

Ohio News Connection

A statewide news service for Ohio

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Ohio Group: Bank Stress Tests Show Need for Ignored Banking Law

Cleveland, Ohio – It's been on the books for 18 years, but some experts say the recent lack of enforcement of the Prompt Corrective Action Law is costing the government and taxpayers billions of dollars. An effort is underway to draw the attention of Ohio Congressional leaders to the law, which mandates that insolvent or severely under-capitalized institutions regulated by FDIC be taken into receivership. Comments from Lois Romanoff, Economic Justice Committee, American Friends Service Committee of Northeast Ohio.

Intro: The stress test results recently released by the government showed that despite the bailouts, many of the country's largest banks still need more money. Lois Romanoff with the American Friends Service Committee of Northeast Ohio says the situation could have been avoided had policymakers enforced the federal Prompt Corrective Action Law, which mandates that severely under-capitalized banks be promptly put into receivership. She says the government has essentially let big bankers loose.

:12 *"They have a lot of money to pay for whatever they want. They want to be in charge, and they are, and we are suffering mightily from it and it's very frightening that we are still not on the right track."*

Tag: Romanoff says by not taking over insolvent banks, the Bush and Obama administrations have violated the law and wasted billions of taxpayer dollars through bailouts. The stress tests found 10 bank holding companies, including Ohio based Fifth-Third and Keycorp, will need to raise about \$75 billion combined to survive the current recession.

Second Cut: Romanoff says there is already a system in place to deal with insolvent banks that doesn't require a bailout.

:11 *"Banks fail every day in this country and we know how to handle it and we know how to protect investors. The FDIC comes in, does it quietly and efficiently."*

Tag: Groups, including the American Friends Service Committee, are asking lawmakers to put a stop to big bank bailouts so the federal budget priorities can focus on investments in jobs, health care, education, alternative energy, and infrastructure.

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LEDE: The stress test results recently released by the government showed that despite the bailouts, many of the country's largest banks still need more money. But some experts say the situation could have been avoided. Mary Schuermann explains.

:50 *Outcue...Mary Schuermann, reporting.*

Note to Editors: Lois Romanoff can be reached at 330-928-2301.