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WORKING PAPER 83-71

NEW ENTRY INTO THE S&L INDUSTRY,
1980-82 AND BEYOND

BY

FREDERICK E. BALDERSTON

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NEW ENTRY INTO THE S&L INDUSTRY, 1980-82
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Frederick E. Balderston

NOTE: This research was supported in part by a grant from the Federal Home Loan Bank Board, and in part by a grant from the Center for Real Estate and Urban Economics, University of California, Berkeley. The author is solely responsible for the contents of this report.

Working Paper No. 83-71

November, 1983
New Entry, 1981 and 1982

The severe financial distress of the S&L industry during 1981 and 1982 all but eliminated the incentives for entry. The number of incumbent firms in the industry was shrinking as the result of mergers in which stronger S&L firms absorbed weaker ones. (See Balderston, 1983). Entrepreneurs and investors from outside the S&L industry who were interested in entry into the industry could easily buy control of an existing S&L firm through purchase of a controlling block of stock, but hundreds of willing sellers confronted very few willing acquirers during this period.

The number of recent new entrants to the S&L industry is:

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<th>Federal Charter Applications</th>
<th>Applications for Insurance of Accounts</th>
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<td>8</td>
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Source: 1982 Annual Report, FHLBB, FHLBB Journal, April, 1983

An upsurge in applications for new charters began in late 1982 and continued in 1983. Several factors accounted for this.

The earnings outlook of the industry improved as interest rates began their abrupt fall in August, 1982. Potential new entrants could anticipate a positive marginal operating spread (in contrast to the negative spreads of 1980 and 1981), for lending rates were in the 14% - 15% range while short-term rates on US Treasuries, to which the cost of S&L funds is closely related, were in the 10% - 11% range. Further, the passage of the Garn - St. Germain Act in October, 1982, provided wider business powers as to the types of deposit accounts and services
that could be offered. The Act gave Federally-chartered institutions wider business powers on the asset-management side, permitting them to make and hold business and commercial loans up to a limited percentage of assets. Finally, some states, California in particular, enacted state laws which would provide parallel business opportunities for State-chartered institutions and, in fact, provided other flexibilities going beyond Garn-St. Germain. The California savings and loan law was amended, effective January 1, 1983, to provide that, subject to the California S&L Commissioner's regulations, an S&L could make unlimited investments of its assets in its service corporation (S&LA Law, Sec. 6702.1).

New charter applications flooded into the offices of the California Savings and Loan Commissioner. Commissioner Lawrence W. Taggart, newly appointed by incoming Governor George Deukmejian, reported in a speech to the California League of Savings Institutions on September 20, 1983, that his office was currently looking at a total of about 250 charter applications in various stages of progress. He also indicated that he expected to approve about 10 - 15 charters per month.

Commissioner Taggart has raised the minimum initial capitalization to $3 million and has required that the newly established institution maintain a ratio of net worth to total assets of 10% for the first year of operation and 7 1/2% for the second year. The Commissioner has also emphasized his focus on the carefully-developed business plan of the charter applicant.

The Federal Home Loan Bank Board, however, has acted on these California charter applications quite slowly. Charter
applicants approved by the California Commissioner have been unable to commence operation unless they did receive approval of the insurance of savings accounts. On October 5, 1983, Mr. James R. Silkensen, Acting Director, Office of District Banks of the Federal Home Loan Bank Board, issued a memorandum to all principal supervisory agents conveying the concern of FHLBB about the potential business risks of undefined service corporation investments and the "appropriateness" of activities far removed from housing finance. He announced that, in order to qualify for prompt processing of their applications for insurance of accounts, applicants would have to "...provide a certification that they will agree to limit their combined investment in real estate and service corporation investment to 10% of assets for the first three years of operation." (Silkensen, 10/5/83)

Regulators' Rationales for Regulated Entry

Federal and state regulators have developed elaborate procedures of application for new S&L charters. Traditionally, a charter would be granted to the applicant if doing so would "...serve the public convenience and necessity" and if there would be "...no undue injury" to existing firms. In the early 1960's, this took the form of requiring the analysis of the market area surrounding the proposed location and demonstrating that the area was underserved by existing S&L offices and that it could support an additional institution.

