September 16, 2025

The Honorable French Hill
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Re: Support for Markup Legislation

Dear Chairman Hill and Ranking Member Waters:

On behalf of ICBA and the nearly 45,000 community bank locations we represent, I write to thank you for scheduling a markup on Tuesday, September 16 and to share our views on several bills that will be considered. ICBA urges members of the committee to vote YES on the following bills.

H.R. 5317, *the Community Bank Deposit Access Act of 2025* (Chairman French Hill)

H.R. 5317 would allow custodial deposits to be held by community banks without being considered brokered deposits, provided the custodial deposits do not exceed 20 percent of the banks' total liabilities. Brokered deposits are subject to certain capital and interest-rate restrictions.

The more favorable treatment allowed by H.R. 5317 would only be available to banks of less than $10 billion in assets with a strong composite rating ("outstanding" or "good") and that are well-capitalized or that have obtained a waiver from the FDIC. H.R. 5317 will help community banks maintain lower funding costs, expand lending opportunities, and serve their communities by attracting stable, low-cost funding.

ICBA supports H.R. 5317 and looks forward to working with the committee to allow the legislation to ensure new custodial deposits such as stablecoin are considered.

H.R. 3234, *to amend the Federal Deposit Insurance Act to modify the amount of reciprocal deposits of an insured depository institution that are not considered to be funds obtained by or through a deposit broker, and for other purposes* (Rep. Tom Emmer)

H.R. 3234 would raise the percentage threshold of reciprocal deposits that may be held by a bank without being considered brokered deposits, which are subject to certain capital and interest-rate restrictions. Reciprocal deposits are swapped among banks participating in a network and result in higher aggregate levels of deposit insurance coverage.

Currently, a community bank may exclude the lesser of $5 billion in reciprocal deposits or 20 percent of its total liabilities from being treated as brokered deposits. H.R. 3234 would create a scale of tiered thresholds according to bank-asset levels. Community banks would be able to treat 30 to 50 percent of liabilities as non-brokered.

Insured deposits are critical to community banks' ability to support local credit needs. Reciprocal deposits are one tool to help secure greater insured deposits. Raising the percentage of reciprocal deposits allowed would assist banks approaching the current-law threshold and support lending needs. ICBA looks forward to working with the committee on the broader, comprehensive deposit insurance coverage level debate and ensuring more small businesses can have important protection for their deposits.

H.R. 5291, *the Merchant Banking Modernization Act* (Rep. Roger Williams)

H.R. 5291 would amend the Bank Holding Company Act to provide that merchant banking investments made through an affiliate of a bank holding company may generally be held for a period of not less than 15 years. Merchant banking investments are equity investments in non-financial companies, as permitted by the Gramm-Leach-Bliley Act.

Under current Federal Reserve regulations, bank holding companies can hold merchant banking investments in their securities portfolios for up to 10 years, with the ability to request approvals from the Federal Reserve to extend these investments. Approvals have proved to be uncertain and may come with unfavorable conditions attached.

ICBA supports the longer holding period provided by H.R. 5291, as it would allow banks to better support local businesses through various stages of growth.

H.R. 5262, *the Bank Competition Modernization Act* (Rep. Scott Fitzgerald)

H.R. 5262 would provide that a banking agency may, at its discretion, choose to not request a Department of Justice (DOJ) competitive analysis of a merger or acquisition application that would result in a bank with assets of less than $10 billion. This would be a welcome change, as a DOJ competitive analysis may create a prolonged delay in the approval of merger applications. Community bank mergers often result in more efficient institutions that are able to serve their communities more effectively.

In addition, H.R. 5262 provides that when the DOJ analyzes competitive factors relevant to an application (the Herfindahl-Hirschman Index, or HHI), the Department must consider banking products and services offered by non-bank competitors in the relevant market, including credit unions and Farm Credit System lenders. While non-banks have rapidly expanded their market share in recent years, currently, the DOJ is not required to consider products offered by non-banks. Thus, H.R. 5262 would create a more accurate assessment of the competitive landscape.

ICBA has long sought these changes to the consideration of merger and acquisition applications and strongly supports H.R. 5262.

H.R. 5276, *the Community Bank LIFT Act* (Rep. Young Kim)

H.R. 5276 would reform the Community Bank Leverage Ratio (CBLR) to provide capital relief to community banks in support of expanded lending.

The bill would lower the range for the CBLR from between 8 and 10 percent to between 6 and 8 percent. In addition, the bill would make the CBLR available to banks with up to $15 billion in assets, while currently only banks with assets of up $10 billion may elect to use the CBLR framework.

Banks that elect the CBLR enjoy simplified capital calculations and reporting and are relieved of the burden of calculating and reporting risk-based capital. Expanding access to the CBLR and lowering the ratio will result in additional capital access for small businesses and farmers served by community banks. ICBA supports these changes, as the bill would relieve regulatory reporting burden for community banks and create expanded capacity to meet the credit needs of their communities.

Enactment of the above bills would go a long way toward reforming our financial regulatory system in a way that strengthens community bank so that they can better serve their local communities.

Thank you for your consideration.

Sincerely,
/s/
Rebeca Romero Rainey
President & CEO

CC: Member of the House Committee on Financial Services