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FDIC Vice Chairman John M. Reich Recommends Legislative Changes to Reduce Regulatory Burden

FOR IMMEDIATE RELEASE

FDIC Vice Chairman John M. Reich testified before the Senate Banking Committee today and outlined proposals to revise several statutes governing the banking industry. While strongly reiterating his personal view that regulatory burden has a disproportionate impact on community banks, Reich said, “Banks, large and small, labor under the cumulative impact of regulations that divert resources and capital away from economic development, credit extension and job creation.”

Reich is leading an interagency initiative, required by the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA), to review all federal bank and thrift regulations in an effort to eliminate any regulatory requirements that are outdated, unnecessary or unduly burdensome. An Interagency Task Force, which includes representatives from the FDIC, Federal Reserve System, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, has sponsored several banker outreach events across the country to gain insight into issues that are considered burdensome to the industry. The Task Force also has considered feedback received during meetings with consumer and community groups, as well as comments submitted in response to public notices relative to the EGRPRA project.

Reich outlined numerous legislative proposals that are under discussion, including suggestions for:

- Eliminating periodic filing requirements for directors and executive officers pursuant to the Federal Reserve Board’s Regulation O (limits on certain extensions of credit to insiders);

- Streamlining the application process for noncompetitive merger transactions;

- Streamlining the application process for well-run, well-managed banks to open new branches;

- Reducing the requirements for annual privacy notices from banks that do not share personal information with third parties;

- Providing ways for consumers to waive the three-day right of rescission on loans secured by their homes;

- Increasing the flexibility for regulators and lenders in implementing flood insurance program requirements; and

- Repealing the Community Reinvestment Act (CRA) Sunshine Law.

Vice Chairman Reich told the committee that “these are just some of the ideas I am pursuing on an inter-agency basis to reduce unnecessary burdens on the banking industry, without jeopardizing safety and soundness considerations or diluting important consumer protections.

The testimony can be found at www.fdic.gov/news/news/speeches/archives/2004/sp22june04.html on the FDIC’s Web site.