Testimony of William Bates, Jr.

U.S. House Committee on Financial Services

On behalf of the

National Bankers Association

Before the

Committee on Financial Services

United States House of Representatives

December 5, 2011

Chairman Bachus, Ranking Member Frank and members of the committee, my name is William Bates, Jr. I am the Executive Vice President and General Counsel of Seaway Bank and Trust Company, in Chicago, Illinois. We are a $621 million commercial bank with 11 offices and 315 employees. We are a member of the Illinois Bankers Association. We serve the Chicago area, with a population of approximately 4 million people. We also have a branch in Milwaukee, Wisconsin.

We support numerous churches, schools and community groups through charitable donations, and thanks to our partnerships with leading corporations, we are able to reinvest in our family of customers and local businesses. Our mission remains to help minority professionals and entrepreneurs obtain financial assistance they need, and to be responsive to the credit needs of our local communities.

Thank you for convening this important hearing in Illinois. I appreciate the opportunity to present my views about the current regulatory environment on behalf of the National Bankers Association. The National Bankers Association was founded in 1927 as the trade association for the nation's minority and women-owned banks (MWOBs). Our members include banks owned by African-Americans, Native-Americans, Hispanic-Americans, Asian-Americans, and Women.

MWOB's are located in 21 states and the District of Columbia. In the aggregate, MWOBs have assets in excess of $8.8 billion dollars and service over 1.5 million depositors. Collectively, the individuals who serve on the boards of directors of our member banks represent some of the most influential leaders in minority communities and urban centers across the country. Since 1980, the NBA has formed a successful partnership with Treasury representatives of Fortune 500 corporations.

MWOBs, with few exceptions, serve distressed communities plagued by many social and economic problems. Our institutions are deeply committed to providing employment opportunities, entrepreneurial capital and economic revitalization in neighborhoods which often have little or no access to financial services.

Like Seaway Bank and Trust Company, banks everywhere are working hard to provide quality financial services and to make credit available—especially in this challenging economy. Yet, we are feeling more pressures from our regulators than ever before, posing unprecedented obstacles to serving our customers and lending at a time when our communities need us more than ever before.

All of the costs, complexities and time associated with monitoring, managing and complying with the current regulatory landscape are handicapping most banks' ability to do what they do best—serving customers, local communities, and many local organizations who rely on banks for help.

Each new rule requires significant time and money and builds upon volumes of existing regulations. This is putting an enormous strain on our staffs, and for community banks, which are disproportionately affected due to their more limited resources, diminishing revenue streams, and with limited access to capital—it is becoming a nearly insurmountable burden.

When you add to this the more than two dozen proposals established under Dodd-Frank for a whole new class of regulation – mostly to be issued by yet another regulator– combined with the uncertainty and legal risks—it is plain to see how difficult it can be to achieve the right balance between satisfying loan demands and regulatory demands.

At Seaway we have seen a significant increase in costs in order to meet regulatory demands over the last ten years. We have had to devote significant resources to comply with the Bank Secrecy Act. We currently have three people who spend all of their time on the Bank Secrecy Act, anti-money laundering, and overall regulatory compliance and at least three more individuals who spend up to 25% of their time on regulatory compliance, not to mention the individuals throughout the Bank who serve on the Compliance Committee

Historically, the cost of regulatory compliance as a share of operating expenses is two and one-half times greater for small banks than for large banks. The expenditures that our bank has incurred take away from the resources that can be directly applied to serving the bank's community.

While there are many examples of the costs associated with regulation, I would like to highlight some of those associated with residential mortgage loans.

The application process has changed several times with new HUD regulations and RESPA requirements. The process for ordering and reviewing appraisals has become more cumbersome and involved. The extra forms that are required with early disclosures, along with having to register and fingerprint mortgage loan officers, not only adds to the costs associated with this type of lending, but it creates delays, additional costs and confusion for borrowers. A typical mortgage file, today, will have more than 100 pages by the time the loan is closed.

Every new regulation, or change in an existing one, adds another layer of complexity and cost of doing business. Without quick and bold action to relieve some of the regulatory burden, there will be a contraction of the banking industry, with banks disappearing from communities over the next few years. Each bank that disappears from the community makes that community poorer.

What could Congress do?

As other witnesses have suggested, we urge you and other members of Congress to make sure that our regulators are measuring the cumulative effect of all of the rules-current and future—with which traditional banks must comply. It is critical that the perceived benefits of each rule be weighed against its ultimate costs to a bank's customers—including the costs that it adds to a particular product or service, as well as its impact on the availability of and access to those products and services.

In addition, we know that you have heard many suggestions about how to reverse some of the potential or perceived threats of the Consumer Financial Protection Bureau (CFPB). While we are pleased that Dodd-Frank allows community banks with less than $10 billion in assets to continue to be examined by their primary regulator, we remain concerned about CFPB regulations, to which community banks will be subject. In particular, the CFPB should not implement any rules that would adversely affect the ability of banks to customize products to meet the needs of their customers.

In addition, because bank regulators have long expertise in balancing the safety and soundness of banking operations with the need to protect customers, we hope that prudential regulators will have a more meaningful role in writing rules for CFPB.

Members of the National Bankers Association along with the entire banking industry are trying to do their best to provide necessary financial services and credit to the thousands of consumers and small businesses who need it, and we are working exhaustively with those businesses who are struggling in our community. However, we need Congress' help!

We want to work with you and our Members of Congress to restore the viability of our local communities and or state.

Again, thank you for the opportunity to hear our views about the current environment and its impact on Illinois and our communities.

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Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name:	2. Organization or organizations you are representing:
William Bates, Jr.	National Bankers Association
3. Business Address and telephone number:	
[redacted]	
4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	**5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?**
☐ Yes ☑ No	☐ Yes ☑ No
6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.	
7. Signature:	
William Bates Jr.	

Please attach a copy of this form to your written testimony.