STATEMENT OF

JOHN M. REICH
VICE CHAIRMAN
FEDERAL DEPOSIT INSURANCE CORPORATION

on

REGULATORY BURDEN RELIEF EFFORTS

before the

SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT

of the

COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES

June 9, 2005 -- 10:00 AM
2128 Rayburn House Office Building

Mr. Chairman, Ranking Member Sanders, and Members of the Subcommittee, I very much appreciate the opportunity to testify and update you on efforts to reduce unnecessary regulatory burden on federally-insured depository institutions. I am here today as the leader of the inter-agency regulatory review process mandated by the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). In this capacity, and as a former community banker with over 23 years experience, I commend the distinguished Members of this Subcommittee for your steadfast commitment to pursue meaningful regulatory relief legislation, while maintaining the safety and soundness of the banking industry and protecting important consumer rights. As I have said before, our nation's banks, particularly America's smaller community banks, are counting on us to succeed in our efforts to reduce regulatory burden.

My testimony this morning will discuss the importance of balancing the relative costs and benefits of regulations, the proliferation of regulation in recent years and the high costs on the industry, as well as the cumulative effect of regulations on our nation's bank and thrift institutions, particularly smaller community banks. I will also outline our efforts to review regulations and address, on an inter-agency basis, some of the existing regulatory burden, as mandated by EGRPRA. I will then describe some actions the Federal Deposit Insurance Corporation (FDIC) has taken internally to reduce burdens imposed by our own regulations and operating procedures. Finally, I will suggest certain specific legislative actions that can be taken to stem the ever-increasing tide of regulation on the banking industry.

THE IMPORTANCE OF BALANCING THE COSTS AND BENEFITS OF REGULATION

Our bank regulatory system has served us quite well, over many years, often helping to restrain imprudent risk-taking, protect important consumer rights and fulfill other vital public policy objectives. Statutes and regulations help preserve confidence in the banking industry and in the financial markets by ensuring that institutions operate in a safe and sound manner, promoting transparency in financial reporting, and encouraging fair business practices. However, as more and more laws are passed, and new regulations are adopted to implement these laws, I think it is incumbent upon public policy makers to ensure that the intended benefits of our regulations justify the considerable costs. I think we need to periodically take stock of the cumulative effect of all regulatory requirements on the industry. No one would advocate a system where people spend more time trying to figure out how to comply with all the laws than engaging in their primary economic activity. As Federal Reserve Board Chairman Alan Greenspan said in a speech a few months ago, "to be effective regulators we must also attempt to balance the burdens imposed on banks with the regulations' success in obtaining the intended benefits and to discover permissible and more efficient ways of doing so." I could not agree more. It is all about balance and I am afraid that the scales have now tipped too heavily to one side and need to be rebalanced.

THE PROLIFERATION AND HIGH COST OF REGULATION ON THE INDUSTRY

In my testimony before this Subcommittee last year, I reported that, since enactment of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) in 1989, the Federal bank and thrift regulatory agencies have promulgated a total of 801 final rules. Since I testified in May of last year, the agencies have adopted an additional 50 final rules, which means that there have been a total of 851 final rules adopted since FIRREA, an average of about 50 new or amended rules promulgated every year. This does not even include the rules adopted by the Securities and Exchange Commission (SEC), Financial Accounting Standards Board (FASB), Public Company Accounting Oversight Board (PCAOB), American Institute of Certified Public Accountants (AICPA) and a whole host of state regulatory authorities nor regulations that apply to companies in general (such as tax and environmental rules).

It is quite a challenge for bankers to maintain the capacity to respond to the steady stream of new regulations while continuing to comply with existing regulations. Some of the new regulations and reporting requirements facing the industry include those required by the FACT Act, USA PATRIOT Act, Sarbanes-Oxley Act, and Check 21 Act. These laws reflect important public policy choices concerning, for example, the quality of the credit reporting system, identity theft, national security and changes in technology. However, it is incumbent upon the regulators who write implementing regulations, as well as the Congress, to be mindful of the need to avoid unnecessarily increasing regulatory burden on the industry as we implement new reporting requirements mandated by legislation.

There were good and sufficient reasons for these laws and, in fact, some were actually sought by the industry. However, the cumulative effect of all of the rule changes is a lot for banks to digest, particularly smaller community banks with very limited staff. Rule changes can be costly since implementation often requires computers to be reprogrammed, staff retrained, manuals updated and new forms produced. Even if some of the rules do not apply to a particular institution, someone has to at least read the rules and make that determination. The 4,053 insured institutions with less than $100 million in assets last year have, on average, fewer than 20 employees and the 1,000 smallest community banks and thrifts in the country average fewer than 10 employees. It is hard to imagine how those institutions can continue to serve their customers' needs and also meet the myriad of new regulatory requirements.

The cost of all of our regulatory requirements is hard to measure because it tends to become indivisible, if not invisible, from a bank's other activities. While there are no definitive studies, a survey of the evidence by a Federal Reserve Board economist in 1998 found that total regulatory costs account for 12 to 13 percent of banks' non-interest expense, or about $38 billion in 2004 ("The Cost of Bank Regulation: A Review of the Evidence," Gregory Elliehausen, Federal Reserve Bulletin, April 1998). At smaller banks, almost every employee has significant compliance responsibilities, from the tellers to the CEO. In testimony at the regulatory burden hearing before this Subcommittee last month, the American Bankers Association estimated that bank CEOs, in the aggregate, spend over 5.5 million hours per year on compliance -- an astonishing number.

However salutary or necessary any new law may be, it still carries a cost. Compliance with Section 404 of the Sarbanes-Oxley Act of 2002 is a case in point. The North Carolina Bankers Association conducted a survey of its members to determine compliance costs. Non-accelerated banks (generally, banks other than those whose stock public investors own at least $75 million) have not yet been required to file Section 404-compliant annual reports with the SEC. These banks, with less than $250 million in assets, estimated costs at over eight percent of profits. Even larger, accelerated banks (which have already filed Section 404-compliant annual reports) reported high costs. These banks, with between $500 million and $1 billion in assets, estimated costs at over three percent of profits. Similarly, an article published by the Federal Reserve Bank of Philadelphia recently indicated that:

> Some bankers have stated that as much as five percent of earnings are being allocated toward section 404 compliance. Others have noted that the costs of documenting internal control reviews, which had been documented in the past but which now must be documented consistent with the standards necessary under section 404, has tripled.

(“SVP Commentary on . . . Sarbanes-Oxley: Two Years Later,” Michael Collins, *Federal Reserve Bank of Philadelphia SRC Insights*, Fourth Quarter 2004.)

The Elliehausen research indicates that, in general, start up costs for new or changing regulations may be very expensive and insensitive to the size of the changes. In other words, the process of learning about and adopting regulatory changes is expensive for banks, whatever the magnitude of the change. Frequent small, incremental changes may be much more expensive than large, one time changes.

Although regulatory burden has a disproportionate impact on community banks (as discussed below), we are committed to addressing the problem of regulatory burden for every insured financial institution. Banks, large and small, labor under the cumulative impact of regulations that divert resources and capital away from economic development, extension of credit and job creation. Most of the proposals we are examining would provide significant relief to all financial institutions.

THE IMPACT OF REGULATORY BURDEN ON COMMUNITY BANKS

In general, regulations cost smaller businesses more per employee, when compared with larger businesses. New regulations have a greater impact on community banks, especially smaller community banks (under $100 million in assets), than on larger institutions due to their inability to spread start up and implementation costs over a large number of transactions. Economies of scale associated with regulatory compliance have been confirmed in implementation cost studies of the Truth in Savings Act and the Electronic Funds Transfer Act, where the incremental cost of regulation declines as the number of transactions or accounts rise.

The magnified impact of regulatory burden on small banks is a significant concern to me. As a former community banker, I know the importance of community banks in our economy. Community banks play a vital role in the economic well-being of countless individuals, neighborhoods, businesses and organizations throughout our country, serving as the lifeblood of their communities. These banks are found in all communities—urban, suburban, rural and small towns. Whether a minority-owned urban neighborhood institution or an agricultural bank, community banks have several things in common. They are a major source of local credit. Data from the June 2004 Call Reports indicates that over 90 percent of commercial loans at small community banks were made to small businesses. In addition, the data indicates that community banks with less than $1 billion in assets, which hold only 14 percent of industry assets, account for 45 percent of all loans to small businesses and farms.

Community banks are the bankers for municipalities and school districts. They generally know personally many small business owners and establish lending relationships with these individuals and their businesses. These small businesses, in turn, provide the majority of new jobs in our economy. Small businesses with fewer than 500 employees account for approximately three-quarters of all new jobs created every year in this country. The loss of community institutions can result in losses in civic leadership, charitable contributions, and local investment in school and other municipal debt. I have a real concern that the volume and complexity of existing banking regulations, coupled with new laws and regulations, are increasingly posing a threat to the survival of our community banks.

Over the last 20 years, there has been substantial consolidation in the banking industry. This can be seen most dramatically in the numbers of small community banks. At the end of 1984, there were 11,705 small community banks with assets of less than $100 million in today's dollars. At year end 2004, the number of small community banks dropped by 65 percent to just 4,094 (see Chart 1). For institutions with assets of $1 billion or less in 2004 dollars, there has been a decline of 8,761 institutions, or 51 percent over the twenty year period. This chart underscores the point that the rate of contraction in the number of community banks increases with decreasing asset size. The smaller the institutions, the greater the rate of contraction -- even when we adjust size for inflation.

