

STATEMENT OF  
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SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT  
HOUSE COMMITTEE ON FINANCIAL SERVICES  
UNITED STATES HOUSE OF REPRESENTATIVES

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Chairman Neugebauer, Ranking Member Clay, and members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the challenges facing community banks and federal savings associations and the actions that the OCC is taking to help these institutions address regulatory burdens.

I have been a bank examiner for more than 30 years, and I have seen firsthand the vital role community banks play in meeting the credit needs of consumers and small businesses across the country. At the OCC, we are committed to supervisory practices that are fair and reasonable, and to fostering a climate that allows well-managed community banks to grow and thrive. We tailor our supervision to each bank's individual situation, taking into account the products and services it offers, as well as its risk profile and management team. Given the wide array of institutions we oversee, the OCC understands that a one-size-fits-all-approach to regulation does not work. Therefore, to the extent that the law allows, we factor these differences into the rules we write and the guidance we issue. My written statement provides several examples of the common-sense adjustments we have made to recent regulations to accommodate community bank concerns.

Guiding our consideration of every proposal to reduce burden on community banks is the need to ensure that fundamental safety and soundness and consumer protection safeguards are not compromised. Within this framework, to date, we have developed three regulatory relief proposals that we hope Congress will consider favorably. We also are undertaking several efforts to identify and mitigate other regulatory burdens through a regulatory review process.

The first proposal we submitted to Congress would exempt some 6,000 community banks from the Volcker rule. As the vast majority of banks under \$10 billion in asset size do not engage in the proprietary trading or covered funds activities that the statute sought to prohibit, we do not believe they should have to commit resources to determine if any compliance obligations under the rule would apply. We do not believe that this burden is justified by the nominal risk that these institutions could pose to the financial system.

We also support changing current law to allow more well-managed community banks to qualify for a longer, 18-month examination cycle. Raising the threshold from \$500 million to \$750 million for banks that would qualify for this treatment would cover more than 400 additional community banks.

We also support providing more flexibility for federal thrifts so that those thrifts that wish to expand their business model and offer a broader range of services to their communities may do so without the burden and expense of a charter conversion. Under our proposal, federal thrifts could retain their current governance structure without unnecessarily limiting the evolution of their business plan. As the supervisor of both

national banks and federal thrifts, we are well-positioned to administer this new framework without requiring a costly and time consuming administrative process.

I am pleased that Members of this subcommittee – including Representatives Rothfus, Barr and Tipton, have introduced legislation consistent with some of our proposals to provide regulatory relief to community banks.

I also am hopeful that ongoing efforts to review current regulations to reduce or eliminate burden will bear fruit. I have participated in the first two public EGRPRA meetings in Los Angeles and Dallas where regulators heard ideas to reduce burden from a number of interested stakeholders. The agencies are currently evaluating the comments received from these meetings and from the public comment process. While this process will unfold over a period of time, the OCC will not wait until it is completed to implement changes where a good case is made for relief, or to submit legislative ideas identified through this process to Congress.

Separately, the OCC is in the midst of a comprehensive, multi-phase review of our own regulations and those of the former OTS to reduce duplication, promote fairness in supervision, and create efficiencies for national banks and federal savings associations. We are currently reviewing comments received on the first phase of our review focusing on corporate activities and transactions.

Finally, we are continually looking for other innovative ways to reduce burden. Last February, the OCC published a paper that focused on possibilities for community banks to collaborate to manage regulatory requirements, trim costs and better serve their customers. We believe there are opportunities for community banks to work together to address the challenges of limited resources and acquiring needed expertise.

In closing, the OCC will continue to carefully assess the potential effect that current and future policies and regulations may have on community banks, and we will be happy to work with the industry and the Committee on additional ideas or proposed legislative initiatives.

Again, thank you for the opportunity to appear today. I would be happy to respond to questions.