

# House Concurrent Resolution No. 42

## 95TH GENERAL ASSEMBLY

INTRODUCED BY REPRESENTATIVE CUNNINGHAM.

4749L.011

2       **Whereas**, a strong national economy and the financial well-being of millions of  
3 citizens in the State of Missouri and across the nation are dependent upon the continued financial  
4 vitality of our small businesses and family farms; and

5       **Whereas**, the economic viability of our small businesses and family farms is  
6 directly tied to the ability of the State of Missouri and the nation's community depository  
7 financial institutions to provide needed credit and to permit borrowers to restructure existing debt  
8 in a responsible and reasonable manner; and

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

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

19       **Whereas**, the foregoing have had and are continuing to have spiraling downward  
20 effects on the ability of many small businesses and family farms to remain viable employers and  
21 strong components of our State's and the nation's economies; and

22       **Whereas**, under difficult economic conditions which occurred in the late 1980's,  
23 federal and state agencies that regulate community depository institutions developed appropriate  
24 capital forbearance, troubled debt restructuring accounting practices, and other policies to assist  
25 those institutions that were well managed; and

26       **Whereas**, these measures were undertaken to ensure that these community  
27 depository institutions remained viable sources of financial strength for their communities and  
28 to assist them in providing borrowers reasonable and responsible allocation of credit so as to

28 enable deserving borrowers to weather temporary economic pressures, maintain access to reliable  
29 sources of credit, and remain as important sources of employment and economic strength; and

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

42 **Now, therefore, be it resolved** that the members of the House of  
43 Representatives of the Ninety-fifth General Assembly, Second Regular Session, the Senate  
44 concurring therein, hereby encourage the United States Congress to urge the Office of the  
45 Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve  
46 Board, and all other federal agencies, that regulate the conduct and affairs of community  
47 depository institutions to develop appropriate policies that will:

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

52 (2) Permit well managed community depository institutions to temporarily account for  
53 troubled debt restructuring in a manner which allows a loan to continue to be carried on the  
54 institution's books without loss recognition if the loan is formally restructured in a manner so that  
55 it is probable that the borrower can repay the loan under the new terms and that the total future  
56 cash payments at least equal the loan amount on the institution's books;

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

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

66       **Be it further resolved** that the Chief Clerk of the Missouri House of  
67 Representatives be instructed to prepare properly inscribed copies of this resolution for the  
68 Majority Leaders and Minority Leaders of the United States Senate and House of  
69 Representatives, and each member of the Missouri Congressional delegation.

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