

Community banks bear the burden

In response to the financial crisis of 2008, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. This July marks three years since President Obama signed the bill into law, and we've had ample time to evaluate the impact of its more than 400 new rules and mandates.

Capitol Views

Rep. Jerry Moran



It is increasingly clear that a bill aimed at protecting consumers and bringing stability to our financial system has instead done great harm to the financial institutions rural Americans depend on most: our community banks. Community banks are vital to small businesses and economic growth, the drivers of job creation. They are the only financial-service providers available in 1,200 U.S. counties.

Although community banks contributed little to the financial crisis, they were swept up in the rush to regulate the system and have been drowning in a sea of costly Dodd-Frank-imposed regulation ever since.

In terms of both size and mission, community banks differ significantly from the Wall Street banks famously deemed "too big to fail." While investment banks engage in a wide range of business activities, Main Street banks focus on the traditional banking model and personal relationships with customers; they accept deposits and reinvest them back into the community in the form of loans.

Dodd-Frank's one-size-fits-all regulatory structure subjects large banks and community banks – institutions that serve vastly different customer bases – to the same standards. We need a regulatory framework that acknowledges and reflects their differences. Unfortunately, that's not the case today.

Community banks are being disproportionately hurt by Dodd-Frank's rules and record-keeping requirements because they are less able to absorb compliance costs. Resources that would otherwise be directly applied to serving clients and the community are now being spent hiring the staff, lawyers and consultants necessary to comply with the flood of new regulations.

As community banks abandon their traditional business and redirect resources to comply with Dodd-Frank, millions of Americans will have a tougher time getting financial services and credit. In Kansas, that means fewer loans to small businesses that want to expand and fewer loans to farmers and ranchers who need to fund operations through harvest. This decrease in the availability of capital could result in stagnant growth, a reduction in new-business formation and less job creation – a death knell for rural America.

These negative consequences are not just hypothetical; a study by the Federal Reserve Bank of Kansas City shows the harm of Dodd-Frank regulatory burdens are already manifesting themselves. Of the 322 small financial institutions surveyed, 79 percent rated regulatory compliance as a significant challenge for their institution – up from 66 percent in 2008 and 42 percent in 2004. Ninety-one percent are bracing for increased training costs and software upgrade expenses due to Dodd-Frank compliance.

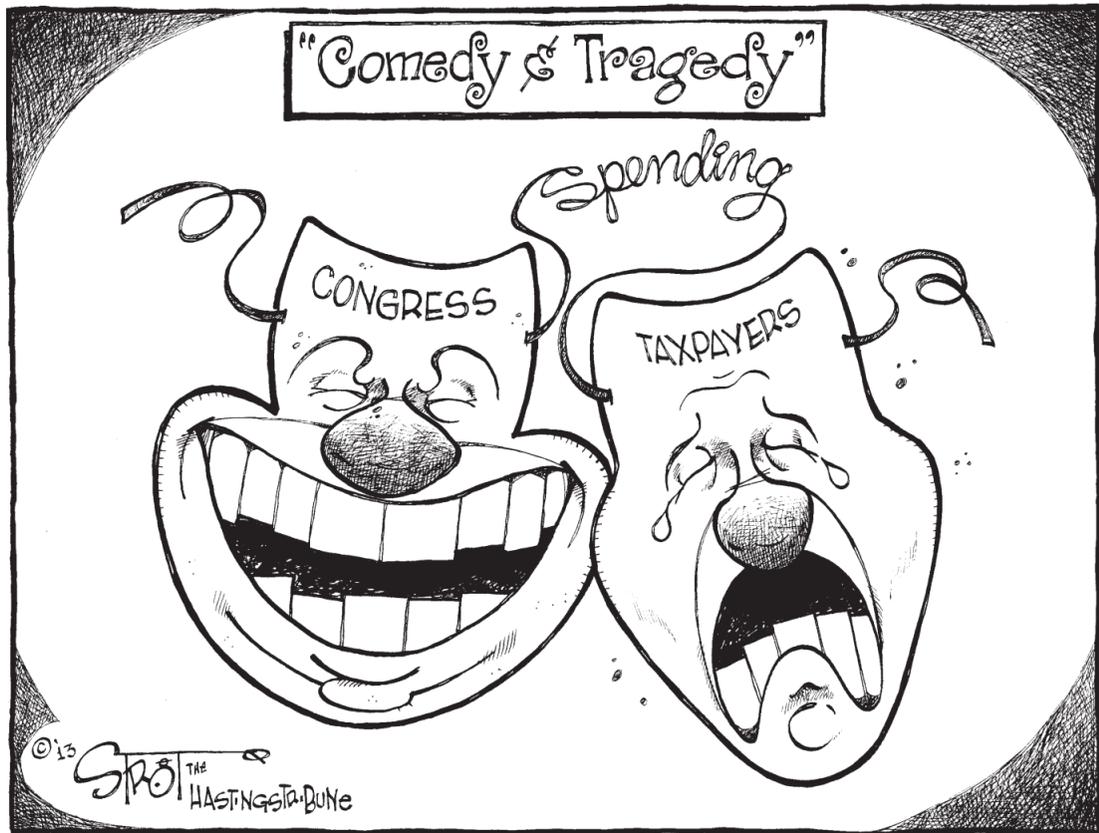
It is clear that more must be done to make this law workable for rural financial institutions and the customers they serve. With hundreds of regulations yet to be enacted, community bankers know the full implementation of Dodd-Frank may be too enormous a burden for them to bear.

