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CBAO recently joined 29 other state and national trade associations on a letter to Ben Bernanke, Chairman of the Board of Governors of the Federal Reserve System, asking the Federal Reserve to postpone indefinitely the proposed rescission of Regulation Q (that prohibits the payment of interest on demand deposits), and to work with banking agencies to fully study the safety and soundness consequences of allowing the regulation to expire.

The letter emphasized that the repeal of Regulation Q will have serious implications for the balance sheets and income statements of many community banks. **Most importantly, it will significantly increase community bank funding costs, and will ultimately increase the cost of borrowing to small business customers, further slowing economic recovery and job creation.**

The letter further noted that competition from large banks will force community banks to pay interest on business accounts, which will disqualify those accounts from temporary unlimited FDIC coverage for non-interest bearing transaction accounts. This will undermine a program intended to offset the funding advantage of too-big-to-fail banks, which has been heightened due to the financial crisis.