REPUBLICAN PRESS OFFICE
COMMITTEE ON FINANCIAL SERVICES
*The Balance Sheet*

June 29, 2010

# The Balance Sheet: How The Dodd-Frank Bill Hurts Community Banks

**House Republicans believe any financial regulatory reform bill must:**

- ✓ **Stop the Democrats' Taxpayer-Funded Permanent Bailouts for their Wall Street Allies**
- ✓ **Reform Fannie Mae and Freddie Mac, the Root Causes of the Housing Meltdown & Financial Crisis That Cost Taxpayers $145 Billion and Counting**
- ✓ **Empower Businesses Small and Large to Create Jobs and Spur Economic Growth**
- ✓ **Demand Accountability from Failed Federal Regulators and Bureaucrats**

The Democrats continue to push through policies that only kill jobs, weaken our economy, and hurt small businesses. H.R. 4173, the Democrats' government takeover of the financial system, unfairly punishes community banks with new compliance burdens and places them at a competitive disadvantage against Wall Street financial institutions.

Here's a look at how community banks are harmed by the Democrats' bill:

**"Too Small To Save"**

- H.R. 4173 creates competitive advantages for financial institutions that government regulators deem "too big to fail." The implied government guarantee further undermines market discipline and promotes moral hazard.
- The Democrats' "too big to fail" policy creates an unfair competitive landscape and disadvantages community banks that are seen as "too small to save."
- Republicans categorically reject a government policy that says that a select few institutions are "too big to fail" while community and regional banks are considered "too small to save."

**Using Deposit Insurance Fund To Pay For Government Spending**

- While the Democrats originally planned a $20 billion bank tax, they opted to increase the FDIC reserve ratio in order to "offset" the cost of the bill.
- The money in the Deposit Insurance Fund is supposed to cover depositors at failed institutions—not to fund government spending.

- The Democrats' method for paying for the spending in their regulatory reform bill is an accounting gimmick that will impose an unnecessary tax on financial institutions to pay for the Democrats' massive new bureaucracies and bailouts of their Wall Street allies.

**Democrats 'Trick And Trap' Small Community Banks With New Regulatory Burden Of The CFPB**

- The Democrats' financial regulation bill has a massive reach that impacts nearly every sector of our economy, including the small community banks and credit unions that in no way caused the financial crisis.

- Credit unions and small community banks remain subject to the rules set by the new Credit Czar. The so- called "consumer financial protection" bureau has broad authority to set sales practices, limit credit products, and mandate compensation rules.

- The credit czar is given broad authority to determine whether a product is unfair or abusive. This credit czar will have unfettered authority to review consumer products and ration credit. In the end, this will raise the cost of credit for consumers and small businesses, while also imposing a hefty regulatory burden on our community based banks.

- This enormous compliance burden exposes small community banks to inevitably conflicting mandates and more onerous regulations.

- Instead of creating new bureaucracies that will limit consumer choice and strangle small businesses and small banks with red tape, we should focus on real solutions that will get the economy moving again and create jobs.

**The Best Way to Create Jobs and Grow the Economy Is To Make It Easier, Not Harder, For Banks to Lend**

- The Democrats' $20 billion bank tax didn't fly, so they are increasing FDIC fees on regional banks, which will effectively serve as a tax. Rep. Kanjorski said on CNBC Tuesday that "a fee is not a tax." Really? Tell that to the bankers who are going to be forced to pay new "fees."

- We need to focus on creating jobs, not rationing credit. The higher deposit insurance premiums mandated by the Democrats' new pay-for will reduce the availability of loans and credit, force more small businesses to close, and cripple new startups at a time when our economy is struggling and Americans are asking "Where are the jobs?"

- As President Obama claims more jobs are on the way, a recent study showed that the so-called "consumer protection" portions of the House-passed bill *alone* would reduce the number of new jobs created by at least 4.3 percent.