Last fall, a community bank in Missouri was forced to close its doors because the owners forecasted that Dodd-Frank would add \$1 million per year to the bank's expenses and make it unprofitable. This is not a lone case; a 2013 policy paper published by the Federal Reserve Bank of Minneapolis estimates that hiring two additional bank employees to deal with regulatory compliance would make 33 percent of smaller banks unprofitable. In Kansas, we've seen a large amount of community bank mergers, due in large part, to this very issue.

If community banks continue to go out of business or are forced to consolidate, we can expect to see an even greater concentration of assets among the "too-big-to-fail" institutions – and a greater number of Americans without a local bank. These unintended consequences will not protect consumers, stabilize the financial system or promote recovery of the American economy.

These developments are so worrisome because of the vital role community banks play in our economy, particularly with respect to small businesses and rural areas. Community banks provide more than 48 percent of small business loans, nearly 43 percent of farm loans and nearly 16 percent of residential mortgage loans. Every dollar a community bank must spend on Dodd-Frank compliance is a dollar less they can invest in businesses and lend to families in their community.

Congressional Democrats and Republicans agree Dodd-Frank wasn't perfect three years ago and remains problematic today. Continuing to make sensible modifications to Dodd-Frank would go a long way toward bringing more stability to our financial system while protecting the viability of rural America and the special way of life it provides.



Neighbors looking out for each other

It was Sunday morning, and we were headed for church, but the neighbors' children, who should also have been on their way to Sunday school, were lingering on the sidewalk outside our house.

As we pulled out of the driveway and into the alley, we stopped to say hi and see if there was a problem, or if they just weren't in any hurry to get to church.

They pointed to the street in front of our house, where two little dust-mop dogs were happily romping in the middle of the road.

"Aren't those the Browns' dogs," the children asked with concern.

Well, since those same cute little dust mops greet us from the fenced-in backyard most mornings as we leave for work, our guess was yes, they're the Browns' dogs and they were definitely not where they were supposed to be.

But before we could pull over and start to round up the errant pooches, the neighbors across the street were already swooping up the happy pair and walking them back home.

Open Season Cynthia Haynes



"It's all right, she said. "We've got them. We'll get them home."

It's nice to live in an area where people not only care about each other's children and safety, but their dogs, too. It's nice to know that a whole lot of people have your back.

This is most apparent at the county fair, where there are more grandparents per child than you can shake a stick at. Some nights, there are people out there acting as grandparents and watching over the little ones who have never had children. There they are, helping make sure the kids are safe and having a good time.

A second instance of neighborliness came our way this week when we got a call at the office that one of our employees, who had left for the weekend,

had left their front door open.

Their neighbor knew that they were gone and was worried about their property.

We suggested a quick check to see that the place looked untouched and then for them to close the door. If there had been any obvious damage or missing property – gee, didn't they used to have a really big television over there? – the neighbors would have called the police.

When we leave town, the Browns on one side and Peggy on the other keep an eye on things. If a moving van suddenly pulled up and started loading, the police would definitely know about it right away.

In Colorado, Jay and Betty have been our neighbors for more than 30 years. When the fire came this spring, Jay got the water turned on at our place and started to wet down the yard in case any sparks blew in.

It's good to have neighbors you can talk with across the back fence, or the side fence or the street. Better to know they are keeping an eye out for you.

Is the answer really blowing in the wind

With each passing day there's more interest in the Grain Belt Express Clean Line transmission project. This is the proposed direct current (DC) electric transmission line that would run from near Spearville north and east across the state to the Kansas-Missouri border.

Thousands of farmers and ranchers who live and work along the proposed route of this project may need to alter their practices if the line is built across their property.

Like other Kansans, farmers and ranchers understand the importance of developing our state's wind resources. They also realize that in order to maximize the potential for wind development, transmission lines are necessary to move power to population centers across the state and the nation.

If Grain Belt is successful in building this transmission line, nearly 1,000 more wind towers could go online in southwestern Kansas. This could result in an economic boom for a part of the state that is reeling from extended drought and the impact of the declining Ogallala Aquifer on the grain and feedlot industries.

Utilities building transmission lines in Kansas should look at options that minimize the impact on landowners and create positive long-term relationships between agriculture and industry. Compensation should be paid annu-

Insight John Schlageck



ally and based on the fair market value of the property impacted by transmission line easements or restrictions, says Mike Irvin, Kansas Farm Bureau legislative counsel. If lines impact farm or ranching operations or require alteration of facilities, those expenses should be included in any compensation package.

"Sittings should be located along the section of property lines," Irvin says. "Landowners may be able to maximize the potential of their land and minimize logistical inconvenience – even if a line is built on their property."

Developers must restore damage to grasslands and compensate for crop damage resulting from activity associated with the building, maintenance and operation of the line.

"Transmission line easements often try to shift or place liability for any unintended or inadvertent damage to structures to the landowner," Irvin says. "The KCC should require developers to assume and manage that risk." Transmission lines have the potential

to interfere with modern agricultural technologies that is expensive and provides necessary, valuable data to farmers and ranchers about their production practices.

"We strongly suggest that before the KCC approves any transmission line routes in Kansas, that studies be conducted to show potential impacts and efforts be made by developers to minimize interference to landowners, their property and operations."

Are there other unknown and possible unintended consequences?

Consider the following: there has been no discussion of the impact or location of generator lead lines that will connect wind towers with the conversion station. There are no restrictions to prevent other power generation companies from accessing the line or to prevent power produced outside of Kansas from connecting with the project.

All Kansas citizens, landowners and businesses deserve a thorough examination of these issues before final approval is given. The Kansas Corporation Commission will conduct an evidentiary hearing, open to the public, concerning the proposed Clean Line project.

The hearing is slated for 9 a.m., Oct. 8-10 in the first floor hearing room at the Kansas Corporation Commission Topeka office, 1500 S.W. Arrowhead Road.

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