FOR IMMEDIATE RELEASE
February 13, 2013

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Attorney General Fox Stands up for Montana Consumers

Montana challenges 2010 Dodd-Frank Act

HELENA – Today Attorney General Tim Fox announced that Montana and ten other states are challenging federal regulations that make it more difficult for Montanans to obtain loans from community banks, and put Montana's pension investments at risk.

Montana, together with Texas, Michigan, Georgia, Alabama, Kansas, Nebraska, Ohio, Oklahoma, South Carolina, and West Virginia, has filed suit challenging the Dodd-Frank Wall Street Reform and Consumer Protection Act. Dodd-Frank gives an unprecedented amount of power to unelected and largely unaccountable federal regulators.

"Dodd-Frank is an alliance of big government and big business – Pennsylvania Avenue subsidizing Wall Street and suffocating Main Street," Attorney General Tim Fox said. "Montana's community banks didn't cause the 2008 financial crisis, but Dodd-Frank punishes them and our citizens who depend on them for credit to purchase a home, start a business, or go to college. It cements the 'too big to fail' approach and helps the biggest banks at the expense of consumers."

The Montana Bankers Association, which represents dozens of community banks throughout the state, has endorsed Attorney General Fox's decision to challenge Dodd-Frank.

Sam Waters, President of First Community Bank in Glasgow, said he is seeing increased staff time and costs necessary to monitor and implement Dodd-Frank's regulations. "We're a small bank operating on a narrow margin. Like other businesses we have to pass increased costs on to the consumer," Waters said. "Many community banks in Montana are considering halting certain services to consumers, particularly mortgages and other residential real estate lending, due to increased complexity and costs of added regulations. We don't have an unlimited supply of customers, and we need the flexibility to structure loans to fit our customers' needs. Dodd-Frank's one-size-fits-all regulations are eliminating our ability to work with customers who have nowhere else to go for a loan. That's devastating for a small community," Sam emphasized. "I wholeheartedly support Attorney General Fox's decision to stand up for Montana consumers and challenge Dodd-Frank."

Mitch Johnson, executive vice president of family-owned Teton Banks, is also enthusiastic about Montana joining the challenge and believes Dodd-Frank's regulations are beginning to deter the sort of community lending that keeps small towns afloat. "Dodd-Frank will particularly hurt rural America," Mitch insists. "Small banks can't afford a full-time compliance officer to navigate the maze of new regulations that comes with consumer lending, and many will simply give up as a result of Washington DC's cookie-cutter approach to lending. That means fewer people in small towns will be able to get Main Street loans to purchase a home or run a small business," Mitch added. "What's more, community banks are often the center of economic activity in rural Montana – when they go, so does the community."

As former Governor Brian Schweitzer said last fall:

> "Banks that actually did their job like in Montana — where we didn't have banks go upside down, because they made you bring your financials in and they'd only loan you money if they understood your business plan — now, they are the ones that are being penalized. They now have more regulation on them, and it's more difficult for them to make the loans. The very banks that were doing their job are having a tougher time because of the banks that are too big to fail." (Interview on HBO's Real Time with Bill Maher, 10/12/12)

Not only does Dodd-Frank hurt consumers and community banks, it helps the Wall Street banks that contributed to the 2008 financial meltdown. Goldman Sachs CEO Lloyd Blankfein told his clients that his corporation "will be among the biggest beneficiaries of reform." Jamie Dimon, CEO of J.P. Morgan Chase – the country's largest bank – admitted publicly that Dodd-Frank will ultimately help his bank and hurt Main Street banks.

By giving the Treasury Secretary "orderly liquidation authority," Dodd-Frank poses a threat to Montana's already under-funded public employee pension system. The Secretary can seize any bank or non-bank financial institution deemed in danger of default and "too big to fail." The Secretary would then be able to decide which of the institution's debt holders get their money back and which do not. Montana's pension funds are invested in companies such as AIG, Citigroup, Morgan Stanley, and Merrill Lynch, and many others, and if the Treasury Secretary seizes any of those companies, Montana no longer has rights to collect under bankruptcy laws. Montana taxpayers could be left with even more liability on top of the current $2 billion gap.

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