**Crapo Statement at Economic Growth Hearing**

WASHINGTON – U.S. Senator Mike Crapo (R-Idaho), Chairman of the United States Senate Committee on Banking, Housing and Urban Affairs, today delivered the following remarks at a hearing entitled: “Fostering Economic Growth: The Role of Financial Institutions in Local Communities.”

The text of Chairman Crapo’s remarks, as prepared, is below.

“Today, we will receive testimony on the role financial institutions play in fostering economic growth in local communities.

“Community financial institutions are the pillars of communities across America, particularly those in mostly-rural states like Idaho.

“A Harvard University study appropriately described community banking by stating, ‘Their competitive advantage is a knowledge and history of their customers and a willingness to be flexible.’

“Unfortunately, the operating landscape facing these institutions has changed dramatically over the last several years.

“The industry has become increasingly concentrated, and that concentration has accelerated since the passage of Dodd-Frank.

“The regulatory rules dictated from Washington are often contradictory, complex and confusing, and they sharply restrict community lenders’ ability to be flexible.

“I am concerned that in a rush to implement new regulation, regulators have often ignored the cumulative effect of the rules, and that there is a lack of coordination among them.

“We want our nation’s financial institutions to be well-capitalized and well-regulated, but they should not be drowned by unnecessary compliance costs.

“Financial regulation should promote safety and soundness while enabling a vibrant and growing economy.

“This is especially important for community financial institutions, which lack the personnel and infrastructure to handle the overwhelming regulatory burden of the past few years.

“Since 2010 we have lost roughly 2,000 banks and over 1,500 credit unions.

“In local economies, this places a strain on small businesses looking to open or grow.

“Further, it can cause American consumers to lose access to traditional banking services, or pay more for these services.

“Today, however, I am hopeful about the prospects of reversing the damaging trends facing these types of institutions.

“In March, Ranking Member Brown and I announced a process to receive and consider proposals to help foster economic growth.

“Similarly, the Federal banking agencies submitted their EGRPRA report to Congress with several recommendations.

“The Treasury Department is also currently working on several reports to identify ways to improve our regulatory framework.

“Together, these steps demonstrate a commitment to reviewing our financial regulatory framework to determine what is working and what is not working.

“Today’s hearing is the first of several Committee hearings over the coming months that will begin to explore these proposals with the goal of ultimately passing a meaningful and bipartisan reform package.

“Community financial institutions are critically important to the constituents in each of our states.

“That has been clearly demonstrated in the conversations I have had with members on both sides of the aisle who are committed to pursuing bipartisan reform measures.

“Some measures would have an immediate impact on the regulatory burden facing these institutions.

“For example, an automatic qualified mortgage status for loans held in portfolio would provide much needed flexibility for lenders without increasing risk in the system.

“Another example is to simplify and streamline capital requirements for community financial institutions by reexamining Basel III and the Risk Based Capital Rule.

“Finally, an exemption for some financial institutions from some HMDA reporting requirements would decrease the paperwork burden for small lenders.

“As this process moves forward, I want to encourage all members of the Committee to engage with us, work together with each other, and bring bipartisan legislation forward.

“Together, we have an opportunity to make a significant impact.”

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