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FDIC Vice Chairman Warns That Growing Regulatory Burden Could Threaten Community-Based Banks

FOR IMMEDIATE RELEASE

A growing tide of regulatory burden could threaten the future of smaller community banks, Federal Deposit Insurance Corporation (FDIC) Vice Chairman John M. Reich said in testimony before the House Subcommittee on Financial Institutions and Consumer Credit. "The volume and complexity of existing banking regulations, coupled with new laws and regulations, may ultimately threaten the survival of our community banks," Reich said.

Noting that since the enactment of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) in 1989, banking and thrift regulatory agencies have promulgated 801 final rules, Reich said, "There were good and sufficient reasons for many of these rules . . . however, 801 regulatory changes over a 15-year period is certainly a lot for banks to digest, particularly smaller community banks with limited staff."

Regulatory burden often affects smaller banks disproportionately, Reich said. "New regulations have a greater impact on some community banks, especially small community banks (under $100 million in assets), than on larger institutions due to their inability to spread start-up and implementation costs over a large number of transactions," he said.

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to review all federal bank and thrift regulations in an effort to eliminate any regulatory requirements that are outdated, unnecessary or unduly burdensome. The agencies are putting one or more categories of regulations out for public comment every six months, with 90-day comment periods.

The comments will help form the basis for recommendations to reduce or eliminate regulations.

Recommendations by bankers, consumers and the public form a critical part of the process. "Banker, consumer and public insight into these issues is critical to the success of our effort," Reich said. "The regulatory agencies have tried to make it as easy as possible for all interested parties to get information about the EGRPRA project and to let us know what they think are the most critical regulatory burden issues."

Attachment: Statement of John M. Reich Vice Chairman Federal Deposit Insurance Corporation on the Impact of Regulatory Burden on America's Community-Based Banks Before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Financial Services U.S. House of Representatives, May 12, 2004