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SAVINGS AND LOANS: A SURVEY AND ANALYSIS OF THE INDUSTRY'S RESPONSE TO DEREGULATION

by

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ABSTRACT

Savings and Loans: A Survey and Analysis

Of the Industry's Response to Deregulation

Which Conforms To

The University Undergraduate Fellows Program Requirements (April 1985)

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This paper examines savings and loans in their recently-deregulated environment. The study involves a nationwide mail survey of S&Ls, statistical analysis of factors affecting S&L profitability and risk, and a series of personal interviews with savings and loan managers. Results indicate a high level of diversification within the industry, wide-spread use of adjustable-rate mortgages, and growth of institutions through mergers and acquisitions.

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INTRODUCTION

The savings and loan industry in the United States has entered a new era. In years past, a savings and loan's main function was to accept passbook savings deposits and extend long-term, fixed-rate mortgage loans, principally to finance the purchase of single-family homes. In other words, S&Ls historically have been essentially dual-product firms--encouraging family thrift and supporting home construction. However, the traditional savings and loan institution is rapidly disappearing in an environment of volatile interest rates, fierce competition from other types of financial intermediaries, and changing laws and regulations.

The major environmental changes which began in the late 1960s and 1970s included inflation, rising and historically high interest rates, and a proliferation of new financial services, in addition to a greater customer sophistication and sensitivity to the pricing of financial services. For savings and loans as a whole, this combination of developments was disastrous. Inflation-driven interest rates had risen far above the maximum rate that savings and loans were allowed to pay on their passbook deposits. Because the purchasing power of investors' money simply eroded by remaining in these accounts, saving of this type was discouraged by basic economic factors. Due to advances in electronics and communications, national brokerage houses and other financial firms were able to offer money market accounts through which customers could make payments, thus giving them market returns but with convenience advantages comparable to those offered by S&Ls deposit accounts. Investors, in an effort to make the most of their savings, withdrew funds from the S&Ls and reinvested them with brokerage firms and investment companies. This

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disintermediation drained the S&Ls of a substantial proportion of their deposited funds and thereby restricted the availability of mortgage credit to individuals and families.

Congress, partly in response to distress signals from S&L management and owners, passed the Depository Institutions Deregulation and Monetary Control Act (DIDMCA) in 1980. Savings and loans were then able to offer interest-bearing checking accounts (NOWs) but with regulated interest rates. The new law succeeded in attracting funds for thrifts, but the interest rates being paid for these new accounts often exceeded the average return earned on all S&L mortgage loans outstanding, especially on loans made during years when inflation was far more moderate.

As the declining profits of savings and loans turned to losses and S&Ls began to fail, it became clear to federal legislators and regulatory agencies that the asset side of the savings and loan balance sheet had to be deregulated along with the liability side if the industry were to survive. In the mean time, the F.S.L.I.C. worked vigorously to assist in mergers and acquisitions of failing S&Ls by healthy ones. In cooperation with the Federal Home Loan Bank System, it supplied additional funds to prevent more failures, and in the process, the federal insurance fund was itself weakened.

The Garn-St Germain Depository Institutions Act of 1982 removed the majority of restrictions on the types of loans that S&Ls could offer. The Garn bill increased the balance-sheet percentages allowed for commercial and consumer lending. This change opened the door to further *diversification* for savings and loans, offering the possibility of reduced risk and providing a base for expansion through entry into new markets.

S&L assets increased from $579 billion in 1979 to $772 billion in 1983. The growth in S&L assets, however, was not matched by an increase in equity capital (net worth). Therefore the capital adequacy (i.e., proportion of equity to liabilities and to risky assets) of S&Ls was reduced. During this period from 1979 to 1983, industry net worth to total assets fell from 5.64% to 4.00%. The added risk from changing interest rates, combined with lower amounts of equity capital and a soaring S&L failure rate, has placed the F.S.L.I.C. in a more precarious position. Pending legislation may raise the capital adequacy requirement for federally supervised S&Ls from its present standard of three percent of total assets to five percent. While many institutions are struggling simply to remain solvent, others have seized upon their new powers and are expanding into markets previously forbidden to S&Ls. The savings and loan of today can take a variety of forms, including: (1) the *traditional S&L* which accepts savings deposits and makes home mortgage loans; (2) the *family financial center*, resembling a commercial bank in that it seeks to meet all of a consumer's retail banking needs; (3) the *real estate model*, which acts as a mortgage bank by selling off its long-term mortgages and serving as a real estate service organization; and, (4) the *diversified financial service firm*, distinguished by its holding-company organizational form and wide array of service lines.

The purpose of this study is to analyze S&Ls in their new legal environment and to identify characteristics that may aid in the future success of the various types of savings and loans. The impact of government regulations will be considered in addition to S&L management characteristics and a number of demographic features. It is hoped that this project might aid S&L managers by pointing out the strengths and limitations that often accompany certain loans, accounts, services, and organizational forms. It will also explore alternative legislative recommendations for further deregulation of the industry. Specifically, this study will:

1. Review current studies pertaining to S&L deregulation.
2. Examine the goals and strategies of S&Ls through personal

interviews and a mail survey of a stratified random sample of S&Ls nationwide.

3. Statistically analyze a variety of factors, such as service mix, market size and growth, S&L size and organizational form, and competition as they relate to savings and loan profitability and risk.
4. Identify legal and practical constraints on S&L growth and profitability and suggest means of avoiding them.

REVIEW OF LITERATURE

Recent S&L Industry Problems

Several recent articles and research studies have reviewed the circumstances that preceded the deregulation movement of the early 1980's. For example, Handorf, Losey, and McCarthy [5] divide savings and loan history since World War II into two parts: 1946–1964, when thrifts' main concern was minimizing credit risk; and 1965 to the present, characterized by volatile interest rates and pursuit of the basic borrow–short and lend–long (i.e., maturity intermediation) practice of thrifts. Their report identifies *inflation* as the major cause of problems in the industry, accompanied by continued surges in federal budget deficits, declining personal savings ratios, and the phaseout of regulatory limits on maximum interest payments. Competitive factors, including increased customer sophistication and improved access to alternative investment and savings plans and growth in nonregulated financial intermediaries such as money market funds, also have played a significant role in recent S&L financial problems, according to Handorf, Losey, and McCarthy.

The S&L industry's net worth position has been eroded by recent earnings losses. According to Moran [10], 16 percent of the industry had a net worth below 2 percent of assets as of midyear 1982, which is below the minimum amount of three percent required by the Federal Home Loan Bank Board. He notes, too, that in the last few years the liabilities issued by thrift institutions have gone to market rates faster than the assets that they hold. The growth of the industry's *core* deposit base (i.e., deposits from households and smaller organizations) has slowed due to competition from money market funds, the loss of a regulated rate advantage vis–a–vis commercial banks, and a cautious attitude among savers toward an industry with earnings difficulties. These trends forced S&Ls to seek more costly sources of funds.

A recent account of the thrift industry's solvency problems by Hector [6] reveals that the industry's net worth position in 1984 dropped drastically from its 1981 level. He reports that a third of the nation's thrifts never regained positive profitability during 1983.

Current and Expected Changes in the S&L Industry

Cassidy [2], commenting on the future of the S&L industry, emphasizes the potentially restrictive effects of continuing competition from money market funds, commercial banks, and other financial institutions, along with more intense competition within the industry itself. Cassidy sees the following probable outcomes: (1) more S&L failures, (2) more efficiently operated surviving associations, and (3) better service to consumers of savings and loans services. Along with Marcis [9], he predicts the industry's diversification into family financial centers, mortgage bankers, and other strategic organizational forms. Marcis goes on to argue that real-estate oriented and mortgage-banking S&Ls will likely be multistate operations due to advantages in economies of scale. Both Cassidy and Marcis foresee greater volatility in mortgage interest rates and, therefore, the need for greater portfolio and managerial flexibility in the savings and loan business.

Presenting a more optimistic view of the thrift industry's future outlook, Ollard [11] examines several of the new means through which S&Ls are gathering funds. He discusses entrance into the Eurobond market, conversion from mutual to stock form, and selling adjustible rate mortgages to the Government National Mortgage Association. Ollard points out that the S&L industry's great strength is that it operates in the nation's largest financial market-- at $1.5 trillion, mortgage debt is even larger than the federal government's debt.

An Analysis of State S&Ls

Prior to the passage of Garn-St Germain, Crockett and King [3] conducted a study on the performance of savings and loans in Texas, since state-chartered S&Ls in that state already had asset powers similar to, or even exceeding, those proposed in the Garn bill. They first compared all Texas federal-chartered S&Ls to all Texas state-chartered S&Ls, separating stock and mutual forms. They also used regression analysis to examine individual assets' contributions to the pre-tax profits of Texas state-chartered stock associations. During the five-year period covered in this study, the number of S&Ls in their sample ranged from 302 to 336.

According to their findings, the most important contribution of the additional asset powers is the opportunity to diversify S&L portfolios, create a better match between the maturities of assets and liabilities, and lessen exposure to interest-rate risk. They noted that the right to purchase real estate for development has been especially profitable, with average net returns on these assets exceeding conventional mortgage portfolio returns by over five hundred basis points. For the period 1977 to 1981 studied by Crockett and King, the Texas state-chartered stock S&Ls had an average pre-tax return on assets of 40 basis points compared with 33 basis points for federal-chartered associations. Another observation made was that stock associations tend to use their expanded powers more than mutual associations do. This contrast is an expression of the different attitudes toward risk and profitability in other areas of operation noted in other studies.

A similar study of a state's expanded powers was made by Baker [1] for Florida S&Ls. In July of 1980, Florida S&Ls were granted investment powers resembling those of the Garn bill. They were also allowed to offer non-interest-bearing NOW accounts to corporate customers. Baker used ratio comparisons of four separate groupings of Florida associations. These comparisons were: (1) state to federal charter; (2) state-chartered associations formed since 1979 to all other state S&Ls; (3) newly-formed state associations to S&Ls which changed from federal to state charter during 1980; and (4) state-chartered associations with commercial banks. The sample included 93 federal associations and 25 state-chartered associations.

While state associations were engaged in more corporate and consumer lending than federal S&Ls, Baker viewed their overall involvement as insignificant when the whole organization was considered. Comparisons of the new S&Ls with the others revealed that newer associations were much more liquid than older S&Ls, and many of the new state associations were operating mainly as mortgage bankers. The four associations which converted to state charters more closely resembled federally-chartered associations than new state-chartered ones, both in asset and deposit composition and in operating losses. State-chartered S&Ls had made only limited moves toward a commercial banking structure at the time of the Baker study. Overall, Baker concluded that Florida S&Ls were moving very cautiously to adopt expanded service powers. Given the careful reaction to deregulation, the powers granted are more likely to have only long-run benefits.

