In recent weeks, I've talked with dozens of bankers in Pennsylvania, Delaware, and New Jersey. Two questions keep coming up. First, who represents the banks when regulatory decisions are made? Second, won't all these new consumer regulations make for lower quality loans? I made some of my views on these issues known to New Jersey bankers at your Directors' Conference last month. I'd like to expand on them briefly.

On the first question, bankers have to represent bankers; the Fed can't do it for you. In fact, bankers often have been too little and too late in making their views known. Bankers too often get in the act after Congress has passed new legislation. At that point, the Fed is legally bound to carry out the new legislation. Often the Fed has little leeway. Even at the rule-making stage, we too often hear only from the big banks and then not always constructively. We want your views but we cannot take them into consideration if we don't get them, or get them after the fact.
The time has come for bankers to represent themselves more positively and effectively. You should work first at the Congressional level to make legislation more practical. You should comment more effectively at the Fed level; we must have comments from small and medium-size banks, not just big ones. That means you'll have to make better use of your associations because small banks don't have adequate staffs.

The second question has to do with lower loan quality because of consumer regulation. We at the Fed are aware of that possibility. This is why both the Congress and the Board of Governors have emphasized that the purpose of regulation is not to cause lenders to lower their credit standards. None of the new regulations requires a lender to make a loan when it involves unwarranted risk. On the contrary, lenders are encouraged to maintain good standards of credit worthiness now as before. The point of the new regulations is that standards of credit worthiness should be objective and factual, and not founded on socially or culturally conditioned judgments. Whatever criteria you apply to a white, married male, for example, must also apply to a black, divorced female, and vice versa. The issue is not the right to credit regardless of qualifications; the issue is the right to seek credit on equal terms.

I know there is often a conflict between the ideal and the practical. Your job and ours should be to change conflict to cooperation as we seek a workable blend between idealistic goals and existing practices. We at the Philadelphia Fed want to do our part. We have knowledgeable people who can answer your questions about specific regulations. We can come out to your bank to explain these regulations to your staff. We are formulating plans for a series of ongoing seminars to up-date bankers on regulations. We plan as new regulations are being formulated to seek your views on their practical implications. If we work more closely together—we'll have to put more resources into it and so will you—I think we can make an onerous situation more tolerable in a way that is consistent with the public interest.

# # #