The decline in the number of community banks has three main components: mergers, growth out of the community bank category, and failures. These factors were only partially offset by the creation of more than 2,500 new banks during 1985-2005. In the above calculations, bank asset size is adjusted for inflation. Thus, a bank with $100 million in assets today is compared with one having about $63 million in assets in 1985. A number of other market forces, such as interstate banking and changes to state branching laws impacted the consolidation of the banking industry. The bank and thrift crisis of the 1980s and the resulting large number of failures and mergers among small institutions serving neighboring communities also contributed to the decline in the smallest financial institutions. It is probable that together those factors were the greatest factors in reducing small bank numbers.

However, I believe that in the recent past, regulatory burden played an increasingly significant role in shaping the industry and the number and viability of community banks and I think it will continue in the foreseeable future. While many new banks have been chartered in the past two decades, I fear that, left unchecked, regulatory burden may eventually pose a barrier to the creation of new banks. Keeping barriers to the entry of new banks low is critical to ensuring that small business and consumer wants and needs are met, especially as bank mergers continue to reduce choices in some local markets.

More dramatic than the decline in numbers of institutions has been the decline in market share of community banks. As Chart 2 indicates, the asset share of small community banks decreased from nine percent to two percent in the past 20 years, while the share of institutions with less than $1 billion in assets fell from 33 percent to 14 percent. This chart understates the real loss of market share for these institutions, since it does not reflect the growing importance of asset management activities that generate revenues but do not create assets on institutions' balance sheets. Chart 3, which presents community banks' share of industry earnings, shows a greater loss of share, from 12 percent to two percent for small community banks, and from 44 percent to 13 percent for institutions with less than $1 billion in assets.

It may seem a paradox to discuss profitability concerns at a time when the banking industry is reporting record earnings. Last year the industry as a whole earned a record $122.9 billion, surpassing the previous annual record of $120.5 billion set in 2003. When you look behind the numbers, however, you see a considerable disparity in the earnings picture between the largest and smallest banks in the country. The 117 largest banks in the country (those with assets over $10 billion), which represent 1.3 percent of the total number of insured institutions, earned $89.3 billion or about 73 percent of total industry earnings. This is in contrast to the 4,093 banks with assets under $100 million, which represent 46 percent of the total number of insured institutions and earned about $2.1 billion or only 1.7 percent of total industry earnings (see Chart 3). Moreover, when the data are examined further, you find that banks with assets over $1 billion had an average return on assets (ROA) of 1.31 percent, while those with assets under $1 billion had an average ROA of 1.16 percent (see Chart 4).

The ROA comparisons understate the actual disparity in performance between community banks and their larger counterparts. The 15 basis-point difference in nominal ROA last year increases to a 43 basis-point gap when the data are adjusted for the accounting effects of large-bank mergers and different tax treatment of Subchapter S corporations. One of the main causes of the growing difference is the greater ability of large institutions to spread their overhead costs across a larger and more diverse base of revenues. Chart 5 illustrates the growing efficiency gap separating large and small institutions. It shows the extent to which non-interest expenses absorb operating revenues. Throughout the early-1990s, both large and small institutions were able to control expense growth and increase revenues so that their efficiency ratios improved (declined) in tandem. During the past six years, however, larger institutions have been able to continue to improve their efficiency, whereas community banks have not. The regressive burden of regulation, which increased considerably during this period, contributed to this divergence in performance. Last year, more than one out of every ten small community banks was unprofitable. That was more than four times the proportion of larger institutions that were unprofitable. These numbers make it clear that community banks, while healthy in terms of their supervisory ratings, are operating at a lower level of profitability than the largest banks in the country. At least part of this disparity in earnings stems from the disproportionate impact that regulations and other fixed non-interest costs have on community banks.

Community bankers are increasingly worried that their institutions—and all that they mean to their communities—may not be able to operate at an acceptable level of profitability for their investors for too many more years under what they describe as a "never-ending avalanche" of regulations. In some cases, the cost of complying with regulatory burden is pushing some smaller banks out of the market. As reported in the *American Banker* (May 25, 2004), regulatory burden was an important factor in the decision by two community banks to sell their institutions. While we have only anecdotal evidence on this point, conversations concerning merger or sale of institutions are likely occurring today in many community bank boardrooms all over the United States.

It is not just the total volume of regulatory requirements that pose problems for banks, but also the relative distribution of regulatory burden across various industries that could hit community banks hard in the future. For example, community bankers are increasingly subject to more intense competition from credit unions that, in many cases, have evolved from small niche players to full-service retail depository institutions. In the past ten years, the number of credit unions with assets exceeding $1 billion increased almost five-fold, from 20 institutions in 1994 to 99 institutions today -- and the credit union industry continues to grow nationwide. With ever-expanding fields of membership and banking products, credit unions are now competing head-to-head with banks and thrifts in many communities, yet the conditions under which this competition exists enable credit unions to operate with a number of advantages over banks and thrifts. These advantages include exemption from taxation, not being subject to the Community Reinvestment Act, and operation under a regulatory framework that has supported and encouraged the growth of the credit union movement, including broadening the "field of membership." These advantages make for an uneven playing field, a condition that Congress should reexamine and seek to resolve.

INTER-AGENCY EFFORT TO REDUCE REGULATORY BURDEN

In 1996, Congress passed the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA). EGRPRA requires the Federal Financial Institutions Examination Council (FFIEC) and each of its member agencies to review their regulations at least once every ten years, in an effort to eliminate any regulatory requirements that are outdated, unnecessary or unduly burdensome. For the past two years, I have been leading the inter-agency effort and am pleased to report that we are making progress.

Under the EGRPRA statute, the agencies are required to categorize their regulations by type (such as “safety and soundness” or “consumer protection” rules) and then publish each category for public comment. The inter-agency task force divided the agencies' regulations (131 rules in all) into 12 categories and agreed to publish one or more categories for public comment every six months, with 90-day comment periods, for the remainder of the review period (which ends in September, 2006). Spreading out comments over three years will provide sufficient time for the industry, consumer groups, the public and other interested parties to provide meaningful comments on our regulations, and for the agencies to carefully consider all recommendations.

The agencies have already jointly published four separate requests for comment in the Federal Register. The first notice, published on June 16, 2003, sought comment on our overall regulatory review plan as well as the initial three categories of regulations: Applications and Reporting; Powers and Activities; and International Operations. The second inter-agency notice, published on January 20, 2004, sought public comment on the lending-related consumer protection regulations, which include Truth-in-Lending (Regulation Z), Equal Credit Opportunity Act (ECOA), Home Mortgage Disclosure Act (HMDA), Fair Housing, Consumer Leasing, Flood Insurance and Unfair and Deceptive Acts and Practices. The third notice, published on July 20, 2004, sought public comment on remaining consumer protection regulations (which relate primarily to deposit accounts/relationships). The fourth notice, published on February 3, 2005, sought public comment on our anti-money laundering, safety and soundness and securities regulations.

These four requests for comments have covered a total of 99 separate regulations. In response to these requests, the agencies received a total of 846 comment letters from bankers, consumer and community groups, trade associations and other interested parties. Each of the recommendations is being carefully reviewed and analyzed by the agency staffs. Based on these reviews, the appropriate agency or agencies may bring forward, and request public comment on, proposals to change specific regulations.

Banker, consumer and public insight into these issues is critical to the success of our effort. The regulatory agencies have tried to make it as easy as possible for all interested parties to be informed about the EGRPRA project and to let us know what are the most critical regulatory burden issues. The EGRPRA website, which can be found at www.egrpra.gov, provides an overview of the EGRPRA review process, a description of the agencies' action plan, information about our banker and consumer outreach sessions and a summary of the top regulatory burden issues cited by bankers and consumer groups. There also are direct links to the actual text of each regulation and comments can be sent to the EGRPRA website. Comments submitted through the website are automatically transmitted to all of the financial institution regulatory agencies. Comments are then posted on the EGRPRA website for everyone to review. The website has proven to be a popular source for information about the project, with thousands of hits being reported every month.

While written comments are important to the agencies' efforts to reduce regulatory burden, it is also important to have face-to-face meetings with bankers and consumer group representatives so they have an opportunity to directly communicate their views on the issues. Over the past two years, the agencies sponsored a total of nine banker outreach meetings in different cities around the country to heighten industry awareness of the EGRPRA project. The meetings provided an opportunity for the agencies to listen to bankers' regulatory burden concerns, explore comments and suggestions, and identify possible solutions. So far, we have held banker outreach meetings in Orlando, St. Louis, Denver, San Francisco, New York, Nashville, Seattle, Chicago and Phoenix. Two more meetings are scheduled: June 22 in New Orleans and September 24 in Boston. To date, more than 450 bankers (mostly CEOs) and representatives from the national and state trade associations participated in these meetings with representatives from FDIC, FRB, OCC, OTS, CSBS and the state regulatory agencies. The banker outreach meetings have been extremely useful and productive in identifying regulatory burden concerns. Summaries of the issues raised during the meetings are posted on the EGRPRA website.

We also held three outreach meetings for consumer and community groups. The first meeting was on February 20, 2004, in Arlington, Virginia, the second on June 24, 2004 in San Francisco and the third on September 23, 2004 in Chicago. Representatives from a number of consumer and community groups participated in the meetings along with representatives from the FDIC, FRB, OCC, OTS, NCUA and CSBS. The meetings provided a useful perspective on the effectiveness of many existing regulations. We are tentatively planning to hold one additional meeting with consumer and community groups later this year in Boston, Massachusetts, and we are more than willing to hold additional meetings if there is sufficient interest among consumer and community groups.