Both Federal and state regulators, however, can issue S&L charters, and both jurisdictions have provided for public hearings at which the applicant (or competing applicants, in some
circumstances) could put their case and any who objected could have an official forum in which to do so. At these hearings, representatives of existing firms sometimes based their objections on assertions that there were no gaps in service or that existing firms would indeed be injured by the new competitor. These market area analyses were somewhat beside the point, however, if it could be assumed that the entrant was seriously applying good business judgment in choosing the proposed location and that the regulatory authorities should promote the offering of competitive alternatives to the public except in those very occasional instances in which it could be demonstrated by an incumbent firm that a new entrant would simply not be able to achieve viability because existing firms already had high savings penetration. The California Savings and Loan Commissioner promulgated new procedures for charter and branch applicants in 1983 which did away with the detailed market area analysis and installed a procedure of competitive filing that would emphasize the capital strength of the proposed new entrant and the branch applicant's prior performance, as measured by a series of performance ratios of the existing firm. Reproduced as Appendix A of this report is a three-page excerpt from the 1963 Annual Report of the California Savings and Loan Commissioner, explaining the new facilities-licensing policy and its four basic public policy guidelines: (1) The capital adequacy and soundness of the applicant; (2) Management performance and operating efficiency (for branch applicants only); Effect of the applicant's proposed facility in promoting healthy competition in savings and lending markets; and (4) the applicant's worthiness
to engage in a financial business involving public trust. (See Appendix A.)

Chartering Competition between Regulators

Federal and state regulators have long competed in promoting new entry. Until 1982, the Federal authorities could issue new charters only in the mutual form, until this was changed by new authority for stock charters in the Garn- St. Germain Act. In such states as California, Florida and Texas, where state regulators could issue stock charters, they tended to respond to the profit drive of the new entrant rather than to the philosophy of service to a loyal clientele that was important in the mutual tradition.

Federal Insurance of Accounts for the New State-chartered Association

The same Federal authorities who had the power to issue Federal charters also had the power, however, to approve or deny insurance of accounts by the Federal Savings and Loan Insurance Corporation to savings and loan associations newly chartered by state authorities. Thus, at various times when competition between the jurisdictions became intense, or when there were substantive disagreements concerning the policy standards that should be enforced for new entry, the Federal authorities have moved slowly in approving insurance of accounts. Lack of insurance of savings accounts would not necessarily be an absolute bar to start-up of the new S&L firm; in some states, such as California, insurance of accounts is a statutory requirement. (As a practical matter, this means Federal insurance
of accounts, as there is no state agency providing such insurance in California as there is in Massachusetts and Maryland.) However, a new savings institution not able to offer and advertise insurance of accounts would be severely, and probably fatally, handicapped in reaching minimally profitable size. Thus, the Federal authorities have a de facto veto on new charter by state regulators of savings and loan associations.

That there was a sense of contest between the Federal authorities and the California Savings and Loan Commissioner during 1983 is revealed by the following data:

California Commissioner's new charter approvals, from 1/1/83 through 11/20/83:

FSLIC approval of insurance of accounts:

Thus, 74 newly-approved California charters were still in limbo, awaiting FSLIC's decision on approval of insurance for their savings accounts and not able to open their doors until this was received.

**Incumbent S&L Firms and Regulated Entry**

Still recovering from the damage of the 1980-82 recession, many S&L firms have no doubt hoped that a flood of new competitive entry would not occur. They would like breathing room for profit recovery and rebuilding of their own reserves. Often more serious than the generalized competitive effects is the provision of temporary protection for the newly formed firm, by allowing it to "pre-empt" its location for a limited period. In California, for example, urban locations other than those in downtown centers are pre-empted by the new S&L firm, to the extent of a one-mile radius surrounding the location, for two
years from the date of charter approval or one year from the date of the new firm's opening for business, whichever is shorter. Downtown locations have a smaller pre-emption radius. (See Savings and Loan Regulations, Subchapter 4.) The effect of pre-emption is to inhibit branch expansion by incumbent firms. Naturally enough, aspiring new-charter groups usually want the prime locations that are often in the expansion plans of incumbent firms; and if there is a very substantial flow of new entrants, this inhibition takes on serious proportions.

Perhaps the most serious concern of existing firms in this regulated industry is that new entrants will make serious mistakes of business judgment or will engage in activities that cause alarm in the general public or possible calls for new regulatory restrictions. In the aftermath of Garn - St. Germain and of the liberalization of the California Savings and Loan Association Law, new state-chartered entrants were seen as less constrained in California than ever before. It is probable that the slowness of FHLBB/FSLIC action on insurance of accounts in California cases and the cautionary comments of an FHLBB senior staff member, already cited, trace to this perception.

