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Bernanke Aims to Reassure Community Banks on Dodd-Frank

By Kristina Peterson and Maya Jackson-Randall

Federal Reserve Chairman **Ben Bernanke** assured community banks Wednesday that they aren't the intended target of many new regulations largely aimed at bigger banks.

Speaking at a **Independent Community Bankers of America** convention, Bernanke stressed that the Fed wants to make sure that new Dodd-Frank regulations don't deal an unfair blow to small banks, according to [his prepared remarks](#). Rules on capital, liquidity and risk management should principally apply to large institutions, he said.

"These new standards are not meant to apply to, and clearly would not be appropriate for, community banks. We will work to maintain a clear distinction between community banks and larger institutions in the application of new regulations," he said in the text of his pre-recorded video for the conference.



European Pressphoto Agency
Federal Reserve Chairman Ben Bernanke

The central banker also said the Fed will be working to understand how regulatory costs are affecting community banks and will try to strike the right balance when it comes to supervision of community banks. The Fed will try to support the banks' safety and soundness while eliminating "unnecessary costs," he said.

"Bank supervision requires a delicate balance—particularly now," Bernanke said. The "weak economy" has put pressure on "the entire banking industry, including community banks," he said.

He also noted that regional Fed banks are taking steps to address compliance questions from banks. The Fed is "exploring options" for building on these initiatives, he said.

"I think we would all agree that two-way communication between regulators and community banks is critical. Banks need to understand supervisors' policies and expectations, but supervisors must also listen to and understand banks' concerns," he said.

One day after the central bank decided to take no new policy actions, Bernanke echoed the Fed's cautious view that the economy is improving, but gradually.

"Despite some recent signs of improvement, the recovery has been frustratingly slow, constraining opportunities for profitable lending," he said. Fed officials reiterated Tuesday that it intends to keep short-term interest rates at "exceptionally low levels" through late 2014 and gave no new hints about whether they expect to start a third bond-buying program as part of the central bank's efforts to boost the recovery. Bernanke did not discuss the topic in the text of his Wednesday remarks.

Consumer Financial Protection Bureau Director **Richard Cordray** also spoke at the community banking conference and said the bureau will keep community bankers' concerns in mind as the agency begins to write new rules on mortgages and other financial products.

"Community banks simply did not cause the financial crisis," Cordray said. "So as we work to clean up the mess that the crisis created, we must be mindful of the fact that community banks were among those most harmed by the mortgage frenzy, the ensuing credit crunch, and the deep recession that cratered our local economies."

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