RESPONSE BY THE REGULATORY AGENCIES

The tremendous regulatory burden that exists was not created overnight and unfortunately, from my perspective, cannot be eradicated overnight. It is a slow and arduous process but I believe that we are making some headway. One of the real benefits of focusing on the need to reduce regulatory burden is that we have generally heightened awareness of the issue. For example, I am told that regulatory burden on the industry is now routinely discussed when agency staff members formulate new rules. This was not always the case.

In fact, the banking and thrift regulatory agencies are working together closely and harmoniously on a number of projects to affirmatively address unnecessary burdens. In addition to eliminating outdated and unnecessary regulations, the agencies have identified more efficient ways of achieving important public policy goals of existing statutes. I think it is fair to say that although we have much work ahead of us, there has been significant progress to date. Here are some notable examples:

Community Reinvestment Act Regulations

On February 22, 2005, the FDIC, along with the OCC, issued a proposal to amend the Community Reinvestment Act (CRA) regulations. The Federal Reserve Board issued a very similar proposal shortly thereafter. The agencies' proposal would raise the "small bank" threshold in the CRA regulations to $1 billion in assets, without regard to holding company assets. This would represent a significant increase in the small bank threshold from the current level of $250 million which was established in 1995. Under the proposal, just over 1,566 additional banks (those with assets between $250 and $1 billion) would be subject to small bank reporting and streamlined examination standards.

This proposal does not exempt any institutions from complying with CRA—all banks, regardless of size, will be required to be thoroughly evaluated within the business context in which they operate. The proposal includes a "community development test" for banks between $250 million and $1 billion in assets that would be separately rated in CRA examinations. This community development test would provide eligible banks with greater flexibility to meet CRA requirements than the large bank test under which they are currently evaluated. Another effect of the proposal would be the elimination of certain collection and reporting requirements that currently apply to banks between $250 million and $1 billion in assets.

These changes to the regulation, if adopted as proposed, would result in significant regulatory burden reduction for a number of institutions. I recognize that there are many competing interests and that community groups, in particular, as well as many Members of Congress, generally oppose any increase at all in the threshold level -- and I remain receptive to all points of view. The comment period for this proposal closed on May 10, 2005 and the FDIC received approximately 3,800 comment letters. It is my hope that, after carefully considering all comments, the agencies will agree on a final rule before the end of this year.

Privacy Notices

On December 30, 2003, the Federal bank, thrift and credit union regulatory agencies, in conjunction with the Federal Trade Commission, Securities and Exchange Commission, and the Commodity Futures Trading Commission, issued an Advanced Notice of Proposed Rulemaking (ANPR), seeking public comment on ways to improve the privacy notices required by the Gramm-Leach-Bliley Act. Although there are many issues raised in the ANPR, the heart of the document solicited comment on how the privacy notices could be improved to be more readable and useful to consumers, while reducing the burden on banks and other service providers required to distribute the notices. In response to the comments received, the agencies are conducting consumer research and testing that will be used to develop privacy notices that meet these goals.

As they do so, it is important for the agencies to continue to be mindful that changes to privacy notices and the requirements for their distribution may themselves create new costs for the banking industry.

Consumer Disclosures

In recent speeches, Acting Comptroller Julie Williams called for a comprehensive review of existing consumer disclosures to make them more useful and understandable for consumers as well as less burdensome for banks. I applaud her efforts to highlight this issue and agree that we should take a careful look at the large number and actual content of all consumer disclosures required by law. Consumers may in fact be experiencing "information overload." Beginning with the Truth in Lending Act 35 years ago and culminating with the recently enacted Privacy and FACT Acts, there are now dozens of consumer laws and regulations, any number of which might apply, depending on the transaction. Chart 6 graphically depicts some of the laws and regulations that a bank must be concerned with under different mortgage lending scenarios.

The Chart raises several questions: (1) Are the numbers of disclosures too many for banks and consumers to deal with effectively?; (2) Do consumers find the disclosures too complicated, conflicting and duplicative? and (3) Are these disclosures failing to achieve their designated purpose in helping consumers become informed customers of financial services? I think we need to look at the whole panoply of disclosures and find ways to eliminate the existing overlap, duplication and confusion. We may have reached a point where we have "non-disclosure by over-disclosure." I look forward to working with my fellow regulators to improve the current situation with respect to consumer disclosures.

BSA and USA PATRIOT Act Guidance

There is no question that financial institutions and the regulators must be extremely vigilant in their efforts to implement the Bank Secrecy Act in order to thwart terrorist financing efforts and money-laundering. Last year, bankers filed over 13 million Currency Transaction Reports (CTRs) and over 300,000 Suspicious Activity Reports (SARs) with the Financial Crimes Enforcement Network (FinCEN). Although FinCEN is providing more information to bankers than previously, bankers still believe they are filing millions of CTRs and SARs that are not utilized for any law enforcement purpose. Consequently, bankers believe that a costly burden is being carried by the industry which is providing little benefit to anyone. In an effort to address this concern and enhance the effectiveness of these programs, the financial institution regulatory agencies are working together with FinCEN and various law enforcement agencies, through task forces of the Bank Secrecy Act Advisory Group, to find ways to streamline reporting requirements for CTRs and SARs and make the reports that are filed more useful for law enforcement and to communicate with bankers more effectively.

In the next few weeks, the bank and thrift regulatory agencies are expected to issue detailed BSA examination guidelines that will address many of the questions bankers have about BSA compliance. To further assist banks, the agencies and FinCEN issued interpretive guidance designed to clarify the requirements for appropriately assessing and minimizing risks posed when providing banking services to Money Services Businesses. Bankers understand the vital importance of knowing their customers and thus generally do not object to taking additional steps necessary to verify the identity of their customers. However, bankers wanted guidance from the regulators on how to establish appropriate customer identification requirements under the USA PATRIOT Act. In response, the bank and thrift regulatory agencies, the Treasury Department and FinCEN issued interpretive guidance to all financial institutions to assist them in developing a Customer Identification Program (CIP). The interagency guidance answered the most frequently asked questions about the requirements of the CIP rule. Finally, with respect to the requirements of the Office of Foreign Assets Control (OFAC), the agencies are working to develop examination procedures and guidance for OFAC compliance.

I am convinced that we can find ways to make this system more effective for law enforcement, while at the same time make it more cost efficient and less burdensome for bankers. I have met on several occasions with FinCEN's Director, William Fox, and pledged to work with him to make reporting under the Bank Secrecy Act more effective and efficient while still meeting the important crime-fighting objectives of anti-terrorism and anti-money-laundering laws. We should never stop looking for ways to fulfill our important responsibilities more efficiently.

FDIC EFFORTS TO RELIEVE REGULATORY BURDEN

In addition to the above-noted inter-agency efforts to reduce regulatory burden, the FDIC, under the leadership of Chairman Powell, has undertaken a number of initiatives to improve the efficiency of our operations and reduce regulatory burden, without compromising safety and soundness or undermining important consumer protections. Over the last several years, we have streamlined our examination processes and procedures with an eye toward better allocating FDIC resources to areas that could ultimately pose greater risks to the insurance funds – such as problem banks, large financial institutions, high-risk lending, internal controls and fraud. Some of our initiatives to reduce regulatory burden include the following:

1) As part of our MERIT examination program, we raised the threshold for well-rated, well-capitalized banks to qualify for streamlined safety and soundness examinations from $250 million to $1 billion so that the FDIC's resources are better focused on managing risk to the insurance funds;

2) Implemented more risk-focused compliance, trust and IT specialty examinations, placing greater emphasis on an institution's administration of its compliance and fiduciary responsibilities and less on transaction testing;

3) Initiated electronic filing of branch applications through FDIC Connect and began exploring alternatives for further streamlining the deposit insurance application process in connection with new charters and mergers;

4) Simplified the deposit insurance coverage rules for living trust accounts so that the rules are easier to understand and administer;

5) Simplified the assessment process by providing institutions with electronic invoices and eliminating most of the paperwork associated with paying assessments;

6) Amended our international banking regulations to expand the availability of general consent authority for foreign branching and investments in certain circumstances and replaced the fixed asset pledge with a risk-based pledge requirement;

7) Reviewed existing Financial Institution Letters (FILs) to eliminate outdated or unnecessary directives and completely changed the basic format of the FILs to make them easier to read.

8) Provided greater resources to bank directors, including the establishment of a "Director's Corner" on the FDIC website, as a one-stop site for Directors to obtain useful and practical information to in fulfilling their responsibilities, and the sponsorship of many "Director's Colleges" around the country;

9) Made it easier for banks to assist low and moderate income individuals, and obtain CRA credit for doing so, by developing *Money Smart*, a financial literacy curriculum and providing the *Money Smart Program* free-of-charge to all insured institutions;

10) Implemented an interagency charter and federal deposit insurance application that eliminates duplicative information requests by consolidating into one uniform document, the different reporting requirements of the three regulatory agencies (FDIC, OCC and OTS);

11) Revised our internal delegations of authority to push more decision making out to the field level to expedite decision making and provide institutions with their final Reports of Examination on an expedited basis; and

12) Provided bankers with a customized version of the FDIC Electronic Deposit Insurance Estimator (EDIE), a CD-Rom and downloadable version of the web-based EDIE, which allows bankers easier access to information to help determine the extent to which a customer's funds are insured by the FDIC.

The FDIC is aware that regulatory burden does not emanate only from statutes and regulations, but often comes from internal processes and procedures. Therefore, we continually strive to improve the way we conduct our affairs, always looking for more efficient and effective ways to meet our responsibilities.

