be more important to involve the FDIC as back-up supervisor in examinations of deteriorating '3'-rated banks than in the examinations of '4'- and '5'-rated institutions with already identified and addressed problems. Keystone is a case in point.

Two years later, in 1995, the FDIC board delegated authority to its Division of Supervision to authorize participation in certain back-up examination activities of institutions when the FDIC is invited by the primary regulator, or when the FDIC asks and the primary regulator does not object. In cases such as Keystone, however, when the primary regulator objects, FDIC policy dictates that the case must be brought to the full FDIC Board regardless of the rating or conditions of the bank.

Unfortunately, the FDIC Board has not had its full complement of five directors since an independent director resigned over a year ago, which results in Treasury having influence disproportionate to Congressional intent. During this period of time, the Administration has failed to submit a nominee for this current vacancy on the FDIC board. The result is that proposed actions or policies supported by the two independent FDIC directors can be blocked by the two directors who are affiliated with the Treasury agencies, the OCC and the OTS. This is not good governance. By failing to nominate a person for the unfilled board position, the Administration has forced the FDIC to operate without clear independence from the power considerations of the OCC and OTS. Such a situation could have been a factor in the FDIC's decision not to vigorously pursue in the Spring of 1998 its original request in the Keystone case. The bottom line is that all regulators share a common responsibility to protect the safety and soundness of the U.S. financial system—a responsibility that should not be affected by turf concerns.

The OCC's principal response to date in the aftermath of the Keystone failure has been to declare that all FDIC requests to participate in an OCC examination or conduct a special examination of a national bank will now be considered directly by the Comptroller himself. While this procedure is certainly better than having OCC staff deny a request and forcing the FDIC to ask the board for approval, the response is still inadequate because it would do nothing to address the potential for undue Treasury agency influence on the FDIC Board. When a vacancy exists, the Treasury is, in effect, in control; it has veto power over FDIC participation. This is clearly contrary to Congressional intent that the FDIC operate as an independent agency and that it alone be able to determine whether an examination is necessary for insurance purposes, without undue influence by another federal regulator.

From a broader perspective, I might add that since looking into the details of the Keystone case, I have learned that a lack of cooperation is rare, but not isolated. Despite the generally constructive working relationship among federal bank regulators in some 90 instances of back-up examinations over the past four years, there have been, in addition to Keystone, four other cases in which the primary regulatory agency initially rejected the FDIC's request to participate in an examination. Three of these cased involved the OCC and the other the OTS. In all four instances, as with Keystone, the primary agency ultimately agreed to some form of FDIC participation without formal board action.

The record of these five cases confirms that disagreements among agencies are the exception, rather than the norm There are also no indications that the FDIC is capriciously using its back-up authority. Nevertheless, the Keystone failure makes a graphic case that the current process needs improving.

Accordingly, to reinforce FDIC independence on matters affecting the insurance fund, I have introduced today legislation (H.R. 3374) to give the FDIC Chairman authority in special circumstances to direct FDIC examiners to examine any insured institution, instead of the current provision vesting such authority with the FDIC Board of Directors. This authority will continue to be used only when, in the words of Section 10(b)(3) of the Federal Deposit Insurance Act, an examination is "necessary to determine the condition of such depository institution for insurance purposes." The legislation would require that in exercising this authority all reasonable efforts be made to coordinate with any other appropriate regulator and to minimize any disruptive effect of a special examination on the operation of the depository institution. The intent is not to press new FDIC regulation on the banking system, but simply to stress that in unusual, special circumstances the FDIC must be able to act as an independent, rather than subordinate, agency of government.

I believe this legislation will help assure the safety and soundness of the American financial system and protect the insurance funds by underscoring statutorily the long-term intent of Congress that FDIC back-up authority must be of an independent nature. The Chairman would be required to notify other FDIC board members (and the Federal Reserve and State banking authority as applicable) whenever he or she makes such a decision. As the custodian of the insurance funds, the FDIC must be allowed to perform its role as a backup regulator on a timely basis whenever circumstances warrant.

It is worth noting that the Inspector General (IG) of the FDIC has come to similar conclusions. In an October 19, 1999, memorandum to the FDIC Chairman, the IG recommended that the FDIC board delegate its special examination authority to the FDIC Chairman or that the law be amended to vest that authority in the Chairman. The legislation I am introducing today would address the IG's concerns, as well as my own.

The IG argued that the agency's backup examination authority was particularly critical in this era of increasing bank consolidation. While the "megabanks" created by recent mergers pose the greatest risks to the insurance funds, the FDIC is the primary regulator for only two of the nation's 39 largest institutions. Obstacles to future FDIC access to relevant information about megabank operations in its role as back-up supervisor could have consequences far greater than the Keystone case.