Summary of the Literature

As the articles reviewed here point out, the savings and loan industry has experienced severe earnings losses in the 1980s, caused mainly by inflation and more competition from alternative investments. These losses have reduced net worth, thereby increasing solvency risk in the S&L industry. Deregulatory legislation has given S&Ls an opportunity to diversify their asset portfolios and offer several new services. A goal of this legislation is to reduce S&Ls' susceptibility to economic changes and thus strengthen the industry as a whole. One important question for the S&Ls' future--the extent of S&Ls' commitment to the housing industry--remains to be answered.

The statistical studies considered in this review were geographically limited to specific states but attempted to predict the behavior of S&Ls across the country. Now that major changes in regulation and legislation affecting S&Ls have been in effect for a few years, an evaluation of the S&Ls' reactions nationwide should be helpful in assessing their needs and goals. Whereas these reports used only statistical analyses, this study will approach the savings and loans directly through a survey and personal interviews as well.

METHODOLOGY OF THE STUDY

The research methodology of this savings and loan study is divided into three parts: 1) a nationwide stratified random survey of S&Ls, 2) statistical analysis of S&L balance sheets, income statements, and survey responses, and 3) personal interviews of selected S&L managers.

The Survey Instrument and Sample

The survey sample was drawn from the 3183 S&Ls represented on the Federal Home Loan Bank Board (FHLBB) data file at year-end 1983. Those S&Ls listed as having zero assets were removed, which left 3146 institutions as the population to be sampled. The file was then stratified by the 12 FHLBB districts and asset-size catagories in the following increments: total assets of $0 million - $25 million; over $25 million but less than $50 million; over $50 million but less than $100 million; over $100 million but less than $200 million; over $200 million but less than $500 million; over $500 million but less than $1 billion; and over $1 billion. A ten-percent random sample was then drawn from each of 84 cells (12 districts by 7 asset-size categories). By rounding up to the nearest whole number, it was guaranteed that each cell had at least one representative in the survey. The sample was drawn using the random number generator developed by IBM and no seed was used. In the end, surveys were mailed to 376 S&Ls throughout the United States. Approximately six weeks after the original survey was mailed, a follow-up mailing of the same survey was sent to the 300 S&Ls that did not respond to the first request.

The first part of the survey asked basic questions about the S&Ls' charter year, possible conversion from a stock to a mutual organization, and possible affiliation with other S&Ls. Later sections dealt with the types of loans and services presently offered, as well as future plans for offering loans and other services. Other survey items inquired about the S&Ls' sources of funds, such as the types of deposit accounts offered and Euromarket borrowing, as well as non-lending income sources. The questionnaire also focused upon marketing procedures and asked for a list of unprofitable services used for cross-selling purposes as well as parallel competitors' programs. A copy of the survey instrument used in this study is contained in Pocket Material 1 which follows this thesis.

Statistical Analysis of S&L Financial Statements

The FHLBB tape file of financial statements for 1979–83 was used, along with the survey sample, in a number of regression equations to examine factors affecting S&L profitability. Specifically, stochastic regressions were estimated in two different forms. The first was a *market model* of the form:

(1) $P =$

$$\alpha_0 + \alpha_1[SM] + \alpha_2[1/D] + \alpha_3[ORG] + \alpha_4[MS] + \alpha_5[STR] + \alpha_6[MG] + e_1$$

and,

(2) $R = \beta_0 + \beta_1[SM] + \beta_2[1/D] + \beta_3[ORG] + \beta_4[MS] + \beta_5[STR] + \beta_6[MG] + e_2$,

where the dependent variables were:

P = S&L profitability (measured by after-tax net income to total association assets); and

R = S&L risk (measured by the leverage ratio of equity to total assets);

and the independent variables were:

SM = S&L service mix (measured by alternate asset-portfolio ratios);

D = total deposits of each S&L;

ORG = S&L organizational form (stock or mutual);

MS = market size (indicated by total deposits of all S&Ls or of all S&Ls plus commercial banks in the local market);

STR = market structure (measured by concentration in ratios or numbers of S&Ls or in S&Ls plus commercial banks in the local market); and

MG = market growth (as reflected in S&L or in S&L plus commercial bank deposit growth).

The parameters α_0, α_1,..., α_6 and β_0, β_1,..., β_6 represent partial regression coefficients. Each measures the *net* impact of each independent variable on individual S&L profitability and degree of risk.

The e_1 and e_2 terms represent error terms which are assumed to be random variables with zero mean and constant variance. Each equation was estimated separately by employing the SAS linear regression algorithm.

Because the market model performed relatively poorly with extremely low explanatory power (generally under 5 percent) and frequent instances of insignificant F tests, a second regression model--the individual-association *profit model*--was developed. This model had the following form:

(3) $\pi = \sum_{i=1}^{n} r_i A_i - \sum_{j=1}^{m} c_j L_j - FC(ORG, 1/D)$

where:

π = net profitability of each S&L

r_i = rate of return on the ith category of earning assets held by each S&L;

A_i = dollar volume of the ith earning asset held in each S&L on the report date;

c_j = cost rate on the jth category of liability issued by each S&L;

L = dollar volume of the jth liability item outstanding at each S&L on the report date; and

FC = fixed-cost function for the sampled associations, expressed as a function of the particular organizational form (ORG) and deposit size (D) of each S&L.

This second model considers the mix of S&L asset portfolios (including the proportion of total assets in single-family mortgages, multi-family mortgage loans, land investments, home-improvement loans, consumer auto loans, other consumer loans, real-estate investments, investment securities, and junior mortgages), the mix of operating expenses (including wage and salary costs, lending costs, advertising expenses, and deposit interest), and overhead costs.

Interviews with Savings and Loan Officials

Finally, a series of six interviews were conducted with savings and loan managers to gather more complete information relating to management and planning in an environment of deregulation. The savings and loans concerned were chosen based on preliminary inquiries regarding their general strategies, so that the different types of associations mentioned in the introduction (i.e., traditional, real estate, family financial center, and diversified) could each be examined from the perspective of a key member of each institution's management team. Organizational form, asset-size, and the size and location of the markets served were also considered in selecting the particular associations whose management was to be interviewed. Of the six S&Ls, three are federal associations and three have state charters. The institutions range in age from two years to sixty-six years.

SURVEY

Organization and Structure

The following is a summary of the survey responses received from the 112 S&Ls that responded to the national survey questionnaire sent to 318 randomly-selected associations. For more detailed information on the sample and the responses, refer to the computer listing located in Pocket Material 2.

Savings and loans included in the responses have charter dates ranging from 1872 to 1983. Eighty-five percent of them were chartered prior to 1960 and 91 percent began their operations before 1970. Thus, it is clear that a preponderant majority of the responding associations were established institutions, rather than new S&Ls, and had experienced the wide swings in interest rates, inflation, and economic conditions that characterized the American economy over the past three decades. Table 1 shows the cumulative percentages of the S&Ls chartered by the years listed.

Table 1. SAVINGS AND LOAN CHARTER DATES

Year	Cumulative Percent Chartered
1900	25.0
1925	53.6
1950	78.6
1975	92.9
1983	100.0

Fifteen organizations, 13.4 percent of the total responding, reported that they had converted recently from a mutual to a stock form of ownership. Of these 15, 12 converted to the stock form between 1982 and the present, pursuant to the Garn bill's passage in 1982 which allowed relatively free convertibility. Prior to the passage of that law, each proposed conversion had to be individually approved by regulators. Conversion from mutual to stock form represents a way to raise new capital other than merely selling deposits.

In the catagory of multistate activities, just 17.0% participate in real estate lending, 13.4% in mortgage banking, and 15.2% in construction lending across state boundaries. In addition, only 3.6% answered that they have multistate interests other than those specified. Thus the majority of S&Ls chose not to spread their resources and marketing activities beyond state boundaries, continuing the strong *local* orientation historically characteristic of this industry.

Over a quarter of the responding S&Ls have participated in mergers recently. These include 21 associations acquiring other S&Ls, 6 of which were acquired, and 2 that did not specify the type of merger in which they were involved. The majority of the reported mergers occurred in 1982 and 1983, as Table 2 illustrates.

Table 2. MERGERS AMONG RESPONDING ASSOCIATIONS SINCE 1980

Year	Number of Mergers	Cumulative Percent of Responding S&Ls
1980	3	2.7
1981	3	5.4
1982	13	17.0
1983	7	23.2
1984	2	25.0
1985	1	25.9

Of the 29 S&Ls involved in mergers, 5 were supervisory and one was F.S.L.I.C.-assisted. These figures reflect the recent fragile state of the industry and the high degree of regulatory intervention in the S&L merger process in recent years. Still, 73.9% of the reported mergers were carried out on a *voluntary* basis.

Over half (55.4%) of the savings and loan managers questioned did not feel that commercial banks or bank holding companies should be allowed to purchase healthy

S&Ls. Major reasons cited were that S&Ls have a responsibility to the housing industry and that banks and S&Ls are still perceived as two distinct types of institutions. Of the 37.5.% who supported such purchases, most replied that these activities are consistent with free enterprise.

Asset Portfolios

Table 3 presents a breakdown of the types of loans which the responding S&Ls offer. These S&L's still have a strong tie with the housing industry, as evidenced by the high percentage of those offering conventional mortgages and loans for home improvements, construction, and real estate development. Because 74.1% offer automobile loans and 71.4% make consumer installment and cash loans, however, there seems to be a firm commitment to serving consumer credit needs.

The surveyed institutions were asked whether they wished to increase, decrease, or hold constant the current proportions of their portfolios invested in the various loan forms. Overall, respondents wished to increase their lending for home improvement, the purchase of automobiles, credit card accounts, and business activities. No institution reported a desire to decrease their holdings of credit-card loans (a lending area only available to S&Ls since 1980) or business loans (available also after 1980). In fact, over 83% of the credit-card lenders and 74% of those offering business loans want to add to their holdings of these types of credit accounts. A strong commitment to conventional mortgage lending remains, however, as evidenced by the 75% of responding associations that desire to increase their portfolio holdings in this area.

