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Comptroller Unveils Proposals to Help Community Banks

SAN FRANCISCO -- Comptroller of the Currency John D. Hawke, Jr., unveiled several community bank initiatives today as a down payment on a promise he is making to ensure that OCC supervision is responsive to the needs of community bankers.

Mr. Hawke told the annual convention of the Independent Bankers Association of America that the first initiatives fall into three broad areas:

- A series of round tables, to begin in the third quarter of the year, that will give community bankers an opportunity to tell the OCC how it is doing in supervising smaller institutions. "With that feedback, we can take the necessary steps to strengthen even further our outreach program and to make our community bank supervision even better," Mr. Hawke said.
- Greater sharing of OCC technology resources to bring useful information to community bankers. For example, Mr. Hawke indicated the OCC is developing a simple and user-friendly system that will enable community banks to compare their own performance to a peer group of institutions that they select. The system, which will be accessible through a special Internet site, is the first in a series of enhancements to the OCC's information systems that the agency will be delivering -- over the Internet and through examiners -- in the coming months.
- A community bank-focused review of the agency's regulations. Going forward, the OCC will do an internal analysis of the effect on community banks of all proposed new regulations, and will expressly solicit public comment on how such proposals will affect community institutions. A new position, Director of Community Bank Activities, is being created to help coordinate the agency's efforts to reduce burden and to assist in making supervision even more effective and helpful for community banks.

The OCC is already working at identifying specific regulations that might be changed to give community banks new opportunities for profit and growth without jeopardizing their safety and soundness, Mr. Hawke said. For example, the OCC will soon codify recent interpretive rulings permitting community banks to avail themselves of reverse stock splits in order to reduce the number of their shareholders, to allow them to take advantage of Subchapter S status.

The Comptroller cautioned that the OCC can not by itself alleviate all of the concerns of community banks, and that in some cases, action by Congress may be needed.

"For example, as you know, the environment in which banks and other financial service providers operate is fiercely competitive," he said. "Yet, every day in the marketplace you face stiff competition from credit unions, which act a lot like banks, but don't pay taxes on their earnings. While Congress may be reluctant to address this issue, we cannot afford to simply let it fade away. The competitive inequity that favors credit unions at the expense of banks must be addressed."

Mr. Hawke also noted that many small banks are under liquidity pressures today that may have an impact on their ability to serve the credit needs of small businesses.

"Expanding access for community banks to the resources of the Federal Home Loan Bank System would help to relieve such pressures, and I am pleased to say that the Administration has supported doing just that as part of a broader legislative reform of the Home Loan Bank System," he added.

The Comptroller told the Independent Bankers that community institutions can approach the 21st century with great confidence. "Certainly there will be change and challenge," he said. "But your primary stock in trade -- your familiarity with the needs of your customers, your responsiveness, and your personal service -- will never go out of style."

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The OCC charters, regulates and examines approximately 2,600 national banks and 66 federal branches and agencies of foreign banks in the United States, accounting for 58 percent of

the nation's banking assets. Its mission is to ensure a safe, sound and competitive national banking system that supports the citizens, communities and economy of the United States.