Gains to the Entrant

Organizers of a new-charter group that seeks a stock charter ordinarily look ahead to the eventual profitability of the operating savings and loan association that they are seeking to form. The present value of this expected profit stream is the prime motivator. If this present value is greater than the equity capital that must be raised in order to meet the minimum capital requirements for entry, then the organizers can expect to attract
numerous investors to buy portions of the equity, and they can also anticipate a high present value of the stock or warrants that they reserve for themselves at the time of formation of the company. However, there are large uncertainties at the beginning, and pre-incorporation expenses -- for attorneys, preparers of economic studies and business plans, and organizing efforts -- continue for many months. Whether the organizers will be successful in their charter application, then in selling stock to investors in order to raise the required amount of total capital, and, finally, in their application for insurance of accounts, is not known for months or years after they have begun their organizing efforts.

Unless there are effective regulatory restrictions against doing so, however, the organizers need not labor through all of these uncertainties and delays to obtain some returns for their trouble. At each of the following stages in the process, the new company in formation may be worth something:

1/ At the first step, an organizing permit must be secured, and discussions are undertaken with potential backers and investors in the local community. This effort, and the time-priority that it ordinarily affords in regulatory proceedings, may be worth something to a rival organizing group.

2/ When the application for new charter is set for hearing, the bureaucratic procedure is usually to reserve a place in the queue of scheduled hearings. This may be worth something either to a rival or to a group that is seeking early determination of its application.
3/ When the charter has been granted, and the organizers are seeking to sell stock in order to assemble the required equity capital, the issued charter is valuable even though further steps toward actual operation must still be accomplished. At this stage, others who wish to enter may offer to become purchasers of significant amounts, or even a majority, of the stock, in order to, themselves, become entrants into the business. (The regulatory authorities may, however, seek to prevent realization of capital gains by limiting the sale value to the amount of previous accumulated organizing expense; this is the rule followed by the Department of Savings and Loan in California.)

4/ After insurance of accounts has been approved, but before the new association actually starts business operations, others may seek control. At this point, the uncertainties as to approvals have all disappeared. Thus, a group seeking to enter the savings and loan industry can do so by paying the organizers and initial stockholders a premium for the license to do business.

5/ Once the S&L firm has opened for business, the organizers and other stockholders may sell control at any time. Because equity capital of $1 million to $3 million (depending on the location and circumstances of the new firm) has been paid in, and only a small fraction of this has been absorbed in pre-opening expenses, the firm can immediately acquire earning assets. Local campaigns for savings accounts are often successful in building at least a modest inflow of funds. Savings account brokers, operating in the CD market, can provide additional savings liability (on a commission basis) up to the limits permitted to
the S&L firm by the regulatory authorities. Thus, the fledgling firm can be activated quite rapidly. The value of its equity, however, depends upon perceptions as to the approved location of the firm and the expectations of present shareholders and potential purchasers concerning the future profitability of the firm.

Change in control of an insured savings and loan association is subject to FHLBB/FSLIC regulation and approval, under the Change in Savings and Loan Control Act of 1978. Change of control was invariably presumed if the acquiring person bought 25% of the shares of the institution, and it might be presumed, for an institution with widely held stock, at some percentage between 25% and 10%. Institutions of the mutual form were not of real interest with respect to the Act. In 1982, FSLIC received 79 notices of change of control, 60 of which referred to institutions having less than $100 million in assets. Sixty-one percent of all the notices received came from the Little Rock FHLB District, reflecting the large number of stock associations in Texas and relatively active stock transactions there. The parallel legislation relating to change of control in commercial banks showed much greater activity. The general purpose of the two pieces of legislation was to enable the regulators to move against new controlling interests deemed potentially inappropriate or hazardous to the FSLIC or FDIC. (See 1982 Annual Report of FHLBB.)

Prior to the severe difficulties of 1980-82, sale of control of an S&L firm not in trouble was often negotiated at a low
multiple of the book value of its equity -- often, the sellers had a target of two or three times book equity, and the buyers, a target of one to two times book equity. (If the firm had accumulated assets of questionable quality, the discount on these would have to be negotiated as a part of the transaction.) The steep rise in both long-term and short-term interest rates from Fall, 1979 through early 1982 would have made it necessary to discount all long-term financial assets of the firm as part of the sale of control. The de facto reduction or even elimination of the book value of equity was an inhibition against sale, unless the controlling interest was convinced that the future looked even worse than the present.

