

# Challenge to Rebozo Bank Monopoly Failed Despite Examiners' Rulings

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The Nixon administration twice reversed the strong recommendations of two federal bank examiners that a group of Florida businessmen be granted a charter to open a bank to compete with the Key Biscayne bank monopoly headed by C. G. (Bebe) Re-

bozo, one of President Nixon's closest friends.

Just a month after the Treasury Department's comptroller of the currency ruled that the rival group had shown only a "marginal banking need" in Key Biscayne, the Federal Home Loan Bank Board granted two directors of Rebozo's bank a charter for a new savings and loan institu-

tion in Key Biscayne. Rebozo will be the landlord of the new institution.

The Home Loan Bank Board approved the savings and loan charter partly on the basis of the same economic statistics Rebozo and his associates had used to show that there was not enough demand for loans to warrant granting another commercial bank charter in the area.

Rebozo's attorneys had contended in their arguments against granting a commercial bank charter to the rival group that there was little demand for loans in affluent Key Biscayne, a six-mile-long island south of Miami on which Mr. Nixon purchased two homes with loans by Rebozo.

See BANK, A33, Col. 1

## BANK, From A1

Mortimer Fried, a Key Biscayne lawyer and a member of the rival bank group, said in a telephone interview yesterday that "it's a question of who has the most clout. They had it and we didn't."

Fried said his group had abandoned plans to compete on Key Biscayne with Rebozo.

"Under the present situation, I can't see beating a dead horse. We have taken a shot at it, and that's it," he said.

Officials of the office of the comptroller of the currency denied that favoritism played a part in the rulings that left Rebozo the president and chairman of the only commercial bank in Key Biscayne. The Federal Home Loan Bank Board also denied it gave preferential treatment to Rebozo's bank directors when it considered their savings and loan charter application.

However, Fried said that Rebozo sat in the front row during a hearing in Atlanta last June 6 while the rival group's second application for a commercial bank charter was discussed.

One participant in the hearing said that Rebozo sat directly opposite the hearing administrator and displayed cufflinks bearing the presidential seal. The hearing administrator remarked about the cufflinks during a luncheon recess, according to the participant, who asked not to be identified.

Also sitting in the hearing room was New York industrialist Robert Abplanalp, a director of Rebozo's Key Biscayne Bank and Trust Co. and also a close friend of Mr. Nixon. Abplanalp loaned Mr.

Nixon the down payment for the President's San Clemente, Calif., estate.

While neither Rebozo or Abplanalp spoke during the hearing, according to a transcript, Rebozo wrote several letters to the office of the comptroller saying that it was "inconceivable" to him that the rival group could be granted a charter.

"If any information you develop tends to contradict these facts and the pending application is seriously considered, I presume you will have a hearing," Rebozo wrote to Joseph M. Ream, a regional administrator of the bank regulatory agency on Nov. 15, 1972. Rebozo told officials of the agency that if a hearing were held, he would have this entire board of directors—including Abplanalp—present.

Last April 2, Rebozo again wrote to the comptroller's office that it was "inconceivable" that another bank charter would be granted, and on July 19, 1973—a month after the Atlanta hearing—he wrote:

"Allow me to commend you and your staff for the fair and impartial treatment accorded us during the recent hearing . . . We just learned this morning that the savings and loan charter has been approved for Key Biscayne. It is our firm belief, which we have previously expressed, that this will fulfill any additional financial needs on Key Biscayne."

The rival group's first application for a bank charter was rejected in Washington on March 1, 1973, by Comptroller of the Currency William Camp, who has since retired. The rejection was based on a written application, and no hearing was held.

An Atlanta-based bank examiner had recommended approval of the charter on Jan. 25, 1973, saying there was a "need for competition" in Key Biscayne. Ream, who sent the application to Washington, recommended disapproval, citing "poor growth potential" in Key Biscayne and saying that the need for another bank was "extremely marginal."

A senior economist for the agency, David G. Hayes, wrote on Jan. 14, 1973, that "the chances of an aggressive sec-

ond bank surviving appear good in light of the existing bank's very low loan-to-deposit ratio, overcrowded facilities and slow service."

However, Hayes recommended the charter application be rejected until the Fried group could demonstrate that banking "expertise will be available on a fulltime basis."

The Fried group's reapplication was rejected last Sept. 4 by the current comptroller of the currency, James E. Smith, who declared in a brief, handwritten memorandum that there were "marginal banking needs" on Key Biscayne, and that the rival applicants were, for the most part, "out of territory" organizers who would not likely pay adequate attention to the management of the proposed bank.

Smith's ruling reversed a May 16 recommendation by Richard T. Newell, a national bank examiner, who in a letter to Ream was critical of the Rebozo bank operation.

Newell said he interviewed dozens of Key Biscayne residents and had been repeatedly told that the Key Biscayne Bank and Trust Co. was "very reluctant to make loans" and was not providing adequate service on the island.

Newell wrote:

"Having investigated this recommendation request extensively, it is the opinion of the writer that . . . whatever loan demand is present is not adequately being served. The economic base of the island is sufficient to support another bank without rendering undo harm to the existing bank . . . The residents should be entitled to a convenient choice in banking institutions."

Ream, who at first denied to a reporter that the reconsideration application had been approved at the regional level, later said that every application goes through five steps in the local regions and Washington. Approval at any one step can be overturned at a higher level, he said.

On July 18, in a memorandum to Smith, Ream urged that the rival banking group be denied a charter in Key Biscayne.



C. G. (BEBE) REBOZO  
... victor in dispute

A key issue in the charter deliberations was whether or not Rebozo's bank was serving the needs of the local residents, or whether its assets were for the most part tied up in his investments.

Charles E. Lucey, a Miami attorney representing the Fried group, said in a June 28 brief that the "great bulk" of the bank's \$20 million in assets had been invested in "safe and secure government" securities and that loans were not being made to the consumers of Key Biscayne.

The bank's records, argued Lucey, "leads one to believe that this is the asset ledger not of a commercial bank but of an investment firm."

"What becomes apparent from the figures is that the bank is being operated at a substantial and almost unconscionable profit by not giving the public adequate banking facilities and adequate service."

One federal bank examiner who approved the charter application, Richard W. Sherlock, appeared to agree with the rival group's lawyers.

"Even in a wealthy community like Key Biscayne it appears to this bank examiner that a bank with \$16 million in deposits and \$1.5 million in loans is so ultra-conservative that it is almost not a bank. The need for good competition in banking is desirable and in this instance necessary," wrote Sherlock.

The leader of the group that received a savings and loan charter on July 19 is Thomas H. Wakefield, an attorney and director of the Key Biscayne Bank and Trust Co. Another applicant for the savings and loan charter was Walter Etling, a Key Biscayne mortgage banker and also a director of Rebozo's bank.