

Committee on Financial Services  
Subcommittee on Financial Institutions and Consumer Credit

**“Potential Mixed Messages: Is Guidance from Washington Being Implemented by  
Federal Bank Examiners”**

August 16, 2011

Statement of V. Michael Rossetti

Chairman Capito, Member Westmoreland and Members of the Committee, I sincerely appreciate the honor and the opportunity to testify before you on this subject. It is my opinion our representatives genuinely want to foster and promote a healthy banking environment so that citizens and business can prosper.

My name is V. Michael Rossetti and I have been directly involved in banking as a Director since 1999. My primary business is homebuilding. I have owned and operated Ravin Homes, Inc. for 30 years.

In your letter inviting me to testify the first two bullet points request comments on the policies and procedures of the FDIC and whether they are being applied uniformly across the country.

Although I have read about certain banks getting favorable treatment from regulators I can say that my experience is that they have acted reasonably with our bank. The problem is with the REGULATIONS and the lack of common business sense used in the interpretation of the regulations. We are being regulated so heavily that we cannot function as a facilitator in the community.

When Sarbanes Oxley was implemented our bank decided to go private so we would be exempt from the duplication of regulatory reporting. We were already performing the regulatory requirements for the FDIC. The costs and manpower required

to do the redundant reporting under Sarbanes would have been crippling to our institution.

Now we have Dodd Frank to contend with. This is a 2,000+ page bill that will have 10 times the regulations attached to it after the bureaucrats' get through with writing all the rules. I see more of an issue with the amount of the regulations rather than the regulators. We are being regulated to death in ALL of our personal and business lives.

Your next point of interest concerns regional economic conditions and adjusting exam standards.

In my banking world as well as most banks in Georgia, real estate loans (AD&C Loans) were, and still are, a large part of their portfolios. In accumulating these large portfolios the banks customers were simply supplying a product that the Federal Government through Fannie and Freddie were giving away money to buy.

The current huge overhang that this created in all levels of housing development is going to take years to work down. If the regulators were able to adjust to this fact and be less onerous on banks to write down loans I believe that the liquidation of assets would be more orderly and more lucrative and create considerably less stress on banks. I will have more on this when I discuss loss/share.

The second to last point of discussion concerns safe and sound operation of banks while promoting economic growth. In my mind there are two entities that need to be considered in the economic growth equation for this topic – the banks and their customers (communities). At the present time we are restricted from doing ANY new AD&C lending no matter how secure it is due to the concentration limitations imposed by the regulators. We can't take advantage of doing a good loan and the customer can't find a

bank to do that same loan. Both get hurt and the community loses jobs, etc.

My grandfather said that there are only 2 ways to get out of debt – stop spending and start making! If banks are going to survive we need to make a profit and the only way bank makes money is to lend it.

Banks that are in this position (Community Banks) are completely defensive in this arena. As of this date we don't lend unless it benefits the bank in the disposal of foreclosed property. New loans to new or existing customers don't exist at our bank.

I would respectfully request that you investigate H.R. 1755, The Home Construction Lending Regulatory Improvement Act. It addresses this and several other regulatory issues that are very germane to the discussions here today.

Now we have the last point listed in your letter and my favorite. Winding down failed institutions and the liquidation of assets by the acquiring institutions (loss/share).

This loss/share agreement allows banks to operate completely outside of normal banking policies because **THEY ARE GUARANTEED TO MAKE MONEY** – no matter what they sell the asset for. The same banks operate completely differently under a loan that is under the loss/share as opposed to an in house loan. To add insult to injury to our bank and the community, they will dump the assets acquired at a rock bottom price thereby destroying local property values. In my opinion the loss/share has done more to destroy property values than any other economic factor of this downturn.

Concerning troubled and failed institutions, from what I have seen the FDIC declares that anywhere from 25% to 35% of the failed institutions assets are declared as a loss to them.

Let's take our bank as an example – we are a \$380 Million dollar bank. If we

were closed the loss to the FDIC Insurance Fund would be between \$95 Million and \$133 Million. If our bank could borrow \$6 to \$10 million to use as capital we would return to being well capitalized and we would be profitable. In addition we would be able to pay this back in the future.

My point is that many banks could survive with a minimal (compared to closing the bank) capital injection. This is what should have been done with TARP funds instead of forcing them on healthy institutions and telling them they were too big to fail.


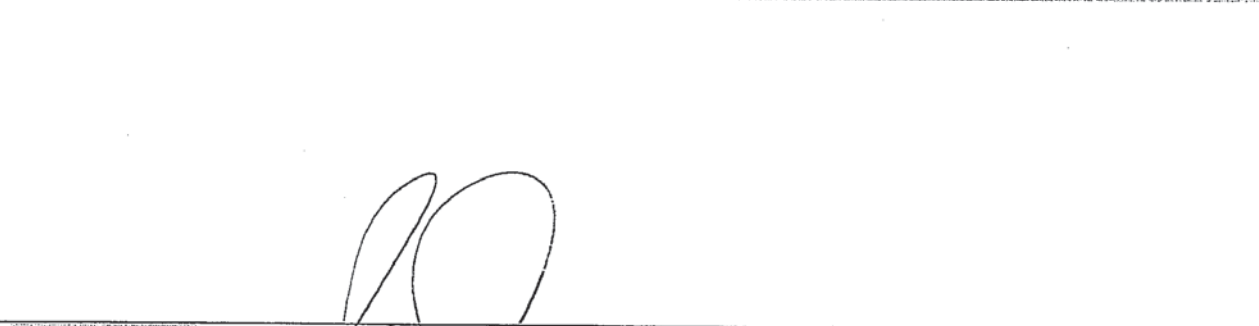
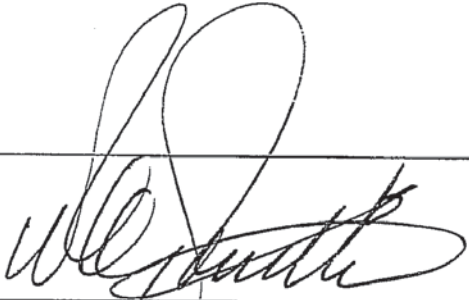
It is my sincere hope that my testimony today has given you a constructive view of these items of interest.

Again, I would like to thank you for your time today and I look forward to answering any questions you may have.

United States House of Representatives  
Committee on Financial Services

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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.

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|---|--|
| 1. Name:  | 2. Organization or organizations you are representing:   |
| V. Michael Rossetti   | Ravin Homes, Inc and The Bank of Georgia   |
| 3. Business Address and telephone number:<br>   |  |
| 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 <u>yes</u> 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:<br>  |  |

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