

Written Testimony of Thomas Bailey, President/CEO, Brentwood Bank, and Vice Chairperson of the Pennsylvania Association of Community Bankers before the House Business & Commerce Committee on the Department of Banking Mortgage Lending Regulations and Mortgage Foreclosure Reform Package

Mr. Chairman and Members of the Committee, thank you for the opportunity to participate in this informational session on the Department's Mortgage Lending Regulations (Chapter 46). We have submitted written comments to the Department pursuant to the IRRC process and deeply appreciate this opportunity to appear before your committee on this important subject. We commend you for the active leadership you are providing this committee and our industry on important issues affecting the financial services industry and consumers.

We acknowledge and commend the dedicated efforts of the Department of Banking for its leadership and initiative in seeking to crack down on abusive lending practices. Prior to submitting our written comments to the Department, our Executive Committee had the opportunity to meet with the new Secretary of Banking, Steve Kaplan, and we are most impressed by his sincerity, knowledge of the Department and challenges confronting the marketplace. We look forward to working with him and his staff and this committee on the proposal for a regulation, as well as the proposed legislative package of bills.

Prior to discussing the regulation and our position and concerns, we believe it's important to share with you PACB's history and the essence of community banking. PACB is the oldest financial services association in the nation dating back to 1877, and currently represents over 175 community banks across this Commonwealth – PACB is proud to be the voice of community banking in Pennsylvania. Our member banks serve as the epicenter of community activity, providing key financial services to citizens and funding community-based businesses and programs. Community bankers are dedicated to serving their communities and take great pride in the positive impact we contribute by reinvesting in the community through residential mortgages, small business loans and agricultural and student loans. As you know, Mr. Chairman and members of the committee, community banking is about relationships and trust with our customers which in some cases dates back decades. Many of our institutions are celebrating their 75th, 100th, and 125th anniversaries. Prior to any federal or state regulations and mandates, community banks were doing community reinvestment as their principal stock in trade. That continues to be the case today.

Our members live by the motto, **Pennsylvania FIRST**, for we truly are the Financial Institutions Reinvesting in the State. This is not mere rhetoric but the very reason our members exist. Our combined assets of over \$90 billion are almost entirely reinvested in the Commonwealth and its citizens. Collectively we have been serving Pennsylvania's communities for over 23,000 years with the majority of our members in existence for over 100 years. Our members, however, struggle with government over-regulation and paperwork burdens that continue to mount and distract us and detract from our service to our communities. Community banks are continually told that they are not part of the

problem but the solutions put in place always seem to mandate more paperwork more restrictions and a greater compliance burden for community banking and our small staff.

A number of years ago, our President/CEO, Frank A. Pinto and the Chairman of Columbia County Farmers National Bank, Paul Reichart, met with Congressman Paul Kanjorski (D-Luzerne). Congressman Kanjorski is now the second ranking member of the House Financial Services Committee and a Chairman of a key subcommittee. During that meeting, Frank and Paul put before the Congressman all the paperwork a small community bank had to file to meet the requirements of the federal Community Reinvestment Act (CRA) and the conference room table was overwhelmed with paper. This vividly demonstrated for the Congressman what our members struggled with on a daily basis. The Congressman left that meeting as a champion for a streamlined approach to CRA compliance for community banks. Today community banks under \$1 billion have this streamlined examination and we are grateful to Congressman Kanjorski and others for their vigorous advocacy for this important concept.

We mention this example because we believe it's time for Pennsylvania to adopt a similar concept in public policy. Community banks are special and unique and Pennsylvania ought to recognize in state law/regulations a concept similar to the small bank streamlined approach for CRA. If community banks are not part of the problem – in this case abusive lending practices and predatory lending – which we definitely are not, then we believe the Department of Banking should carve out a complete exemption in the proposed regulation for community banks and our subsidiaries and affiliates, and this same exemption should be considered for the legislative package relevant to House Bill 1079 and House Bill 1080. As previously mentioned, we are already heavily regulated by the federal and state governments and hold ourselves to the highest possible standard of community trust. Again, the marketplace has been our consistent judge and many of our institutions have survived depressions, recessions, wars, booms, downturns and other cyclical events, remaining the bedrocks of their communities.

At this point in our commentary, Reginald Evans, Esq. of Shumaker Williams, P.C., a former Chief Counsel of the Department of Banking, will discuss our specific analysis on the proposed regulations keeping in mind our fundamental request that the Department and General Assembly consider an exemption for community banking and our subsidiaries and affiliates.