



LOCAL BANK PRESIDENT SPEAKS TO HOUSE OF REPRESENTATIVES ON BEHALF OF BANKERS ACROSS THE NATION

Austin L. Roberts, III, President & CEO of Bank of Lancaster, headquartered in Kilmarnock was recently in Washington, D. C. and spoke before the House of Representative's Small Business Committee. Speaking on behalf of the American Bankers Association and bankers across the nation, Roberts testified before the Committee on the ramifications of proposed regulations on small business lending.

"Banks continue to lend despite the difficult economy, but that ability to make loans is being hurt by a regulatory environment that has tightened dramatically over the last year," Roberts told the Small Business Committee. "Just as too much risk is undesirable, a regulatory policy that discourages banks from making good loans to creditworthy borrowers also has serious economic consequences," noted Roberts.

"The high premiums banks are paying the FDIC are the most 'immediate threat' to a bank's ability to make new loans, along with regulators' pressure to increase capital levels and improve capital quality," he said. Roberts added that as the President of Bank of Lancaster, a community bank that has served the Northern Neck of Virginia since 1930, small entrepreneurial businesses are the primary sector that meets the needs of the large retiree population in his bank's

trading area. "The success of these businesses is very important to our communities and our Bank," Roberts stated. "Small businesses, including banks, are suffering from the severe economic recession. While some might think the banking industry is composed of only large global banks, the vast majority of banks in our Country are community banks, small businesses in their own right. In fact, over 3,500 banks (41%) have fewer than 30 employees.

"This is not the first recession faced by banks," Roberts stated. "In fact, most banks have been in their communities for decades and intend to be there for many decades to come. Bank of Lancaster has survived many economic ups and downs for almost 80 years. In fact, 31% of the banking industry has been in business for more than a century; 62% has been in existence for more than half a century. These numbers tell a dramatic story about the staying power of banks and their commitment to the communities they serve. My Bank's focus, and those of my fellow bankers throughout the country, is on developing and maintaining long-term relationships with customers, many of which are small businesses located right down the street from our offices. We cannot be successful without such a long-term philosophy and without treating our customers fairly."

Roberts expressed to the Committee that in this severe economic environment, it is only natural for businesses and individuals to be more cautious. Businesses are reevaluating their credit needs and loan demand is declining. Banks also have to be prudent and regulators demand it. Roberts stated that with the economic downturn, credit quality has suffered and losses have increased for many banks. "Fortunately," Roberts noted, "community banks like my bank have entered this recession with strong capital levels." He noted, however, that every bank in this country is working hard to assure that their customers get the credit they deserve.

"This is a difficult and critical time for banks, particularly small community banks," Roberts told the Committee. "They find themselves besieged by deteriorating economies in many parts of the country; by overly restrictive rules and examinations that are making it hard to work through the programs; by government stimulus programs that have focused primarily on the largest and healthiest banks; and now by the government's proposed changes to the regulatory landscape that would only add to the community banks' burdens." Roberts urged the Committee as it considers changes in the regulatory structure to not create a conflict in policies - on one hand encouraging lending to help stimulate the economy and on the other hand discouraging lending through restrictive regulatory policies. "Such conflict, Roberts stated, "would be like spurring a horse to run faster while pulling back on the reins."

To improve the small-business lending environment, Roberts, on behalf of the American Bankers Association, suggested several Capital Assistance Program modifications that would help well-managed, viable community banks address their capital needs. "The comparatively small sums of money that would be invested in these struggling but viable banks would pay big returns for the communities they serve," Roberts said. "What the regulators want for the industry is what the industry wants for itself: a strong and safe banking system. But the proposal for a new consumer regulator, rather than rewarding the good banks that had nothing to do with the current problems, will add an extensive layer of new regulation that will take resources that could be devoted to serving customers and would make it more difficult for small community banks to compete. To achieve that goal, we need to remember the vital role played by good lending in restoring economic growth. Commendably, the bank regulators are publicly encouraging lenders to work with their borrowers who are doing the right thing in good faith during these challenging times. The current regulatory environment essentially precludes banks from being able to do that. We must work together to get through these difficult times. Given the continued weaknesses in this economy and the challenges we will face in the next 18 months, it is a critical time to focus on strategies for helping community banks."

In closing, Roberts, on behalf of the American Bankers Association, asked the Committee to seriously think about how the proposed change would impact those thousands of banks that make the loans needed to get our economy moving again. Addressing these issues, he encouraged, will provide the most constructive avenue to ensure that communities throughout this nation will continue to have access to credit by their local financial institutions.