Approximately half of those involved in real estate development activities want to reduce their investments there. They may find that recent market fluctuations are too risky or that deregulation has introduced more profitable investment opportunities

Table 3. LENDING SERVICES OFFERED BY RESPONDING S&Ls

Types of Loans	S&Ls Now Offering	Percent of All Responses
a. Home Improvement	98	87.5
b. Automobiles	83	74.1
c. Consumer Installment, Cash Loans	80	71.4
d. Credit Card	30	26.8
e. Construction	93	83.0
f. Business	48	42.9
g. Real Estate Development	68	60.7
h. Education	49	43.8
i. Mobile Homes	22	19.6
j. Mortgages: FHA or VA	44	39.3
k. Mortgages: Conventional	109	97.3

elsewhere. Nearly half of the respondents plan to raise the proportion of their assets held in cash and investment securities, indicating a move toward greater liquidity. This increase is probably a response to more volatile deposits, greater use of money-market borrowing, and the move toward more short-term lending.

Sixty-four percent participate in commercial loans with other S&Ls. This high response could reflect S&L leaders' interest in larger loans and a readily available opportunity to invest in assets other than residential mortgages. Service companies are viewed as beneficial. Seventy-five percent of those reporting currently have investments in service corporations, and 44% of these wish to increase their holdings in this area. Slightly more than a third of the institutions have become involved in reverse repurchase agreements, and most of these would like to hold the amounts of such agreements steady.

Deregulation has had a significant impact on S&L loan portfolios. The changes in S&L liability structures, however, have exerted a less noticeable influence on these institutions. When asked if the new higher-yield savings and time accounts had affected their institutions' lending and investment policies, 86.6% of the survey participants gave a positive response.

Sources of Funds

Eighty-three percent of S&Ls offer jumbo C.D.'s, and 77% offer other types of high-yield deposit accounts. Most respondents wish to hold steady or decrease the amounts of these high-priced funds. Likewise, the desired increases checked by 82% for NOW accounts and 73% for passbook savings reflect the desirability of attracting less costly deposits. Again, probably due to their high cost, FHLB advances were not targeted for enlarged holdings by responding institutions.

Less than 12% have issued subordinated debentures, and only 5.4% borrow in the Euromarket. These sources are not practical for smaller institutions, and the high degree of sophistication in these markets may cause many larger institutions to avoid them as well. Table 4 provides further information on S&L balance-sheet holdings and the institutions' plans for these items.

To help meet net worth requirements, twenty-two S&Ls responded that they included appraised equity capital in their net worth calculations. This large number points to the dangerously low capital levels which have characterized the industry in recent periods.

Marketing Information Sources

When considering new services and their pricing, S&Ls most frequently check with other financial institutions with similar accounts and with S&L trade associations. Government regulatory agencies, according to the survey reponses, are consulted by only 22% of the S&Ls. Table 5 surveyed S&Ls' preferences for sources of market information. These associations were generally concerned with collecting

Table 4. BALANCE SHEET ITEMS

Assets or Liabilities	Percent of Respondent S&Ls Indicating Their Preference: Increased	Decreased	Held Constant	Do Not Have
a. Real Estate Owned for Development	10.7	24.1	14.3	43.8
b. Cash and Investment Securities	43.8	14.3	33.0	0.9
c. Investments in Service Corps.	33.0	6.3	35.7	17.9
d. Reverse Repurchase Agreements	9.0	4.5	22.3	56.3
e. Mortgage-Backed Securities	25.0	14.3	32.1	19.6
f. Jumbo CD's	17.9	22.3	42.9	9.8
g. Other High-Yield Deposit Accounts	17.0	31.3	28.6	14.3
h. NOW Accounts	82.1	2.7	3.6	3.6
i. Passbook Accounts	73.2	5.4	12.5	0.9
j. FHLB Advances	9.0	21.4	29.5	32.1
k. Long-Term Borrowed Money	23.2	14.3	12.5	42.9
l. Subordinated Debentures	7.1	1.8	2.7	82.1
m. Euromarket Borrowing	3.6	0.9	0.9	84.8

information on competitors' deposit account rates, as was the case with offering new services. Eighty-six percent are presently engaged in this activity, and 84% also evaluate the desirability of their deposit services to potential customers in comparison with their competitors' deposit programs. Slightly fewer S&Ls (66%) actually define specific target groups to whom they promote various accounts. Overall, these responses reflect the high level of competition in the current financial marketplace.

Present and Planned Services

Recent legislation has removed many divisions in the financial industry, and as a result, many S&Ls are now offering services primarily identified with mutual funds, insurance companies, or brokerage firms. Table 6 gives the percentages of those who now offer the listed services, those who would like to offer them, and those who actually plan to offer the services within the next three years.

Table 5. MARKET INFORMATION USED IN PRICING NEW SERVICES

	Number of S&Ls Using
Other financial institutions offering similar accounts	85
Institutions in other markets offering similar accounts	55
S&L trade associations	79
Government regulatory agencies	25
Outside consultants	36
Other sources	16

Table 6. NEW SERVICES

	Percent of All Respondents Indicating:		
Service	Offer Now	Would like to offer	Expect to Offer Within Next 3 Years
Mutual Stock or Bond Funds	7.1	10.7	7.1
Money Market Funds	34.8	13.4	6.2
Property-Casualty Insurance Policies	19.6	25.0	14.3
Administration of Corporate Pension Plans	3.6	22.3	7.2
Discount Brokerage of Securities	22.3	19.6	16.1
Estate Planning and Management	4.5	17.9	8.0
Tax Counseling and Tax Return Preparation	3.6	10.7	5.4
Investment Planning for Customers	17.9	26.8	15.2
Business Inventory Loans	22.3	10.7	8.9
Accounts Receivable Loans	18.8	9.8	7.1
Direct Deposit of Payrolls	51.8	24.1	10.7
Point-of-Sale Transactions Processing	5.4	22.3	12.5
Life Insurance Policies (other than credit life)	23.2	18.8	10.7
Transactions by Telephone	40.2	10.7	8.9
Transactions by Home or Office Computer	0.9	23.2	12.5
Access to National ATM Network	20.5	30.4	33.0
Consumer Cash Management Services	5.4	27.7	12.5
Corporate Cash Management Services	1.8	22.3	8.9
Leveraged Lease Plans	0.9	7.1	6.3
Loan Syndications	8.0	14.3	11.6
Venture Capital Financing	8.0	2.7	1.8
Investment Banking (underwriting securities)	1.8	7.1	1.8
Business Checking Deposits	39.3	28.6	17.9

Over twenty-two percent of respondents who presently do not offer corporate pension plans showed an interest in initiating that service. This response may relate to the portion of S&L management who wishes to emphasize commercial banking. Further evidence of this trend is that 25 of the 112 responding S&Ls now offer business inventory loans and 21 deal in accounts receivable financing. Business checking deposits are now accepted by 39.3% of the surveyed associations, and another 28.6% would like to accept them.

Institutions appear to be more reluctant to get involved in areas of higher sophistication and risk, such as leveraged lease plans, loan syndications, venture capital financing, and investment banking. Particularly in the case of investment banking, most savings and loans are too small to handle the volume necessary to make these operations profitable.

Institutions displayed a greater interest in consumer cash management than in corporate cash management--both among those who now offer these services and among those who plan to offer them. Investment planning also shows strong promise, with 17.9% of the surveyed S&Ls now offering this service and another 26.8% who would like to offer it. In contrast, tax counseling is offered by only 3.6%, but 10.7% of responding associations wish to add it to their programs.

Discount brokerage, another service which targets mainly individuals, is already available through 22.3% of the surveyed S&Ls, and an additional 19.6% are considering it. Likewise 23.2% offer life insurance and another 18.75% would like to sell it. Associations revealed a similar interest in property/casualty insurance. Over half of the surveyed institutions handle direct deposits of payrolls, and many more would like to make this service available.

Savings and loans are taking major steps in electronic data transmission through the use of automatic teller machines (ATMs), point-of-sale transactions, and transactions through home and office computers. Over 20% of the S&Ls now have access to ATM networks, and more than 33% expect to have access within the next three years. Although only 5.4% have point-of-sale transactions processing, 22.3% would like to have this processing. Also, 23.2% want to offer transactions by home and office computers. Despite their high installation and usage costs, all of these advanced transaction methods are becoming increasingly popular among S&L managers.

Other Profitability Factors

Survey respondents were asked to mention federal and/or state legislation which they feel limits the feasibility and profitability of certain S&L services. While the answers ranged from "All of them" to "No real problem at this time," items commonly listed include restrictions on commercial checking, net worth requirements that limit growth, and the I.R.S. definition for S&Ls, which restricts real-estate investment. Those surveyed were also asked to list services which the S&Ls offer that are unprofitable in themselves but seem to contribute by cross-selling other services. In this category, "ATMs" was by far the most frequently listed item. Others mentioned money orders, travelers' checks, automatic utility payments, Christmas club accounts, and balancing customers' checkbooks. Other S&Ls commented that they are working to price these items to provide positive profits.

STATISTICAL ANALYSIS

The third segment of this S&L study deals with a statistical analysis using regression techniques of the balance sheets and income statements for the ten percent of the S&L population included in the survey sample. The tables in this section report partial regression coefficients whose t statistics indicate the significance of major asset portfolio items, operating costs, and fixed costs in affecting S&L profitability (as measured by return on assets).

Table 7. SAVINGS AND LOAN ASSET RETURNS BASED ON PARTIAL REGRESSION COEFFICIENTS

Types of Loans:

Net Income / Total Assets =	Single-family / TA	Multi-family / TA	Land / TA	Home improvement / TA	Consumer, auto / TA
1983 Ratio	.0053	.0077	.0197	−.0077	−.0463
T-Value	1.265	0.969	1.604	−.180	−1.166
1982 Ratio	−.0016	−.0092	.0349*	−.0077	.0484
T-Value	−.604	−1.817	2.345	−.361	1.108
1981 Ratio	−.0029	−.0079	−.0167	−.0003	.0376
T-Value	−1.243	−1.907	−.905	−.020	.605
1980 Ratio	−.0011	−.0025	.0109	−.0036	-----
T-Value	−.671	−.989	.802	−.292	-----

* Statistically significant at least at the 5-percent risk level.

As Tables 7 and 8 reveal, few asset-composition items displayed a statistically significant impact on savings and loan profitability during the 1980-83 period covered by the regression equations. The 1982 return earned on land investments as a percent of total assets is the only statistically significant figure in Table 7. High 1982 returns on S&L investments in land probably reflect capital gains received for properties that had expanded in value during this period of relatively high inflation. The few other statistically significant asset-portfolio items were *negatively* related to return on assets.

