

SENATE CONCURRENT RESOLUTION NO. 33

WHEREAS, a strong national economy and the financial well-being of millions of citizens in Missouri and across America are dependent upon the continued financial vitality of our small businesses and family farms; and

WHEREAS, the economic viability of our small businesses and family farms is directly tied to the ability of our state and the nation's community depository financial institutions to provide needed credit and to permit their borrowers to restructure existing debt in a responsible and reasonable manner; and

WHEREAS, problems which now pervade our economy but are expected to be transitory in nature have placed severe financial pressure on a number of small businesses and family farms and have, in turn, resulted in escalating levels of loan defaults and depressed property values; and

WHEREAS, these economic difficulties combined with a harsher examination environment and increases in required capitalization levels by regulators have made it extremely difficult, and often impossible, for community depository institutions to maintain their capital at levels currently mandated by their regulators without severely limiting the ability of many of these community depository institutions to continue to make the same levels of credit available as prior to this period of economic distress; and

WHEREAS, the foregoing have had and are continuing to have spiraling downward effects on the ability of many small businesses and family farms to remain viable employers and strong components of our state's and the nation's economies; and

WHEREAS, under difficult economic conditions which occurred in the late 1980's, federal and state agencies that regulate community depository institutions developed appropriate capital forbearance, trouble debt restructuring accounting practices, and other policies to assist those institutions that were well-managed; and

WHEREAS, these measures were undertaken to ensure that these community depository

institutions remained viable sources of financial strength for their communities and to assist them in providing borrowers reasonable and responsible allocations of credit so as to enable deserving borrowers to weather temporary economic pressures, maintain access to reliable sources of credit, and remain as important sources of employment and economic strength, and

WHEREAS, members of Congress are increasingly recognizing the need for regulatory forbearance to support community depository institution lending throughout our country, as well as to support the small business and family farm customers of community depository institutions. To date, this recognition has been in the form of numerous Congressional hearings and meetings with community depository institutions and their federal depository institution regulators, as well as in the form of the recent House Resolution introduced by Representative Coffman (CO-R); and originally co-sponsored by Representatives Perlmutter (CO-D) and Luetkemeyer (MO-R); the letter to the federal depository institution regulators from Representatives Frank (MA-D) and Minnick (ID-D); and the letter to the federal depository institution regulators from Representative Skelton (MO-D) all calling for regulatory forbearance, temperance, and measured oversight of community depository institutions so as to not unduly restrict access to credit:

NOW THEREFORE BE IT RESOLVED that the members of the Missouri Senate, Ninety-fifth General Assembly, Second Regular Session, the House of Representatives concurring therein, hereby encourage the Congress of the United States to urge the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Board, and all other agencies, state and federal, that regulate the conduct and affairs of community depository institutions, to develop appropriate policies that will:

(1) Permit well-managed community depository institutions to temporarily maintain capital at levels less than that currently required, conditioned upon the submission and regulatory approval of an appropriate plan to restore capital levels by a date certain as determined by the appropriate agencies; and

(2) Permit well-managed community depository institutions to temporarily account for

troubled debt restructuring in a manner which allows a loan to continue to be carried on the institution's books without loss recognition if the loan is formally restructured in a manner so that it is probable that the borrower can repay the loan under the new terms and that the total future cash payments at least equal the loan amount on the institution's books; and

(3) Ensure that field examiners are not inappropriately classifying loans based on judgments about, or relationship of, various types of loans, to currently stressed sectors of the economy apart from the ability of the loans to show likelihood of repayment based on positive cash flows, ample amounts of collateral, and other mitigating factors; and

(4) Include such additional temporary accommodations for well-managed community depository institutions as the agencies determine are appropriate, including regulatory forbearance similar to that provided in the 1980's, to assist those institutions in remaining vital sources of financial strength for their communities, while maintaining needed standards to assure the continued financial integrity of those institutions and communities.

BE IT FURTHER RESOLVED that the Secretary of the Missouri Senate be instructed to prepare properly inscribed copies of this resolution for the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the members of the Missouri congressional delegation.