

Testimony of James J. Renn
On Behalf of the Illinois League of Financial Institutions
Before the United States House of Representatives
Financial Services Committee
In Chicago, Illinois
December 5, 2011

Good Morning.

Chairman Bachus, Ranking Member Frank, and members of the House Financial Services Committee, thank you for holding this field hearing in Chicago and for allowing me to testify today.

My name is James J. Renn. I am the President and Chief Executive Officer of Lisle Savings Bank in Lisle, Illinois. Lisle is located 25 miles directly west of Chicago. Lisle Savings Bank has \$524 million in assets with capital of just under \$90 million. We are a mutual savings bank that was founded in Chicago in 1917 and moved to Lisle in 1959. We have two offices staffed by 58 full-time employees and 7 part-time employees. We were, since our founding, and remain yet today, a residential home lender that holds our mortgages in our portfolio.

I am also the immediate past chairman of the Illinois League of Financial Institutions which is a statewide trade association that serves the state's savings and community banking institutions. The League was founded in 1880 and its purpose is to serve the Illinois financial institution business and public interest by fostering thrift and homeownership and by sustaining and promoting the legislative, regulatory and business interests of its members.

A consistent theme emerges when I consider the thrift and bank members of the Illinois League of Financial Institutions. It may sound old-fashioned, but these members demonstrate hometown banking at its best. These are community banks where the officers, directors, and employees know their customers because they are their neighbors. These community-based thrifts and banks are more than community lenders; they are community leaders. In the lobbies of these member thrifts and banks, you will usually find the glass-walled office of the president within a few steps of the customer service areas – just like my office at Lisle Savings Bank. This connection of the primary officer of the thrift and bank to the people who are the depositors and borrowers of the institution is a link that has been lost in the “Wall Street” approach to finance. This link, however, is alive and well in cities and towns across Illinois and I know the Illinois League members will continue this tradition as our state and nation work through this recession and recovery.

I believe the focus and culture of our bank is visually reinforced by viewing our web site www.lislebank.com. On our home page, you see our motto “Every Person Counts.” You will also see three rotating pictures. One picture is of a senior couple, another is a picture of a multi-generational minority family and the third one is of a young couple with

their young boy. Our welcome mat is out for all local residents regardless of their income level or account balance. There is also a CEO Message to our customers explaining the differences among investment banks, national or regional institutions and community banks like Lisle Savings Bank. I draw your attention to the letter because its text is so representative of the members of the Illinois League of Financial Institutions and community banks across the country. I will read a few key sentences: "While the United States has approximately 7,700 banks with more than \$13 trillion in assets and two million employees, most banks are really small businesses. The median size bank employs 37 people and has \$154 million in assets. Three thousand banks have fewer than 30 employees. Like other smaller community banks, we believe in developing and maintaining long-term relationships with customers. One out of every three banks has served its local community for more than 100 years."

Lisle Savings Bank takes great pride in being a home lender where our mortgages are funded by Main Street and not Wall Street. Our employees are local residents who enjoy seeing family, friends and neighbors as customers and they are part of the fabric of our community. The most humbling professional compliment I ever received was by a local newspaper columnist who listed my living in Lisle as one of the top reasons to live in Lisle.

Personally, I have been with the bank for 40 out of our 94 years in business and, as you would suspect, I have seen many changes in that course of time. The most recent and dramatic changes, however, have taken place in just the last few years. The reason we are in business is to gather local deposits and make single family home loans in our market area. However, the board of directors, management and staff all feel paralyzed by the time spent on compliance and regulatory monitoring. We can imagine the trepidation of not wanting to be on the last examination team before a bank failure, however, we believe the objective of determining whether a financial institution is a threat to the FDIC insurance fund has evolved into the micro-managing of a private business. We understand the ripple cause and effect of the housing debacle on bank regulation, but are frustrated and discouraged knowing so many people agree that banks such as ours were not the cause of the real estate tsunami. Having earned nearly \$90 million in capital in 94 years, we view this position of strength as our "rainy day" money to withstand business cycles.

Yes, we have foreclosures and real estate owned, but we know this too shall pass. We want to live to fight another day, but strongly believe that the regulatory burden comes at too high a price in terms of dollars spent, employee time and the distraction of documenting our daily activities in terms of policies, procedures and committee minutes. We currently have 43 policies that require annual board approval. While there may not be a legal mandate of a One-Size-Fits-All Approach to regulations and examinations, the policies and procedures of the largest financial institutions eventually become "best practices" for everyone else. There is certainly a feeling that we are struggling with the dichotomy of executing a Home Depot business plan while maintaining our small town hardware store roots.

