



## THE VOICE FOR COMMUNITY BANKING IN PENNSYLVANIA

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*The following is an open letter to President-elect Barack Obama from  
PACB offering a blueprint of reform for our banking system.*

Dear President-elect Obama:

Congratulations on your momentous victory. We join millions of other Americans in offering our prayers as you prepare to take office in the most challenging time any President has faced since FDR in the Great Depression.

The Pennsylvania Association of Community Bankers (PACB), the oldest state banking trade association in the nation dating back to 1876, consists of 150 community banks with combined assets exceeding \$90 billion, employing over 30,000 men and women, and our member banks have served our Commonwealth collectively for over 20,000 years. PACB is excited about the opportunities that your Presidency presents for meaningful change and reform of the financial industry to benefit the millions of citizens represented on Main Street.

Please accept the observations and thoughts of our Association's Board of Directors, who consist of 36 community bank presidents/CEOs whose backgrounds include the legal, accounting, finance, and economics professions. Some of our action points can be achieved by Executive Order and others will need the support and cooperation of Congress. That is why we are copying the entire Pennsylvania Congressional Delegation. We look forward to a meaningful dialogue that addresses our "7 Principles of Action." A comprehensive White Paper in support of our positions is available on [www.pacb.org](http://www.pacb.org).

### **7 Principles of Action**

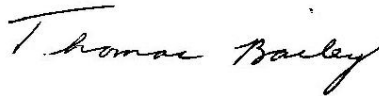
1. Address "too big too fail" to protect the taxpayers and the overall economy.
  - a. Break up the big banks
  - b. Establish a Special Federal Regulator for banks posing systematic risks.
  - c. Assess a risk based FDIC premium to cover potential disasters.
  - d. Establish the Office of Assistant Secretary of Treasury for Community Banking.
2. Regulate the Unregulated and tax all financial firms alike.
3. Return to Cost Accounting and Disclose Fair Value.
4. Maintain separation of banking and commerce and charter choice.
5. Improve market disclosures and rating agency practices.
  - a. Improve Market Transparency.
  - b. Require market rating agencies to perform due diligence and hold them accountable for their ratings.

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6. Implement GSE reform and Reinforce the SBA program.
  - a. Prohibit Fannie Mae and Freddie Mac from purchasing non-conforming/subprime mortgages.
  - b. Reinforce the FHLB system as the primary liquidity provider.
  - c. Revitalize the SBA.
  - d. Put lending back in the hands of banks where existing regulations already protect the consumer.
7. Think outside the box and stimulate discussion and debate on:
  - a. Giving regulators tools to support weakened financial firms without losing taxpayers dollars.
  - b. Promoting the Federal Reserve Bank to use new broader powers to influence long-term interest rates by becoming a temporary bankers' bank in economic emergency circumstances versus the lender of last resort.

Our Association stands ready to assist you in any way you deem appropriate.

Sincerely,



Thomas Bailey  
Chairman, PACB  
President/CEO, Brentwood Bank



Frank A. Pinto  
President/CEO, PACB