

By: Flynn

H.C.R. No. 94

HOUSE CONCURRENT RESOLUTION

1 WHEREAS, the banking and insurance communities are essential
2 to the continued growth and well being of the State of Texas. Were
3 and still are essential to the development of Texas, serving as
4 important hubs of economic activity for communities all across the
5 state; the Dodd-Frank is destructive to the State of Texas and the
6 citizens within and a constant threat to businesses; and

7 WHEREAS, The Dodd-Frank Wall Street Reform and Consumer
8 Protection Act was passed by the United States Congress on July 21st
9 of 2010. It consists of 2,300 pages of new statutory language that
10 will result in the promulgation of over 250 new federal
11 regulations. Supporters of the legislation claim that it will equip
12 federal regulators with powers to prevent another financial debacle
13 like the country experienced from 2007 through 2009. In reality,
14 the bill sets up a regulatory regime that allows "Too Big to Fail"
15 banks and Wall Street to continue to avoid adequate scrutiny while
16 it punishes traditional Texas banks that had nothing to do with the
17 most recent crisis; and

18 WHEREAS, A new Bureau of Consumer Financial Protection is
19 established to regulate all consumer financial services in the
20 United States. It will receive hundreds of millions of dollars in
21 funding annually from the Federal Reserve System and is not subject
22 to Congressional oversight through the appropriations process. The
23 Bureau will have the power to regulate what types of financial
24 products can be provided and which products cannot be offered. It

1 will have the power to set prices for consumer loans, mortgages and
2 small business loans. If this new agency were to become what its
3 advocates have envisioned it will be at least as large as the
4 Internal Revenue Service. Texas banks will have fewer and more
5 expensive products to offer to their customers. The credit needs of
6 rural and urban Texans will be determined by an agency in
7 Washington; and

8 WHEREAS, The Bureau of Consumer Financial Protection will
9 also greatly increase compliance costs for Texas community banks.
10 Smaller banks will see their compliance and employee costs increase
11 by tens of thousands of dollars on an annual basis. This will result
12 in millions of dollars in loans that will not be loaned in their
13 communities. Further, these new costs will drive down profitability
14 and lead to the consolidation of the banking industry. Fewer banks
15 mean less credit and fewer choices for borrowers across the state;
16 and

17 WHEREAS, Even before the effective date of the Dodd-Frank
18 Act, federal bank regulators have been examining banks and imposing
19 sanctions that are harming credit availability all over Texas. In
20 the name of consumer protection and fair lending the federal
21 agencies are curtailing services, such as overdraft protection,
22 that are wanted by Texas bank customers. The limitation on bank
23 service fees will increase costs for all consumer services and lead
24 to the end of offerings such as free checking. During fair lending
25 examinations banks are being told that discrepancies of a few cents
26 in the charging of interest rates can lead to referrals to the U.S.
27 Department of Justice. This has led to a chilling effect and a

1 reluctance by community banks to make small consumer and business
2 loans; and

3 WHEREAS, Another example of federal intervention in the
4 pricing of financial products are the rate caps placed on
5 interchange fees for debit cards. The Dodd-Frank Act takes the
6 pricing of these services from the marketplace and places it in the
7 hands of the Federal Reserve. The most recent proposal from the
8 Federal Reserve would so severely restrict interchange fees that
9 banks and credit unions will be unable to cover the full costs
10 associated with providing checking accounts and debit cards. As a
11 result, banks and credit unions will be forced to cease offering
12 debit and checking products and increase fees to their retail
13 customers for checking accounts, debit cards and other retail
14 services. Lower income Texans who have obtained greater access to
15 affordable retail banking, partly because of interchange fees, will
16 have less access to traditional institutions and be forced to go
17 back to the less regulated "shadow" banking system with its
18 increased costs now, therefore, be it

19 RESOLVED, That the 82nd Legislature of the State of Texas
20 hereby urge The United States Congress to repeal this destructive
21 law.