To assess risk in large institutions where it does not have an ongoing presence, the FDIC requires timely information and records on important aspects of operations. Therefore, the bill I am introducing also includes language emphasizing the right of the FDIC to prompt access to information from other regulators and requiring the federal banking agencies to establish procedures for sharing other information, in addition to examination reports, whenever such information is relevant to the FDIC's responsibility to protect the insurance funds. This provision of the bill underscores the importance of interagency coordination and information sharing to ensure that the FDIC has the necessary data to assess risk to the insurance funds. It is intended to have the practical benefit of potentially minimizing the number of occasions in which the FDIC must exercise its special examination authority.

The vast majority of institutions will not be affected in any way by this legislation. For most institutions, the FDIC does not need any special information other than that already available to it, nor does it need to perform any form of back-up examination. But, clearly, in cases where the potential risk to the fund is great—banks with significant weaknesses, especially if they are megabanks with exceedingly complex activities—the FDIC should be able to function as Congress expects it to function and receive from the primary regulator the information it needs to assess relevant risk.

I might add before closing that my concerns in the Keystone case extend beyond the issues of regulatory cooperation and FDIC special examination authority. There are also troubling questions here about the regulators' ability to identify and stem high risk bank activities in a timely fashion. There was another bank failure involving extremely high losses relative to assets just over a year ago. On July 23, 1998, Colorado State Banking authorities closed BestBank—an FDIC-supervised state bank located in Boulder—after state and FDIC examiners found $134 million in losses in high-risk, unsecured subprime credit card accounts. Although the FDIC initially estimated the cost of that failure to the insurance fund at about $28 million, by year's end the estimate had risen 6-fold to $171.6 million. I mention the BestBank case because of its striking similarities to the Keystone case. Like the junk-bond investments of S&Ls in the 1980s, both BestBank and Keystone were disproportionately involved in high-risk activities, namely subprime loans. Both banks relied heavily on outside, third party servicers. Both banks had experienced extraordinarily high asset growth. Both banks had high public profiles: In the mid-1990's, BestBank was labeled in one banking publication as the "best performer among U.S. banks," and Keystone captured the title of the nation's most profitable community bank for three straight years. Keystone and BestBank also engaged in similar tactics to frustrate federal examiners, and fraud is alleged to have played a part in the failure of both. Unfortunately, I suspect we may also find some parallels in how federal regulators handled the two cases. The FDIC IG, in conducting the material loss review in the BestBank case, concluded that the FDIC could have been more effective in controlling the bank's rapid asset growth and thus curbing losses to the insurance fund.

While we do not yet know the final outcome of the investigations into either of these recent bank failures, it is clear that the banking agencies need to continue to review their supervisory strategies for banks engaging in inherently risky activities, such as subprime lending. Accordingly, I am asking each of the federal banking regulators to keep the Committee informed of any new policies and procedures for identifying institutions with profiles similar to those of Keystone and BestBank, and any changes in their supervisory practices with respect to such institutions. Also I am interested in any initiatives that would assist examiners in the detection of fraud, which is becoming a factor in an increasing percentage of failures. In this regard, I am pleased to note that FDIC Chairman Donna Tanoue recently announced that the FDIC is developing guidelines to require additional capital for subprime portfolios and reviewing potential increases in insurance premiums for banks that continue to engage in high risk activities of this nature without appropriate safeguards.

In closing, the insurance fund should not have to suffer an excessive loss during this era of generally favorable economic conditions. Expensive failures impose unfair costs in the form of higher insurance premiums on honest, law abiding community banks around the country. Failures also impose costs on depositors whose accounts exceed insurance limits. And, as illustrated by the Keystone case, failure can take a heavy toll on the local community and those whose jobs depend on the survival of the bank.

Clearly, it is critical that federal regulators cooperate with each other and pay particular attention to unusually rapid asset growth and potentially risky banking practices if future Keystones and BestBanks are to be averted.

STOP 39-YEAR RAID ON SOCIAL SECURITY TRUST FUND

The SPEAKER pro tempore. Under the Speaker's announced policy of January 6, 1999, the gentleman from California (Mr. HERGER) is recognized for 60 minutes as the designee of the majority leader.

Mr. HERGER. Mr. Speaker, I have come here to join several of my colleagues in talking and speaking out on stopping the 39-year raid on the Social Security Trust Fund. Mr. Speaker, Congress and the President have come upon the historic opportunity to balance the budget without spending one penny of seniors' Social Security Trust Fund. For nearly 4 decades, the raid on Social Security has gone on, taking over $850 billion in Social Security funds and spending them on unrelated government programs.

Mr. Speaker, 168 days ago, just over 5 months, this House passed my Social Security lockbox legislation by an overwhelming 416 to 12 vote. The passage of this Social Security lockbox legislation showed that House Republicans and Democrats agree that Social Security dollars should not be spent on programs unrelated to Social Security. Congress made the commitment to stop the raid on Social Security.

Shortly later, however, President Clinton joined our bipartisan effort and