

## Bank Board Clears Henkel of Conflict Charge

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## *Reagan Nominee Accused of Proposing Self-Serving Amendment*

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The Federal Home Loan Bank Board has cleared bank board member Lee Henkel of conflict-of-interest charges concerning a California savings and loan institution the federal agency regulates, according to an internal bank board document.

Henkel is an Atlanta attorney and real estate investor who was appointed last fall by President Reagan to the three-member bank board, the federal agency that regulates the savings and loan industry. Henkel is awaiting Senate confirmation hearings.

Henkel, at his first board meeting last December, proposed a change in rules that critics said would have mainly benefited one institution—Lincoln Savings & Loan of Irvine, Calif., an S&L that has lent more than \$70 million to businesses in which Henkel is part owner.

The clearance of Henkel by the bank board's chief ethics officer is a blow to Senate Banking, Housing and Urban Affairs Committee Chairman William Proxmire (D-Wis.), who requested the investigation of Henkel's financial ties to Lincoln. Proxmire has said he will oppose Henkel when the Senate committee holds confirmation hearings in the next few months.

It also is a blow to bank board Chairman Edwin J. Gray, who is embroiled in a fierce, personal fight with the chairman of Lincoln over how S&Ls should invest their money and, more generally, over whether S&Ls need more or less regulation from Washington.

In a memo to Gray Wednesday, bank board lawyer Harry Quillian wrote: "I therefore conclude that . . . Mr. Henkel's proposal did not involve any real or apparent conflict

of interest or other impropriety on his part under applicable board regulations, procedures or ethical standards."

Quillian is acting chief counsel of the bank board, which makes him the acting ethics officer as well. Quillian made his conclusion based on a three-month investigation by the bank board's inspector general, the agency's watchdog.

Henkel contends that his proposal, which failed to pass, would have cleared up confusion confronting many S&Ls. The issue was whether S&Ls should be allowed to invest their own money directly in real estate or be forced to stick to their traditional role of lending money to owners who bear the risk of the project.

Last month, the bank board adopted a rule making it harder for S&Ls to take on direct investments. Henkel abstained from voting.