# STATEMENT OF CHAIRMAN SPENCER BACHUS
# SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT
# "CUTTING THROUGH THE RED TAPE: REGULATORY RELIEF FOR AMERICA'S COMMUNITY-BASED BANKS"

Good morning. The subcommittee will come to order. Today's hearing, which was requested by Congressman Hensarling, will focus on how to strengthen and preserve the important role that small banks serve in their communities, by reducing the burdens imposed on those institutions by outdated or unnecessary regulatory requirements. Among those testifying at the hearing will be Treasury Assistant Secretary Wayne Abernathy, Federal Deposit Insurance Corporation (FDIC) Vice Chairman John Reich, North Carolina Banking Commissioner Joseph A. Smith, Jr. on behalf of the Conference of State Banking Supervisors, and a number of industry and consumer group witnesses.

For generations, community-based banks have been the financial underpinning for millions of consumers, small businesses, family farms, local merchants, and rural economies throughout the United States. Community-based banks form the building blocks of our nation's communities by providing credit to all geographic regions of the country. They have contributed substantially to the stability and growth of each of the 50 states by facilitating a decentralized source of lending. This dispersion of our nation's assets and investments helps preserve the safety, soundness, fairness and stability of our entire financial system.

Community banks are often the linchpin to the survival and well-being of local communities, particularly small towns and rural America. They specialize in doing business in their respective cities and towns and reinvest their deposits into their communities through local lending. Currently, more than 8,700 community banks with almost $2.3 trillion in assets continue in the tradition of giving back to their local communities through nearly 40,000 banking offices. Annually, community banks have made more than 3 billion loans to small businesses, totaling over $275 billion and 720,500 loans to small farms, totaling more than $37 billion.

Recently I introduced House Resolution 591 which recognizes the importance of small banks in developing our communities and the Nation as a whole and designates April as "Community Banking Month." I am hopeful that this legislation will be considered on the House Floor soon.

Although small banks have been prosperous in recent years, they face a disproportionate regulatory burden in relation to their large bank counterparts. When a new regulation is created or an old regulation is changed, small institutions must devote a large percentage of their staff's time to review the regulation to determine if and how it will affect them. In addition, compliance with a regulation can take large amounts of time that cannot be devoted to serving customers or business planning. Easing the regulatory burdens on small banks frees up more of those banks' resources for loans to small business and other credit worthy borrowers, helping to promote economic growth and greater consumer choice.

In closing, I would like to thank Mr. Hensarling for working with us on this hearing. Congressman Hensarling recently introduced H.R. 3952, the Promoting Community Investment Act, which would require the banking regulators to give banks with less than $1 billion in assets the streamlined exam for compliance with the Community Reinvestment Act (CRA). Currently, streamlined CRA exams are limited to banks with less than $250 million in assets.  This is just one example of Mr. Hensarling's strong commitment to issues affecting community banks.

The chair now recognizes the Ranking Member of the Subcommittee, Mr. Sanders, for any opening statement that he would like to make.