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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.

The stress test results recently released by the government showed that despite federal 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. Instead, she says, the government essentially has let big bankers loose.

"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. It's very frightening that we are still not on the right track."

Romanoff, who serves on the group's Economic Justice Committee, contends that by not taking over insolvent banks, the Bush and Obama administrations violated the law and wasted billions of taxpayer dollars through bailouts. The stress tests found that 10 bank holding companies, including Ohio-based Fifth-Third and Keycorp, will need to raise about \$75 billion combined to survive the current recession.

Romanoff says a system already is in place to deal with insolvent banks, and it doesn't require a bailout.

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

A number of organizations, including the *American Friends Service Committee*, are asking lawmakers to put a stop to big bank bailouts so federal budget priorities can be focused on investing in jobs, health care, education, alternative energy and infrastructure.

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