



**Testimony of Norma Alexander Hart  
President, National Bankers Association  
Before the Subcommittee on Financial Institutes and  
Consumer Credit of the Financial Services Committee of  
The United States House of Representatives**

Good morning Chairman Bachus, Ranking Member Sanders and other distinguish members of the Subcommittee on Financial Institutions and Consumer Credit. My name is Norma Alexander Hart, I am President of National Bankers Association (NBA). It is my pleasure to provide comments on behalf of the association regarding H.R. 3505 "The Financial Service Regulatory Relief Act of 2005" pending before Congress.

For nearly eighty years, the NBA has served as the primary trade organization advocating for minority and women owned financial institutions. Moreover, the NBA, and its fifty member banks and thirty associate members, has worked with the federal government to develop policies, regulations and laws that recognize the importance of preserving and fostering minority owned and controlled banking institutions.

1. Regulatory Relief Has Been Around for Years. First, let me commend the committee for its hard work on this issue. We have been supporting this effort for a number of years on the Hill. The NBA is pleased to support the overall thrust of the Regulatory Relief Bill. There are many regulations that need to be updated or in some cases eliminated to make the banking industry more competitive and available to the American public. Too many lower income Americans are still "unbanked" and we hope that this bill will make it easier for financial institutions to offer services to this important segment of our population.

2. Purpose of the Act to Update Regs and to Lift Regulatory Burden on Banks. The regulations imposed by the regulators often disproportionately burden the minority and women owned banks.

Efforts should be made to streamline compliance of regulations that are intrusive and costly to banks with deposits of \$300 million or less:

For example:

- 1) Sarbanes-Oxley internal controls
- 2) IT compliance
- 3) Bank Secrecy Act
- 4) Privacy Issues and
- 5) Patriot Act Reporting

Each of the above regulations impose a high cost to compliance. These costs impose a severe burden on small minority owned institutions.

3. DeNovo Banks. Specifically, we note our concern about the provisions of the act that open the financial services industry to enterprises and industries that would use banking and mortgage lending as an ancillary service to their primary business. The NBA does not believe financial services should be provided as a commodity at over the counter stores or fast food restaurants. Consumers should not go mortgage shopping at the same time they are food shopping. This will undermine the safety and soundness of the banking industry in America.

The NBA is concerned about non traditional ownership of financial institutions.

Regulators must take a fresh and close look at this issue. The Act should impose separation between the retail and banking services. Restrictions on locations and cross

marketing efforts should be imposed. If retail chains are invited into the banking industry they should be available to offer only limited services and their roll-out should be staggered. This committee should not open the doors to widely.

4. Preservation of Minority Banks by Section 308 of FIRREA. Pursuant to Section 301 and 308 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) Congress has mandated that the FDIC and OTS conduct activities that recognize and preserve the special and unique status of minority owned financial institutions.

Over the years, this legislation has lost much of its relevance and impact. As a result the number of minority and women owned banks is decreasing. This regulation should expand to include other regulatory bodies and the regulators should be instructed to (OCC, Treasury and Federal Reserve Board) undertake deliberate efforts to foster the number and competitiveness of minority institutions. Additionally, regulators should provide minority banks the first opportunity to acquire "troubled institutions" or other banks or savings institutions that are being divested.

Conclusion. The NBA suggest that this historic legislation be modified to ensure the continued vitality of minority and women owned banking in America. We look forward to working with the Subcommittee and its staff to accomplish that goal.

We thank you for this opportunity to testify and I am available for questions and comments from this distinguished panel.