LEGISLATION TO REDUCE REGULATORY BURDEN

Mr. Chairman, I wish to commend you, Congressman Hensarling, Congressman Moore and the other distinguished Members of your Subcommittee for your efforts to develop legislation to remove unnecessary regulatory burden from the banking industry. Since most of our regulations are, in fact, mandated by statute, I believe it is critical that the agencies work hard not only on the regulatory front, but also on the legislative front, to alert Congress to unnecessary regulatory burden. In fact, the EGRPRA statute requires us to identify and address unnecessary regulatory burdens that must be addressed by legislative action.

EGRPRA requires input from the industry and other interested parties. As reported above, we have made tremendous efforts to get input through the public notice and comment process as well as through outreach meetings held around the country. As a result, we have received many promising ideas for true regulatory burden reduction.

Almost a year ago, after testifying before this Subcommittee, I also testified, along with eighteen other witnesses, before the Senate Banking, Housing, and Urban Affairs Committee. At the end of the hearing, Senator Crapo asked me, as the leader of the interagency EGRPRA task force, to review the testimony presented at the hearing and extract the various regulatory burden reduction proposals. The result was a matrix with a total of 136 burden reduction proposals.

Thereafter, I convened a meeting of banking industry representatives from the American Bankers Association, America's Community Bankers, the Independent Community Bankers of America, and the Financial Services Roundtable, who together reviewed the matrix of 136 proposals in an effort to determine which of these proposals they could all support as industry consensus items. This process yielded a list of 78 banking industry consensus items.

The FDIC reviewed the 78 banking industry consensus proposals for safety and soundness, consumer protection and other public policy concerns and determined that we could affirmatively support 58 of the 78 industry consensus proposals. There are other proposals that, after review, the FDIC determined that we have "no objection" to or that we take "no position" on since the proposal did not affect either the FDIC or the institutions we regulate. There are only five of the banking industry consensus proposals that the FDIC opposes.

The next step in our consensus building process was to share our positions with the other Federal banking agencies in an effort to reach interagency consensus. After much work, negotiation, and compromise, the FRB, OCC, OTS and the FDIC agreed to support twelve of the banking industry consensus proposals. This “bankers’ dozen” includes the following proposals for regulatory burden relief:

1. Authorize Payment of Interest on Reserves
2. Provide Federal Reserve Flexibility to Set Reserve Requirement
3. Repeal Certain Reporting Requirements Relating to Insider Lending
4. Streamline Depository Institution Merger Application Requirements
5. Shorten the Post-Approval Waiting Period on Bank Mergers and Acquisitions Where There are No Adverse Effects on Competition
6. Improve Information Sharing With Foreign Supervisors
7. Provide an Inflation Adjustment for the Small Depository Institution Exception under the Depository Institution Management Interlocks Act
8. Exempt Merger Transactions Between An Insured Depository Institution One or More of Its Affiliates from Competitive Factors Review and Post-Approval Waiting Periods
9. Amend the Flood Disaster Protection Act of 1973
10. Enhance Examination Flexibility
11. Streamline Call Reports
12. Authorize Member Banks to Use Pass-Through Reserve Accounts

These are not the only legislative proposals to reduce regulatory burden that are supported by one or more of the regulatory agencies. In fact, many of the other banking industry consensus items have support from multiple Federal banking agencies. The

EGRPRA process has produced a wealth of proposals. The synergism that has resulted from the EGRPRA process and my meetings with lawmakers makes me believe that there is real momentum behind the effort to reduce regulatory burden on the industry.

I was gratified to see the House of Representatives address some of the burden issues and pass H.R. 1375, the Financial Services Regulatory Relief Act last year. H.R. 1375 contains a number of significant regulatory relief provisions that could reduce regulatory burden. The bill also includes several provisions requested by the regulators, including the FDIC, to help us do our jobs better. The EGRPRA process has produced some additional proposals supported by both the industry and the regulators. The above-noted “bankers dozen” are just some of the ideas I am pursuing on an inter-agency basis to reduce unnecessary burden on the banking industry without diluting important consumer protections -- and I hope to pursue many others over the course of the EGRPRA regulatory review process. I look forward to working with the Committee on developing a comprehensive legislative package that provides real regulatory relief for the industry. I am certain that this hearing will provide valuable input for the comprehensive package.

CONCLUSION

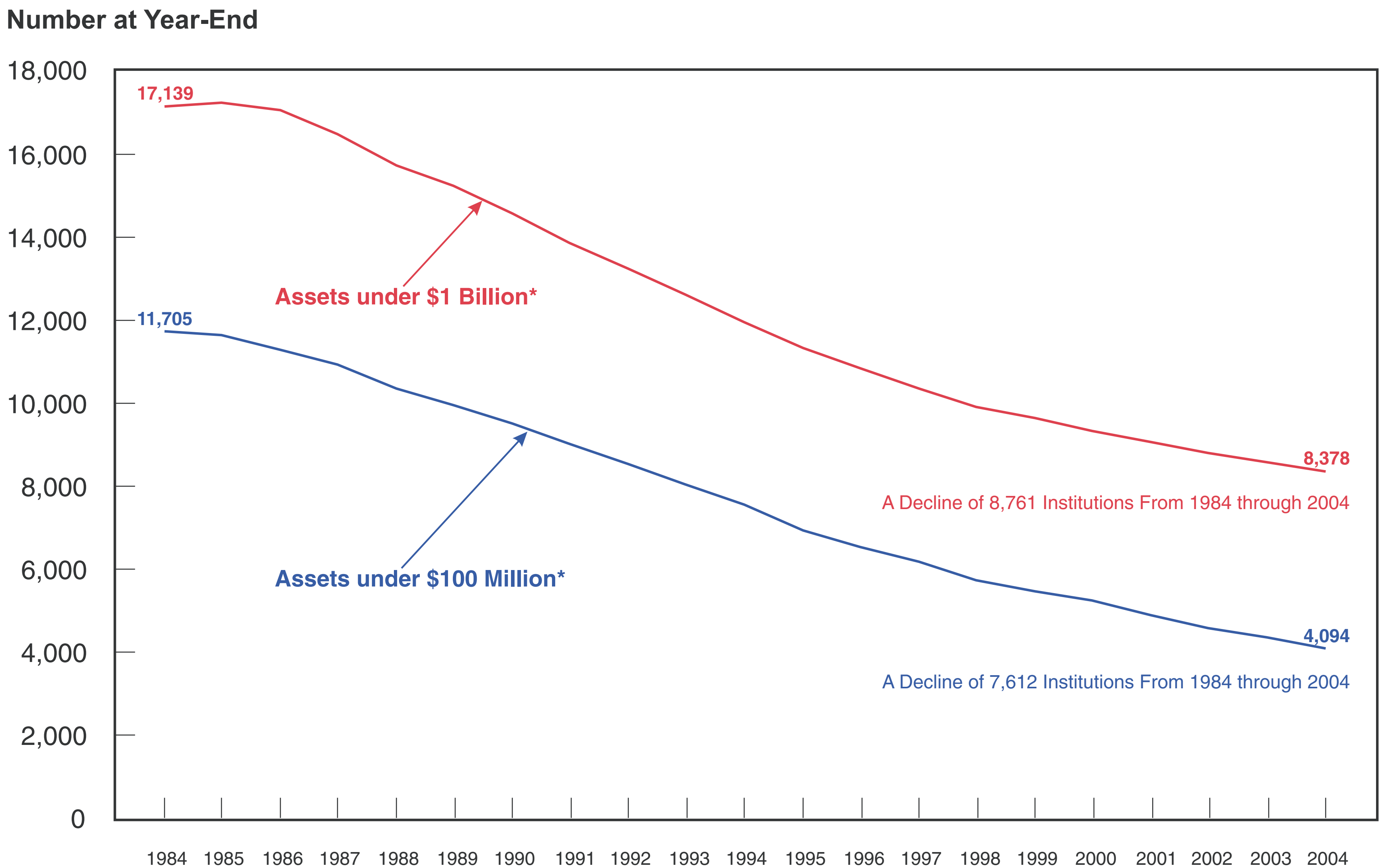
Mr. Chairman, as I stated at the outset, the EGRPRA process addresses the problem of regulatory burden for every FDIC-insured financial institution. Banks, large and small, labor under the cumulative weight of our regulations. However, I believe that if we do not do something to stem the tide of ever increasing regulation, a vital part of the banking system will disappear from many of the communities that need it the most. That is why I think it is incumbent upon all of us – Congress, regulators, industry and consumer groups – to work together to eliminate any outdated, unnecessary or unduly burdensome regulations. I remain personally committed to accomplishing that objective, no matter how difficult it may be to achieve.

I believe that now is the time to take action to address the accumulated regulations that face the banking industry every day. There seems to be a real consensus building to address this issue. I remain confident that, if we all work together, we can find ways to regulate that are both more effective and less burdensome, without jeopardizing the safety and soundness of the industry or weakening important consumer protections.

Thank you for providing me with this opportunity to testify.

