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Getting Financial Reform Right

The country came perilously close to economic collapse. Now the U.S. Senate is debating financial reform. North Dakota bankers agree: financial reform is important and necessary.

We support reform to ensure no single bank or insurance company will be bailed out because it is “too big to fail.” We also support closing legal and regulatory gaps that allowed securities firms and other “non-bank” companies to take enormous risks with our national economy. The Senate bill takes some positive steps toward addressing these critical issues, but it stops short in several areas and goes overboard in others, particularly in the ways it affects banks like those in North Dakota.

North Dakota banks did not cause or contribute to the financial crisis. Our banks’ missions are, as always, to serve their communities and to make credit available to North Dakotans. We believe the Senate bill includes provisions that will hinder our banks’ ability to effectively carry out their missions. The result for already over-burdened community banks: more red-tape, less innovation, and fewer resources available to serve customers.

The biggest problem is the creation of a Consumer Financial Protection Bureau. Bankers support better consumer protections but believe the focus must be on supervising and regulating the “non-bank” companies such as mortgage brokers who caused the problems instead of piling more regulations on the banks that didn’t. North Dakota banks are regularly examined to make sure they are following more than 1,700 pages of consumer laws and regulations. If the Senate passes its version of financial reform, your bank will have new or expanded regulation in 27 separate areas. Non-banks will still escape this heavy federal oversight.

Creating another federal agency for consumer protection produces more problems than it solves because the bill puts the Federal government in the business of deciding what products North Dakota banks will be allowed to provide customers. This kind of invasive federal control undermines the essence and strength of traditional banks – namely, the relationships they have with their customers. How can our banks serve North Dakotans if the government won’t allow them to tailor products to meet the specific needs of their communities?

Bankers support financial reform to prevent a future crisis; however, it needs to be done right and with sensitivity about the very real impacts on banks and bank customers. The North Dakota Bankers Association is opposing parts of the current reform bill that is now

before the United States Senate because the bill will hurt North Dakota's banks and citizens.

We want Congress to take the time necessary to do regulatory reform right and in a way that doesn't undermine traditional, community banking. The consequences of getting reform wrong are very real and must be treated seriously.