WASHINGTON – Congressman Spencer Bachus (AL-6) attended a House Financial Services Committee field hearing that explored the role that federal regulations are having on local bank lending.

As Committee Chairman, Bachus has heard complaints that regulatory overreach has tightened credit for small financial institutions and the local businesses they serve.

"With a struggling economy and high unemployment, small businesses and small town banks need some relief from the growing regulatory burdens that block the creation of new jobs. We cannot allow regulatory micromanagement of community banks to stifle prudent lending. Bank examiners must recognize the risks of over-regulation, and particularly avoid subjecting smaller financial institutions to undue regulatory burdens," said Bachus.

The Financial Institutions and Consumer Credit Subcommittee field hearing was held in Newman, Georgia on Tuesday. Bachus approved the hearing in response to concerns raised by congressional colleagues including Rep. Lynn Westmoreland (GA-3).

The New York Times Dealbook printed the following report dated August 16 on the hearing.

With Bank Failures Mounting, Some Complain of Harsh Exams

By BEN PROTESS

Financial regulators have taken a public thrashing for going easy on banks before the financial crisis hit, allowing institutions big and small to dole out dubious loans. Now, according to some community bankers, regulators have abandoned their light touch for a heavy hand at a time when the industry is struggling to recover.

The Federal Reserve , the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency have dispatched on-site examiners to scour banks for minuscule problems, bankers said in Congressional testimony on Tuesday. While regulators say they are trying to prevent further bank failures, bankers complain that the examinations amount to nitpicking.

“We have found the field examiners less willing to disclose conclusions and very guarded in acknowledging progress in those areas where we may have been performing well,” Chuck Copeland, the chief executive of First National Bank of Griffin, Ga., said at a House Financial Services subcommittee hearing in Newnan, Ga.

Since the crisis hit, Georgia has had 67 institutions fail, more than any other state. Community banks, those with $10 billion or less in assets, make up the bulk of those now-shuttered institutions.

For all the talk of Bank of America ’s beleaguered stock price and Goldman Sachs ’s disappointing earnings, small banks are faring far worse than their large Wall Street counterparts. More than 380 banks have failed since early 2008; 326 of which were community banks, according to the F.D.I.C.

“The F.D.I.C. is keenly aware of the significant hardship of bank failures on communities in Georgia and across the country,” Bret D. Edwards, the head of the agency’s division that oversees bank failures, said in prepared testimony before the financial services committee.

But some bankers say their regulators are making matters worse by misunderstanding the cause of the industry’s woes. Mounting losses at small banks are not owed to reckless risk-taking, community bankers say, but the unforeseen collapse of the commercial real estate market in the Southeast.

“Did we have a role setting ourselves up to become victims? No doubt,” said Mr. Copeland of First National Bank of Griffin, a nationally registered bank that is overseen by the Office of the Comptroller of the Currency. “But did we recklessly pursue growth and earnings at all cost with no regard to the other elements of our mission? Never.”

That message is lost on regulators, he said. “We understand that it is not a personal affront; it is simply this environment of second-guessing and weariness in which we are all operating.”

In testimony before the subcommittee, regulators said they were taking steps to address the perception that their examiners are overly strict.

“The Federal Reserve takes seriously its responsibility to address these concerns,” Kevin M. Bertsch, an associate director of the Fed told the subcommittee. The Fed, he said, has created training programs for its examiners and conducts occasional reviews of their examinations.

For its part, the F.D.I.C. said it was reaching out to bankers for guidance on the examination process. In 2009, the agency created the Advisory Committee on Community Banking, made up of small bankers from across the country, according to Mr. Edwards of the F.D.I.C.

“The F.D.I.C. takes great care to ensure national consistency in our examinations,” Mr. Edwards said.