

**OPENING REMARKS OF THE HONORABLE RUBÉN HINOJOSA
HOUSE FINANCIAL SERVICES COMMITTEE
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
“CUTTING THROUGH THE RED TAPE: REGULATORY RELIEF FOR
COMMUNITY-BASED BANKS”
MAY 12, 2004**

Chairman Bachus and Ranking Member Sanders,

I want to thank you for recognizing me and for calling this hearing today.

A number of today’s witnesses are going to testify about the important role community banks play for their customers as well as their communities.

Mr. Chairman, Assistant Secretary Abernathy stresses in his testimony that community banks are known for their “neighborliness.” Knowing several community bankers personally, I concur with this characterization. I also agree with him and with other witnesses who believe that community banks provide financial services to all kinds of small businesses and to other customers that normally might be overlooked.

What I found interesting in his testimony is that Mr. Abernathy references data from the FDIC but draws a different conclusion than FDIC Vice Chairman Reich as to whether community banks need regulatory relief. Mr. Abernathy contends that any regulatory relief should recognize the dual banking system and provide equal regulatory relief to both large and small banks and other institutions. Vice Chairman Reich contends that community banks are operating at a lower level of profitability than the largest banks in the country, in part due to the “disproportionate impact that regulations” have on community banks. Unlike Mr. Abernathy, Mr. Reich argues that the future of community banking depends on providing them, and not the larger banks or credit unions, with regulatory relief. In fact, he contends in his testimony that “credit unions operate with a number of advantages over banks and thrifts,” and he states that Congress should “reexamine and seek to resolve” these disparities.

Obviously, these two statements seem to be in direct conflict, and I wonder which one best describes the current situation.

The question becomes whether community banks are truly not on a competitive level playing field with their counterparts.

At present, I am reviewing Mr. Hensarling’s legislation, H.R. 3952, the “Promoting Community Reinvestment Act,” which would allow community banks with less than \$1 billion in assets to participate in a small institution examination. I want to determine if this legislation is the appropriate regulatory relief to consider at this time, or if we should wait until the regulators complete their regulatory review.

I am also reviewing the Independent Bankers Association of Texas's idea for a community bank charter.

Mr. Chairman, I yield back the remainder of my time.