Table 8. ADDITIONAL S&L ASSETS CONSIDERED IN THE PROFITABILITY EQUATIONS

Types of Loans and Investments:

	Other consumer / TA	Real-estate investment / TA	Investment securities / TA	Junior mortgages / TA
1983 Ratio	-.1271*	-.0152	.0051	.0434
T-Value	-5.162	-.411	.521	1.755
1982 Ratio	-.0109	.0234	-.0035	-.0089
T-Value	-.514	.483	-.691	-.423
1981 Ratio	.0043	.0043	-.0114	.0602
T-Value	.163	.089	-1.449	1.132
1980 Ratio	-.0014	-.0413	-.0183*	-----
T-Value	-.068	-1.060	-2.440	-----

* Statistically significant at least at the 5-percent risk level.

For example, as reported in Table 8, the 1983 "other consumer loans" provided a net loss. Possible explanations include low consumer-loan volume, resulting in diseconomies of scale, or excessively competitive pricing used to attract a larger customer base. The 1980 investment securities returns were significantly negative as well. Net losses in this area most likely relate to the high and rising interest rates prevalent during much of this period, which caused a corresponding reduction in security prices.

In contrast to the relative lack of significance of asset-composition variables, selected expense items tend to be highly significant (at the one-percent risk level), as

Table 9. COST OF LIABILITIES CONSIDERED IN THE S&L REGRESSION EQUATIONS

	Officer and employee compensation / TA	Loan expenses / TA	Advertising expenses / TA	Deposit interest / TA
1983 Ratio	−.3614	−1.311	−6.7067*	−5.445*
T−Value	−.923	−1.329	−4.169	−4.989
1982 Ratio	.4506	1.4167	−.1709	−.2672*
T−Value	1.645	1.151	−.268	−5.005
1981 Ratio	.2618	1.7611*	−.1740	−.1829*
T−Value	1.028	2.285	−.329	−3.732
1980 Ratio	−.6874*	.6812	−1.3349*	−2.804*
T−Value	−4.247	1.853	−3.994	−6.438

shown in Table 9. Not surprisingly, the dominant expense factor is deposit interest costs, statistically significant in all 4 years analyzed. Advertising expenses relative to total assets were significant at the one-percent risk level in 1983 and 1980, though not statistically significant in 1982 and 1981. Two other expense items were employee costs in 1980 and the loan expenses in 1981.

The savings and loan size variable shown in Table 10 suggests an interesting situation. The deposit-size ratio, which is 1/deposits, decreased from 1980 to 1983 as S&Ls grew primarily through mergers and acquisitions. In the regulated environment of 1980, smaller S&Ls were more profitable; however as the period of heaviest deregulation from 1981 through 1983 progressed, larger S&Ls most frequently achieved greater returns on assets than did smaller savings associations. Overall, the regressions are significant with F values high enough to qualify for statistical significance at the one-percent risk level. The equations have relatively modest explanatory power, however, with R^2's ranging from 11 percent in 1981 to 35 percent in 1980.

Table 10. FIXED-COST FACTORS CONSIDERED IN PROFITABILITY REGRESSION EQUATIONS

	Organizational Form (Stock vs. Mutual)	Inverse of Deposit Size	Intercept	R^2	F
1983 Ratio	-.0100	-.0617*	2.3863	.24	7.442
T-Value	-.066	-2.463			.0001
1982 Ratio	-.0073	1.1135	.9861	.17	.4772
T-Value	-.076	1.652			.0001
1981 Ratio	.0568	-1.4192*	.6625	.11	2.923
T-Value	.686	-3.094			.0002
1980 Ratio	.0883	2.1668*	1.3806	.35	14.251
T-Value	1.815	7.193			.0001

* Statistically significant at least at the 5-percent risk level.

INTERVIEWS OF SAVINGS AND LOAN MANAGERS

Associations with Assets of Less Than $75 Million

Organization

The first S&L interviewed has assets of less than $40 million and operates in a rural area. It also owns three other S&Ls in nearby communities, a mortgage company in a nearby metropolitan area, and an insurance company. Despite its limited assets, this organization competes in a variety of geographic and financial markets.

Assets

Historically, this institution has been both a mortgage lender and a mortgage banker, packaging and selling loans to large investors, such as insurance companies and large commercial banks. Thus it has had the advantage of maintaining a relatively current mortgage portfolio. With the advent of variable-rate home loans, the association gradually converted to adjustable-rate mortgages (ARMs), mostly one-year adjustables using the Treasury bill rate as an index.

While the firm's major emphasis remains in residential lending, it has cautiously added consumer lending and some commercial lending to its portfolio. The commercial business is not advertized; it is carried out on a selective basis by targeting local companies and soliciting their business. It is mostly "bulge" lending, such as inventory and receivables financing, which relies on the customer's short-term cash flows for repayment. Because the main purpose of the savings and loan's participation in commercial lending is to develop short-term assets, it is involved in very little capital financing. The mortgage company was formed to 1) originate income property loans for the S&L, and 2) function as a mortgage banker in placing income property loans throughout the country.

Sources of Funds

The institution handles consumer and commercial deposits in its geographic markets. The manager commented that it competes for its funds with local banks and S&Ls as well as large money market funds. It offers a tiered system of checking accounts (higher interest rates for higher balances), money market deposit accounts, fixed- and variable-rate C.D.s, jumbo C.D.s (deposits over $100,000), and individual retirement accounts.

Views on Deregulation

The president of this S&L generally agrees with deregulation and the laissez-faire approach, but he notes that the current changes have several social implications. First of all, housing is no longer a priority in the allocation of capital resources, since home-buyers must now compete with commercial borrowers for funds.

Secondly, S&L failures have damaged the integrity of the FSLIC and the FDIC Some of these failures, he believes, have been in institutions whose lack of discretion in handling the new powers has brought their downfall. In light of these failures, the manager sees proposed regulatory changes, such as growth rate restrictions and increased net worth requirements, as necessary for safeguarding the reputation of the regulatory institutions.

Commenting on deregulation in other areas of the financial industry, the manager disagrees with the existence of non-bank banks and sees them merely as a means of circumventing the laws. He does not approve of Sears-type businesses' entering the financial industry either, because they are unregulated.

Organization

The second S&L reviewed was founded after deregulation began with the intention of operating much like a commercial bank while obtaining the advantages of a savings and loan charter. A few of these advantages include:

1. Participation in joint ventures.
2. Placement of long-term, fixed-rate mortgages with participants.
3. Fewer restrictions on amount of assets loaned to any one customer.

The organization, which considers itself a "private banking center," is comprised mainly of former commercial bank executives.

This association targets the commercial market and "high dollar" professionals, just as many commercial banks do. Management attributes its effectiveness, however, to the association's personnel, location, and its board of directors. The institution's loan officers have from 5 to 30 years of commercial banking experience. These lenders, they feel, are more capable of making high-quality commercial loans than S&L lenders, who have been limited in the past to mortgage loans. In targeting more affluent customers, the management places great importance on the institution's location. It is situated near several established neighborhoods and is close to a medical complex as well. The savings and loan's third major strength is its board of directors. These individuals, most of whom are extremely well known in the area and are of substantial means, played a major role in attracting investors and borrowers to this new institution.

Assets

Due to the emphasis on the commercial market, most loans are over $300,000. The manager attributes some cost savings to these high volume loans. It holds no fixed-rate loans, and its officers will not make fixed-rate loans unless matched funding is available. Types of loans include construction loans (from interim financing to the permanent loans) and commercial and consumer loans targeting executive and professional clientel. In addition to its loan portfolio, this S&L has invested in two service companies. One of these is a capital company used for participating in joint ventures. The other, a mortgage company, while not yet active, will be used for packaging and selling loans in the event that a bank or savings and loan is acquired in the future.

Sources of Funds

Because of its commercial bank lending orientation, this S&L is atypical of most S&Ls in that its loans are all variable rate, with rates that float daily, as opposed to the general long-term, fixed-rate loans. It is therefore seeking to shorten the maturity of its deposits to better match this unusual asset portfolio. It presently has the following mix of deposits:

40% certificates of deposit of $100,000 or more;

15% certificates of deposit of less than $100,000;

15% "free" commercial deposits; and

30% mixture of IRA's, money market accounts, and other savings deposits.

Management plans to maintain this composition. None of its deposits are brokered, and the average deposit is in excess of $50,000.

In its first year of operation, this S&L grew from $2.5 million in capital to $42 million. Despite this rapid growth, the institution still has a capital adequacy ratio in excess of seven percent of total assets. When their assets reach $100,000, as they anticipate for 1985, the board has already made provisions for a voluntary capital call so that the institution can maintain a solid equity base.

Views on Deregulation

Commenting on deregulation, the manager pointed out that recent regulatory changes have made his type of organization possible. He sees its effects as good for competition and consumers, and added that it will either force some of the larger, stagnant associations out of business or revise their thinking. He attributes the push for reregulation to the high proportion of trouble loans being made by inexperienced lenders. Because bad loans increase earnings losses and thus lower capital, the manager views higher capital requirements as attacking the symptom but not the disease. Commercial loans and joint ventures are lucrative, he says, but professional expertise is essential for obtaining high-quality loans. Two types of reregulation are being considered--one prohibiting use of brokered funds and a second raising capital requirements-- but these proposed regulations would have no effect on this institution. The manager again pointed out that brokered funds are not currently used, and the 7% capital ratio they are maintaining is *above* the proposed requirement. Because of this institution's success, the manager commented, other financial institutions of its type are being formed in its city.

Associations with Assets from $75 Million to $500 Million

Organization

Medium-size S&Ls offered a somewhat different perspective on the effects of deregulation. One S&L, which operates in a major metropolitan area and has assets of over $100 million, has switched its emphasis from mortgage lending to commercial banking. As a part of this strategy, it changed from a federal savings and loan to a federal savings bank. This institution has sought and hired commercial bank expertise to help implement this plan.

Assets

In the early 1980's, this savings bank packaged and sold much of its low-interest mortgage portfolio. The residential lending now centers around one-year ARMs, although high-priced, fixed-rate mortgages are available as an alternative. The institution also deals in second mortgages, auto loans, and a few personal loans.

After the Garn bill went into effect, the savings bank became active in real-estate loans and other types of commercial lending as well. The commercial loans float on a daily basis with the Chase-Manhattan interest-rate index. The institution encourages these short-term, adjustable loans.

Sources of Funds

The organization is aggresively seeking more low-cost funds, primarily through intensified advertising. Jumbo C.D.s have been de-emphasized in favor of checking accounts, especially those with commercial loan customers. Also, Christmas club accounts were discontinued because they were considered too much of a loss leader. To help improve the asset-liability match, special incentives have been offered for longer-term deposits. For example, video games and Cabbage Patch dolls were recently offered for individuals opening 1-year certificates for $10,000 or $20,000.

