

WASHINGTON (January 13) – Congressman Spencer Bachus (AL-6), Chairman of the House Financial Services Committee, today made the following remarks on small business and job creation at the FDIC conference on small business lending.

To view Bachus interview on CNBC at the conference, [click here](#).

“Thank you for that kind introduction, Chairman Bair, and for organizing this forum with a variety of stakeholders to tackle the question of how we can work together to increase small business lending.”

“As we address this issue, it is important to be clear about the principles that guide us. In reading recently, I came across the phrase ‘American exceptionalism.’ That encapsulates what I believe about our country, our economic system and, most importantly, our people. We do things our own way and it works. As we craft policies to promote economic recovery and create jobs, we need to remember that free markets and individual initiative have made the U.S. economy the largest in the world – twice as large as that of China, Germany, Japan, and Great Britain combined. Government planning and government control is not how we got here.”

“Individual initiative and free markets have long been the recipe for our dynamic economy. Unfortunately, the new regulatory structure created by Dodd-Frank will redefine the way our economy operates in the future, constricting jobs and punishing Main Street businesses that did nothing to cause the crisis.”

“During my conversation with employers, I am constantly told that one of the biggest obstacles they face right now is obtaining financing from banks. The search for sufficient capital is a struggle, even for companies with good credit histories and long-established relationships with local banks. The majority of small businesses depend on their community banks for credit. This morning, Chairman Bair said that while failures peaked in 2010, the FDIC's losses were down because smaller institutions were failing. The fact that smaller community banks are failing can be partially traced back to government policies that gave our ‘too big to fail’ institutions a competitive advantage. This will have disastrous impact on small businesses going forward because these small banks are

more likely to extend credit to small businesses than their big bank counterparts. As a Federal Reserve study said, ‘The findings suggest that an important role may remain for community banks who have an advantage over large banks in extending loans to small businesses. Their local roots and knowledge of the local community and the entrepreneurs who run local businesses may be critical in providing the type of relationship-driven loans that many small businesses need.’

“We all know that inadequate underwriting and loose credit standards contributed to the financial crisis, but the pendulum has swung too far towards regulatory micromanagement. We can’t allow arbitrarily applied regulatory directives to stifle prudent lending. Six regulatory agencies, led by our host, the FDIC, issued joint guidance telling their examiners to stop second-guessing banks’ loans. The guidance said, ‘Prudent’ small business lending will not be subject to supervisory criticism.

“Sadly, this guidance is not always filtering back to the operational level as indicated by the constant stream of comments I receive from community banks and their small business customers. The guidance is being offset by examiners and other regulators in the field who have not followed the policies promulgated by their agencies in Washington, but have continued to be overly restrictive when evaluating the credit decisions of those they regulate. This has become so commonplace that it has become known as the ‘mixed messages’ problem.

“Instead of focusing on patterns and practices that suggest poor underwriting or lax risk management, some examiners are micromanaging the daily activities at our community banks. All of us in Washington, both in Congress and at the agencies represented at this forum, must continue to examine the mixed messages being sent to community banks, which continue to create uncertainty and impede recovery.

“Under my chairmanship, the Financial Services Committee will focus this year on fashioning policies that encourage, not inhibit, job creation and facilitate a robust economic recovery. Our focus will be to ensure that the over 300 new federal rules mandated by Dodd-Frank be written in a way that does not further impede job growth or burden America’s businesses in a sea of bureaucratic red tape. This is particularly critical for small business.

“This time of economic and regulatory uncertainty requires all of us to work together in a spirit of cooperation to avoid policies and regulations that prevent critical investment by our small businesses. We all recognize the importance of consumer protection and the need to avoid the kinds of mistakes and malfeasance that led to the financial crisis that culminated in 2008. Nonetheless, we must take great care to ensure that we are adopting

policies and regulations that grow our economy and create jobs. In order to do this, we need to look at the ways regulations are being implemented, especially now that the regulators are writing over 300 new rules. With prudence and careful attention to unintended consequences, rules can be written that achieve the consumer protection and safety and soundness needed by our society, but does not slow economic activity or prevent job creation.□

“Each of us understands that any robust job creation must come from the private sector. Our small businesses will be key to that recovery and Washington should do its best to set strong guidelines and let our small businesses flourish so that they can create jobs.□

“As Larry Kudlow said in an introduction to a recent book, ‘Taxing capital at prohibitive rates is akin to attempting to have capitalism without the very capital that makes it run. How does the average worker get a job when business cannot create jobs because they are starved for capital?... Modern economic thinkers understand that capital and labor work together.’□

“Thank you, Chairman Bair, for convening this important forum.”