



OSBD

InBOX

Volume 2, Number 2

February 2010

AMERICAN BANKER
On Focus and In Depth

Viewpoint: Help Small Banks Help Small Businesses

American Banker | Thursday, February 25, 2010

By Mick Thompson

Until recently, the government's response to the financial crisis has largely focused on stabilizing the nation's largest financial institutions and preventing a complete collapse of the national economy. Two initiatives announced this month to spur small-business lending, the administration plan to invest \$30 billion to establish a small-business lending fund for community and regional banks and the Interagency Statement on Meeting the Credit Needs of Creditworthy Small Business Borrowers, represent a new and overdue focus on economic recovery.

The policy shift stems from the acknowledgement that small businesses are the largest creators of private jobs and are vital to our economic recovery. Since the vast majority of the nation's 8,100 insured financial institutions are community and regional banks that are heavily engaged in local economic development, they must play a critical role. Because of their proximity to and knowledge of local economies, these community and regional banks are best poised to lend to small businesses.

During the recession, the largest banks generally have cut back on lending to conserve capital for their survival. Community and regional banks, however, continue to make credit available for creditworthy individuals and small businesses. As the Interagency Statement notes, small-business lending rose slightly at many institutions with assets of less than \$1 billion between June 2008 and June 2009 and fell more than 4% at institutions with assets of more than \$100 billion.

This reaffirms the need for Congress and the administration to engage in regulatory reform that addresses and ends "too big to fail." Previous economic policies allowed for a handful of select institutions to grow beyond the controls of our system of oversight. These firms were allowed to flourish in an environment that encouraged their growth and complexity.

These policies propped up a cadre of "too big to fail" firms to the detriment of community and regional banks, and ultimately to the detriment of the U.S. economy as a whole.

Some community and regional banks — institutions largely not engaged in the risky practices that contributed to the recession — are struggling to operate and survive in poor economic conditions not of their making. Yet it is these very banks that are absolutely imperative to our nation's economic recovery.

President Obama has made creating jobs a priority for 2010. In order to create these new jobs, small businesses must survive and thrive in this critical economic environment. If small businesses are the driver of the economy, then the community and regional bank system is the fuel that keeps small businesses running.

We must seize these policy initiatives as opportunities to support community and regional banks and spur economic growth. We must also address "too big to fail" in a manner that preserves the diversity of the financial industry and maintains credit for small businesses.

Supporting the ideal of a bank on the corner that knows every customer is not merely some nostalgic notion of America. Rather, it is a necessity for the success of our local economy — and ultimately the national and international — economies.

Through our past testimony before Congress the [Conference of State Bank Supervisors](#) has called for greater attention to preserving industry diversity and enhancing the community banking system.

It is refreshing to note the shift now occurring as policymakers better connect financial reform with our nation's economic recovery.

The challenge will be carrying these policy pronouncements through to tangible results that benefit the full breadth of our banking system and its customers.

Mick Thompson is the commissioner of the Oklahoma State Banking Department and a chairman emeritus of the Conference of State Bank Supervisors.

HB 2779

The Banking Department's request bill for 2010 is being authored by Representative Pat Ownbey and Senator Gary Stanislawski.

Thus far the bill — which is a clean-up bill — has passed out of the House Economic Development and Financial Services Committee with a "Do Pass" vote of 11 – 0 and has passed the House Floor with a vote of 82- 5.

The bill has been introduced in the Senate and now awaits committee assignment.

SB 2042

Senate Bill 2042 by Senator Bill Brown and Representative Daniel Sullivan passed the Senate Retirement and Insurance Committee on a 9 -0 vote and recently passed the Senate with a vote of 44 -3.

Senate Bill 2042 transfers the supervision of cemetery perpetual care funds and prepaid cemetery merchandise sales from the Oklahoma State Banking Department to the Oklahoma Insurance Department. The Insurance Department is also in favor of this bill as it currently supervises the prepaid funeral plans.

SB 2042 now awaits Introduction and First Reading in the House of Representatives.