

April 19, 2010

To: Members of the U.S. Senate

From: Edward L. Yingling, President and CEO

Re: Impact on Community Banks of S. 3217, the Restoring American Financial Stability Act

As you consider S.3217, the Restoring American Financial Stability Act of 2010, ABA strongly urges you to consider the huge new regulatory burden that this legislation will put on community banks across this country. As many Senators have noted in recent months, community banks had nothing to do with causing the financial crisis. In fact, community banks are vital to an economic recovery, as they are in a position to support economic growth in their communities and increase lending, particularly to small businesses.

It is widely known that these traditional banks are struggling with difficult local economies and with regulatory pressures to write down loans and increase capital. At the same time, these banks are dealing with an already crushing level of regulatory burdens. To put this burden in perspective, note that the median bank in this country has 34 employees, and yet banks are now subject to 1,700 pages of regulations and guidelines in the consumer area alone. That is 50 pages of small print for each employee in the median size bank.

S.3217 would add 27 new or expanded types of regulation to this already crushing burden (see attached list). Many of these regulations have nothing to do with the financial crisis. While some of the new burdens are more costly than others, some of them would result in a huge new expense to community banks. More importantly, it is the failure of Congress to consider the constantly increasing overall burden that is most troublesome. In fact, it has reached the point where the massive overall burden is a threat to the future of community banks.

This list does not include all of the bill's potential costs to community banks, such as the cost of Federal Reserve member banks being required to convert to FDIC regulation. Furthermore, ABA does not oppose all the new regulations, as some are needed to respond to the crisis. The dramatic negative impact of the total of these new regulations, however, is something that must be addressed by the Senate to avoid greatly undermining community banking in this country.

[Attachment](#)