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Community Bankers Association of Georgia

Federal Legislative Action Alert

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Congressional Contacts Needed on Two Important Issues

It is critical that community bankers contact their Congressman regarding two very important issues. While the two issues are separate and distinct, they are related. Both relate to the Administration's proposed Regulatory Reform Plan. I will let you be the judge regarding whether you should include both issues in the same e-mail/letter. **The important thing is that you take the time to contact your Congressman about both issues, immediately.** We will need to also contact our Senators on these issues later. However, **there is a need to contact members of the House of Representatives right away**, since the House is on a much faster track with Regulatory Reform than the Senate. The two issues are discussed below:

Consumer Financial Protection Agency

Last week, **the Administration released the legislative language for the portion of its Regulatory Reform Plan, which would create a separate Consumer Financial Protection Agency.** The indications now are that this will be moved forward in a separate bill from the rest of the Reform Plan and that Barney Frank intends to vote on at least this part of the Reform Plan before the August recess of Congress. Therefore, **we need to let our Congressional delegation know right away that we oppose the formation of a totally separate federal agency to provide consumer protection in regard to the financial products offered by banks.**

While a separate consumer protection agency may have merit for the purpose of providing protection to consumers in regard to non-banks offering financial products, such a separate agency for insured depository financial institutions would create a problematic conflict between the federal banking agencies that would remain responsible for safety and soundness and the consumer protection agency. **Bankers would be caught in the middle between the directives of their safety and soundness regulator and this new consumer protection agency. The only way to maintain a proper balance between consumer protection and safety and soundness for banks is to leave both responsibilities within the federal bank regulatory agencies.** No federal government agencies currently have safety and soundness responsibility for non-banks and no such responsibility is being contemplated, except when the non-bank entity is a systemically important institution or is somehow related to a bank through a bank holding company. So, the same conflict does not arise in regard to non-banks.

You may find the following links to be useful resources in crafting your e-mail/letter: [See ICBA Summary.](#) [Read ICBA Position Paper.](#) [View ICBA Letter.](#) The summary position paper and the letter relate to the entire regulatory reform proposal; however, they each have sections that deal specifically with the Consumer Financial Protection Agency. You may use the broader ICBA Letter covering the entire Reform Plan as a model for your letter on the specific issue of the consumer protection agency, because the letter clearly addresses this issue. Also, see the CBA letter below.

FDIC Assessment Base and Systemic Risk Premiums

The Bank Accountability and Risk Assessment Act of 2009 ([H.R. 2897](#)), sponsored by House Financial Services Subcommittee on Financial Institutions Chairman Luis Gutierrez (D-IL), has been introduced into the U.S. House of Representatives. H.R. 2897 would change the deposit insurance assessment base to total assets (minus tangible equity), instead of domestic deposits. You may recall the FDIC used an assessment base for the recent five basis point special deposit insurance assessment of total assets less Tier One Capital; however, FDIC has taken the position that, under existing law, it cannot use an asset based assessment

base for its regular deposit insurance assessments. H. R. 2897 would require a change to assets as the assessment base. While there are a small number of community banks that would pay a higher premium under such a system, the overwhelming majority of community banks would pay considerably less. An asset based assessment system is a more equitable system because bad assets, not deposits, cause bank failures, and all forms of liabilities, not just deposits, fund a bank's assets.

H.R. 2897 would also require systemically important financial institutions to pay a systemic risk premium to the FDIC in addition to the regular FDIC insurance premium. Since the depositors and creditors of such "too big to fail" institutions in essence receive superior insurance coverage, these institutions should pay additional premiums to cover the additional risk of insuring them. This would provide the FDIC with needed resources to deal with the failure of such an institution and provide the American taxpayer with additional protection.

Please contact your Congressman, express your support for H. R. 2897 and ask them to become a co-sponsor of this legislation. You may call and/or write an e-mail/letter. Frankly, we realize this bill may never pass as a standalone bill; however, neither of these issues is specifically dealt with in the original release of the Administration's Regulatory Reform Plan and it is hoped that support for this legislation would result in these critical provisions being inserted in the Reform Plan legislation. You may read a summary of the bill and view talking points regarding the bill at the following links: [Read Summary of H.R. 2897](#). [View Talking Points](#).

