Chairman Crapo and Ranking Member Brown, Members of the Committee, thank you for the opportunity to testify.

I have spent 40 plus years working in the financial service industry. My experience includes serving as an employee, CEO, owner and board member of various small and mid-size banks. Additionally, I've served as a banking regulator as Chairman of the FDIC. Furthermore, I've served on the board of one of the world's largest financial institutions.

All of these experiences have caused me to understand and respect the critical role a bank has in the success of a community, state and in our nation. The quality of life in a community has a direct link to the bank's activities and services, including the creation of jobs, the caliber of education, the excellence of health care, and the general prosperity of a community. The bank is the alter ego of a community. Banks, both large and small, contribute to the well-being of a community. Most banks have a culture that demands that all of its employees participate and provide leadership in all that is good within the community.

The data is overwhelming as to the role banks play in economic activity, and when banks are not engaged in lending or in providing other services, the local, state, and national economy suffers and economic growth becomes anemic. Thus, it is important that the nation have viable, safe and sound banks serving this great country. Part of the confidence placed in banks is a result of depository protection offered by the FDIC and of the supervision of each insured institution. Confidence in the soundness of an institution is critical to the success of the banking system, and thus, the free enterprise system.

During my career, I have experienced good and bad economic times and have observed the various reactions to these cycles by the marketplace, policy makers, regulators and other stakeholders. I have studied the cause and effect of each downturn. After each decline, Congress, as well as banking regulators, have attempted to address the issues attributed to the slump in our banking system. All of the banking supervisors have reacted by creating more stringent rules and a tougher oversight process.

Today's examination and supervisory process includes, as expected, more focus on threats to our way of life and to treating every potential customer in a fair, transparent, and forthright manner. Laws and supervision oversight may be fluid depending upon the latest threats, risk, and conditions within the banking industry.

There has been discussion, supported by data, that banks today, especially smaller banking institutions, are not the vehicle that breathes economic life into a community because of the unnecessary burden of the examination process and of certain regulations. Often, after a downturn, the tone, attitude and trust between banks and regulators become strained, which results in negative energy and a non-productive environment. It is important to understand the cost of regulation and to distinguish between sound policy and unnecessary rules, laws and policies that stifle economic activity. The overriding issue is how does this policy, law, or regulation support economic activity without burdening the consumer, small business owner, or other business ventures?

I remain active in the financial services industry and have direct knowledge of the supervisory process and would offer some guiding principles rather than specific regulations, policies and laws that are valid in all seasons. Without the principles -- laws, policies and regulations might be neutered or weakened.

1. Every banking regulator must be fiercely independent and cannot be politically influenced. The independence includes no political agenda and activity must follow the mission established by law. Accountability is balanced with term limits and oversight from an independent Inspector General. Regulators should not be intimidated by any force of direct or indirect influences, and should not be a political tool for any agenda.

2. Leadership at the various regulator agencies is critical. As with any enterprise, leadership sets the tone and mood for the entity. The ability to work with all stakeholders without compromising the mission should be a tenet for all leaders. Obviously the confirmation process should measure leadership that is validated by life's experiences.

3. Disputes must have a due process path. Without a trustworthy, reliable and transparent due process, an American core principle is lost. There is not a valid due process existing today to resolve disputes between regulator and banker. I have offered a solution and the paper is attached for the record.

4. Rule making should be transparent and common sense and judgment should prevail. Experience is vital to an understanding of the banking industry and the process should be deliberate and seek input from all interested parties. Rule making does not include making laws or incorporating a political agenda into the regulation.

5. Accountability follows authority and a vigorous review process is important; proper oversight by a responsible IG is important.

While there are certain core principles to a safe and sound banking system, banking cannot be commoditized as every community market is different and judgement must be part of the process. Banking laws and regulations must be followed, but policy makers must understand the cost, burden and intentions of these laws and amend them when necessary. Today's data indicates that there is more emphasis on compliance than on safety and soundness. It is important to understand that without the soundness of a bank the community cannot thrive. We must get compliance with laws, safety and soundness all collaborated to benefit the community.

Finally, after experiencing several banking crises first hand and participating in mistakes, and questioning myself and industry leaders, my conclusion is that there will continue to be cycles and new risks will emerge..but these common themes are present in those entities that survive:

1. Sufficient Capital
2. Liquidity to support the apparent risk and the unexpected events.
3. Management that understands risk and provides oversight with the proper balance between serving community, return on capital, and commitment to the basics without complexity.