
Financial Institutions & Insurance Committee

HJM 4029

Brief Description: Requesting certain federal entities to actively support certain community bank policies and legislation.

Sponsors: Representatives Bailey and Kirby.

Brief Summary of Bill

- Petitions the legislative and executive branches of the federal government to actively support policies and legislation to: (1) provide funds to community banks; (2) aid in efforts to facilitate loans from community banks to small businesses and the residential and commercial real estate sectors; (3) enable community banks to seek new sources of capital; and (4) ensure that same examination standards are applied to all banks.

Hearing Date: 1/28/10

Staff: Jon Hedegard (786-7127).

Background:

Troubled Asset Relief Program (TARP).

The TARP is a federal government program that allows the U.S. Department of the Treasury (Treasury) to purchase or insure up to \$700 billion of "troubled assets." The Treasury has used a number of programs to do this. Generally, the Treasury has received equity in the company with the troubled assets in return for cash.

Twelve programs have been announced under TARP, and ten of those have been implemented. The Capital Purchase Program (CPP) is the program that made most of the loans to financial institutions. As of November 18, 2009, the Treasury has made over \$204 billion in loans to over

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690 financial institutions under the CPP. Over \$82 billion of the loaned amount has not yet been repaid.

The Treasury has determined that only banks that are viable without the CPP money can receive money under the CPP. According to the Special Inspector General of the TARP, eligibility for the CPP funds is based on an assessment of the strength and viability of an applicant, as measured by examination ratings and performance ratios, without taking into account the potential use of the funds.

Bank Regulation.

A state bank (also known as a community bank) is a bank that is chartered and primarily regulated by this state. A federally chartered bank (also known as a national bank) is a bank that is chartered and primarily regulated by the federal government.

Summary of Bill:

The Washington Legislature requests the President of the United States, the Secretary of the Treasury, the President of the U.S. Senate, the Speaker of the U.S. House of Representatives, and the U.S. Senate and House of Representatives actively support policies and legislation to:

- develop a new program for capital purchases for community banks that does not require banks to prove their viability before receiving TARP funds;
- develop and expedite an efficient small business lending program that allows community banks to begin making loans to small businesses that are unable to obtain financing;
- facilitate lending by community banks to the residential and commercial real estate sectors;
- permit community banks to seek alternative sources of capital; and
- ensure that examination standards are applied evenly to all banks across the United States, regardless of size or regulator.

Legislative findings include that:

- the state's community banks play a significant role in their communities;
- the current financial conditions have placed many banks at risk, and five institutions chartered by the state have closed;
- some actions taken by federal regulators have harmed community banks and have aggravated the difficulties faced by community banks;
- the state's community banks did not cause the financial crisis and did not engage in subprime lending;
- concerns exist that banks in some regions of the nation are being subjected to stricter examinations than others;
- traditional sources of capital for banks are significantly reduced, and many community banks are unable to access funds via the CPP; and
- community banks are best positioned to help our small businesses lead us out of current economic conditions.

Appropriation: None.

Fiscal Note: Not requested.