Chart 1

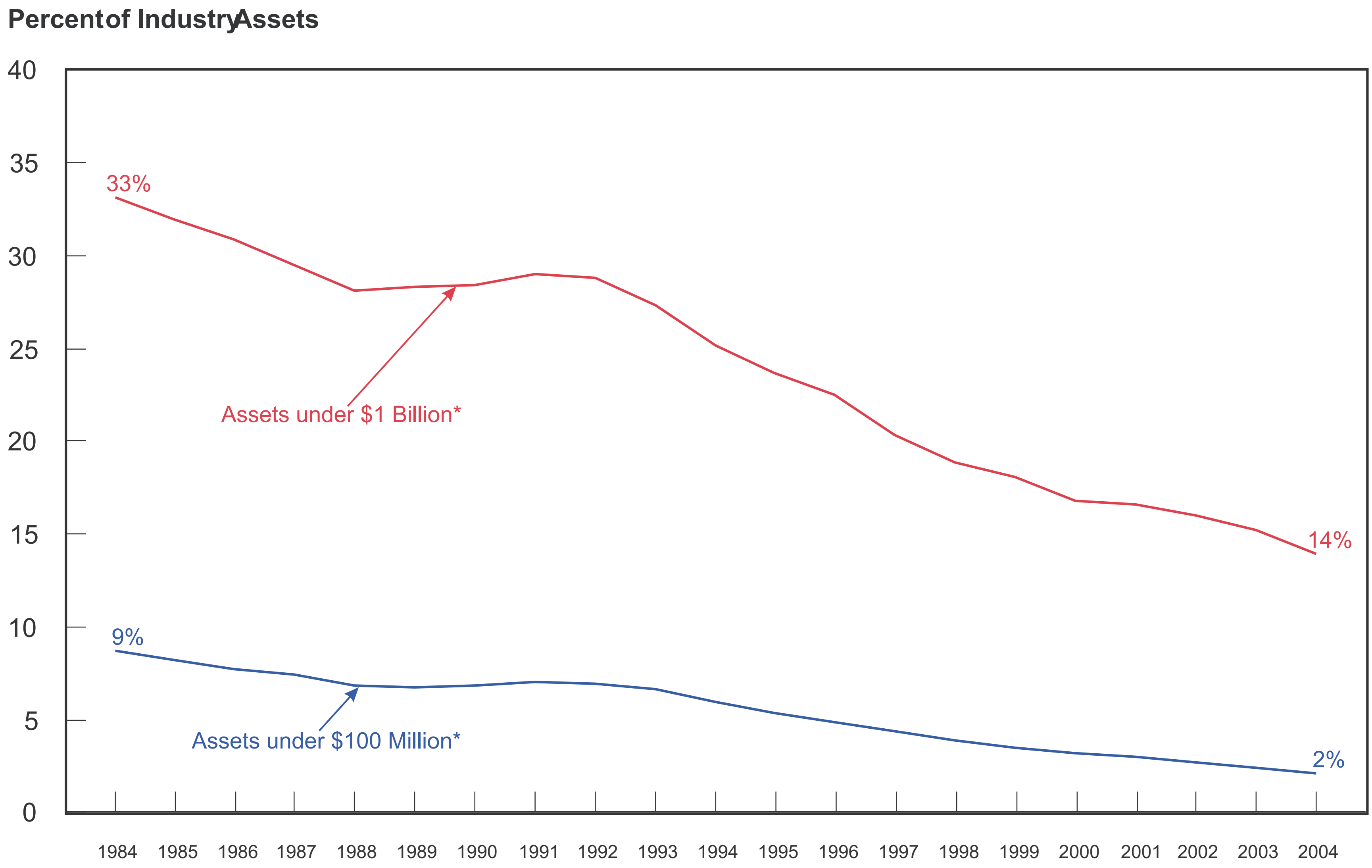
THE NUMBER OF COMMUNITY BANKS HAS BEEN DECLINING
FDIC-Insured Commercial Banks & Savings Institutions



* Based on 2004 Dollars; $100 Million in 2004 = $62.9 Million in 1984, $1 Billion = $629 Million in 1984

Chart 2

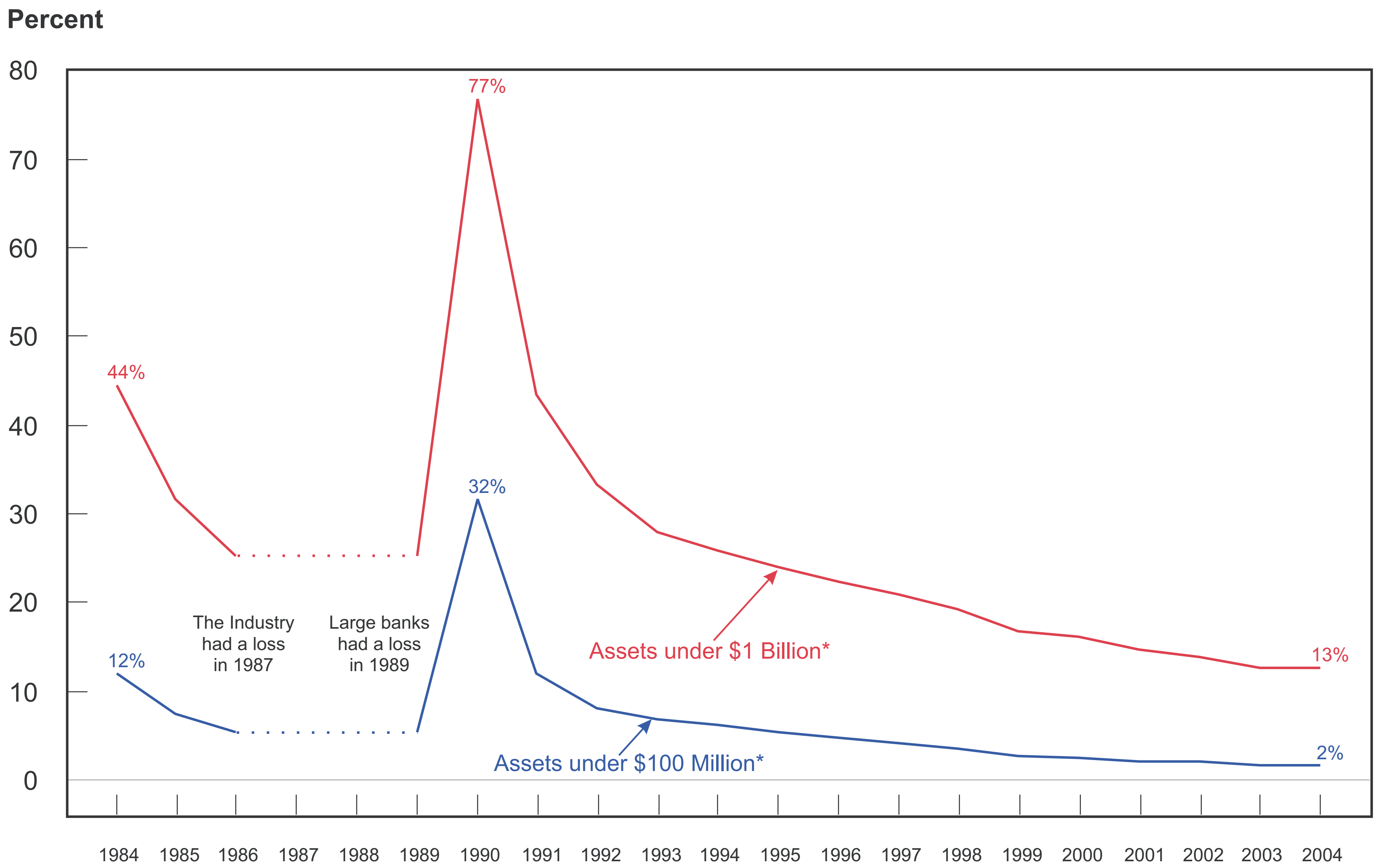
COMMUNITY BANKS' SHARE OF INDUSTRY ASSETS CONTINUES TO FALL
FDIC-Insured Commercial Banks & Savings Institutions



* Based on 2004 Dollars; $100 Million in 2004 = $62.9 Million in 1984, $1 Billion 2004 = $629 Million in 1984

