

Plan for Prosperity for the 115th Congress and the New Administration.

To mark the beginning of a new era in Washington with new opportunities for meaningful community bank regulatory relief, ICBA has revised and strengthened its Plan for Prosperity (“Plan”) legislative agenda. The new, bolder version of the Plan would provide greater regulatory relief for more community banks. A copy of the Plan is available on ICBA’s website. The House passed the Choice Act (H.R. 10) on June 8, which contains about two dozen Plan provisions. The Senate Banking Committee has held hearings and is expected to begin work on regulatory relief after Labor Day. Dozens of regulatory relief bills have been introduced, including the Clear Relief Act, which has House (H.R. 2133) and Senate (S. 1002) versions. Treasury’s recent report, “A Financial System that Creates Economic Opportunities,” draws significantly from the Plan, ICBA meetings with Treasury officials, and ICBA’s white paper, “Community Bank Regulatory Relief: A Roadmap to Economic Growth and Prosperity.”

Tax Relief. ICBA is actively engaged in the tax reform debate to advance the interests of community banks. These interests include: tax code simplification; reducing corporate and individual rates; protecting full interest deductibility for business borrowers; creating new incentives for community bank lending to low- and middle-income individuals, businesses, farmers, and

ranchers; protecting and expanding the S corporation model; opposing bank-specific taxes; estate tax repeal; promoting savings and investment; and parity in the taxation of different forms of financial services providers, including credit unions and Farm Credit System lenders, that provide similar products and serve the same customers.

Flood Insurance. The National Flood Insurance Program (NFIP) expires on September 30, 2017. ICBA is engaged in the debate over reform of the program and will evaluate proposals to increase the role of private insurers based on their effect on premium affordability and other criteria.

Small Business Lending Data

Collection. ICBA is seeking repeal of the CFPB’s statutory authority to require lenders to collect and report data on all small business loan applications.

Home Mortgage Disclosure Act

(HMDA). ICBA supports repeal of the Dodd-Frank authority for expanded HMDA reporting. In addition, the loan-volume threshold for HMDA reporting should be increased to 1,000 closed-end mortgages and 2,000 open-end lines of credit. The October 2015 HMDA rule increases the number of unique data points to be reported on mortgage loan applications from 23 to 48. Collection of the new data points begins on January 1, 2018, with reporting of that data beginning in 2019.

Future of Housing Finance. ICBA is working to preserve a secondary market for residential mortgages that is financially strong, reliable and impartial – providing equitable access and pricing to all lenders regardless of size or volume. ICBA has prepared a white paper (available on our website), “ICBA Principles for GSE Reform.” ICBA has urged the FHFA to direct Fannie Mae and Freddie Mac to rebuild capital to support their operations and reduce the risks they pose to the economy, housing market and U.S. taxpayers. ICBA opposes reform proposals that would only benefit the largest lenders and Wall Street players, leading to further consolidation of the mortgage industry in the hands of the too-big-to-fail banks.

Credit Unions. ICBA opposes a National Credit Union Administration (NCUA) final rule that illegally broadens credit unions’ field of membership and is participating as an amicus party in ABA’s suit challenging the final rule. ICBA has launched a grassroots campaign targeting NCUA’s proposal to allow credit unions to raise alternative capital. ICBA will continue its efforts to block legislation that would expand credit union powers in any form. ICBA is urging Congress to end credit unions’ unfair tax and regulatory advantages and to prevent NCUA from erecting roadblocks that keep credit unions from converting to tax-paying banks.

Responsible Innovation (Fintechs).

ICBA is assessing the future of financial technology firms (fintechs) and the opportunities these firms may offer community banks for reaching more customers and expanding products and services. At the same time, ICBA advocates for a level playing field with these firms. In particular, ICBA believes the Office of the Comptroller of the Currency should not issue special purpose national bank charters to fintech companies without explicit statutory authority and implementing regulations. Any special purpose federal charter should be subject to the same standards of safety, soundness and fairness as other federal charters.

Tax Relief for Rural Lending. ICBA is promoting legislation, the Enhancing Credit Opportunities in Rural America Act (H.R. 2205), which would provide for tax free treatment of income from loans secured by agricultural real estate or by single family homes in communities with a population of less than 2,500 that are the principal residence of the borrower.

Estate Tax Planning. ICBA is urging Treasury to withdraw a proposal that would disallow the use of well-established estate planning techniques for the transfer of family-owned businesses. The proposal could increase family business estate tax liability by as much as 35 percent.

Current Expected Credit Loss Model.

Following a multi-year advocacy campaign, ICBA won significant changes in the Financial Accounting Standards Board's final accounting standard on credit losses. In particular, community banks will not be required to use complex cash flow modeling to determine loan reserves. ICBA will follow through on this important victory by ensuring that regulators and auditors charged with implementing CECL do so in a manner that is flexible and scalable for community banks.

