

Financial Services Bill Has Major Changes for Community Banks

July 27, 2010

Dear clients and friends:

President Obama on July 21 signed the financial services bill that includes several significant changes and new regulatory requirements for community banks and other financial institutions in Florida and other states.

Congress on July 15 approved the **Dodd-Frank Wall Street Reform and Consumer Protection Act, HR 4173**. Most provisions of the new law will become effective one day after the signing by the president.

Provisions that will impact community banks include:

- Permanently setting the standard maximum deposit insurance amount at \$250,000. In a series of prior decisions, the Federal Deposit Insurance Corporation had temporarily raised that coverage limit from \$100,000 to \$250,000 through December 31, 2013. The FDIC insurance coverage limit applies per depositor, per insured depository institution for each account ownership category.

The FDIC's first temporary increase in coverage was from October 3, 2008 through December 31, 2010. The new law makes the \$250,000 coverage limit retroactive to January 1, 2008.

- Creation of a Bureau of Consumer Financial Protection, within the Federal Reserve. The new bureau will coordinate the regulation and supervision of mortgage loans, credit card loans and other loans offered to consumers by FDIC-insured institutions, credit unions and many other financial companies. Banks are waiting for enactment of regulations, during the next year, that will determine the requirements and expected costs of compliance with new system.

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- Establishment of mortgage underwriting standards that will set parameters under which lenders will determine if borrowers can repay loans. Lenders would need to retain at least 5.0 percent of a loan's risk if they package mortgages into securities that do not meet the new standards.

In a change that would impact many larger financial institutions, banks and holding companies would be prohibited from proprietary trading and would have new limits on their hedge fund and private equity investments.

If you would like additional information on the new financial services bill, do not hesitate to contact us at (305) 373-5500.

Sincerely,



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