

Area bankers cautiously back bank regulation



Online: Hear Keith Sanford talk about bank regulation.

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The turmoil in the nation's economy in the past year has led many to believe the nation's financial system needs more regulation.

Some local bankers agree that regulation is needed, but they worry that unnecessary regulation could cause even more problems down the road.

"We like (regulation) to be well thought out, with a purpose and a result that is good for all involved," said W. Keith Sanford, executive vice president of First Tennessee Bank in Chattanooga.

If there had been more oversight of mortgage lending in the past 10 to 15 years, there would be much less turmoil in the housing market, he said.

As a result, regulators currently are looking first at construction and development portfolios. The housing downturn has turned many of those loans into delinquencies, said Craig Holley, president and CEO of CapitalMark Bank & Trust.

"Examiners are requiring banks to assess real estate deals more thoroughly before making loans to determine who the borrowers are, which projects they have done in the past, the exact nature of their current project and how likely it is to succeed," he said.

But the increasingly present guidelines serve a purpose, bankers say.

Bank regulations are needed rules to keep the banking

AREA BANKS

TENNESSEE

- Total financial institutions reporting in Tennessee: 198*
- Total assets: \$98.7 billion
- Total employees: 23,195

GEORGIA

- Total financial institutions reporting: 334*
- Total assets: \$300 billion
- Total employees: 50,848

Source: Federal Deposit Insurance Corp.

*Indicates total number of banks reporting to FDIC as of Dec. 31, 2008.



Craig Holley



Keith Sanford

system and the consumer safe from fraud and unscrupulous people, said Frank Hughes, president and chief operating officer of Cornerstone Bank.

Unfortunately, however, Mr. Hughes said, it is not that simple.

"What is difficult is the interpretation of these rules and regulations, and training and retaining regulators sophisticated enough to monitor the highly complex banking strategies that the major banks use," he said.



STAFF FILE PHOTO

Cornerstone Bank President Frank Hughes says regulation of banks is needed, but administration of regulations is tough.

“The brokerage industry as a whole is a much different place than it was several years ago, with most of the top brokerage houses either gone or very different places than they were five years ago. More federal oversight would have helped this. But again, the regulation needs to be well crafted, with a purpose, and not overly onerous or expensive to maintain. It should be reviewed periodically to make sure it is still needed and that it is being enforced in the way it was meant to be and that it is successful in its purpose.”

— Keith Sanford, executive vice president, First Tennessee Bank in Chattanooga