Data Security. ICBA supports legislation that would apply federal data security standards and notice requirements to all entities that store consumer data, comparable to the Gramm-Leach-Bliley Act standards that already apply to financial institutions. ICBA expects data security legislation to be reintroduced in the current Congress. ICBA also supports shifting liability for costs associated with a data breach – including the cost of card reissuance – to the party that experienced the breach.

Cybersecurity. ICBA will continue to ensure that any new frameworks, tools or assessments intended to enhance cybersecurity remain voluntary and recognize the standards and practices community banks currently use to protect the confidentiality and integrity of personal data. Institutions must continue to be able to choose the framework, tools, and assessments that match their size and complexity. In

addition, ICBA urges policymakers to recognize community banks' reliance on third-party service providers and work collaboratively with them to ensure community banks are protected. ICBA is promoting the use of the .BANK web domain and Sheltered Harbor to further protect consumer account information.

Call Report Burden. ICBA continues to call on Congress to provide relief from the excessive burden of quarterly call reports, which have grown significantly in length and complexity. The Federal Financial Institutions Examination Council recently finalized a rule that will reduce call report data collection. Among the changes, community banks will report on loans to small businesses and small farms (Schedule RC-C, Part II) on a semiannual rather than a quarterly basis. ICBA supports a short-form call report for highly rated, well-capitalized banks to be filed in the first and third quarters of each year. The full report would be filed at mid-year and year-end.

Durbin Rule Repeal. ICBA supports full repeal of the "Durbin Rule" which imposes price controls on debit interchange.

Mortgage Lending Regulatory Relief: TILA/RESPA Integrated Disclosures (TRID). ICBA continues to monitor feedback from community bankers regarding TRID implementation issues and exam findings. Recently proposed amendments to the TRID rule and

commentary are a welcome development. However, ICBA is encouraging the CFPB to prevent delayed closings and frustrated borrowers by continuing to work closely with community banks and other industry participants to address critical compliance questions through written guidance and FAQs. ICBA is also urging regulators to continue taking a diagnostic and corrective approach regarding good-faith compliance efforts during the amendment process.

Qualified Mortgage (QM)/Escrow Requirement. ICBA's Plan for Prosperity calls for a legislative change that would grant QM safe harbor status and an exemption from escrow requirements for all community bank mortgages held in portfolio, without regard to rural or non-rural status.

Mortgage Servicing. The CFPB's final servicing rule, released in January 2013, exempts servicers that service 5,000 or fewer loans from some but not all new requirements. ICBA advocates legislation that would increase the statutory exemption threshold to 30,000 loans serviced or \$5 billion in unpaid principal balance on loans serviced.

Consumer Financial Protection Bureau. ICBA is working to protect the interests of community banks before the CFPB. We are advocating governance reforms to change the structure of the CFPB to a five-member commission and give bank regulators meaningful input

into CFPB rules. ICBA also supports raising the threshold for banks subject to direct examination and supervision by the CFPB from \$10 billion to \$50 billion in assets. ICBA will continue to push for greater scrutiny over non-bank financial firms. ICBA is urging the CFPB whenever possible to adopt tiered regulations and appropriate exemptions for community banks.

Small Dollar Loans. ICBA is working to ensure that the CFPB's small dollar loan proposed rule allows community banks continued flexibility to provide access to small-dollar credit, free of arbitrary and costly requirements in the underwriting process. Community banks typically offer short-term and vehicle-title loans not in order to profit from them but as an ancillary service to consumers in need in their communities.

Fair Lending Issues. ICBA is working to protect community bankers from frivolous lawsuits and the misapplication of fair lending laws by a number of different agencies, including the U.S. Department of Justice. ICBA is also urging bank examiners not to use statistical screening alone, which has caused banks to defend themselves against "false positive" fair lending violations.

Farm Credit System Lenders. ICBA continues working to significantly reform FCS institutions to keep them from becoming the equivalent of commercial banks but with credit union-

like tax exemptions and the inherent advantages of government sponsored enterprise status. ICBA submitted testimony against the FCS to the House Agriculture Committee on March 29.

Crop Insurance and the Next Farm Bill. ICBA supports crop insurance as a successful public-private program that is critical to the prosperity of rural America. ICBA is working to protect the program from further cuts or adverse changes that would discourage farmer and rancher participation, or undermine private sector delivery. ICBA also supports adoption of a robust farm bill to provide a strong safety net for farmers and ranchers. The farm bill must include adequate price-protection programs and enhanced USDA-guaranteed farm and business loan programs. ICBA presented testimony in April to the House Agriculture Committee on the state of the farm economy and recommendations to enhance USDA guaranteed lending program.

Arbitration. ICBA is concerned that the CFPB disregarded the consumer benefits of arbitration in its proposed rule which would prohibit individuals from waiving their ability to participate in class action lawsuits against financial service providers, including community banks. The proposal would also require that those providers who continue to arbitrate disputes with consumers report certain data to the CFPB.