Services

The institution affiliated with an ATM network in late 1984. These ATMs have been extremely helpful, since the bank is currently operating under tight space constraints. A limited number of safe deposit boxes are presently available.

Views on Deregulation

The savings bank is pleased with the flexibility available in a deregulated environment. However, because the industry is still in a restructuring process, the savings bank president is against an immediate increase in the net worth requirements.

Organization

Operating with assets near $300 million, one thrift has divided into two major segments: 1) a "typical" S&L, and 2) a real estate group. The savings and loan division handles residential and construction lending, deposit activities, and maintains a dozen branch locations. The real estate group consists of a real estate investment company and several subsidiaries, including an appraisal company, title company, property management company, and an architectural and engineering firm. The organization is one of the largest land owners in its city. While the manager identified residential lending as the association's main function, he related that the S&L has increased its profits through vertical integration. More specifically, by getting involved in property acquisition and development, management feels that they have improved their chances of obtaining quality real estate loans. Their philosophy is to run the financial side (the S&L) at break-even and make the majority of their profits from real estate activities.

This association began altering its goals in 1983 with an acquisition and a general alteration of operating philosophy. The management started with a healthy institution and built the infrastructure needed for increased real estate activities. The new subsidiaries took from 12 to 18 months to start their operations.

Management classifies this S&L as an innovator. The association's conversion from mutual to stock form in 1974 was one of the earliest in the country. It was also one of the first in the country to offer an earnings-based certificate of deposit (a $50-million public offering of real-estate-related C.D.'s.) In addition, the manager pointed out that this S&L developed the zero-coupon C.D. in its state.

Assets

Soon after deregulation went into effect, the institution disposed of its fixed-rate loans and now maintains a current portfolio with rate sensitivity equal to its sources of funds. Any fixed-rate mortgages made are sold immediately, but most mortgage loans are one-year, Treasury-indexed ARM's. They deal in both single-family home and commercial construction as well as consumer lending and loans for land acquisition and development. Instead of directly making corporate loans, the S&L has invested in a venture capital fund.

This association hired people with real estate expertise from around the country. Recognizing that the organization's talents are concentrated in real estate and certain savings and loan services, management does not attempt to expand into such unrelated areas as non-real-estate secured commercial lending. They cite diversification within the limits of their expertise as a key factor in their success.

Sources of Funds

This particular association offers a variety of deposit accounts, including tiered checking and flex C.D.'s. In both cases, a higher balance commands a higher interest rate. Around 25% of its deposits are in jumbo C.D.'s ($100,000 and over), while another 40% of the deposit portfolio is in other C.D.'s. A small percentage (5 to 6%) of the association's funds is in passbook accounts, and the remainder is held in money-market checkable deposits.

Future Development

The S&L has plans for starting a securities corporation for selling real estate securities. The savings and loan segment plans to serve as a "correspondent bank" for other S&Ls in the area by offering such services as cash management, property appraising, and title services.

Views on Deregulation

This S&L manager sees a new regulatory emphasis on higher capital requirements and limits on direct investments. He agrees with the need for higher capital requirements, but feels that an "overkill" exists. Of particular concern to him is the FSLIC's push for a "special premium" of 1/8 of a percent on all deposits in 1985, which could put a severe strain on many S&Ls. In the manager's opinion, many of the savings and loan's problems with deregulation stem from their failure to plan and develop an adequate infrastructure before offering new products and services.

Associations with Assets Over $500 Million

Organization

While recent deregulatory legislation has provided S&Ls with many new options, some of these institutions have continued to specialize heavily in mortgage financing. One S&L interviewed, which has assets in excess of $1.7 billion and serves a major metropolitan area, has elected to maintain its position as a conservative mortgage lender. This S&L converted from mutual to stock form of ownership in 1983, but otherwise its operations have remained basically unchanged.

Assets

For this federal institution, deregulation has allowed them to change from long-term, fixed-rate mortgages to one-year adjustable-rate mortgage loans (ARMs). The S&L manager related that their conversion to ARMs was gradual. They first introduced a 3-year ARM and priced their fixed-rate mortgage at an unfavorable interest rate. After the public became familiar with ARMs, this S&L began to emphasize the 1-year ARMs over the 3-year ARMs.

S&L management estimates that it will be 5 to 7 years before the majority of its mortgage portfolio is comprised of variable-rate instruments. They indicated that this time frame is less than the national average of around 10 years. Partly because of this favorable maturity position, the institution's management has chosen to retain its older, lower-rate mortgage loans rather than package them for sale at a discount from par.

Prior to deregulation, this institution participated to a limited extent in consumer lending. It has continued with these personal loans and has become more active in commercial lending as well. The manager indicated that the institution actively buys land for development and sells the lots to builders. It usually handles the interim financing and the final loan in these arrangements. Management's opinion, however, is that the S&L itself should not be involved in developing this land. Therefore, the S&L works with developers in partner-type relationships.

Since deregulation went into effect, this S&L offered and subsequently discontinued an innovative loan product due to poor public response and complications in servicing the loans. This was a "flex mortgage" which can temporarily stop the interest payments on an existing home mortgage while interest continues to accrue. Its purpose was to indirectly use the home as collateral in a state which forbids borrowing against the homestead except for making improvements to the home. The S&L will continue to service those flex mortgages made during the time the product was offered.

Sources of Funds

This S&L offers the basic checking accounts and money market deposit accounts (MMDAs) permitted by law. One special account offered is a real-estate participation certificate of deposit. This savings instrument, which earns a relatively low fixed rate of return, is tied to a block of real estate loans. When the loans are sold, the savings customer "participates" in the profits from the real estate sale.

Services

In regard to services, depositors have access to an ATM network and safe deposit boxes. Because of the high costs involved in introducing a new product, such as data processing setups, marketing, and employee education, this S&L is very selective in instituting new products and services. It usually assumes a "wait-and-see" position regarding innovative products. It is interesting that the largest S&L involved in the interviews was the most wary of using its new powers.

Views on Deregulation

Aware of its limitations, management maintains a cautious approach toward the innovations allowed as a result of deregulation. Overall, this S&L still considers its mission as accepting savings deposits and extending mortgage loans. In recent years, it has offered relatively few new products, and perhaps the most drastic change has been the switch to variable-rate mortgages. In consideration of its regulated, relatively sheltered past, management feels that S&Ls are not a place for entrepreneurs.

Organization

The last savings and loan whose management was interviewed has integrated three industries into a holding-company format. These industries are mortgage banking, real estate development, and retail banking. The president commented that an S&L charter is the only charter which allows these three activities to be combined. This state-chartered institution was founded in 1978 in a state which had already removed many S&L asset restrictions. It has, therefore, operated in a deregulated environment over a much longer period than has been true in most other parts of the nation. In such an atmosphere, according to the president, entrepreneurism is the key to success. The company is therefore divided into independent profit centers so that each center can develop a unique entrepreneural spirit. The company then functions to blend the centers together and insure that they strive to meet common goals. Competent managers for these divisions, along with accurate reporting and control, are recognized as crucial in this arrangement. There are presently eight profit centers, but more are developing.

The association has chosen to be a national company, operating thirty loan origination offices in twenty states. The profit center concept aids this activity as well, while the company maintains the support operations.

Assets

The mortgage bank initiates the mortgage loans, sells them to investors, and continues to service these loans for their customers. The real estate development involves joint ventures for the purchase, development, and sale of land, as well as construction. The retail banks operate like commercial banks by accepting deposits and making consumer and commercial loans. Because of the wide range of products and services available through these three types of operations, the company is able to purchase land, meet the financing requirements of the builder, and later serve the home–buyer's mortgage and retail banking needs.

Services

Services offered through the retail banking facilities include discount brokerage, ATM's, insurance, and financial planning. The organization's marketing department is constantly monitoring customer needs through surveys and other means of analysis, so that the company can adapt to the public's changing demands for financial services.

Views on Deregulation

Relating his views on deregulation, the manager emphasized that consumers have benefitted through more favorable prices, better service, and an increase in alternatives. Deregulation, he says, has given S&Ls the responsibility of being innovative. He favors capital requirements as a means of regulation and adds that S&Ls meeting the stated capital requirements should be allowed to be creative.

CONCLUSIONS

Savings and loans have experienced a major transformation within the last five years, largely due to volatile economic conditions, increased competition with other types of financial institutions, and deregulatory legislation. This new legal environment has presented S&L management with a wide variety of alternatives. The S&L managers interviewed possess a broad array of goals and strategies for their institutions, ranging from a traditional S&L and a private banking center to a real-estate group and a "full-service" holding company; this research finding supports Cassidy's and Marcis' predictions of industry diversification.

The increased diversification of S&L portfolios has not become the panacea that some legislators anticipated. The regression results produced in this study, in fact, showed that a broader asset mix had an adverse effect on S&L earnings in some instances. Possible explanations include the higher risk involved in many non-mortgage loans, small loan volume in these new areas, and lack of experience in commercial and consumer lending.

Another approach to the S&L asset/liability mismatch problem has been the offering of adjustable-rate mortgages. All six of the institutions interviewed offer ARMs, and most of these favor one-year adjustables. Because almost all of the surveyed institutions (97.3%) continue to offer conventional mortgage loans, this development should be very beneficial. The 75% positive response to the national survey for an *increase* in mortgage lending indicates a continuing commitment to the housing industry.

Several structural changes have occured in the S&L industry during the 1980's. As indicated by the survey, a large portion of the industry has participated in mergers, which resulted in larger institutions, on average. The survey also revealed that many mutual associations have raised capital by converting to a stock form of ownership, as Ollard observed.

The low net worth for the industry has shaken the public's confidence in the industry. Proposed legislation would restore the net worth requirement to five percent, but many S&Ls would need a substantial "grace period" before they could meet this new standard. As a further control, the S&L examiners may wish to institute even more strict evaluations of institutions because of the increased risk of their activities and investments.

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SAVINGS AND LOAN SURVEY

INSTRUCTIONS:
We have tried to make this survey short and simple to complete. The majority of questions can be answered with a simple check mark or an "x" on the appropriate line. For those questions asking for specific dates or other information, please mark "NA" if that information is unavailable. However, please complete all the items you can. All individual responses are <u>confidential</u>. Only statistical summaries of grouped responses will be reported without revealing the identity of any one S&L or individual. Your efforts in answering these questions should be of significant help to those managers and planners in the S&L industry. That effort is appreciated!

