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Congress of the United States
House of Representatives

COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON STRATEGIC FORCES
SUBCOMMITTEE ON READINESS

COMMITTEE ON
NATURAL RESOURCES
SUBCOMMITTEE ON
ENERGY AND MINERAL RESOURCES
SUBCOMMITTEE ON
NATIONAL PARKS AND PUBLIC LANDS

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The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve
System
20th and Constitution Avenue, NW
Washington, DC 20551

The Honorable John Dugan
Comptroller of the Currency
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219

The Honorable John E. Bowman
Acting Director
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552

The Honorable Sheila C. Bair
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Debbie Matz
Chairman
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

February 3, 2010

Dear Chairman Bernanke, Chairman Bair, Comptroller Dugan, Chairman Matz, and Acting Director Bowman:

It is now recognized that the vast majority of problem sub-prime loans were originated by non-bank lenders. Yet, it is the already highly-regulated traditional depository banks that are feeling the greatest regulatory pressure as a result of the current economic crisis. In particular, one of the biggest challenges faced by community banks is how to respond to the calls from Congress to increase lending to small businesses and to work with troubled borrowers on foreclosure mitigation, while dealing with increasingly stringent capital requirements from regulators that can preclude banks from doing just that.

Community banks became strong and viable players in the financial services industry because they fill an important need. It would be short-sighted to weaken that role through over-zealous regulatory actions – actions based not on wrong-doing or poor management practices at these banks, but on changes in the economic environment and toughening regulatory standards.

It is critical now more than ever that regulatory personnel in our communities apply a measured approach to examinations that is directed by agency leadership rather than subject to arbitrary decisions made in the field.

I urge regulators to show some temperance in their regulation of traditional banks. I do not want regulators to jeopardize core safety and soundness principles, but I urge them to show some restraint in the immediate enforcement of new rules that may prove to be excessive at a time when community banks are least able to respond. Should we overreact to the current crisis and apply new regulations that are too stringent, we will see a self-fulfilling prophecy of community bank failures, shrinking credit availability, and a slower economic recovery.

I appreciate your consideration of these issues.

Sincerely

A handwritten signature in black ink, appearing to read 'Martin Heinrich', with a large, sweeping flourish extending to the right.

MARTIN HEINRICH
Member of Congress