

Statement of Senator Mike Crapo
Subcommittee on Financial Institutions
Wednesday, October 14, 2009

Thank you, Mr. Chairman, for holding this hearing to examine the state of the banking and credit union industry.

Failures of small banks continue to grow and key trouble spots are looming, such as commercial real estate loans. According to a recent New York Times article, about \$870 billion, or roughly half of the industry's \$1.8 trillion of commercial real estate loans, now sit on the balance sheet of small and medium sized banks. I am interested in learning to what extent has the Term Asset-Backed Securities Loan Facility (TALF) encouraged capital to enter the commercial real estate market and what other steps should regulators take to address this problem.

Many community banks and credit unions have tried to fill the lending gap caused by the credit crisis. Even with these efforts, it is apparent that many consumers and small businesses are not receiving the lending they need to refinance their home loan, extend their business line of credit, or receive capital for new business opportunities. Regulators need to be mindful that they strike the appropriate balance to bolster capital and meet the credit needs of our economy. FASB's new rules on off-balance sheets will create challenges on this point.

As we began to explore options to modernize our financial regulatory structure, it is important that our new structure allows financial institutions to play an essential role in the U.S. economy by providing a means for consumers and businesses to save for the future, to protect and hedge against risk, and promote lending opportunities.

Again, I thank the Chairman for holding this hearing and I look forward to working with him and other Senators on these and other issues.