

Garn–St. Germain Depository Institutions Act

The **Garn–St Germain Depository Institutions Act of 1982** (Pub.L. 97–320, H.R. 6267, enacted October 15, 1982) is an Act of Congress that deregulated savings and loan associations and allowed banks to provide adjustable-rate mortgage loans. It is disputed whether the act was a mitigating or contributing factor in the savings and loan crisis of the late 1980s.^[1]

The bill, whose full title was "An Act to revitalize the housing industry by strengthening the financial stability of home mortgage lending institutions and ensuring the availability of home mortgage loans," was a Reagan Administration initiative.^[2]

The bill is named after its sponsors, Congressman Fernand St. Germain, Democrat of Rhode Island, and Senator Jake Garn, Republican of Utah. The bill had broad support in Congress, with co-sponsors including Charles Schumer and Steny Hoyer.^[3] The bill passed overwhelmingly, by a margin of 272-91 in the House.^[4]

An important consumer change was to allow anyone to place real estate in their own trust without triggering the due-on-sale clause that allows lenders to foreclose on a current loan upon transfer to another. This greatly facilitates the use of trusts to pass property to heirs and minors. It may also protect the property of wealthy or risky owners against the possibility of future lawsuits or creditors, because the trust owns the property, not the individuals at risk. The bill states "... a lender may not exercise its option pursuant to a due-on-sale clause upon ... a transfer into an inter vivos trust in which the borrower is and remains a beneficiary and which does not relate to a transfer of rights of occupancy in the property[.]" (The Garn St. Germain Depository Institutions Act of 1982, (U.S.C.) 1701j-3(d)(8).

Title VIII of the act, *Alternative Mortgage Transactions*, allowed banks to provide adjustable-rate mortgage loans.^[5]

References

1. Leibold, Arthur (2004). "Some Hope for the Future After a Failed National Policy for Thrifts". In Barth, James R.; Trimbath, Susanne; Yago, Glenn. *The Savings and Loan Crisis: Lessons from a Regulatory Failure*. Milken Institute. pp. 58–59. ISBN 1-4020-7871-4. (further references: Strunk; Case (1988). *Where Deregulation Went Wrong: A Look at the Causes Behind the Savings and Loan Failures in the 1980s*. U.S. League of Savings Institutions. pp. 14–16. ISBN 978-0-929097-32-9.)
2. Reagan, Ronald. "Remarks on Signing the Garn-St Germain Depository Institutions Act of 1982" (1982-10-15).
3. H.R. 6267, Cosponsors.
4. H.R. 6267, Major Actions.
5. Pub.L. 97–320 Full text