Chart 3

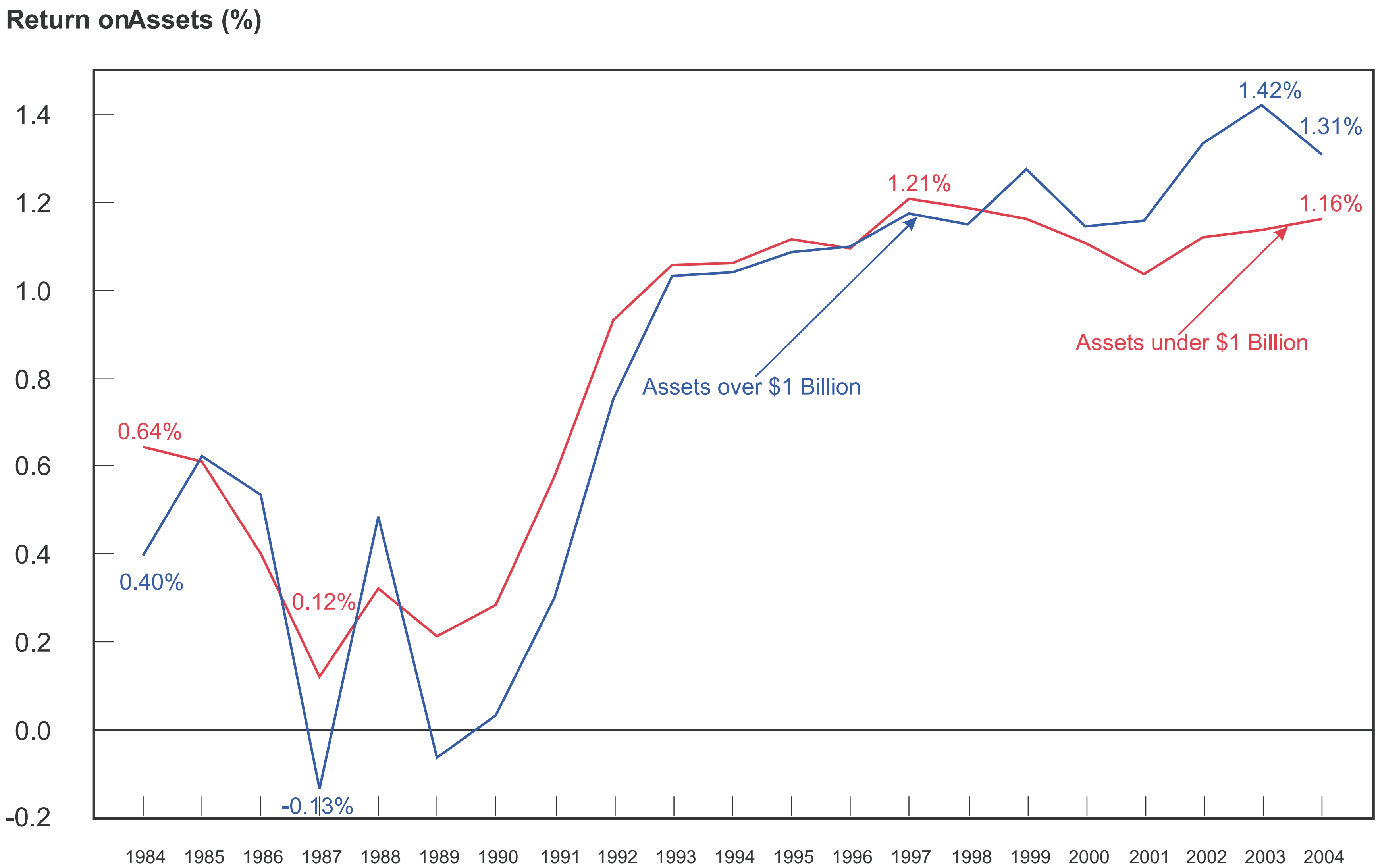
COMMUNITY BANKS' SHARE OF INDUSTRY EARNINGS IS DECLINING
Net Income of Institutions with Assets <$1 Billion as a Percent of Total Industry Net Income



* Based on 2004 Dollars; $100 Million in 2004 = $62.9 Million in 1984, $1 Billion in 2004 = $629 Million in 1984

Chart 4

LARGE INSTITUTIONS HAVE BECOME MORE PROFITABLE THAN COMMUNITY BANKS
All FDIC-Insured Commercial Banks and Savings Institutions, 1984 - 2004

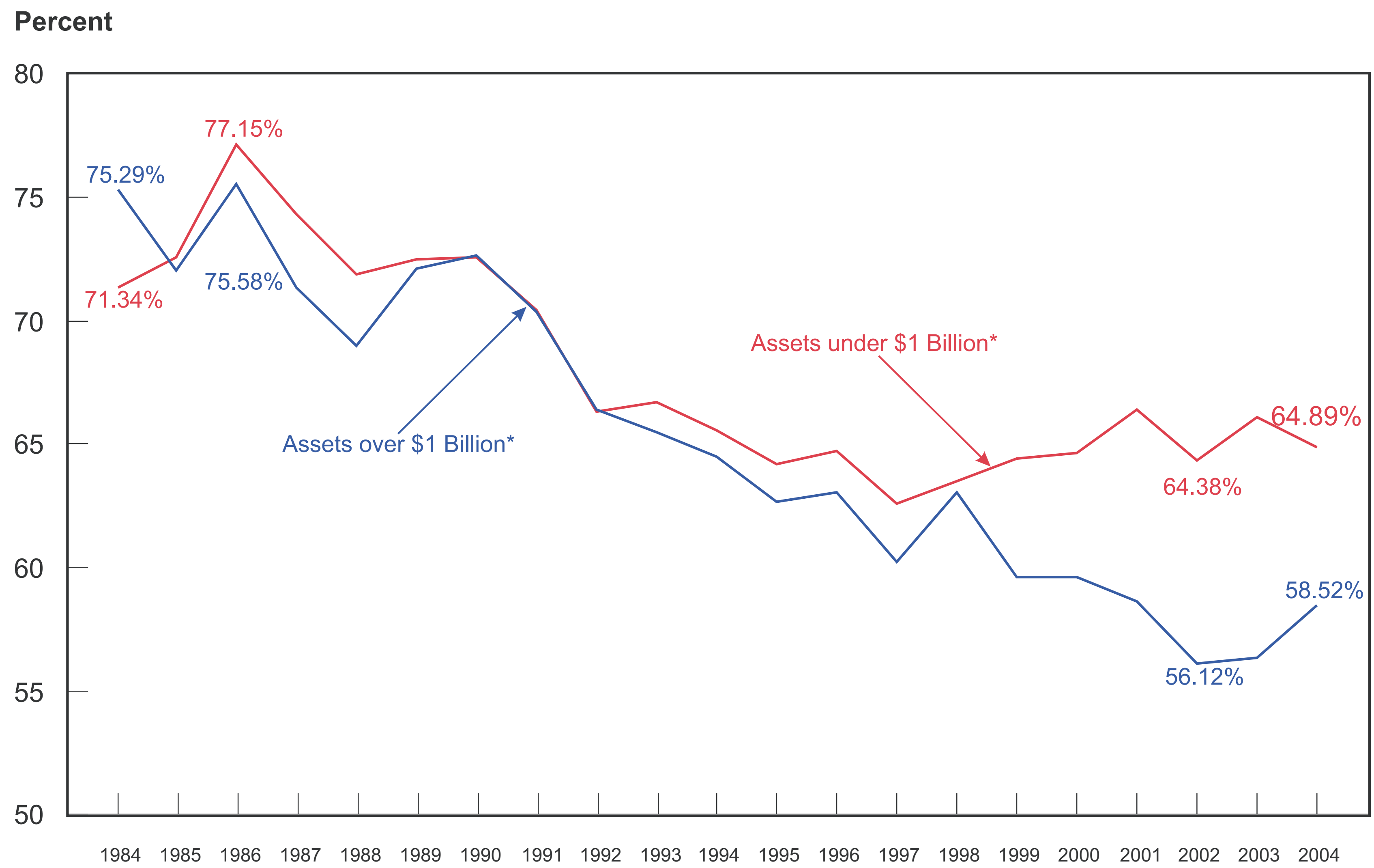


Asset size is based on 2004 Dollars; $1 Billion in 2004 = $629 Million in 1984.

Chart 5

OVERHEAD COSTS ABSORB A GROWING SHARE OF COMMUNITY BANKS' REVENUES

Noninterest Expense as a Percent of Net Operating Revenue*



*Net operating revenue = net interest income + total noninterest income.
Asset size is based on 2004 Dollars. $1 Billion in 2004 = $629 Million in 1984.

851

Final Rules

Subject Matter Topics Covered by 851 Final Rules[1]

Issued by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Office of Thrift Supervision, and Federal Home Loan Bank Board from the Passage of FIRREA on August 9, 1989 to April 30, 2005

Accommodation of Settlement and Clearance of Foreign Securities
Accounting and Reporting Requirements
Acquisition and Operation of Savings Associations by Bank Holding Companies
Acquisition of Control of Savings Associations; Applications, Approval Standards and Procedural Requirements
Activities and Investments of Insured State Banks
Activities of Insured State Banks and Insured Savings Associations
Advertisement of FDIC Membership
Agency Disapproval of Directors and Senior Executive Officers of Savings and Loan Association Holding Companies
Agency Reorganization
Agricultural Loan Loss Amortization
Alternative Mortgage Transaction Parity Act
Amendment to the Bank Secrecy Act Regulations Pertaining to Recordkeeping for Funds Transfers and Transmittals of Funds by Banks and Other Financial Institutions
Amendments Implementing Economic Growth and Regulatory Paperwork Reduction Act
Amendments to Margin Regulations To Accommodate Deposit
Requirements of Regulated Clearing Agencies
Annual Independent Audits
Annual Independent Audits and Reporting Requirements
Applicability of Section 23A of the Federal Reserve Act to Loans and Extensions of Credit Made by a Member Bank to a Third Party
Applicability of Section 23A of the Federal Reserve Act to the Purchase of Securities From Certain Affiliates
Application Processing
Application and Publication Requirements
Applications, Requests, Submittals, Delegations of Authority, and Notices Required to be Filed by Statute or Regulation
Applications Restructuring
Appraisal Standards for Federally Related Transactions
Assessment of Fees
Assessment of Fees Upon Entrance to or Exit From the Bank Insurance Fund of the Savings Association Insurance Fund
Assessments
Assessments: Retention of Existent Assessment Rate Schedule for SAIF-Member Institutions
Availability and Release of Information
Availability of Funds and Collection of Checks
Availability of Reports of Examination and Other Unpublished Information
Bank Activities and Operations
Bank Holding Companies and Change in Bank Control
Book-Entry Procedures for TVA Power Securities Issued Through the Federal Reserve Banks
Bonds for Directors, Officers, Employees, and Agents; Form and Amount of Bonds
Branch Offices, Exclusive Leases, and Similar Agreements
Branching By Federal Savings Associations
Capital Adequacy: Deferred Tax Assets
Capital Adequacy: Net Unrealized Holding Gains and Losses on Available-For-Sale Securities
Capital Adequacy Guidelines; Capital Maintenance: Nonfinancial Equity Investments
Capital Adequacy Guidelines: Minimum Tier 1 Leverage Measure and Transition Capital Standards
Capital Distributions
Capital Distributions by Savings Associations
Capital Maintenance
Capital: Qualifying Mortgage Loan, Interest Rate Component, and Miscellaneous Changes
Capital; Risk-Based Capital Guidelines; Capital Adequacy Guidelines;
Capital Maintenance; Servicing Assets
Capital Treatment of Equity Investments
Capital Treatment of Intangible Assets
Change in Discount Rate
Charter and Bylaws; One Member, One Vote
Civil Money Penalty Inflation Adjustment
Collection of Checks and Other Items by Federal Reserve Banks and Funds Transfers Through Fedwire
Community and Economic Development Entities, Community Development Projects, and Other Public Welfare Investments
Community Bank-Focused Regulation Review: Lending Limits Pilot Program
Community Development Corporation and Project Investments and Other Public Welfare Investments
Community Reinvestment Act