1. When was your institution chartered? Year______

2. Is your institution:

__Part of a larger holding company
__Owner of one or more smaller S&Ls
__Independent

3. Are you involved in any commercial loan participations with other S&Ls?

__Yes __No

4. Has your institution converted from mutual to stock form?

__Yes __No

If "yes," please give conversion date:______

5. Have you included appraised equity capital in your regulatory net worth calculation?

If so, give the year:_______.

6. Are you involved in any significant <u>multistate</u> operations in any of the following areas? (Please check which, if any.)

__Real estate lending
__Mortgage banking
__Construction lending
__Other (Please describe.)

____

____.

7. Has your institution participated in a merger recently?

___Yes ___No

If so, were you the acquiring or acquired institution? (Please check.)

___Acquiring ___Acquired ___Other (Including Phoenix-type merger)

Please indicate the year of the merger:______________

8. If you were involved in a merger, how was it classified?

__Voluntary
__Supervisory
__FSLIC-assisted

9. Below is a list of specific <u>lending services</u> provided by some S&Ls. Please check the appropriate columns indicating whether or not you currently offer the type of loan indicated, or formerly offered the loan but have now discontinued it. Please indicate as well whether you would like to see such loans <u>increased</u>, <u>decreased</u>, or <u>held about where they are</u> as a proportion of your institution's loan portfolio.

Types of Loans	Offer now	Discontinued Loan Service	As Fraction of Loan Portfolio: Increase	Decrease	Hold
e. Construction	____	____	____	____	____
f. Business	____	____	____	____	____
g. Real Estate Development	____	____	____	____	____
h. Education	____	____	____	____	____
i. Mobile Homes	____	____	____	____	____
j. Mortgages: FHA or VA	____	____	____	____	____
k. Mortgages: conventional	____	____	____	____	____
l. Other____	____	____	____	____	____
m. Other____	____	____	____	____	____
n. Other____	____	____	____	____	____

10. Please indicate whether you would like to see the following items on your institution's balance sheet held constant, increased, or decreased. Mark with an "x" those you do <u>not</u> have on your balance sheet.

Assets or Liabilities	Increased (As Fraction of Total Assets)	Decreased (As Fraction of Total Assets)	Held Constant (As Fraction of Total Assets)	Do Not Have (x)
a. Real Estate Owned for Development	____	____	____	____
b. Cash and Investment Securities	____	____	____	____
c. Investments in Service Corps.	____	____	____	____
d. Reverse Repurchase Agreements	____	____	____	____
e. Mortgage-Backed Securities	____	____	____	____
f. Jumbo CD's	____	____	____	____
g. Other High-Yield Deposit Accounts	____	____	____	____
h. NOW Accounts	____	____	____	____
i. Passbook Accounts	____	____	____	____
j. FHLB Advances	____	____	____	____
k. Long-Term Borrowed Money	____	____	____	____
l. Subordinated Debentures	____	____	____	____
m. Euromarket Borrowing	____	____	____	____
n. Other____	____	____	____	____
o. Other____	____	____	____	____
p. Other____	____	____	____	____

11. What federal and/or state legislation do you feel prohibits or severely limits the feasibility and profitability of certain S&L services? Please explain.

____
____
____.

12. Please list those services your S&L offers which you believe are
...ute to your institution's
ATMs, financial
t services, direct
cks, money orders,
ts (like ATMs).)

Please list unprofitable services: ________________________________
____
____.

13. In deciding whether to offer new services and how to price them, what sources of information does your S&L consult?

___Other financial institutions offering similar accounts
___Institutions in other markets offering similar accounts
___S&L trade associations
___Government regulatory agencies
___Outside consultants
___Other sources (Please identify) ________________________________
____.

14. Do you believe the offering of new higher yield savings and time accounts has influenced your institution's lending and investment policies?

___Yes ___No ___No idea

15. Is your institution <u>currently</u> involved in the following activities?

a. Defining specific target market groups to whom your S&L will promote various accounts.

___Yes ___No ___No Idea

b. Systematically collecting information on competitors' deposit account rates.

___Yes ___No ___No Idea

c. Evaluating the desirability of your deposit services to your potential customers in comparison to your competitors' deposit programs.

___Yes ___No ___No Idea

16. Are you in favor of allowing commercial banks or bank holding companies to buy healthy S&Ls?

___Yes ___No

Why or why not? ____
____
____.

17. Please check the following services you would like to offer, if it were possible. Also check those services which you expect to offer within the next 3 years. Please place an "x" beside any service already offered. By not checking any of the columns in a catagory, you indicate that you neither offer nor plan to offer that particular service.

Offer Now		Would like to offer	Expect to Offer Within Next 3 Years
_____	Mutual Stock or Bond Funds	_____	_____
_____	Money Market Funds	_____	_____
_____	Property-Casualty Insurance Policies	_____	_____
_____	Administration of Corporate Pension Plans	_____	_____
_____	Discount Brokerage of Securities	_____	_____
_____	Estate Planning and Management	_____	_____
_____	Tax Counseling and Tax Return Preparation	_____	_____
_____	Investment Planning for Customers	_____	_____
_____	Business Inventory Loans	_____	_____
_____	Accounts Receivable Loans	_____	_____
_____	Direct Deposit of Payrolls	_____	_____
_____	Point-of-Sale Transactions Processing	_____	_____
_____	Life Insurance Policies (other than credit life)	_____	_____
_____	Transactions by Telephone	_____	_____
_____	Transactions by Customer's Home or Office Computer	_____	_____
_____	Access to National ATM Network	_____	_____
_____	Consumer Cash Management Services	_____	_____
_____	Corporate Cash Management Services	_____	_____
_____	Leveraged Lease Plans	_____	_____
_____	Loan Syndications	_____	_____
_____	Venture Capital Financing	_____	_____
_____	Investment Banking (underwriting securities)	_____	_____
_____	Business Checking Deposits	_____	_____
_____	Other ______________________________	_____	_____
_____	Other ______________________________	_____	_____
_____	Other ______________________________	_____	_____

Thank you for your patience and attention to detail in answering the foregoing questions. Please return this survey form to:

Dr. Peter S. Rose
Finance Department
Blocker Building
Texas A&M University
College Station, TX 77843-4218

Please note: The format and content of this survey instrument are not intended to express or reflect any official policy of Texas A&M University.

WHEN WAS YOUR INSTITUTION CHARTERED?

A1	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
1872	1	1	0.893	0.893
1873	1	2	0.893	1.786
1875	1	3	0.893	2.679
1879	1	4	0.893	3.571
1883	1	5	0.893	4.464
1884	2	7	1.786	6.250
1885	3	10	2.679	8.929
1886	2	12	1.786	10.714
1887	2	14	1.786	12.500
1888	1	15	0.893	13.393
1889	2	17	1.786	15.179
1890	2	19	1.786	16.964
1891	2	21	1.786	18.750
1892	4	25	3.571	22.321
1893	1	26	0.893	23.214
1894	1	27	0.893	24.107
1900	1	28	0.893	25.000
1901	1	29	0.893	25.893
1903	1	30	0.893	26.786
1904	1	31	0.893	27.679
1905	2	33	1.786	29.464
1906	1	34	0.893	30.357
1907	1	35	0.893	31.250
1910	2	37	1.786	33.036
1911	2	39	1.786	34.821
1913	1	40	0.893	35.714
1914	1	41	0.893	36.607
1915	1	42	0.893	37.500
1916	1	43	0.893	38.393
1917	3	46	2.679	41.071
1918	2	48	1.786	42.857
1919	3	51	2.679	45.536
1920	1	52	0.893	46.429
1921	1	53	0.893	47.321
1922	1	54	0.893	48.214
1923	2	56	1.786	50.000
1924	3	59	2.679	52.679
1925	1	60	0.893	53.571
1926	1	61	0.893	54.464
1927	2	63	1.786	56.250
1929	2	65	1.786	58.036
1933	2	67	1.786	59.821
1934	8	75	7.143	66.964
1935	3	78	2.679	69.643
1936	2	80	1.786	71.429
1937	2	82	1.786	73.214
1939	1	83	0.893	74.107
1941	2	85	1.786	75.893
1946	2	87	1.786	77.679
1949	1	88	0.893	78.571
1951	1	89	0.893	79.464
1952	1	90	0.893	80.357
1953	2	92	1.786	82.143
1957	1	93	0.893	83.036

LIKE TO: BUSINESS CHECKING DEPOSITS

B1723	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	6	6	5.357	5.357
YES	32	38	28.571	33.929
NO	74	112	66.071	100.000

EXPECT: BUSINESS CHECKING DEPOSITS

C1723	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	6	6	5.357	5.357
YES	20	26	17.857	23.214
NC	86	112	76.786	100.000

OFFER: VENTURE CAPITAL FINANCING

A1721	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	9	14	8.036	12.500
NO	98	112	87.500	100.000

LIKE TO: VENTURE CAPITAL FINANCING

B1721	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	3	8	2.679	7.143
NO	104	112	92.857	100.000

EXPECT: VENTURE CAPITAL FINANCING

C1721	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	2	7	1.786	6.250
NO	105	112	93.750	100.000

OFFER: INVESTMENT BANKING

A1722	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	6	6	5.357	5.357
YES	2	8	1.786	7.143
NO	104	112	92.857	100.000

LIKE TO: INVESTMENT BANKING

B1722	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	6	6	5.357	5.357
YES	8	14	7.143	12.500
NO	98	112	87.500	100.000

EXPECT: INVESTMENT BANKING

C1722	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	6	6	5.357	5.357
YES	2	8	1.786	7.143
NO	104	112	92.857	100.000

OFFER: BUSINESS CHECKING DEPOSITS

A1723	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	6	6	5.357	5.357
YES	44	50	39.286	44.643
NO	62	112	55.357	100.000

LIKE TO: ACCESS TO ATM

B1716	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	34	39	30.357	34.821
NO	73	112	65.179	100.000

EXPECT: ACCESS TO ATM

C1716	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	37	42	33.036	37.500
NC	70	112	62.500	100.000

OFFER: CONSUMER CASH MGMT

A1717	FREQUENCY	CUM FREQ	PERCENT	CJM PERCENT
N/A	5	5	4.464	4.464
YES	6	11	5.357	9.821
NO	101	112	90.179	100.000

LIKE TC: CONSUMER CASH MGMT

B1717	FREQUENCY	CUM FREG	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	31	36	27.679	32.143
NO	76	112	67.857	100.000

EXPECT: CONSUMER CASH MGMT

C1717	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	14	19	12.500	16.964
NC	93	112	83.036	100.000