Bank Exams. ICBA continues to warn regulators that overly conservative safety and soundness and compliance exams adversely impact community bank lending and support for economic growth. ICBA continues to advocate for a more flexible supervisory approach to community banking. ICBA's Plan for Prosperity calls for the creation of an independent appeals process outside of the banking agencies. ICBA also supports a two-year exam cycle for well rated banks with assets of \$2 billion or less.

Community Bank Access to Capital. ICBA is advocating for a package of legislative changes to strengthen community bank viability by creating new options for capital raising and capital preservation. Provisions include an exemption from Basel III for community banks; raising the eligibility threshold of the Federal Reserve Small Bank Holding Company Policy Statement from \$1 billion to \$10 billion; and relief from SEC rules regarding SOX 404(b) and Regulation D.

Basel III Capital Conservation Buffer. ICBA continues to advocate for amendments to the Basel III capital conservation buffer that would allow Subchapter S community banks to distribute at least 35 percent of their net income in dividends, even if they do not exceed the buffer, so that shareholders can meet their tax obligations. ICBA will continue to pursue a legislative solution in the absence of regulatory

action. ICBA's Plan for Prosperity calls for an exemption from Basel III for all banks with assets of \$50 billion or less.

Overdraft Services. ICBA continues to express community bank views and concerns as the CFPB prepares to initiate an overdraft services rulemaking.

Overtime Pay. ICBA opposes the Department of Labor's final regulation to expand the number of employees subject to overtime pay. The rule approximately doubles the salary threshold below which employees may not be exempt from overtime pay regardless of their duties. The rule has not taken effect because it is subject to a preliminary injunction ordered by a federal judge in Texas.

Accounting and Auditing. In addition to our work on FASB's current expected credit loss model, ICBA opposes FASB proposals to restrict the ability of community banks to classify mortgage loans and investment securities at amortized cost and to require extensive liquidity risk and interest rate risk disclosures in the footnotes to audited financial statements. ICBA also opposes requirements that public companies use specific auditors or use different auditors on a rotating basis.

Mass Retailers and Banking. ICBA is concerned about the use of pass-through FDIC deposit insurance in connection with the national distribution of cards by certain large businesses, such as Wal-

Mart. These cards function as checking and debit card alternatives. ICBA disputes the legality of this pass-through insurance. These cards should be regulated under all the laws that apply to traditional deposit accounts. They should not be a way for Wal-Mart and other non-banks to enter the business of banking while avoiding bank supervision and regulation.

Mutual Institutions. ICBA continues to support the option of mutual ownership before all regulatory and legislative bodies. ICBA supports the OCC's proposal for a new charter for mutual national banks. ICBA also supports the authorization of mutual banks to issue Mutual Capital Certificates (MCCs) that would qualify as Tier 1 common equity capital.

Anti-Money Laundering and Counter Terrorism Financing. ICBA fully supports the fight against terrorist financing and money laundering activities and is committed to supporting effective measures that will prohibit offenders from using financial products. Those efforts should be properly balanced against the increasing regulatory burdens placed on banks as well as the privacy rights of individual customers.

Industry Concentration. ICBA supports proposals designed to end the concentration of assets in our financial system and the harm it entails for consumers.

State-Owned or Public “Partnership” Banks. ICBA opposes the establishment of state-owned or public “partnership” banks. Such banks would directly compete with community banks and divert deposits from local communities. Public banks are not needed in a highly competitive financial environment. Moreover, they are fraught with risk for taxpayers and liable to capture by partisan political agendas.

Patent Abuse. ICBA supports legislation that would curb abusive patent infringement claims against community banks.

Minority Banks. The ICBA Minority Bank Council was formed to recognize the unique characteristics of minority banks and to pursue policies in support of minority bank growth and preservation.

FinTech Disruptors: ICBA continues to track the development of non-bank financial services that use technology to disrupt banks, such as mobile wallets, virtual currencies, and distributed ledger (blockchain) technologies. Additionally, ICBA educates regulators and other interested parties regarding the risks related to these services.

Faster Payments. ICBA remains committed to faster, more efficient and ubiquitous bank-centric payments. ICBA continues to actively participate in the Federal Reserve Banks’ payment system

improvement initiatives, including the Faster Payments and Secure Payments Task Forces. ICBA strongly advocates for real-time payments and supports an operational role for the Federal Reserve as an enabler of ubiquity.

Payments Card Security. ICBA supports industry initiatives aimed at improving security for credit, debit, and prepaid cards, including EMV/chip, tokenization of card numbers, and point-to-point encryption.

De Novo Community Bank Formation. ICBA supports a more flexible and tailored supervisory policy for de novo banking applicants. Capital standards, exam schedules, and other supervisory requirements should be based on the pro forma risk profile and business plan of the applicant, not a one-size-fits-all policy that inhibits de novo bank formation.