



R. SCOTT HEITKAMP
Chairman

TIMOTHY K. ZIMMERMAN
Chairman-Elect

PRESTON L. KENNEDY
Vice Chairman

DEREK B. WILLIAMS
Treasurer

CHRISTOPHER JORDAN
Secretary

REBECA ROMERO RAINEY
Immediate Past Chairman

CAMDEN R. FINE
President and CEO

January 16, 2018

The Honorable Jeb Hensarling
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

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the more than 5,700 community banks represented by ICBA, I write to thank you for scheduling a markup for January 17. We are pleased to see many pro-growth, community bank regulatory relief measures from ICBA's Plan for Prosperity included in this markup. We strongly encourage all committee members to vote YES on the bills noted below:

The Community Financial Institution Exemption Act (H.R. 1264), sponsored by Rep. Roger Williams, would exempt community banks with assets of less than \$50 billion from all prospective rules and regulations issued by the Consumer Financial Protection Bureau (CFPB). The bill would give the CFPB authority to apply a specific rule or regulation to otherwise exempt institutions if it makes a written finding that such institutions have engaged in a pattern or practice of activities that are harmful to consumers and that are targeted by the specific rule. Finally, H.R. 1264 would preserve the CFPB's authority to modify previously issued rules and regulations to expand exemptions or reduce compliance burden.

Community banks should not be forced to comply with arbitrary, rigid, and prescriptive rules intended to target the bad behavior of larger financial services providers. Such rules reduce consumer choice and end up hurting the very customers they are intended to protect.

The Federal Savings Association Charter Flexibility Act of 2017 (H.R. 1426), introduced by Rep. Keith Rothfus, would create a new national charter option for federal savings associations. ICBA supported this legislation in the 114th Congress when it passed the Financial Services Committee, and we are pleased to offer our support again in the 115th Congress.

Under H.R. 1426, a federal savings association, or thrift, could elect to be regulated as a Covered Savings Association (CSA) with authority to exercise the full range of national bank powers. H.R. 1426 would provide flexibility for institutions to choose the business model that best suits their needs and the communities they serve, without having to go through the process or incurring the legal expense of converting to a national bank charter.

The Portfolio Lending and Mortgage Access Act (H.R. 2226), introduced by Rep. Andy Barr, would provide that any residential mortgage held in portfolio by the originator is a “qualified mortgage” for the purposes of the Consumer Financial Protection Bureau’s (CFPB’s) “ability to repay” rule. Rep. Barr’s substitute amendment would provide that the originator must be an institution with assets of less than \$10 billion. Qualified mortgage status shields lenders from heightened legal liability under that rule. When lenders hold mortgages in portfolio, they have every incentive to ensure that mortgages are conservatively underwritten and that borrowers have the ability to repay. The prospect of litigation only deters lending, especially for community banks, and curtails credit for credit worthy borrowers. Embodying a priority provision of ICBA’s Plan for Prosperity, H.R. 2226 is a simple, commonsense fix that would help preserve access to credit for customers of community banks and other lenders.

The Comprehensive Regulatory Review Act (H.R. 4607), introduced by Reps. Barry Loudermilk and Josh Gottheimer, would ensure that the current agency regulatory review under the Economic Growth and Regulatory Paperwork Reduction Act of 1996 (EGRPRA) includes Consumer Financial Protection Bureau (CFPB) rules and is conducted every seven years rather than every 10 years, as under current law.

Rules issued by the CFPB have been repeatedly cited in surveys of community bankers as among the most burdensome and costly. More importantly, many of these rules deny community bankers the flexibility and discretion they need to serve consumers and small businesses. In order to reap the greatest benefit from the EGRPRA process, these rules must be included.

The Community Bank Reporting Relief Act (H.R. 4725), introduced by Rep. Randy Hultgren, would require the federal banking agencies to issue regulations to allow for reduced call reporting in the first and third quarters for banks with assets of less than \$5 billion. The bill would also give the agencies discretion to establish additional criteria to qualify for this reduced reporting.

The quarterly call report filed by community banks with assets of less than \$1 billion now comprises 51 pages of forms. For banks above \$1 billion in assets, the report is 80 pages long. Only a fraction of the information collected is actually useful to regulators in monitoring safety and soundness and conducting monetary policy.

The recent efforts by the Federal Financial Institution Examination Council (FFIEC) to streamline the call reporting process for community banks are of little to no value. FFIEC eliminated data that were not applicable to community banks, such as derivatives data. The new “short” form is essentially the same as the long form.

The Small Bank Holding Company Relief Act of 2018 (H.R. 4771), introduced by Rep. Mia Love, would raise the consolidated assets threshold for the Federal Reserve’s Small Banking Holding Company Policy Statement (Policy Statement) from \$1 billion to \$3 billion. The Policy

The Nation’s Voice for Community Banks.®

WASHINGTON, DC ■ SAUK CENTRE, MN ■ IRVINE, CA ■ TAMPA, FL ■ MEMPHIS, TN

1615 L Street NW, Suite 900, Washington, DC 20036-5623 | 800-422-8439 | FAX: 202-659-1413 | Email: info@icba.org | Website: www.icba.org

Statement is a set of capital guidelines with the force of law that allows qualifying holding companies to raise and carry more debt than larger holding companies and potentially downstream the proceeds to their subsidiary banks. The Policy Statement plays an important role in capital formation for smaller bank and thrift holding companies that have limited access to equity markets. A higher threshold will help more community banks meet their higher capital requirements under Basel III.

The Policy Statement contains safeguards to ensure that it will not unduly increase institutional risk. These include limits on outstanding debt and on off-balance sheet activities (including securitization), a ban on nonbanking activities that involve significant leverage, limitations on dividends, and a requirement that each depository institution subsidiary of a small bank holding company remain well capitalized.

The Volcker Rule Regulatory Harmonization Act (H.R. 4790), sponsored by Rep. French Hill, would among other changes exempt banks with assets of \$10 billion or less from the Volcker Rule. ICBA believes the rule should apply only to the largest, most systemically risky banks. Applying the rule to community banks carries unintended consequences that threaten to destabilize segments of the banking industry.

Taken together, the bills noted above allow community banks to better serve their local businesses and create new jobs. ICBA will continue to press lawmakers to enact these and other sensible measures into law.

Thank you again for bringing these bills before the committee.

Sincerely,

/s/

Camden R. Fine
President & CEO

CC: Members of the House Financial Services Committee

The Nation's Voice for Community Banks.[®]

WASHINGTON, DC ■ SAUK CENTRE, MN ■ IRVINE, CA ■ TAMPA, FL ■ MEMPHIS, TN

1615 L Street NW, Suite 900, Washington, DC 20036-5623 | 800-422-8439 | FAX: 202-659-1413 | Email: info@icba.org | Website: www.icba.org