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Thanks for contacting my office to express your views on the banking legislation moving through Congress. It's good to hear from you, and I apologize for the delay in my response.

As you may know, the major banking bill passed the House Committee on Banking, Finance and Urban Affairs in early July. At this time, H.R. 6 is being reviewed by four other committees. The bill will likely be considered by the full House before the end of the year. On the Senate side, banking legislation will be considered by the Banking Committee sometime after the August recess.

You mentioned your support for the Hubbard Amendment which would maintain current law with respect to deposit insurance. Currently, the federal government, through FDIC, will insure up to \$1.4 million per family. President Bush believes this number should be reduced to a total coverage of \$400,000.

As you know, deposit insurance was designed to protect the deposits of average Americans and instill confidence in banks. However, when FDIC insures deposits of over one million dollars, it far exceeds its original purpose. I have some serious concerns with average Americans being on the hook for a wealthy individual's million dollar account. In addition, by not insuring million dollar deposits, we create a market incentive for wealthy individuals to prudently deposit their money. Naturally, risk-averse depositors will deposit their money in banks making less risky investments. You should also know that I do not support the "too big to fail" doctrine that also leaves taxpayers' exposure virtually unlimited.

You expressed your support for the Leach amendment, which would preserve Glass-Steagal and prohibit banks from affiliating with non-banking commercial enterprises. I understand your concerns and think they are valid. You make a legitimate point that banks have the fiscal safety net of FDIC. Like you, I would not want banks to engage in non-banking activities with the taxpayer picking up the tab if they fail.

I did not support the Leach amendment, however, because in my view the bill includes sufficient firewalls to prevent this from happening. Under the legislation, banks themselves could not offer insurance. Rather, a diversified holding company could own a financial services holding company which could include a bank, real estate company and/or insurance company. Let me stress again that firewalls are built between the bank and the other financial services companies. I supported this arrangement because, in my view, it will lead to greater competition, and consequently, a healthier financial services industry and better prices and service for consumers.

I appreciate your views on this important legislation, and I'll be keeping them in mind when the banking bill reaches the Floor of the House.

Again, thanks for contacting me. If there is anything I can do for you in the future, please don't hesitate to call.

With best wishes.

Respectfully yours,

DICK ARMEY
Member of Congress