



Myths and Facts about the Wall Street Reform Act

*The debate over the Wall Street Reform act has become clouded by confusing rhetoric. This piece will help clear up how the proposed legislation will really affect **community banks**.*

Myth: The Dodd-Frank Wall Street Reform and Consumer Protection Act will result in more than 300 new regulatory burdens on the nation's community banks.

FACT: ICBA is very concerned about the regulatory burdens that the bill could place on community banks. *However, those concerns can be exaggerated to the point that the benefits of the bill are overlooked. And the fact is most of the new burdens will be on Wall Street banks, not community banks.* ICBA worked hard to include many exemptions for the nation's community banks from new regulatory burdens included in the law on issues such as "skin in the game," state lending limits and the Consumer Financial Protection Bureau.

Myth: New regulatory burdens included in the law impact all community banks in the same way.

FACT: Many of the new regulations will not apply to the vast majority of community banks because they are:

- **Targeted to relationships community banks don't generally have.** Expanded affiliate transaction rules, new insider transaction rules governing purchases and sale of assets from insiders, and new source of strength requirements for non-BHC holding companies would not apply or would not be of serious concern to most community banks, which generally don't have these kinds of relationships or rarely have to worry about these activities.
- **Are already being undertaken by regulators.** Mandatory disclosures combining TILA and RESPA requirements would not introduce new burdens because even with the new Consumer Financial Protection Bureau, the Federal Reserve has already indicated that it plans to work with the Department of Housing and Urban Development to make TILA and RESPA disclosures complementary. Additionally, all banks and bank holding companies will face higher capital requirements, and the Federal Reserve has already issued proposed rules regarding unsafe and unsound compensation practices.
- **Addressed to larger public companies or those traded on exchanges.** Because most community banks and holding companies are privately held or are smaller public companies, new regulatory burdens related to new risk committees, excessive compensation, compensation disclosures, "say on pay" provisions, claw-back provisions and rules regarding director elections *either do not apply or have little additional effect (if small public company) to the great majority of community banks.*

Myth: The law will allow for endless bailouts of large financial firms.

FACT: Failed firms will be wiped out, not bailed out. Regulatory reform legislation will help end the problem of too-big-to-fail by granting the FDIC resolution authority for systemic-risk financial firms.



FACT: Ending the problem of too-big-to-fail will prevent megabanks from continuing to grow and present systemic risks to the financial system. If Congress didn't act, systemically dangerous firms would return to their old practices, and community banks would continue to face unfair treatment, loss of market share and unfair examination and enforcement treatment.

Myth: New consumer protections will be focused only on the nation's community banks.

FACT: Under the law, new consumer compliance regulations will apply to *unregulated financial firms in the "shadow" banking system in equal measure with commercial banks, which will help level the competitive playing field for community banks.*

FACT: Community banks with less than \$10 billion in assets will be exempted from the proposed Consumer Financial Protection Bureau's examination and enforcement authority, with examination and enforcement responsibility remaining primarily with federal banking regulators.

FACT: If Congress hadn't acted, community banks would continue to face unfair competition from risky, unregulated lenders and other financial services providers, and consumers would still be at risk from predatory practices from lightly or unregulated financial firms that harm local communities.

Myth: The Wall Street reform act will not provide any immediate benefits to the nation's community banks.

FACT: The regulatory reform bill *broadens the assessment base*, which **will return an estimated \$4.5 billion to the nation's community banks over the next three years.**

FACT: If the status quo stood, community banks would continue paying a disproportionate share of premiums.