STATEMENT BY REP. BERNIE SANDERS ON H.R. 1375, THE FINANCIAL SERVICES REGULATORY RELIEF ACT OF 2003

I would like to thank Chairman Bachus for holding this important hearing.

Among other things, the Financial Services Regulatory Relief Act would make it easier for some of the biggest banks and other financial institutions in this country to merge. Specifically, the bill would reduce the federal review process for bank mergers from 30 days to a mere five days. The bill would allow the Office of Comptroller Currency to waive notice requirements for national bank mergers located within the same state. The bill would end the prohibition of out-of-state banks merging with in-state banks that have been in existence for less than 5 years. The bill also gives federal thrifts the ability to merge with one or more of their non-thrift affiliates. Finally, the bill would eliminate certain reporting requirements for bank CEOs in regards to inside lending activities.

Mr. Chairman, I have serious concerns regarding these provisions in the bill.

During the past 22 years, the banking industry has experienced unprecedented merger activity. From 1980 to 2002, there were over 9,500 banking mergers, with total acquired assets of more than $2.4 trillion.

During the 1990s, many of these mergers involved large banks. Some of the proposed mergers had the potential for serious anti-competitive effects in local markets. Yet, during this period, hardly any mergers were denied based on competitive grounds.

As a result of merger mania, there has been a substantial decline in the number of commercial banking organizations in the U.S. We have gone from 12,741 commercial banks in 1989 to 7,903 in 2002.

In 1998, several of the largest bank mergers in history took place. For example, Nations Bank merged with Bank of America resulting in the third largest banking organization with approximately $580 billion in assets. In addition, Norwest merged with Wells Fargo and Bank One merged with First Chicago. Finally, Travelers Group and Citicorp merged and formed the largest banking organization in the United States.

The 25 largest banks in this country now account for more than half of all of the total deposits in this country.

It is my understanding that the Federal Reserve Board and the Office of Comptroller Currency have published descriptive material on fewer and fewer of their merger decisions. I would like to hear from our witnesses as to why this is the case?

I am very concerned that as a result of these mergers, an increasing number of banks are considered to be too big to fail. In other words, these banks are now so big that if they should get into trouble, the American taxpayer will have to bail them out. I would like to find out from our witnesses today, how many banks they consider to be too big to fail, and what type of action would they take if these institutions were to fail.

Mr. Chairman, has merger mania led to a reduction in bank fees for the American consumer? The answer is a clear and resounding no. American consumers are facing a real crisis in banking services. More than 12 million American families cannot afford bank accounts, and those who can afford them are paying too much -- especially if they bank at big banks.

Since bank deregulation began in the early 1980's, consumer groups such as U.S. PIRG have documented skyrocketing consumer banking fees. Bank fees are rising dramatically, and the fees charged by big banks are rising the fastest of all.

The average annual cost to a consumer of maintaining a regular checking account rose to more than $200 over the past few years -- an increase of $17 compared to 1997. Consumers who bank at big banks paid more than $220 a year for the privilege of maintaining a regular checking account -- 16% more than small bank consumers and 110% more than credit union members.

Not only are these mergers bad for consumers, they are also bad for bank employees. According to an article that appeared in Newsday on November 28, 1999:

> "Firms that shift to cash balance plans have often been corporations recently involved in **mergers** and acquisitions. And when two firms merge, as was the case of Citicorp and the Travelers Group Inc., **employees** of the company with a traditional pension - in this case Citicorp - are often forced into the cash-balance plan already in existence at the other firm."

According to the General Accounting Office, cash balance pension conversions can slash workers' pensions by as much as 50%. Should we be making it easier for banks to merge if these mergers have the effect of slashing the pensions of their workers?

Meanwhile, banks have been receiving over $70 billion in profits a year. And Congress continues to roll back critical banking laws that protect consumers, taxpayers and communities.

Mr. Chairman, during this time of merger mania that has led to decreased competition and higher fees for consumers, is it really prudent to make it even easier for these large financial institutions to become even larger? I think this question needs to be asked at this hearing and I look forward to hearing about this from our witnesses.