For years there was a business-as-usual environment at Lisle Savings Bank during safety and soundness, compliance and CRA exams. Then loan delinquencies,

foreclosures and real estate owned demanded our full attention. In 2009, we were told our compliance management system was lacking and we were too big not to have a full-time Compliance Officer. We were not sure what could have changed seemingly overnight, so we asked one of our younger management trainees if he would be interested in learning the ins and outs of compliance and assume that responsibility on a full-time basis. He accepted the offer as he knew promoting from within had been our standard operating procedure when a position became available. This practice has contributed to our track record of high employee retention. After spending nearly \$100,000 on both training and independent compliance consulting services over a twelve month period, we learned the promote from within concept was not going to work in this instance. The learning curve was far too long and our Compliance Officer gave his notice of resignation. He decided the banking industry and certainly compliance were not for him. We were unaccustomedly in the market to hire an officer from another bank for the very first time. After some preliminary telephone discussions and several personal interviews, we learned the cost of an experienced compliance officer would make a Compliance Officer the sixth highest paid position at the bank.

I hope that common sense will prevail and that our pervasive concern with compliance and "what will the regulators think" will become secondary to providing the best possible customer service, product development and growth strategies. Right now though the threats to the future of a bank our size and certainly even smaller institutions are very real. The increased regulatory burden – laws passed by the Congress and the state General Assembly, rules promulgated by federal and state regulators, pronouncements by the Financial Accounting Standards Board, and interpretations offered by on-sight examination teams result in overwhelming input to our bank's compliance team which primarily consists of supervisors of customer service departments. I wish I had the foresight to factor in additional costs of the Dodd Frank legislation. Compliance expense (excluding salaries), auditing and training expenses were \$80,000 in 2008; \$111,000 in 2009; \$118,000 in 2010 and \$140,000 in 2011. These costs are severely understated if we were to include salary expense and allocate overall employee time to regulatory duties.

Thank you for the opportunity to testify here today at the local hearing of the House Financial Services Committee. The Illinois League of Financial Institutions and I appreciate your work on these important issues and your willingness to hold a field hearing to gather evidence for your future use. I can be reached at 1450 Maple Avenue, Lisle, IL 60532 or Jay Stevenson, the President of the Illinois League of Financial Institutions, can be reached at 133 South 4th Street, Suite 206, Springfield, IL 62701.

Your work on behalf of the nation is greatly appreciated.

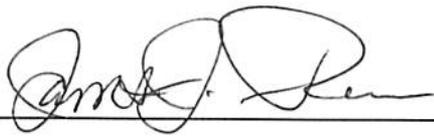
Very truly yours,


James J. Renn
President and
Chief Executive Officer

United States House of Representatives
Committee on Financial Services

“TRUTH IN TESTIMONY” DISCLOSURE FORM

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:
James J. Renn	Illinois League of Financial Institutions
3. Business Address and telephone number:	
133 South 4th Street, Suite 206 Springfield, IL 62701 217-522-5575	
4. Have <u>you</u> 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 <u>organizations you are representing</u> 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?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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:	

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

James J. Renn Biography

James J. Renn has been a Lisle/Naperville area resident since 1959. He graduated from Naperville Community High School in 1967 and from Northern Illinois University in 1971. Mr. Renn is currently the Chief Executive Officer of Lisle Savings Bank and celebrated his 40th year at the bank on November 1, 2011.

During his tenure at the bank, he has served on the boards of many local organizations such as the Lisle Convention and Visitors Bureau, Lisle Area Chamber of Commerce, Rotary Club of Lisle, President's Advisory Committee of Benedictine University and parish council at St. Margaret Mary Church. He has also served on the boards several bank trade organizations such as Chicagoland Association of Financial Institutions and Illinois League of Financial Institutions.

He is immediate past Chairman of the Board of the Illinois League of Financial Institutions and currently serves on the boards of the West Suburban Community Pantry and the Lisle District 202 Education Foundation Board. Mr. Renn has been a member of the Rotary Club of Lisle since 1996 and has 14 years of perfect attendance. He was also on a Parents Task Force at DePaul University to encourage parents of current students to make financial contributions to DePaul.

He enjoys his role as a greeter at St. Margaret Mary Parish on Sunday mornings.

Mr. Renn lives with his wife, Laurie, and two children, Aaron and Emily, in Green Trails in Lisle.

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

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:
James J. Renn	Illinois League of Financial Institutions
3. Business Address and telephone number:	
[REDACTED]	
4. Have <u>you</u> 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 <u>organizations you are representing</u> 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?
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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:	

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