Rep. Tom Emmer on House Committee Hearing

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REP. TOM EMMER:

** Welcome. Thank you. Thanks to the Chair for holding this hearing and for allowing me to participate. And thank you to the panel. Appreciate you being here today and taking all this time. In particular, I just wanted to recognize Mr. Fisher and Mr. Nichols. The community banks and credit unions are incredibly important to my state, as I expect they are all across this country. You know, in 2008, at the time of the financial crisis, we had about 8,000 of each across the country. A year later, a year after the crash, we still had about 8,000 community banks and 8,000 credit unions across this country. Now it's been almost seven years since Dodd-Frank was passed, and we're left with somewhere around 6,000 of each. I believe we need everyone in the financial services food chain. We need the biggest banks. We need the regional banks, community banks, credit unions, everyone. It just so happens, though, that the community banks and credit unions support all of our small communities. Because I can guarantee you, if you live in Mora, Minnesota, you're not going to Goldman Sachs for a loan. If you live in Halleck, Minnesota, you're not going to go to a city bank. And if you live in Tower, Minnesota, which some of you might have heard sometimes is called one of the coldest spots in the country, you might remember those battery commercials they used to do in Tower, Minnesota, you're not going to go to J.P. Morgan Chase. You're going to go to your local, probably family-owned community bank or credit union. It's imperative that we enact policy that will allow these financial institutions to survive and thrive again, which is why today's hearing is so important and timely. And there are several excellent proposals from this committee and in Chair Luke DeMeyer's Community Lending Enhancement Relief Act, Regulatory Relief Act. There are two, though, that interest me today. One of the chair's proposals would amend the FDIC's definition of a deposit broker that will allow for reciprocal deposits, so community banks can keep money in the local community that usually is used by community banks, minority-owned banks, community development banks, that sort of thing. And the other one would amend the Home Mortgage Disclosure Act of 1975 to exempt small banks and credit unions from Regulation C if they have originated 1,000 or fewer closed-end mortgages in each of the preceding two years or if they have originated 2,000 or fewer open-end lines of credit in each of the preceding two years. I guess I'll start with Mr. Fisher. Can you tell the committee why the reciprocal deposits are so important, especially right now?

MR. FISHER:

** Well, reciprocal deposits are a great source of fund. If I look at my bank personally, we have about 30 percent of our total deposits are municipal deposits. And municipal deposits, anything that exceeds FDIC insurance, we have to have a bond pledged against that deposit. So whether it's reciprocal deposits, we can get full FDIC coverage using reciprocal deposits. However, there's still kind of a negative perception about reciprocal deposits because they're considered brokered funds. So we would greatly appreciate this amendment so that they would not be considered brokered funds.

REP. TOM EMMER:

** Well, because what's the alternative if you don't fix this? What's the alternative? The money leaves your community, doesn't it?

**MR. FISHER:

** Correct. The money, there's obviously rates are increasing, lending is increasing. Deposits are our raw materials. That's what we lend out. And we want to put it to work in our communities, our small communities. And so we really don't want to see municipal deposits go out of our local communities because that's helping to fund growth in our communities.

**REP. TOM EMMER:

** Right. And this, why don't I expand it to Mr. Nichols. There's been some talk here, and in the little time left, there's been some talk about the 48 points, all this information. I think the chair started the second part of the hearing talking about a closing where he was trying to sell property, and there's this big packet. Why do we need all of this information that the CFPB has put in this rule? Why?

**MR. NICHOLS:

** We don't, and the consumers don't want it as well. Again, I'll go like this. But there's, the more paper that we give to the consumer, the less they read, the less informed they are. It is a more expensive process, which ultimately, guess who pays for that process?

**REP. TOM EMMER:

** Well, and very quickly, community banks, credit unions, people on the lower end of the financial system, they're getting out of the business. Right. So it's not even that we don't read it, it's that we may not get the choice.

**MR. NICHOLS:

** That's actually a great point. It's good for it to have multiple options. We'll go back to another congressman's point in that the more options you have, the less systemic risk you have by having the too big to fails out there, and the more choice you give to the consumer.

**REP. TOM EMMER:

** Great. Thank you again, Mr. Chair, and thanks for your patience.

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