OFFER: CORP CASH MGMT

A1718	FREQUENCY	CUM FREQ	PERCENT	CJM PERCENT
N/A	5	5	4.464	4.464
YES	2	7	1.786	6.250
NO	105	112	93.750	100.000

LIKE TC: CORP CASH MGMT

B1718	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	25	30	22.321	26.786
NO	82	112	73.214	100.000

EXPECT: CORP CASH MGMT

C1718	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	10	15	8.929	13.393
NO	97	112	86.607	100.000

OFFER: LEVERAGED LEASE PLANS

A1719	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	1	6	0.893	5.357
NO	106	112	94.643	100.000

LIKE TO: LEVERAGED LEASE PLANS

B1719	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	8	13	7.143	11.607
NO	99	112	88.393	100.000

EXPECT: LEVERAGED LEASE PLANS

C1719	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	7	12	6.250	10.714
NO	100	112	89.286	100.000

OFFER: LOAN SYNDICATIONS

A1720	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	9	14	8.036	12.500
NO	98	112	87.500	100.000

LIKE TO: LOAN SYNDICATIONS

B1720	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	16	21	14.286	18.750
NO	91	112	81.250	100.000

EXPECT: LOAN SYNDICATIONS

C1720	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	13	18	11.607	16.071
NO	94	112	83.929	100.000

OFFER: TRANS BY PHONE

A1714	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	45	50	40.179	44.643
NO	62	112	55.357	100.000

LIKE TO: TRANS BY PHONE

B1714	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	12	17	10.714	15.179
NO	95	112	84.821	100.000

EXPECT: TRANS BY PHONE

C1714	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	10	15	8.929	13.393
NO	97	112	86.607	100.000

OFFER: TRANS BY COMPUTER

A1715	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	1	6	0.893	5.357
NO	106	112	94.643	100.000

LIKE TO: TRANS BY COMPUTER

B1715	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	26	31	23.214	27.679
NO	81	112	72.321	100.000

EXPECT: TRANS BY COMPUTER

C1715	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	14	19	12.500	16.964
NO	93	112	83.036	100.000

OFFER: ACCESS TO ATM

A1716	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	23	28	20.536	25.000
NO	84	112	75.000	100.000

EXPECT: DIRECT DEPCSIT OF PAYRCLLS

C1711	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	12	17	10.714	15.179
NC	95	112	84.821	100.000

OFFER: POINT-OF-SALE TRANS

A1712	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	6	11	5.357	9.821
NO	101	112	90.179	100.000

LIKE TO: POINT-OF-SALE TRANS

B1712	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	25	30	22.321	26.786
NO	82	112	73.214	100.000

EXPECT: POINT-OF-SALE TRANS

C1712	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	14	19	12.500	16.964
NC	93	112	83.036	100.000

OFFER: LIFE INS.

A1713	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	26	31	23.214	27.679
NO	81	112	72.321	100.000

LIKE TO: LIFE INS.

B1713	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	21	26	18.750	23.214
NO	86	112	76.786	100.000

EXPECT: LIFE INS.

C1713	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	12	17	10.714	15.179
NC	95	112	84.821	100.000

LIKE TO: BUSINESS INVENTORY LOANS

B1709	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	12	17	10.714	15.179
NO	95	112	84.821	100.000

EXPECT: BUSINESS INVENTORY LOANS

C1709	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	10	15	8.929	13.393
NO	97	112	86.607	100.000

OFFER: ACCOUNTS RECEIVABLE LOANS

A1710	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	21	26	18.750	23.214
NO	86	112	76.786	100.000

LIKE TO: ACCOUNTS RECEIVABLE LOANS

B1710	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	11	16	9.821	14.286
NO	96	112	85.714	100.000

EXPECT: ACCOUNTS RECEIVABLE LOANS

C1710	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	8	13	7.143	11.607
NO	99	112	88.393	100.000

OFFER: DIRECT DEPOSIT OF PAYROLLS

A1711	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	58	63	51.786	56.250
NO	49	112	43.750	100.000

LIKE TO: DIRECT DEPOSIT OF PAYROLLS

B1711	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	27	32	24.107	28.571
NO	80	112	71.429	100.000

MORTGAGE-BACKED SECURITIES

A10E	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	10	10	8.929	8.929
INCREASED	28	38	25.000	33.929
DECREASED	16	54	14.286	48.214
HOLD STEADY	36	90	32.143	80.357
DO NOT HAVE	22	112	19.643	100.000

JUMBO CD"S

A10F	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	8	8	7.143	7.143
INCREASED	20	28	17.857	25.000
DECREASED	25	53	22.321	47.321
HOLD STEADY	48	101	42.857	90.179
DO NOT HAVE	11	112	9.821	100.000

OTHER HIGH-YIELD DEPOSIT ACCOUNTS

A10G	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	10	10	8.929	8.929
INCREASED	19	29	16.964	25.893
DECREASED	35	64	31.250	57.143
HOLD STEADY	32	96	28.571	85.714
DO NOT HAVE	16	112	14.286	100.000

NOW ACCOUNTS

A10H	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	9	9	8.036	8.036
INCREASED	92	101	82.143	90.179
DECREASED	3	104	2.679	92.857
HOLD STEADY	4	108	3.571	96.429
DO NOT HAVE	4	112	3.571	100.000

PASSBOOK ACCOUNTS

A10I	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	9	9	8.036	8.036
INCREASED	82	91	73.214	81.250
DECREASED	6	97	5.357	86.607
HOLD STEADY	14	111	12.500	99.107
DO NOT HAVE	1	112	0.893	100.000

FHLB ADVANCES

A10J	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	9	9	8.036	8.036
INCREASED	10	19	8.929	16.964
DECREASED	24	43	21.429	38.393
HOLD STEADY	33	76	29.464	67.857
DO NOT HAVE	36	112	32.143	100.000

LONG-TERM BORROWED MONEY

A10K	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	8	8	7.143	7.143
INCREASED	26	34	23.214	30.357
DECREASED	16	50	14.286	44.643
HOLD STEADY	14	64	12.500	57.143
DO NOT HAVE	48	112	42.857	100.000

SUBORDINATED DEBENTURES

A10L	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	7	7	6.250	6.250
INCREASED	8	15	7.143	13.393
DECREASED	2	17	1.786	15.179
HOLD STEADY	3	20	2.679	17.857
DO NOT HAVE	92	112	82.143	100.000

EUROMARKET BORROWING

A10M	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	11	11	9.821	9.821
INCREASED	4	15	3.571	13.393
DECREASED	1	16	0.893	14.286
HOLD STEADY	1	17	0.893	15.179
DO NOT HAVE	95	112	84.821	100.000

OTHER FI"S W/ SIMILAR ACCOUNTS

A1301	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	3	3	2.679	2.679
YES	85	88	75.893	78.571
NO	24	112	21.429	100.000

INSTITUTIONS IN OTHER MARKETS

A1302	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	3	3	2.679	2.679
YES	55	58	49.107	51.786
NO	54	112	48.214	100.000

OFFER: TAX COUNCELING

A1707	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	4	9	3.571	8.036
NO	103	112	91.964	100.000

LIKE TO: TAX COUNCELING

B1707	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	12	17	10.714	15.179
NO	95	112	84.821	100.000

EXPECT: TAX COUNCELING

C1707	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	6	11	5.357	9.821
NO	101	112	90.179	100.000

OFFER: INVESTMENT PLANNING

A1708	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	20	25	17.857	22.321
NO	87	112	77.679	100.000

LIKE TO: INVESTMENT PLANNING

B1708	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	30	35	26.786	31.250
NO	77	112	68.750	100.000

EXPECT: INVESTMENT PLANNING

C1708	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	17	22	15.179	19.643
NO	90	112	80.357	100.000

OFFER: BUSINESS INVENTORY LOANS

A1709	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	25	30	22.321	26.786
NO	82	112	73.214	100.000

S&L TRADE ASSNS.

A1303	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	2	2	1.786	1.786
YES	79	81	70.536	72.321
NO	31	112	27.679	100.000

GOVT. REG. AGENCIES

A1304	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	25	30	22.321	26.786
NO	82	112	73.214	100.000

OUTSIDE CONSULTANTS

A1305	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	4	4	3.571	3.571
YES	36	40	32.143	35.714
NO	72	112	64.286	100.000

OTHER SOURCES

A1306	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	16	21	14.286	18.750
NO	91	112	81.250	100.000

HIGHER YIELD ACCOUNTS" INFLUENCE

A14	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	4	4	3.571	3.571
YES	97	101	86.607	90.179
NO	10	111	8.929	99.107
NO IDEA	1	112	0.893	100.000

DEFINING SPECIFIC TARGET MARKETS

A15A	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	3	3	2.679	2.679
YES	74	77	66.071	68.750
NO	34	111	30.357	99.107
NO IDEA	1	112	0.893	100.000

COLLECTING INFO ON COMPETITORS" RATES

A15B	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	3	3	2.679	2.679
YES	96	99	85.714	88.393
NO	12	111	10.714	99.107
NO IDEA	1	112	0.893	100.000

EVALUATING DEPOSIT SERVICES W/ COMPET.