From the public policy standpoint, the existence of potential gains to the entrant at any of the stages 1/ through 5/, above, raises some tender questions. If the sale of control were to result in significant gains (over and beyond reimbursement for incurred costs) for the organizers, they would really be realizing gains from the scarcity of licenses which the regulators had, themselves, brought about. Significant gains at stage 5/, the sale of control when the business was a going concern, would include some recognition for the entrepreneurial success of a good start and for the firm's future prospects: but still, the scarcity value of the charter is an important part of the realizable gain upon sale of control.

Appropriation of these scarcity values by private owners makes little public policy sense, in view of the creation of scarcity by the public authorities themselves. For this reason, it has sometimes been proposed that the scarcity value be
captured by the government by means of public auction of the licenses to do business. That appears not to be feasible in this instance, but it should be possible to achieve public policy ends as a condition of the grant of the license.

The organizers of a new S&L firm may also be attracted as entrants precisely because of the perception of short-term gains, or they may seek to operate the firm, in the first year or two, without the prudent safeguards that a more conservative and more experienced control group and management would insist on. Short-horizon decision-making is not compatible with the fiduciary responsibility of operating a firm that takes in the public's deposit funds and is Federally insured for doing so. The enforcement of a long-term perspective is important to the integrity of the deposit-insuring agency and the financial structure generally.

**Controlled Entry and Economic Theory**

Joe S. Bain, among modern students of industrial organization, first gave systematic emphasis to the "condition of entry" as a critical feature of competitive policy (Bain, 1956). Studying unregulated industries, he examined a number of important barriers to free entry. Among these were: the presence of substantial economies of large-scale plant; product differentiation; and absolute cost advantages of established firms (including both superior production methods and possession of cost advantages in the factor markets or in the capital markets).

Demsetz, in a recent critique of the concept of "barriers to
entry", pointed out that, conceptually, the differentiation of products has often been due to incompleteness of information in the hands of consumers or other purchasers, not to inherent advantages of one product or brand over another (Demsetz, 1982). He questioned other conventional characterizations of "barriers".

An even more sweeping claim for the significance of free entry as a guarantor of beneficent competition is given in William Baumol's theory of "contestable markets" (Baumol, 1982). A contestable market is one in which entry is absolutely free, and exit is assumed to be absolutely costless. From this seemingly small starting point, Baumol and his colleagues have obtained far-reaching theoretical results. They show, for example, that even if the cost conditions of an industry are such that only a few firms can be present at efficient scale, the pressure of latent competition from (by the terms of their theory) absolutely unimpeded potential entry will be sufficient to prevent them from capturing any consequential monopoly gains.

Economic theory justifies a strong policy protecting freedom of entry as one important force toward a competitive economy that would operate so as to provide maximum benefit to consumers in general. The practitioners of pro-competitive policy have therefore emphasized freer entry and freer exit as important elements of deregulation in such fields as airlines and trucking.

The broad public-policy justifications for controlled entry into banking and the savings and loan industry are based upon the protection of the government deposit-insuring function from exploitation and upon the need to maintain public confidence that the fiduciary responsibilities of financial institutions are
being carried out. In contradistinction to these justifications, the attempts of industry groups to legislate for control of entry have often taken the form of seeking to protect home turf against competitive "interlopers". Certainly, this self-protective urge has motivated the efforts of independent bankers to gain and keep legislative protection against interstate banking and, where possible, against extensive branching.

**A Limited Defence of Controlled Entry to the S&L Industry**

Given a basic confidence that the free-market economy works efficiently and in the public's long-run interest most of the time, we can defend the rationing of entry licenses to the S&L industry primarily on the basis that the deposit-insuring agency needs to be able to protect itself against excessive residual risks from poor operation of the new entrant. Secondarily, and closely related to the deposit-insurer's risk, there is need to assure the "worthiness to engage" of the principal controlling interest in a financial institution.

All of the other arguments -- that markets will become overcrowded, that incumbent firms may be damaged by excessive competitive pressure -- are not convincing in public policy terms, however appealing they may be from the standpoint of the industry members as an interest group.

**Suggested Guidelines for Controlled Entry**

1. Emphasize a long-term perspective for the new entrant and take the short-term speculative gains out of the new chartering process.

