

## Business

## Savings and loans may be in crisis

By DAVID BALL  
Staff Writer

According to banking experts, about 500 of the 3,000 U.S. savings and loan associations are insolvent, and depending on federal actions taken to remedy the situation, this crisis could cripple the commercial banking industry.

Savings and loan associations have losses estimated at \$50 billion to \$100 billion, said Mark Flannery, professor of finance at the UNC business school. The associations are insured by the Federal Savings and Loans Insurance Corporation (FSLIC). To close bankrupt institutions, the FSLIC must pay off all depositors.

"The solution is to close the savings and loans," Flannery said, "but the FSLIC has little to no cash at its disposal. There is no way for the FSLIC to close savings and loans without more funds."

The associations are in trouble for a number of reasons. Since savings and loans fund long-term mortgages, their income is relatively fixed. During 1980-81, interest rates on deposits rose quickly, and the associations were faced with an ever-widening gap between their income and interest paid to their customers. Many other thrift institutions in Texas and Oklahoma were heavily

involved in real-estate lending and were hurt when oil prices plummeted.

Bank failures tend to undermine public confidence in financial institutions, according to Jim Carter, vice-president of Central Carolina Bank.

"Any time there's a failure it's not a positive sign to the public as to the safety of their money," he said.

Savings and loans may also offer exorbitant interest rates on deposits to attract funds, because they need money immediately to pay depositors who want to withdraw their money.

"The savings and loans are desperate to get funds and will do anything to get them," Flannery said. "This practice (of increasing rates) cuts into bank profits."

Associations with negative net worths are increasing the costs of funds to healthy institutions, said Wachovia Professor of Banking Robert Eisenbeis. These insolvent associations are unlikely to survive and only weaken solvent banks, he said. To fix this, the banking regulatory system must be reformed and more funds must be found for the bankrupt FSLIC, he said.

The Shadow Financial Regulation Committee, of which Eisenbeis is a member, has proposed a policy of closing institutions with a zero net worth.

Savings and loans "can have a negative worth in the present system," Eisenbeis said. "We need to deal with the fundamental problems in the deposit insurance system."

The current deficit, however, must still be paid off. One proposal is the merger of the Federal Deposit Insurance Corporation (FDIC) and the FSLIC, using the surplus funds in the FDIC to pay bankrupt thrift institutions' debts, Flannery said.

Such a move would have harmful repercussions for the commercial banking industry.

"It would leave banks with non-credible deposit insurance," Flannery said. "Healthy institutions might also be charged higher insurance premiums to pay for the insurance fund."

The merger would open up only

a few billion dollars to the FSLIC, a "drop in the bucket compared to the problem," Eisenbeis said.

Another option is to generate interest through raising taxes. "A tax increase is a way to fund the FSLIC," Eisenbeis said.

The problem has not yet affected the state, however.

"In North Carolina we enjoy a very healthy banking and savings and loan industry," Carter said. "You don't hear of any real problems."

But according to Eisenbeis, the next president will be faced with the problem immediately, because the FSLIC deficit doubles each year.

"It's time that the taxpayer realizes the bill that's there is coming due, and that the longer we wait, the bigger it'll be," he said.

## Become a card-carrying Carolina alumnus

By CHERYL POND  
Staff Writer

Carolina graduates can now charge their credit card to the limit and support their alumni association at the same time.

A Carolina blue VISA card picturing the Old Well will soon be offered to UNC graduates by the Carolina General Alumni Association and a local bank chain. The association had considered adopting an affinity card program for two years before finalizing a deal with First Union National Bank this past July.

The concept of affinity cards is not new. Many other universities and organizations have these special cards.

"Most other universities with alumni associations of our size already have a card in place," said Bo Dunlap, assistant director of Alumni Affairs. "I think, by waiting, we have put together one of the best, if not the best, programs in the country."

The Carolina Alumni VISA card offers a low interest rate of prime plus five, which translates to 15 percent. That compares favorably with the 18 percent rate for a basic Mas-

tercard or VISA from First Union. The card will be free for the first year with a \$20 annual fee afterwards.

For each card issued to a Carolina alumnus, the alumni association will receive a small royalty. A percentage of each purchase made with the card will also go to the association. First Union is not disclosing the exact amount of these royalties.

The alumni association's cut of the profits will be put into its general fund, Dunlap said. "We don't expect a great windfall," he said. "We don't have any special project earmarked for the funds."

The credit card is not officially associated with the University, said Susan Ehringhaus, assistant to the Chancellor.

"It was something the alumni association was free to do," Ehringhaus said. "It's not something they had to ask permission of the University for. We have not endorsed their card, but things that benefit the alumni association obviously benefit the University."

First Union will begin marketing the card to graduates in a few weeks.

"We will be doing a direct mail-

## Carolina Students' Credit Union Rates

## SHARE CERTIFICATE RATES

30-89 Days	6.500% simple
90-179 Days	7.252% / 7.521%
180-269 Days	7.760% / 8.068%
270-364 Days	7.770% / 8.079%
365 Days	8.170% / 8.512%

Compounding is daily. Rates subject to change daily.

Longer terms are negotiable, as are amounts of \$10,000 or more.

## LOAN RATES

Share Secured	10.00%
Co-Signer	13.00%
Travel	16.00%

Rates subject to change daily.

CSCU is not affiliated with UNC-CH.

## CGLA

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"We are not an intolerant group," Lamerson said. "All of our members are not liberals; they are a cross-section of the University population. We have never suppressed anyone's ideas."

Campus Watch also attacked CGLA's "theatrical escapades," specifically a march held in January.

Lamerson said the march was not strictly a CGLA function, because many people in the community and students who support CGLA funding participated.

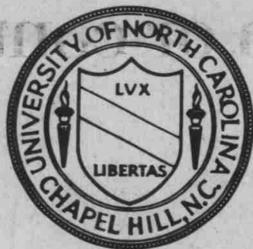
Campus Watch maintains it is not anti-homosexual but pro-student, but Stiles disagreed. "Most members of

our organization are students," she said. Campus Watch supports certain students who agree with its ideas but not the student body as a whole, she said.

Stiles said she was concerned that Hans, the only student representative for Campus Watch on the Student Panel attending the press conference, could not adequately answer questions concerning Student Congress's decision to fund the CGLA.

"The group (Campus Watch) sees this as a chance for publicity to promote their close-minded views," Stiles said. "That is their motivation."

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invite you and your family  
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UNIVERSITY DAY

for the presentation of  
Distinguished Alumnus Awards  
to  
Edward G. Bilpuch of Durham, North Carolina  
Gail Godwin of Woodstock, New York  
Richard Knight, Jr. of Dallas, Texas  
Thomas W. Lambeth of Winston-Salem, North Carolina  
Roger Mudd of Arlington, Virginia

and

the INSTALLATION of  
Paul Hardin as Chancellor

Wednesday, October 12, 1988  
at  
11 o'clock

Polk Place at South Building  
(Rain Site is Carmichael Auditorium)

Light lunch will follow  
the ceremony.  
Usual campus parking  
regulations will be in effect;  
permit holders will not  
be displaced.

University classes will be  
suspended from  
10:00 a.m. to 2:00 p.m.

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Driving Range • Lessons Available



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Greensboro Rd. Follow  
Old Greensboro Rd. 12.5  
miles to NC 87. Turn  
right on NC 87 (north) for  
9 miles to blinking light.  
Turn right for 1.2 miles  
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