



## DEPARTMENT OF BANKING AND CONSUMER FINANCE

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### **PRESS RELEASE**

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#### **The Mississippi Department of Banking and Consumer Finance Reacts to the U. S. Treasury Department's Financial Regulatory Reform Plan**

John Allison, Commissioner of the Department today expressed his reaction to Monday's release of the Treasury Department's Blueprint for Financial Regulatory Reform, and asserted that the Treasury recommendations would be detrimental to the financial system and the economy of the United States by offering the following quotes.

"The plan, which purports to create more regulatory efficiency, in effect, would create a vast new federal bureaucracy, with a bevy of new agencies all falling under the Treasury Department's purview. Our financial system has enabled a broad-based and diverse banking industry marked by meaningful choice in charters. This choice enables economic opportunity as well as a healthy dynamic tension among regulators, resulting in a wider range of products and services for businesses and consumers, along with lower regulatory costs and more effective, responsive supervision. In short, the U.S. economy flourishes because of our unique dual banking system, not in spite of it."

"The Treasury's plan also seeks more preemption of state consumer protection laws, which will result in a significantly lesser role for the states and will make consumers more vulnerable to fraudulent or predatory practices. Preservation of state regulation is vital to ensuring consumers are adequately protected."

As financial institutions and financial service providers increasingly engage in interstate and nationwide operations, and in international and global operations, our regulatory system must progress to reflect this evolution. However, the Treasury's plan that seeks to accommodate and shore up our largest institutions will effectively destroy community banking. Community banks, which are predominantly state-chartered, have traditionally and in the current crisis, been a source of strength and stability for our economy.

In addition, the states have long been recognized as leaders in providing consumer protection. And while state supervisors strive to encourage the

success and competitiveness of the institutions and providers we regulate, we will not compromise our fundamental commitment to protect consumers and to ensure the safety and soundness of our regulated entities.

The Treasury's plan calls for the creation of a new federal Mortgage Origination Commission to develop licensing standards for state mortgage lenders and "evaluate the overall adequacy" of the state system. This commission completely disregards the work of state officials who, as early as 1999 recognized that something was both dramatically different and wrong with the housing finance system. In rapid succession the states attempted to create new regulatory regimes and lending standards around the retail channels that popped up to fuel the large banks and Wall Street's increased appetite for securitized mortgage lending. As the capital markets flooded the streets with housing finance, it was the states that saw and responded to the consequences by imposing new licensing and regulatory regimes over brokers and lenders. It was obvious to state regulators that this lending was funding imprudent practices, resulting in over 30 states passing predatory lending laws. Rather than following the lead of the states, federal regulators and Washington preempted state laws and regulations.

Commissioner Allison further commented by saying he feared that the Treasury's plan, if enacted, will have the very consequences the Treasury Department is striving to prevent. By altering our regulatory regime to cater to a handful of enormous institutions, the Treasury Department will orchestrate the downfall of a financial system that has created the world's most successful financial institutions yet still allows for domestic competition.

The regulatory supervisory structure in the United States is far from perfect. Improvements must be made to more efficiently ensure safety and soundness, preserve consumer protection, and encourage market innovation. But state regulators assert that the solution lies not in the creation of a federal "super regulator" that undermines current initiatives, but in increased cooperation and coordination among state supervisors and federal supervisors.

State officials are responsible for chartering, supervising, and regulating the nation's 6,147 state-chartered commercial and savings banks, which represents 72% of all banks in the United States. However, only 28% of total system assets are held by state-chartered institutions. In addition to regulating banks, most state banking departments also supervise the residential mortgage industry. Under state jurisdiction are more than 85,000 mortgage companies with 68,000 branches and over 407,000 loan officers and other professionals.

In Mississippi there are 76 state-chartered commercial and savings banks, which represents about 75 % of the banks in Mississippi and the Mississippi state-chartered banks have the bulk of banking assets, with \$35.5 billion in total assets. Additionally, the Mississippi Department of Banking and Consumer Finance supervises the Mississippi residential mortgage industry, with 758 licensed companies, 395 branches and over 5,000 loan officers and other professionals.

For further information please contact Commissioner Allison at 601-359-1031.