The present emphasis on strong initial capital by both FHLBB
and, for example, the California S&L Commissioner, is one emphatic signal that the organizers of a new institution should be committed to its long-run health. In order to assure that the new entrant is not a vehicle for speculation against the regulatory rationing procedure, it would be advisable to embargo early sale of newly-received charters -- say, by preventing sale of control until after the first five years of operation. Furthermore, the significant blocks of control-interest stock should be required to be held in a suitable escrow account, not subject to pledge as collateral for bank loans, and subject to release only with the approval of the regulatory authorities.

2. Encourage competitive filings for new charters and branches. The new-charter group and the existing firm could be put into a context of offering to put up more reserve capital than the minimum. The existing firm could also be evaluated on the basis of its performance ratios in order to determine its readiness for expansion.

3. If competitive filing and a system of bidding to encourage the pledge of additional capital are not considered feasible for political reasons, then the regulatory authorities should reconsider the current arrangements for pre-emption of the local market surrounding the new firm. Particularly if a policy of relatively liberal chartering is followed, a long period of pre-emption becomes an interference against orderly expansion by existing firms.

4. Increase the incentives of both new and existing firms for appropriate risk control by moving toward risk-adjusted deposit insurance premiums, or by requiring differential ratios
of net-worth reserve capital against asset categories displaying different levels of risk. This kind of precautionary requirement could be particularly important if firms persist in issuing new long-term, fixed rate mortgages; because of the much higher interest-rate risk, these should have higher reserves against them than are needed for variable-rate loans of the same default risk. Risk-adjusted deposit insurance premiums or higher net worth reserves could also be aimed at "non-traditional" investments, particularly through service corporations, whose risk attributes may be a great deal higher than the risks of more typical investments.

These changes in regulatory policies and procedures would help to channel the energies associated with new entry in directions that would benefit the public in the long run.
References


California Savings Association Law, California Financial Code, Division 2, Secs. 5000-9001.


Policy Regulations. The Division continued to review the adequacy of its regulations, and adopted and revised regulations on a number of important subjects. Regulations of the Division are contained in Chapter 2, Title 10 of the California Administrative Code.

Facilities-Licensing Policy

Summary of the Policy. Section 5507(c) of the California Savings and Loan Association Law requires the applicant for a license to start a new association to make "a showing that the public convenience and advantage will be promoted by the formation of the proposed association."

Section 6002 of the law provides: "If the commissioner is satisfied that the operation of the proposed branch is in the interest of such association, that the area where the proposed branch is to be located is not adequately served by one or more existing associations or federal savings and loan associations, that such association's financial program is sound, and that the public convenience and advantage will be promoted by the operation of such branch, he shall issue a license for the proposed branch."

Section 6003 of the law provides: "If the commissioner does not find that the proposed branch fulfills the requirements of Section 6002 the license shall be refused."

Studies of the facilities-licensing problem, at the direction of former Commissioner Preston N. Silhaugh, resulted in the definition of four public policy guidelines:

1. The capital adequacy and financial soundness of the applicant;
2. Management performance and operating efficiency (of course this can be examined only for branch applications of existing associations, as new charter applicant has no savings and loan management record);
3. Effect of the applicant's proposed facility in promoting healthy competition in savings and lending markets; and
4. The applicant's worthiness to engage in a financial business involving public trust.

Effective July 8, 1963, applicants for new charters and for branch licenses were instructed to provide information which would enable the Commissioner to evaluate them according to each of the above guidelines. When the Division receives competing applications for essentially the same location, a combined hearing is held. From all the evidence the Commissioner will determine: (a) whether any facility could be approved; and (b) if two or more applications are above minimum levels on an overall basis, which one of them should be approved. (It is generally presumed that approval should not be given simultaneously to allow two or more new savings and loan offices to start operation at the same location.)

Details of the Facilities-Licensing Policy

1. Capital Adequacy. Concerning initial capital for new associations, the new facilities regulation sets forth the following minimum requirements: $2 million
for a location within a metropolitan area; and $750 thousand for a non-metropolitan location.

A branch applicant should (a) pass a minimum test in terms of the ratio of permanent capital, corrected for risky assets, to the total dollar amount of savings deposits; and (b) report on the amount of its capital per existing savings and loan facility, above this minimum. These capital data are used in comparing the capital positions of applicants. Both branch and new-charter applicants are allowed to file, at the time of hearing, an amendment raising the amount of capitalization to be taken into account in making the comparisons. The permanent capital of an association is the cushion against its risks. Therefore, the greater the amount of capital, the better the application in respect to the guideline of capital adequacy.

