ORAL STATEMENT

OF

TONEY BLAND
SENIOR DEPUTY COMPTROLLER
FOR MIDSIZE AND COMMUNITY BANK SUPERVISION

BEFORE THE

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
UNITED STATES SENATE

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Chairman Johnson, Ranking Member Crapo, and members of the Committee, thank you for the opportunity to appear before you today to discuss the challenges facing community banks and the actions that the OCC is taking to help community banks meet those challenges.

I have been a bank examiner for more than 30 years, and most recently served as the Deputy Comptroller for the Northeastern District, where I had responsibility for the supervision of more than 300 community banks. Last month, I assumed the role of Senior Deputy Comptroller for Midsize and Community Bank Supervision. In this position, I oversee the OCC's national community bank supervision program for more than 1,400 institutions with assets under $1 billion.

I have seen firsthand the vital role community banks play in meeting the credit needs of consumers and small businesses across the nation. A key element of our supervision is open and frequent communication with bankers, and I personally place a high priority on meeting with and hearing directly from community bankers about their successes, challenges and frustrations. Frequent communications also help me better understand the impact our supervision and regulations have upon the daily operations of community banks. Not only are these meetings one of my favorite parts of the job, they're also quite productive and among my most important priorities.

The OCC is committed to supervisory practices that are fair and reasonable, and to fostering a climate that allows well-managed community banks to grow and thrive. We tailor our supervision to each bank's individual situation, taking into account the products and services it offers, as well as its risk profile and management team. Given the wide array of institutions we oversee, the OCC understands that a one-size-fits-all-approach to regulation does not work. To the extent that the statutes allow, we factor these differences into the rules we write and the guidance we issue. My written statement provides several examples of the common-sense adjustments we have made to recent regulations to accommodate community bank concerns.

To help community banks absorb and keep track of changing regulatory and supervisory requirements, we have developed a number of informational resources for their use. For example, each bulletin or regulation we issue now includes a summary of the issuance and a box that tells community banks whether and how the issuance applies to them.

Guiding our consideration of every proposal to reduce burden on community banks is the need for assurances that fundamental safety and soundness and consumer protection safeguards are not compromised. We would be concerned, for example, about proposals that would adversely impact or complicate the examination process, mask weaknesses on a bank's balance sheet, or impede our ability to require timely corrective action to address weaknesses.

However, we know we can do more to reduce regulatory burden on community banks, and we are exploring several options that we believe will help. For example, we believe community banks should be exempt from the Volcker rule. We also support changing current law to allow more community banks to qualify for an expanded, 18-month examination cycle. We support more flexibility for the federal thrift charter so that thrifts that wish to expand their business model and offer a broader range of services to their communities may do so without the burden and expense of changing charters. And we believe community banks should be exempt from the annual privacy notice requirement. Finally, we are supportive of community banks' efforts to explore avenues to collaborate and share resources for compliance or back office processes to address the challenges of limited resources and acquiring needed expertise.

I also am hopeful that recent efforts to review current regulations to reduce or eliminate burden will bear fruit. As Chair of the FFIEC, Comptroller Curry is coordinating the efforts of the federal banking agencies to review the burden imposed on the banks by existing regulations, consistent with the EGRPRA process. The OCC, FDIC, and Fed launched this effort this summer and are currently evaluating the comments received on the first group of rules under review. We are hopeful that the public will assist the agencies in identifying ways to reduce unnecessary burden associated with our regulations, with a particular focus on community banks.

Separately, the OCC is in the midst of a comprehensive, multi-phase review of our own regulations and those of the former OTS to reduce duplication, promote fairness in supervision, and create efficiencies for national banks and federal savings associations.

We have begun this process and are reviewing comments received on the first phase of our review focusing on corporate activities and transactions.

In closing, the OCC will continue to carefully assess the potential effect that current and future policies and regulations may have on community banks, and we will be happy to work with the industry and the Committee on additional ideas or proposed legislative initiatives.

Again, thank you for the opportunity to appear today. I would be happy to respond to questions.