A15C	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	4	4	3.571	3.571
YES	90	94	80.357	83.929
NO	17	111	15.179	99.107
NO IDEA	1	112	0.893	100.000

LETTING CB"S OR BANK HC"S BUY S&LS

A16	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	8	8	7.143	7.143
YES	42	50	37.500	44.643
NO	62	112	55.357	100.000

OFFER: MUTUAL STOCK OR BOND FUNDS

A1701	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	8	13	7.143	11.607
NO	99	112	88.393	100.000

LIKE TO: MUTUAL STOCK OR BOND FUNDS

B1701	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	12	17	10.714	15.179
NO	95	112	84.821	100.000

EXPECT: MUTUAL STOCK OR BOND FUNDS

C1701	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	8	13	7.143	11.607
NO	99	112	88.393	100.000

OFFER: MONEY MARKET FUNDS

A1702	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	39	44	34.821	39.286
NO	68	112	60.714	100.000

EXPECT: ADMIN. OF CORP PENSION PLANS

C1704	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	8	13	7.143	11.607
NO	99	112	88.393	100.000

OFFER: DISCOUNT BROKERAGE

A1705	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	25	30	22.321	26.786
NO	82	112	73.214	100.000

LIKE TO: DISCOUNT BROKERAGE

B1705	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	22	27	19.643	24.107
NO	85	112	75.893	100.000

EXPECT: DISCOUNT BROKERAGE

C1705	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	18	23	16.071	20.536
NO	89	112	79.464	100.000

OFFER: ESTATE PLANNING AND MGMT

A1706	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	5	10	4.464	8.929
NO	102	112	91.071	100.000

LIKE TO: ESTATE PLANNING AND MGMT

B1706	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	20	25	17.857	22.321
NO	87	112	77.679	100.000

EXPECT: ESTATE PLANNING AND MGMT

C1706	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	9	14	8.036	12.500
NO	98	112	87.500	100.000

LIKE TO: MONEY MARKET FUNDS

B1702	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	15	20	13.393	17.857
NC	92	112	82.143	100.000

EXPECT: MONEY MARKET FUNDS

C1702	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	7	12	6.250	10.714
NO	100	112	89.286	100.000

OFFER: PROP-CAS. INS. POLICIES

A1703	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	22	27	19.643	24.107
NC	85	112	75.893	100.000

LIKE TO: PROP-CAS. INS. POLICIES

B1703	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	28	33	25.000	29.464
NO	79	112	70.536	100.000

EXPECT: PROP-CAS. INS. POLICIES

C1703	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	16	21	14.286	18.750
NO	91	112	81.250	100.000

OFFER: ADMIN. OF CCRP PENSION PLANS

A1704	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	4	9	3.571	8.036
NC	103	112	91.964	100.000

LIKE TO: ADMIN. OF CORP PENSION PLANS

B1704	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	5	5	4.464	4.464
YES	25	30	22.321	26.786
NC	82	112	73.214	100.000

PROPORTION: MORTGAGES: CONVENTIONAL

B9K	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	20	20	17.857	17.857
INCREASED	64	84	57.143	75.000
DECREASED	16	100	14.286	89.286
HOLD STEADY	12	112	10.714	100.000

R. E. FOR DEVELOPMENT

A10A	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	8	8	7.143	7.143
INCREASED	12	20	10.714	17.857
DECREASED	27	47	24.107	41.964
HOLD STEADY	16	63	14.286	56.250
DO NOT HAVE	49	112	43.750	100.000

CASH AND INVESTMENT SECURITIES

A10B	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	9	9	8.036	8.036
INCREASED	49	58	43.750	51.786
DECREASED	16	74	14.286	66.071
HOLD STEADY	37	111	33.036	99.107
DO NOT HAVE	1	112	0.893	100.000

INVESTMENTS IN SERVICE CORPS.

A10C	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	8	8	7.143	7.143
INCREASED	37	45	33.036	40.179
DECREASED	7	52	6.250	46.429
HOLD STEADY	40	92	35.714	82.143
DO NOT HAVE	20	112	17.857	100.000

REVERSE REPO

A10D	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	9	9	8.036	8.036
INCREASED	10	19	8.929	16.964
DECREASED	5	24	4.464	21.429
HOLD STEADY	25	49	22.321	43.750
DO NOT HAVE	63	112	56.250	100.000

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PROPORTION: EDUCATION

B9H	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	69	69	61.607	61.607
INCREASED	24	93	21.429	83.036
DECREASED	4	97	3.571	86.607
HOLD STEADY	15	112	13.393	100.000

MOBILE HCMES

A9I	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	69	69	61.607	61.607
OFFER NOW	22	91	19.643	81.250
DSC LCAN SERVICE	21	112	18.750	100.000

PROPORTION: MOBILE HOMES

B9I	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	87	87	77.679	77.679
INCREASED	6	93	5.357	83.036
DECREASED	8	101	7.143	90.179
HOLD STEADY	11	112	9.821	100.000

MORTGAGES: FHA, VA

A9J	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	55	55	49.107	49.107
OFFER NOW	44	99	39.286	88.393
DSC LCAN SERVICE	13	112	11.607	100.000

PROPORTION: MORTGAGES

B9J	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	72	72	64.286	64.286
INCREASED	19	91	16.964	81.250
DECREASED	9	100	8.036	89.286
HOLD STEADY	12	112	10.714	100.000

MORTGAGES: CONVENTIONAL

A9K	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	2	2	1.786	1.786
OFFER NOW	109	111	97.321	99.107
DSC LCAN SERVICE	1	112	0.893	100.000

PROPORTION: CONSTRUCTION

B9E	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	34	34	30.357	30.357
INCREASED	44	78	39.286	69.643
DECREASED	7	85	6.250	75.893
HOLD STEADY	27	112	24.107	100.000

BUSINESS

A9F	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	57	57	50.893	50.893
OFFER NOW	48	105	42.857	93.750
DSC LOAN SERVICE	7	112	6.250	100.000

PROPORTION: BUSINESS

B9F	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	70	70	62.500	62.500
INCREASED	31	101	27.679	90.179
HOLD STEADY	11	112	9.821	100.000

R. E. DEVELOPMENT

A9G	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	37	37	33.036	33.036
OFFER NOW	68	105	60.714	93.750
DSC LOAN SERVICE	7	112	6.250	100.000

PROPORTION: R. E. DEVELOPMENT

B9G	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	52	52	46.429	46.429
INCREASED	21	73	18.750	65.179
DECREASED	15	88	13.393	78.571
HOLD STEADY	24	112	21.429	100.000

EDUCATION

A9H	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	53	53	47.321	47.321
OFFER NOW	49	102	43.750	91.071
DSC LOAN SERVICE	10	112	8.929	100.000

ACQUIRING, ACQUIRED, OR OTHER

A702	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	84	84	75.000	75.000
ACQUIRING	21	105	18.750	93.750
ACQUIRED	6	111	5.357	99.107
OTHER	1	112	0.893	100.000

YEAR, IF IN MERGER

A703	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
0	83	83	74.107	74.107
1980	3	86	2.679	76.786
1981	3	89	2.679	79.464
1982	13	102	11.607	91.071
1983	7	109	6.250	97.321
1984	2	111	1.786	99.107
1985	1	112	0.893	100.000

IF IN MERGER, HOW CLASSIFIED?

A8	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	83	83	74.107	74.107
VOLUNTARY	23	106	20.536	94.643
SUPERVISORY	5	111	4.464	99.107
FSLIC-ASSISTED	1	112	0.893	100.000

HOME IMPROVEMENT

A9A	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	13	13	11.607	11.607
OFFER NOW	98	111	87.500	99.107
DSC LOAN SERVICE	1	112	0.893	100.000

PROPORTION: HOME IMPROVEMENT

B9A	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	27	27	24.107	24.107
INCREASED	60	87	53.571	77.679
DECREASED	3	90	2.679	80.357
HELD STEADY	22	112	19.643	100.000

AUTO

A9B	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	28	28	25.000	25.000
OFFER NOW	83	111	74.107	99.107
DSC LOAN SERVICE	1	112	0.893	100.000

INCLUDED APPRAISED EQUITY CAPITAL?

A501	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	3	3	2.679	2.679
YES	22	25	19.643	22.321
NO	87	112	77.679	100.000

YEAR (IF "YES")

A502	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
0	90	90	80.357	80.357
1982	4	94	3.571	83.929
1983	13	107	11.607	95.536
1984	3	110	2.679	98.214
1985	2	112	1.786	100.000

MULTISTATE R. E. LENDING

A601	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
YES	19	19	16.964	16.964
NO	93	112	83.036	100.000

MULTISTATE MORTGAGE BANKING

A602	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
YES	15	15	13.393	13.393
NO	97	112	86.607	100.000

MULTISTATE CONSTRUCTION LENDING

A603	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
YES	17	17	15.179	15.179
NO	95	112	84.821	100.000

MULTISTATE OTHER

A604	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
YES	4	4	3.571	3.571
NO	108	112	96.429	100.000

PARTICIPATED IN MERGER RECENTLY?

A701	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
YES	29	29	25.893	25.893
NO	83	112	74.107	100.000

PROPORTION: AUTO

B9B	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	40	40	35.714	35.714
INCREASED	57	97	50.893	86.607
DECREASED	2	99	1.786	88.393
HOLD STEADY	13	112	11.607	100.000

CONSUMER INSTALMENT, CASH LOANS

A9C	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	29	29	25.893	25.893
OFFER NOW	80	109	71.429	97.321
DSC LOAN SERVICE	3	112	2.679	100.000

PROPORT: CONSUMER INSTALMENT, CASH LOANS

B9C	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	43	43	38.393	38.393
INCREASED	49	92	43.750	82.143
DECREASED	6	98	5.357	87.500
HOLD STEADY	14	112	12.500	100.000

CREDIT CARD

A9D	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	76	76	67.857	67.857
OFFER NOW	30	106	26.786	94.643
DSC LOAN SERVICE	6	112	5.357	100.000

PROPORTION: CREDIT CARD

B9D	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	89	89	79.464	79.464
INCREASED	18	107	16.071	95.536
HOLD STEADY	5	112	4.464	100.000

CONSTRUCTION

A9E	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	14	14	12.500	12.500
OFFER NOW	93	107	83.036	95.536
DSC LOAN SERVICE	5	112	4.464	100.000

WHEN WAS YOUR INSTITUTION CHARTERED?

A1	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
1958	1	94	0.893	83.929
1959	1	95	0.893	84.821
1960	2	97	1.786	86.607
1961	1	98	0.893	87.500
1962	1	99	0.893	88.393
1964	1	100	0.893	89.286
1965	2	102	1.786	91.071
1973	1	103	0.893	91.964
1975	1	104	0.893	92.857
1976	2	106	1.786	94.643
1978	1	107	0.893	95.536
1979	1	108	0.893	96.429
1981	1	109	0.893	97.321
1982	1	110	0.893	98.214
1983	2	112	1.786	100.000

PART OF HOLDING CO., OWNER, OR INDEPEN.

A2	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
N/A	1	1	0.893	0.893
PART OF LRGER HC	4	5	3.571	4.464
OWNER-ONE+ S&L"S	2	7	1.786	6.250
INDEPENDENT	105	112	93.750	100.000

COMMERCIAL LOAN PARTICIPATIONS?

A3	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
YES	72	72	64.286	64.286
NO	40	112	35.714	100.000

CONVERTED FROM MUTUAL TO STOCK FORM?

A401	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
YES	15	15	13.393	13.393
NO	97	112	86.607	100.000

YEAR (IF "YES")

A402	FREQUENCY	CUM FREQ	PERCENT	CUM PERCENT
0	97	97	86.607	86.607
1977	1	98	0.893	87.500
1979	1	99	0.893	88.393
1981	1	100	0.893	89.286
1982	1	101	0.893	90.179
1983	4	105	3.571	93.750
1984	5	110	4.464	98.214
1985	2	112	1.786	100.000