2. Management Performance and Operating Efficiency. Branch applicants have available to them, from the Commissioner's 1962 Annual Report to you, the Statewide average level of performance on each of twelve operating ratios. Most of these ratios are included in the requested information on branch applications. Statistical Releases No. 1, 2, 3 and 4 during 1963 have provided more complete bench mark data on all of the operating data now used. Besides combining the performance ratios into an overall index of management performance, the Commissioner will be guided by management evaluations and reports submitted by the Division's examining staff and the Assistant Commissioners. A savings and loan management is judged to be superior if, for example: (a) it has achieved operating costs per dollar of assets lower than the average firm in its size-class; (b) it has held advertising costs in check; (c) it has prevented risky assets from accumulating; (d) it has achieved a strong capital position; and (e) it has made good profits per dollar of assets. No one of the twelve indices used is crucial in itself in determining management efficiency, but the combination of them, together with information concerning good management practices in lending, accounting, and service to the public, will indicate to the Division when branch applicants are above average. Those which are below average are, by this one of the guidelines, doubtful cases for branch approval. In making the combined comparison between branch applicants as to capital adequacy and operating efficiency, the Division will then give some upward adjustment to the reported amount of capital per facility by taking account of the extent of management superiority over the average firm.

3. Effect on Competition. In a financial industry, competitive pressure cannot go so far that an appreciable number of firms will fail, yet the discipline of competition is clearly needed. Reasonable competition will give the public alternative sources of savings and borrowing service. Competitive pressure operates as a spur to control of operating costs and as a device for rewarding the ingenious and progressive management and penalizing those who do not have these qualities.

At the public hearing, State or Federal associations which have offices already operating in the vicinity of a proposed new facility are entitled to come in and object, and they frequently do so. Our basic approach under this policy is to distinguish between the management choice of a location where a savings and loan office could operate profitably, which is a business risk, and the regulatory decision concerning the public convenience and advantage, which is guided by the four criteria that have been mentioned. While increased competitive interaction in the savings and lending markets is generally desirable, objectors may be able to offer convincing evidence that: (a) the proposed new facility would not be able to attract enough business to be economically viable because of heavy savings penetration already achieved by existing firms; or (b) the proposed facility would endanger the solvency of an existing association, not because of any failure to operate efficiently on its part, but because there simply would not be enough business to go around in the local market. Unless one or both of these reasons for denying an application is demonstrated in convincing fashion, the normal expectation would be that a new unit of savings and loan operations would increase the amount and variety of service available to the public and therefore be beneficial.
4. "Worthiness to Engage." Public confidence in the integrity of financial institutions is absolutely essential. The Division must therefore review the records, in terms of financial responsibility and probity of dealings, of the people who apply for a new charter. In the case of the branch applicant, evidence of illegal dealings or involvement in repugnant practices would cast a cloud over the application.

Expected Results of the Policy. By placing stress on these four guidelines to facilities-licensing decisions, the Division expects over time to improve the industry's capital safety, set up incentives toward progressive, efficient and prudent management, offer the public a good range and variety of savings and loan service, and help to maintain public confidence in an industry which has been so crucial a factor in financing the housing requirements of California. Also, it expects that the mechanism of decision-making, with these criteria to guide it, will be fair and objective and so gain the respect of the industry people who must deal with the regulatory authority. The Division cannot expect to please everybody very much of the time, but it can certainly give fair and evenhanded consideration to those who apply for charters and branches. With these guidelines, it will be able to do so without taking refuge in personal whimsy or in some form of ritual that would be unrelated to the real public interest.

Certain special problems of the newly-established savings and loan association require the Division to be particularly vigilant in its standards. Among the protections set forth in regulation and in administrative practices are the following: (a) the stock of the new association must be placed in escrow for a five-year period to prevent short-term speculation or changes without the Commissioner's approval in the controlling interest; (b) in order to open for business, the new association must apply for and obtain insurance of accounts by the Federal Savings and Loan Insurance Corporation, a requirement which the Division has had in force for many years; and (c) the new association must submit to the Division, for its review, the name of its managing officer who is to be appointed for the first year of operation.
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