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In recent days, CBAO met in Columbus with FDIC Regional Ombudsman Schmalzer to discuss the current regulatory environment and its impact on community banks. Our discussion included the following topics (we have included a brief summary of each topic for your information):

*The "Gotcha" Regulatory Environment*

Current examination trends seem more focused on finding and punishing instead of assisting community banks in understanding and meeting the regulatory requirements. Examination trends should return to more of an advisory role with community banks and regulators working together to strengthen public confidence and to eliminate unnecessary and confusing regulation.

*Frequency and Number of New Regulations*

The number of new regulations, and the pace at which they are being released for comment, is a tremendous burden on community banks. Proposed regulations or interpretations of existing regulations should be discussed before being released for comment. The recent overdraft guidance issued by the FDIC should have been discussed with the industry before it was released for public comment.

*The Increased Cost and Expertise Required to Meet New and Current Regulations*

Community banks cannot cover the cost of complying with new regulations without passing it on to their customers. The level of expertise needed to understand and implement complex regulations is not always available in community banks.

*Joint Interagency Guidance*

All regulatory agencies should strive to issue guidance together and not as separate bodies. The current method of issuing separate guidance compounds the confusion of those required to meet the regulatory requirements and puts some charters at a competitive disadvantage.

*Tiered Regulation for Community Banks*

Community banks should not be regulated the same way larger, more complex institutions are. There needs to be a strong focus on understanding the unique business model of community banks and the risk they pose to the FDIC fund and the national economy. The Dodd-Frank legislation established this separation and future interpretation of these regulations should follow this intent.

*Examples of Field Examination "Over Reach"*

We continue to see some disconnect between field examinations and the information coming from the administrative offices in Washington, D.C. and Chicago. Performing loans are being required to have additional reserves or charged-off and new credits are being discouraged. Community banks want to lend the money they have available but are reluctant to do so because of possible repercussions.

Community banks were not the cause of the recent economic downturn. The economic downturn can be attributed to greed, the failure to regulate the "shadow" banking industry, and excessive risk taking by large banks and non-bank financial firms. CBAO will continue to differentiate the community banking industry because "ONE-SIZE-FITS-ALL" regulation must end!