

Testimony of

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President/CEO

The Pecos County State Bank

Before the

United States House of Representatives

Subcommittee on Financial Institutions and Consumer Credit

Field Hearing on

**“An Examination of the Challenges Facing Community
Financial Institutions in Texas”**

March 14, 2012

San Antonio, Texas

Chairman Capito and Members of the Subcommittee:

My name is George Hansard, President/CEO of The Pecos County State Bank in Fort Stockton Texas. Pecos County State Bank is a \$150 million community bank with locations in Fort Stockton, population of 8,000, and in Sanderson, Texas, population of 750. We are truly a community bank. I have been the President of Pecos County State Bank for 6 years and I have been employed by community banks for 32 years.

I appreciate the opportunity to address issues which I believe have adversely impacted community banks in the last several years.

Several months ago, we at the bank (Pecos County State Bank) stumbled across the bank's policy manual from 1986 and were shocked to see that in 1986 the policy manual of a community bank was less than 100 pages. Today, our policy constitutes over 1,000 pages of Regulations which require a full time Compliance Officer and Real Estate Clerk to remain abreast of regulatory changes and to insure we remain in compliance, and their interpretation, thereof.

Community banks had been the life blood of this country and they were responsible for more small business successes than most other resource including governmental programs. What is troubling to me is the impact of governmental regulation which has been based upon politics and not prudent business.

Today only 25% of Dodd-Frank has been implemented. What has Dodd-Frank done to Pecos County State Bank? For one, allowing a consumer the opportunity to determine whether a bank may assess a charge to an overdraft created by a debit card used by that consumer. In the old days of check writing, which no one had a problem with. If insufficient, the check was handed over to the local County Attorney for collection or prosecution. The customer paid additional fees on top of the bank fees, and possibly had a criminal record. Now Dodd-Frank places no responsibility on the consumer for his or her actions. In my opinion and the opinion of most community banks, this is simply price fixing and has no rational basis.

Twenty years ago a community bank the size of Pecos County State Bank did not have a Compliance Officer, nor a Real Estate Clerk to handle the Regulations which covered real estate transactions. With Dodd-Frank how many more staff members will a community bank be forced to employ, which provide nothing to the bottom line? We are not sure but we do know that from over 3,000 pages of law our policy will surely double in size and our staff to handle the complexities. At Pecos County State Bank, I find it interesting that my lending staff has not increased in number in 11 years and we have been able to double the amount of loans we service. During this same time we have had to add 2 employees to handle increased governmental regulations. If I add 2 additional individuals to my staff for Dodd-Frank, I will have 10% of my employees working solely on regulations, again regulations costing small business. Let's face it, where does that expense land?

Another aspect of Dodd-Frank are the appraisal requirements. In my 32 years of banking, a banker which “puts his hands” on his collateral makes much better loan decisions. Contrary to popular belief community banks have no desire to make “bad” loans. Bad loans not only impact the bank’s bottom line but they negatively impact a banker’s job, the community, and are also negative to the borrower. A bad loan will make a good customer a bad customer. Dodd-Frank takes that evaluation process completely away from a community banker, the banker must place trust in someone else “putting their hands on that collateral”. I do not believe in not being involved in evaluating collateral taken to secure a loan. Maybe loans sold in the secondary market still need independence but not loans which “that banker must live with”. Would you purchase a home without being involved in deciding the purchase price?

Further, a real life example of the affect of Dodd-Frank occurred in our bank. We had used our real estate processor to also perform our real estate appraisals (she is a licensed state certified residential appraiser). Dodd-Frank put a stop to this even though bank examiners had expressed no problems with this relationship. What we find puzzling and unfair is that Dodd-Frank allows an appraiser to receive a copy of the sales contract which in Texas clearly states the sales price, down payment, loan amount and terms, but it does not allow an appraiser to be involved in the loan processing side of a bank. We believe having a knowledgeable appraiser/processor which has loyalty to his or her employer makes for more reasonable appraisals, instead of those alleged in Dodd-Frank. I had to tell her she had to make a choice. I lost that important employee. She chose to remove herself from the everyday process of regulations which are based upon politics not on what is rational. What does her family think now?

Is there a solution? I am sure that the politicians who write legislation believe they are writing it in the best interest of their constituents and there is a reason for much legislation, but Dodd-Frank with all of its amendments are far reaching and over reacting. I strongly believe that the postponement and repeal of Dodd-Frank is fair to the country as a whole. Dodd-Frank may have good intentions but these intentions are misguided, certainly to community banks which do not sell their loans in a secondary market.

Community banks did not participate nor did we profit from the excesses which contributed to the recent economic meltdown in the financial and housing industry. Yet we are paying a high price for the actions of a “few large institutions”. These institutions have no fear, they are “too big to fail.” In fact, their only concern is how large their bailout will be. We as community banks do not, nor have ever had this luxury.


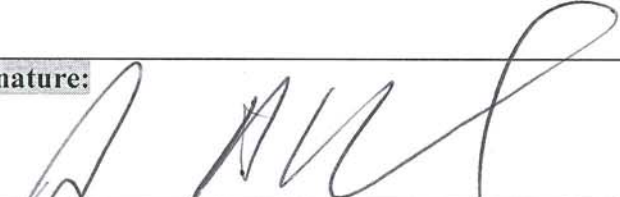
Community banks are different from mega banks. Community banks have been closed all over this country and all the mega banks have been bailed out at tax payer’s expense. The rationale that it is fine to close community banks and to bail out mega banks is inherently irrational. Don’t you think a community bank is as important to its community as a mega bank is to its country? I can tell you that community bankers and their boards are at an all time high in their level of frustration. Something must be done that makes good common sense.

Again, I appreciate the honor and the opportunity to voice my opinion on such an important issue, not only for community banking, but for this country and its future. I would gladly provide additional information to you or your staff.

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: GEORGE H. HANSARD	2. Organization or organizations you are representing: THE PECOS COUNTY STATE BANK
3. Business Address and telephone number: 	
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? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	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
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.