Conflicts of Interest, Corporate Opportunity and Hazard Insurance
Consumer Credit Classified as a Loss, Slow Consumer Credit and Slow Loans
Consumer Leasing
Consumer Protection for Depository Institution Sales of Insurance
Contracting Outreach Program
Conversion From Stock Form Depository Institution to Federal Stock Association
Conversions from Mutual to Stock Form
Conversions From Mutual to Stock Form: Mutual Savings and Loan Holding Companies
Corporate Governance
Corporate Powers
Credit by Brokers and Dealers
Customer Identification Programs for Banks, Savings Associations, Credit Unions and Certain Non-Federally Regulated Banks
De Novo Applications for a Federal Savings Association Charter
Debt Cancellation Contracts and Debt Suspension Agreements
Definition of Qualified Financial Contracts
Delegation of Authority to the General Counsel and Director of the Board's Division of Banking Supervision and Regulation
Delegation of Authority to the Federal Reserve Banks to Approve Certain Proposals by State Member Banks to Issue, or Retire Prior to Maturity, Subordinated Capital Notes, and to Approve Investments by State Member Banks in Banks Premises Without Quantitative Limitation
Delegation of Authority to Staff Director of Division of Banking Supervision and Regulation to Approve Issuance of the List of Foreign Margin Stocks
Deposit Insurance
Deposit Insurance Coverage
Deposit Insurance Regulations; Joint Accounts and "Payable on Death" Accounts
Deposits
Description of Office, Procedures, Public Information
Determination of Economically Depressed Regions
Disclosure and Reporting of CRA-Related Agreements
Disclosure of Financial and Other Information by FDIC-Insured State Nonmember Banks
Disclosure of Information
Disclosures for Adjustable-Rate Mortgage Loans
Divestiture of Control of Certain Savings Associations
Electronic Activities
Electronic Filings
Electronic Fund Transfers
Electronic Operations

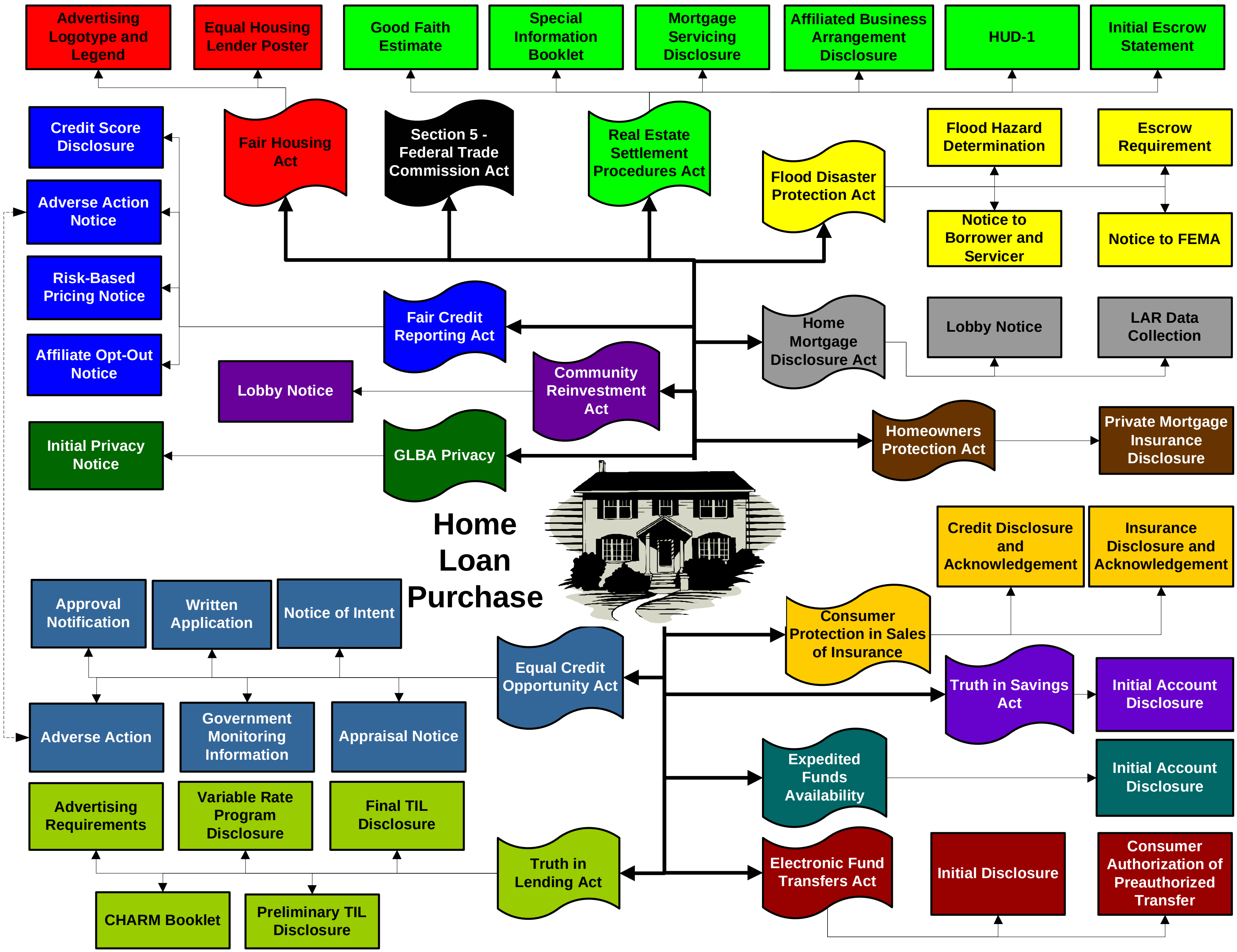
Employee Responsibilities and Conduct
Engaged in the Business of Receiving Deposits Other Than Trust Funds
Equal Credit Opportunity
Equity-Risk Investments
Establishment and Relocation of Remote Service Facilities
Exemption Permitting Banks to Offer Reduced-Rate Credit Cards to Customers of Their Affiliates
Extended Examination Cycle For U.S. Branches and Agencies of Foreign Banks
Extensions of Credit by Federal Reserve Banks
Extension of Credit to Insiders and Transactions With Affiliates
Extensions of Credit to National Bank Insiders
Fair and Accurate Credit Transactions Act of 2003
Fair Housing
Fair Housing Home Loan Data System
Federal Open Market Committee
Federal Open Market Committee; Rules Regarding Availability of Information
Federal Savings Association Bylaws; Integrity of Directors
Federal Savings Associations—Operations, Agency Offices
Federal Savings Associations; Operating Subsidiaries and Service Corporations
Fiduciary Activities of National Banks
Fiduciary Powers of Savings Associations
Filing Procedures and Delegations of Authority
Financial Management Policies; Financial Derivatives
Financial Subsidiaries and Operating Subsidiaries
Foreign Banks
Foreign Banking Organizations
Forms, Instructions and Reports
Golden Parachute and Indemnification Payments
Government National Mortgage Association Mortgage-Backed Securities Program—Payments to Security Holders; Book-Entry Procedures
Government Securities Sales Practices
Home Mortgage Disclosure
Incorporation, Organization, and Conversion of Federal Mutual Associations
Independent Audits and Reporting Requirements
Insurance of State Banks Chartered as Limited Liability Companies
Insured State Nonmember Banks Which Are Municipal Securities Dealers
Interagency Guidelines Establishing Standards for Safeguarding Customer Information and Rescission of Year 2000 Standards for Safety and Soundness

Interbank Liabilities
Interest on Deposits
International Banking & Capital Equivalency Deposits
International Banking Operations
International Lending Supervision
International Operations of United States Banking Organizations
Investment Adviser Activities
Investment Portfolio Policy and Accounting Guidelines
Investment Securities
Investment Securities Regulation
Issuance and Use of Subordinated Debt Securities
Issue and Cancellation of Federal Reserve Bank Capital Stock
Lease Financing Transactions
Leasing
Lending and Investment
Lending Limits
Letters of Credit, Suretyship and Guaranty
Leverage Capital Standards: Tier 1 Leverage Ratio
Liquidity
List of Foreign Margin Stocks
Loan Guarantees for Defense Production
Loans in Areas Having Special Flood Hazards
Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Loans to Holding Companies and Affiliates
Loans to One Borrower Limitations
Management Official Interlocks
Membership of State Banking Institutions in the Federal Reserve System; Financial Subsidiaries
Mergers, Transfers of Assets and Liabilities, and Other Combinations Involving Savings Associations and Other Depository Institutions
Messenger Services
Minimum Security Devices and Procedures; Reports of Suspicious Activities, and Bank Secrecy Act Compliance Program
Minimum Standards of Fitness for Employment With the Federal Deposit Insurance Corporation
Minimum Standards of Integrity and Fitness for an FDIC Contractor
Minority and Women Outreach Program
Minority and Women Outreach Program—Contracting
Minority-, Women-, and Individuals With Disabilities-Owned Business Outreach Program: Contracting for Goods and Services
Miscellaneous Capital and Capital-Related Amendments
Municipal Securities Dealers
Mutual Holding Companies
Mutual Holding Company Reorganizations
Mutual Savings Associations