Summary

Please write and/or call your Congressman right away on these two critical issues. As mentioned above, Chairman of the House Financial Services Committee has the Regulatory Reform Plan legislation on a fast track in the House. He wants to pass as much of the Reform Package as possible before the August recess. This makes immediate contact of your Congressman critical. **A letter CBA is sending to all members of the Georgia Congressional delegation on these issues is pasted in below. You may use this letter as a sample letter, if you wish.** If you have any questions regarding these two issues, please give Steve Bridges, Carolyn Brown or Jason Pruitt at CBA a call.

CBA Letter

Dear Congressman:

The Community Bankers Association of Georgia (CBA) is a trade organization representing almost 300 community banks in the state of Georgia. We are writing you today to provide you with our input on two important, related issues. In one case we are asking you to oppose a proposal in the Regulatory Reform Plan and in another we are asking you to co-sponsor a bill.

The first issue is the Administration's proposal to create a separate, Consumer Financial Protection Agency. Last week, **the Administration released the legislative language for the portion of its Regulatory Reform Plan, which would create such a separate agency.** The indications now are that this will be moved forward in a separate bill from the rest of the Reform Plan and that Barney Frank intends to vote on at least this part of the Reform Plan before the August recess of Congress. Therefore, **we are writing to express our opposition to the formation of a totally separate federal agency to provide consumer protection in regard to the financial products offered by banks.**

While a separate consumer protection agency may have merit for the purpose of providing protection to consumers in regard to non-banks offering financial products, such a separate agency for insured depository financial institutions would create a problematic conflict between the federal banking agencies that would remain responsible for safety and soundness and the consumer protection agency. **Bankers would be caught in the middle between the directives of their safety and soundness regulator and this new consumer protection agency. The only way to maintain a proper balance between consumer protection and safety and soundness for banks is to leave both responsibilities within the federal bank regulatory agencies.** No federal government agencies currently have safety and soundness responsibility for non-banks and no such responsibility is being contemplated, except when the non-bank entity is a systemically important institution or is somehow related to a bank through a bank holding company. So, the same conflict does not arise in regard to non-banks. We strongly agree with the need for consumers protected against unfair practices of those offering financial products; however, in its current form, we oppose the Administration's Plan to form a new, separate, federal, Consumer Financial Protection Agency.

FDIC Assessment Base and Systemic Risk Premiums

Secondly, we would like to ask you to co-sponsor the Bank Accountability and Risk Assessment Act of 2009 ([H.R. 2897](#)), by House Financial Services Subcommittee on Financial Institutions Chairman Luis Gutierrez (D-IL).

H.R. 2897 would change the deposit insurance assessment base to total assets (minus tangible equity), instead of domestic deposits. Under the current system of assessing based off of domestic deposits community banks pay a disproportionate share of the FDIC deposit insurance premiums compared to large banks. Community banks pay 30% of the total FDIC premiums, while only holding 20% of the nation's banking assets. **An asset based assessment system is a more equitable system** because bad assets, not deposits, cause bank failures, and all forms of liabilities, not just deposits, fund a bank's assets. H.R. 2897 would also require systemically important financial institutions to pay a systemic risk premium to the FDIC in addition to the regular FDIC insurance premium. Since the depositors and creditors of such "too big to fail" institutions in essence receive superior insurance coverage, these institutions should pay additional premiums to cover the additional risk of insuring them. This would provide the FDIC with needed resources to deal with the failure of such an institution and provide the American taxpayer with additional protection.

We recognize that H.R. 2897 may not pass as a standalone bill. However, your expression of support by co-sponsoring would encourage the Administration to include the change in the FDIC assessment base and a systematic risk premium for systemically important institutions within the Regulatory Reform Plan. Therefore, **we strongly encourage you to sign on to this legislation as a co-sponsor.**

If you have questions about the issues discussed in this letter or any other issues as they arise in Congress, please do not hesitate to contact me at (770) 541-4490 (CBA office number) or directly by cell phone at (770) 789-5605.

Sincerely,

Steve Bridges
Executive Director of Legislative & Regulatory Affairs

Community Bankers Association of Georgia

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