America's Mutual Banks
701 8th Street NW Suite 700. Washington, D.C. 20001

Mutual Alert

White House Council Of Economic Advisers Issues Brief In Support of Administration Efforts To Benefit Community Banks

As the election fast approaches the White House has issued a self-serving "brief" through its three person Council of Economic Advisers on the state of the community banking industry. This coincided with a speech by candidate Clinton on her intention to tighten Dodd Frank rules while facilitating community bank regulation and operation. The "Brief" makes for interesting reading and seems completely at odds with the industry complaints that regulation is stifling its ability to compete. The Brief goes so far as to assert that the administration has improved the lot of community banks. In its introduction it states:

> The Administration has taken important policy steps to achieve this, including increasing deposit insurance coverage to better protect community banks' core source of funding and shifting the costs of deposit insurance away from small banks toward larger, riskier banks; leveling the playing field with competing nonbank lenders like mortgage brokers; making the biggest banks subject to heightened prudential standards, which both help reduce systemic risks in credit markets that can spill over onto small banks and force large institutions to bear the costs of the risks that they create; and taking steps to streamline regulation of community banks to avoid exams by multiple regulators and to allow fewer exams for the smallest banks as long as they are well capitalized and in good standing.

The Brief is chock full of statistics supporting the White House findings with some very vivid colors and charts. What it seems to say is that community banks have a difficult challenge thriving but this Administration hasn't made things worse. Of course it sidesteps or minimizes issues such as the growth of sifi banks since Dodd-Frank, the unstated moratorium on deposit insurance for de novo charters, the increasing pressures from unregulated fintech companies and the trickle (or cascade) down effect as sifi regs are applied to banks not covered by statute. Most importantly it neglects to mention the one size fits all problem omitting any mention of mutual or sub S banks. Nonetheless, it's an election year and it could have been worse.

https://www.whitehouse.gov/sites/default/files/page/files/20160810_cea_community_banks.pdf