Mutual-to-Stock Conversions of State Nonmember Savings Banks
National Bank Lending Limit
National Banks' Lending Limits; Loans to Foreign Governments
Netting Eligibility for Financial Institutions
Nondiscrimination
Office of the Under Secretary for Domestic Finance; Financial Subsidiaries
Operations—Suspicious Activity Reports and Other Reports and Statements
Operating Subsidiaries and Service Corporations
Operating Subsidiaries of Federal Branches and Agencies
Operating Subsidiaries, Other Equity Investments, Conversions, Changes in Equity Capital, Subordinated Debt
Other Equity Investments
Other Real Estate Owned
Ownership Reports and Trading by Officers, Directors and Principal Security Holders
Payment of Post-insolvency Interest in Receiverships With Surplus Funds
Planned Rapid Growth
Preapproved Securities Brokerage Service Corporation Activities
Privacy of Consumer Financial Information
Privacy Act; Exemption of Records Creating Investigatory Material Compiled for Law Enforcement Purposes
Privacy Act of 1974 Implementation
Procedures for Corporate Debt Collection
Program Fraud
Prohibition Against Use of Interstate Branches Primarily for Deposit Production
Prohibition Against the Payment of Interest on Demand Deposits
Prompt Corrective Action
Qualified Thrift Lender Test
Real Estate Appraisals
Real Estate Lending and Appraisals
Receivership
Receivership Rules
Recordkeeping and Confirmation Requirements for Securities Transactions
Registration, Examination and Reports; Statements, Applications, Reports and Notices To Be Filed
Regulation D—Reserve Requirement of Depository Institutions
Regulations G, T, U, and X; Securities Credit Transactions
Regulation H—Payment of Dividends by State Bank Members of the Federal Reserve System
Regulation H, Regulation Y—Appraisal Standards for Federally Related Transactions
Regulation K—International Banking Operations, and Regulation Y—Bank Holding Companies and Change in Bank Control

Regulation of Golden Parachutes and Other Benefits Which May Be Subject to Misuse
Regulations G, T, U and X; Securities Transactions
Regulatory Capital: Common Stockholders' Equity
Regulatory Capital: Intangible Assets
Regulatory Capital: Interest Rate Risk Component
Regulatory Capital: Residential Bridge Loans
Regulatory Citations to Uniform Financial Institutions Rating System
Regulatory Reporting Standards: Qualifications for Independent Accountants Performing Audit Services
Regulatory Review
Reimbursement for Providing Financial Records
Relations With Dealers in Securities Under Section 32, Banking Act of 1933
Release of Customer Financial Records by Federal Associations
Release of Unpublished Information
Removal of Asset and Liability Backup Program
Removal, Suspension, and Debarment of Accountants From Performing Audit Services
Reporting and Disclosure Requirements for National Banks with Securities Registered Under the Securities Exchange Act of 1934
Reporting Requirements for Adjustable-Rate Mortgage Index Data
Reports of Apparent Crime Affecting Insured Nonmember Banks
Rescission of Deposit Broker Notification, Recording and Reporting Requirements
Reserve Bank Directors—Actions and Responsibilities
Reserve Requirements of Depository Institutions
Resolution and Receivership Rules
Review Criteria for Bank Holding Company Applications
Restrictions on the Sale of Assets from the Federal Deposit Insurance Corporation
Revisions Regarding Tying Restrictions
Risk-Based Capital Guidelines
Risk-Based Capital Guidelines; Capital Adequacy; Capital Maintenance; Capital Treatment of Recourse, Direct Credit Substitutes and Residual Interests in Asset Securitizations
Risk-Based Capital Guidelines: Collateralized Transactions
Risk-Based Capital: Multifamily Housing Loans; Interest Rate Risk Component
Risk-Based Capital Requirements—Low Level Recourse
Risk-Based Capital Requirements; Transfers of Small Business Loan Obligations With Recourse
Risk-Based Capital Standards: Bilateral Netting Requirements
Risk-Based Capital Standards: Claims on Securities Firms
Risk-Based Capital Standards: Concentration of Credit Risk and Risks of Nontraditional Activities
Risk-Based Capital Standards: Construction Loans on Presold Residential Properties; Junior Liens on 1- to 4-Family Residential Properties; and Investments in Mutual Funds; Leverage Capital Standards; Tier 1 Leverage Ratio
Risk-Based Capital Standards: Derivative Transactions
Risk-Based Capital Standards: Interest Rate Risk
Risk-Based Capital Standards: Market Risk
Risk-Based Capital Standards: Unrealized Holding Gains on Certain Equity Securities
Rules Governing Public Observation of Meetings of the Corporation's Board of Directors
Rules of Practice and Procedure
Rules of Practice and Procedure; Applications for a Stay or Review of Actions of Bank Clearing Agencies
Rules of Practice and Procedure for Adjudicatory Proceedings
Rules of Practice for Hearings
Rules of Procedure
Rules, Policies, and Procedures for Corporate Activities
Rules, Policies and Procedures for Corporate Activities: Changes in Directors and Senior Executive Officers
Rules, Policies and Procedures for Corporate Activities: Merger, Consolidation, Purchase and Assumption
Rules Regarding Access to Personal Information Under the Privacy Act
Rules Regarding Delegation of Authority
Rules Regarding Foreign Gifts and Decorations
Safety and Soundness Standards
Sales of Credit Life Insurance
Sales of Securities at Savings Association Offices
Savings Associations—Transactions With Affiliates
Savings Association Membership in the Federal Home Loan Bank System
Securities Credit Transactions; Borrowing by Brokers and Dealers
Securities Credit Transactions; List of Marginable OTC Stocks; List of Foreign Margin Stocks
Securities Credit Transactions; Regulations G and U
Securities Credit Transactions; Review of Regulation T, "Credit by Brokers and Dealers"
Securities Exchange Act Disclosure Rules
Securities Filings of Savings Associations
Securities of Nonmember Insured Banks
Securities Offering Disclosure Rules
Security Devices and Procedures
Security Procedures
Simplification of Deposit Insurance Rules
Subsidiaries and Equity Investments
Suspension and Exclusion of Contractors and Termination of Contracts
Suspicious Activity Reports
Standards for Safety and Soundness, Small Business Subcontracting Plans
State Banking Institutions in the Federal Reserve System; Recordkeeping and Confirmation of Certain Securities Transactions Effected by State Member Banks
Supervisory Conversions
Supplemental Financial Disclosure Requirements for Employees of the Federal Deposit Insurance Corporation
Supplemental Standards of Ethical Conduct for Employees of the Board of Governors of the Federal Reserve System
Supplemental Standards of Ethical Conduct for Employees of the Federal Deposit Insurance Corporation
Technical Amendments to FDIC Regulation Relating to Forms, Instructions, and Reports
Transactions Between Member Banks and Their Affiliates
Transactions With Affiliates
Transactions With Affiliates; Reverse Repurchase Agreements
Transfer and Repurchase of Government Securities
Treatment by the Federal Deposit Insurance Corporation as Conservator or Receiver of Financial Assets Transferred by an Insured Depository Institution With a Securitization or Participation
Truth in Lending
Truth in Savings
Truth in Savings; Final Preemption Determination (Wisconsin)
Unsafe or Unsound Banking Practices
Valuation and Regulatory Capital Treatment of Foreclosed Assets

[1] Westlaw Computer Search Conducted on May 3, 2004 and May 2, 2005


Home Loan Purchase
Fair Housing Act
Advertising Logotype and Legend
Equal Housing Lender Poster
Section 5 - Federal Trade Commission Act
Real Estate Settlement Procedures Act
Good Faith Estimate
Special Information Booklet
Mortgage Servicing Disclosure
Affiliated Business Arrangement Disclosure
HUD-1
Initial Escrow Statement
Flood Disaster Protection Act
Flood Hazard Determination
Escrow Requirement
Notice to Borrower and Servicer
Notice to FEMA
Fair Credit Reporting Act
Credit Score Disclosure
Adverse Action Notice
Risk-Based Pricing Notice
Affiliate Opt-Out Notice
Community Reinvestment Act
Lobby Notice
GLBA Privacy
Initial Privacy Notice
Home Mortgage Disclosure Act
Lobby Notice
LAR Data Collection
Homeowners Protection Act
Private Mortgage Insurance Disclosure
Consumer Protection in Sales of Insurance
Credit Disclosure and Acknowledgement
Insurance Disclosure and Acknowledgement
Equal Credit Opportunity Act
Approval Notification
Written Application
Notice of Intent
Adverse Action
Government Monitoring Information
Appraisal Notice
Truth in Savings Act
Initial Account Disclosure
Expedited Funds Availability
Initial Account Disclosure
Truth in Lending Act
Advertising Requirements
Variable Rate Program Disclosure
Final TIL Disclosure
CHARM Booklet
Preliminary TIL Disclosure
Electronic Fund Transfers Act
Initial Disclosure
Consumer Authorization of Preauthorized Transfer