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Office of Chief Counsel,
Department of Banking and Securities
Attention: Public Comment on Regulation 3-51
17 North Second Street, Suite 1300
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RE: IRCC # 3021 – Department of Banking and Securities Regulation #3-51: Assessments

The Pennsylvania Association of Community Banks (PACB) welcomes the opportunity to provide commentary on the proposed regulation (Regulation #3 – 51: Assessments) by the Pennsylvania Department of Banking and Securities (the Department) to implement an assessment schedule for state-chartered institutions and streamline reporting and billing requirements.

The Department has communicated to PACB and state-chartered community banks the need to ensure the viability of the banking fund based upon forecasting that predicts a deficit in FY 2015-16 despite the efforts of the department to maximize efficiency and reduce expenditures. This deficit is a direct result of, “antiquated assessment schedules last updated in the 1990s, coupled with the removal of approximately \$15 million from the fund by the legislature in FY 08-09,” as is stated in the proposed regulation.

PACB appreciates the sensitivity of the Department by proposing a phase-in approach with regard to implementation of the assessment. The phase-in would see a gradual three-year phase in for state-chartered banks and trust companies with 75% of the total assessment being due in the first year, 85% in the second year, and full implementation in the third year. Any increase in a financial institution’s state assessment has the very real potential to put additional strain on its’ ability to continue to offer consumers affordable financial products and services and will remain a concern of this association and its members. The gradual phase-in that has been proposed is a much more manageable method and reasonable approach for community banks than a plan that would see full implementation of an assessment increase in the first year.

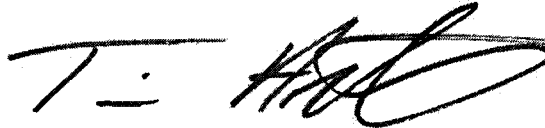
It is essential that the banking fund remain a restricted special fund, dedicated solely for the purpose of sustaining a safe and sound banking regulatory department and which preserves the state-charter option. PACB is opposed to any efforts to remove funds from the banking fund in order to satisfy any government debts or alleviate budget shortfalls and will continue to communicate this position to members of the General Assembly and Administration.

The proposal seeks to clarify and simplify the measures by which state chartered institutions must predict their costs for examinations that are currently fee-based. As explicitly stated in the proposal, "the regulation...eliminates examination-based billing for state-chartered credit unions and state-chartered trust companies". This modification will better allow institutions to more accurately budget and predict actual costs and fees. PACB applauds and supports the Department's move to eliminate the examination based billing in favor of a singular assessment for each institution.

PACB remains concerned about the increased assessment as that will impact several smaller institutions that operate with little margin given the substantial increase in federal mandates and regulatory burden. That this proposed assessment could further consolidate the financial services industry by way of mergers and acquisitions is a potential unintended consequence and may result in a decline in small business lending by institutions. However, PACB remains supportive of the intentions of the Department to recommend necessary policy adjustments and requirements that ensure a healthy and sustainable banking fund for state chartered institutions.

The Pennsylvania Association of Community Bankers is a trade association that represents the interests of nearly 200 community banks across the state and aims to promote the ideals of community banking by addressing the educational, legislative and networking needs of our members.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "T. Arthun", with a long horizontal flourish extending to the right.

Tim Arthun

Director of Government Relations

Pennsylvania Association of Community Bankers