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June 22, 2010

The Honorable Barney Frank
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Christopher J. Dodd
Chairman
Committee on Banking, Housing & Urban
Affairs
U.S. Senate
Washington, DC 20510

Dear Chairmen Frank and Dodd:

On behalf of the nearly 5,000 members of the Independent Community Bankers of America, I write in support of the "House Offer" to strike Section 611 of the conference base text the Wall Street Reform and Consumer Protection Act of 2010 (HR 4173) in order to preserve the ability of states to establish lending limits for state-chartered banks.

Section 611 of HR 4173 would subject state-chartered banks to national lending limits on loans to any one borrower as a percentage of their capital. Section 611 would remove from state regulators the discretion they have exercised for decades over lending limits for state-chartered institutions. The value of the dual banking system is that it allows state regulators to tailor banking regulation to the unique circumstances of their state economies. This includes setting an appropriate lending limit and determining what types of credit exposure should count toward this limit – whether derivatives transactions, repurchase agreements, reverse repurchase agreements, or securities lending and borrowing transactions. A national, one-size-fits-all approach to lending limits would undermine the dual banking system and would restrict lending in the 20 states that have set their limits above the national limit. More states would be affected if the national limit is lowered in the future, and all states would lose the flexibility to set their own limits. Where safety and soundness are concerned, state-chartered banks are examined by state banking regulators and the FDIC. Lending limits did not cause the financial crisis.

Section 611, if unamended, would only reduce competition, reduce lending, and benefit the largest banks – cutting against the spirit of HR 4173. The community bank business model is based on close, long-standing relationships with a relatively small customer

base – farms, small businesses, and municipalities. When a customer represents a relatively high proportion of the community bank’s capital, risk is mitigated by the banker’s firsthand knowledge of the customer, the value of pledged collateral and other underwriting considerations, and by close state supervision. The community bank business model would be undermined by national limits. State-chartered community banks, unable to serve their best customers, would lose them to mega-banks with larger capital bases that are little affected by the limits. Deprived of local funding sources, borrowers would have fewer choices for obtaining credit, ultimately pay higher rates and/or fees, and lose access to the personalized business and financial expertise of local community banks. Depending on how Section 611 is implemented, it could force state banks to recall or divest loans that exceed the federal limit, disrupting credit and jeopardizing the recovery in many communities.

HR 4173 contains many provisions that will help level the playing field between small and large banks, to the benefit of consumers and the economy. ICBA has been a vocal supporter of these provisions. However, for state-chartered banks, much of the benefit of these provisions would be undermined by section 611.

Removal of Section 611 is a priority for ICBA. Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine
President & CEO

cc: Conferees to the Wall Street Reform and Consumer Protection Act of 2010