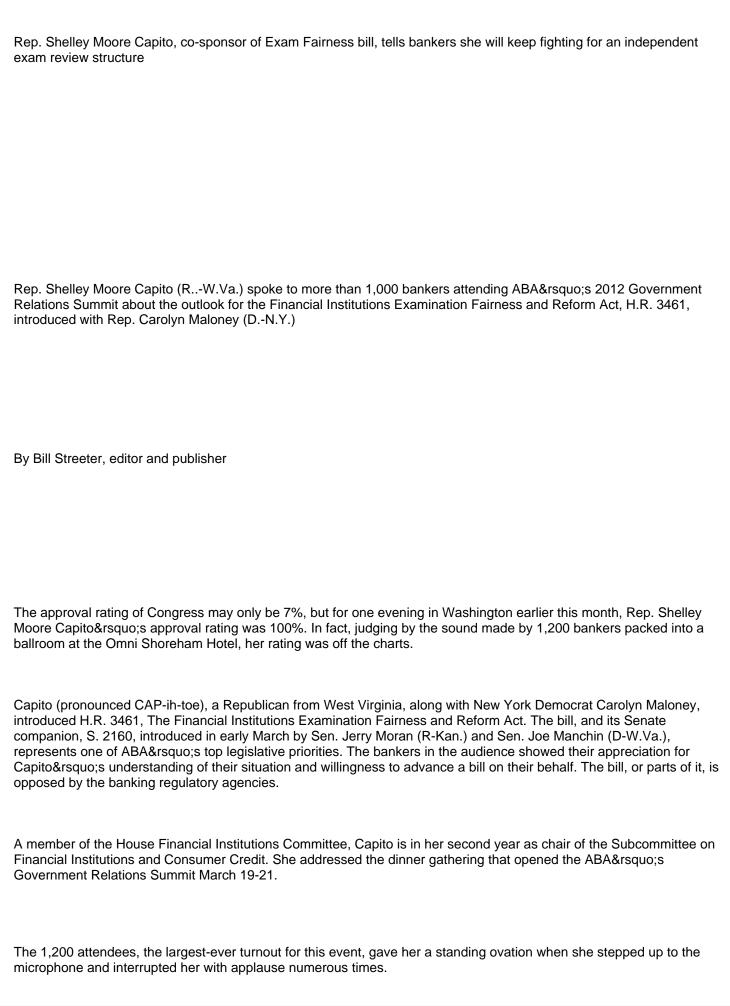
Rep. Capito gets a hero's welcome



A major disconnect

When asked by her husband what she would talk to the bankers about, she ticked off nearly a dozen things they've had to deal with the past couple of years. Among them: interchange, Dodd-Frank, the Volcker rule, too-big-to-fail, QMs and QRMs, and more.

"It's breathtaking what you've had on your plate that Congress has served up to you," she said.

Discussing the reasons behind the Exam Fairness bill, Capito said that she and Rep. Maloney heard repeatedly from bankers in their home offices, in Washington, and as they traveled around the country that "there is a major disconnect between what happens on the ground in an examination in your banking institutions and how that translates once it gets up here to Washington, D.C."

She said that in rural counties especially, it is important to have that personal touch and community bank feel in place. "Nothing against the big banks," she said, "but we need the community banks to be sure financial services are available to everybody."

Based on bankers' input, H.R. 3461 addresses three elements of the examination process:

- 1. Timeliness of exam reports:
- 2. How examiners are looking at commercial real estate values, and
- 3. Creation of an office of grievance review separate from the regulators. This point, she said, seems to have generated the most interest from bankers and the most resistance from regulators.

Capito touched on the issue of retaliation—a subject it is difficult to pin down for the very fact that bankers won't talk about it for fear of retaliation. The new office would remove the appeals process from the regulatory agencies so that bankers' grievances would be heard separately and independently from their prudential regulators.

" We think that ' a good way. The regulators for obvious reasons don ' t, and will fight us on that, but we ' re going to keep fighting for that one. "

Applause erupted from the bankers at that point, punctuated with shouts of " Thank you! "

Regs restricting lending

On the subject of regulatory burden, Capito told the bankers, "I know you're going to feel really good to know that the fourth-fastest growing occupation in the country is compliance officers in financial institutions." Virtually the entire audience raised their hand when asked if they have had to hire new compliance officers in the past year.

&Idquo; That tells me that every person that you' re hiring for compliance is taking money away from your ability to lend, your ability to contribute to your community, your ability to make flexible decisions, and it just saps the life out of your financial institution" said Capito to another round of applause.

" We' ve got to figure out a way to follow up on that, " she said. " If we' re going to have new [regulations], let' s get rid of the old or the cumbersome, or duplicative, or no-longer-relevant kinds of regulations to eliminate some of the burden" of time, paperwork, and computer work.

Shrinking industry

Shifting to another concern she has, Capito noted that the number of U.S. banks is now half of what it was in 1984. Given the accelerated pace of consolidation, she said she had concerns that "the smaller banks are not going to be able to meet the challenge of the regulatory burden; they're going to throw up their hands and say, 'I can't do this anymore'." She said bankers may have thought about selling at some point, but now are not able to do that on their own timeline.

" That would be a detrimental affect to the financial fabric of this country, " said Capito.

She asked, " Is there anything we can do?" She mentioned holding a hearing that could spotlight the effect of consolidation. An outcome where only the big survive, she said, " would be a crushing blow, certainly to a state like West Virginia."

Prediction for Dodd-Frank changes

The congresswoman said she thought Congress would do the minimal amount of work it can do to get by until after the November election. She acknowledged that there were a lot of important things to do, among them the need to "redo, dismantle, and scrape out" parts of the Dodd-Frank Act.

"We are not going to be able to do it in the environment we're in now," she said, although her subcommittee will keep pushing for it because it has an effect on job creation, lending, and business spending. She felt that after the elections more could be done.

[This article was posted on March 30, 2012, on the website of ABA Banking Journal, www.ababj.com, and is

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