

The New Congress. The 118th Congress is split between a Republican-controlled House and a Democratic-controlled Senate. In a divided Congress, only bipartisan legislation will be enacted. ICBA expects Congress to focus on regulation of fintech and crypto assets, the SAFE Banking Act, climate risk, tax cut extensions, and agency oversight, as well as non-financial issues such as crime and border security. ICBA will continue to promote bipartisan policy favorable to community banks.

Climate Risk Regulation. ICBA is opposing proposals under consideration in the Administration, the agencies, and Congress to create new climate-risk mandates. Proposals include stress testing for the impact of weather events on bank-held assets, concentration limits, increased disclosures, and other mandates.

- » ICBA released a white paper titled: “[Climate Change Regulation on Community Banks: Risks of Choking Off Credit to America’s Communities.](#)”
- » ICBA has submitted comment letters to the [OCC](#), [FDIC](#), and [SEC](#) on their climate risk proposals. ICBA led a grassroots campaign and a [joint state community bank association letter](#) on the FDIC draft principles.

Deposit Insurance Assessments. The FDIC has finalized a 2-basis point increase in the deposit insurance assessment rate, effective in the first quarter assessment of 2023. ICBA is pressing the FDIC to reduce assessment rates for community banks when the DIF reaches 1.35 percent, which is likely to occur as soon as the first quarter of 2023.

- » ICBA submitted a [comment letter](#) to the FDIC objecting to the disproportionate impact the rate hike would have on community bank lending.
- » ICBA led a grassroots campaign that generated over 150 letters.

Crypto Assets, Decentralized Finance, and CBDC. Unregulated crypto assets, including stablecoins, as well as decentralized finance (DeFi), threaten to disintermediate community banks and heighten risks for the wider economy and must be brought within the regulatory perimeter. ICBA strongly opposes efforts to grant nonbank stablecoin issuers access to the Federal Reserve master account and the creation of a U.S. CBDC, which would directly compete with community bank deposits needed to fund local lending. ICBA will continue to work with regulators, policymakers, and standards-setting bodies to address serious risks to financial stability, consumer protection, and community bank lending.

- » ICBA has convened a Digital Assets Task Force to examine and deliberate issues related to a proposed CBDC and digital assets.

Durbin Amendment Expansion Legislation. ICBA opposed legislation to create new credit card routing mandates, expanding on the Durbin Amendment’s interchange restrictions. While the Credit Card Competition Act of 2022 is designed to apply to banks with over \$100 billion in assets, community banks would be forced to subsidize costly systemwide changes that would put customer data at risk.

- » ICBA defeated efforts to pass this legislation in the 117th Congress by preventing its inclusion in the must-pass National Defense Authorization Act and omnibus appropriations legislation.
- » ICBA released new polling which shows that a substantial bipartisan majority of voters oppose the Durbin proposal, which could end credit card reward programs.

FHLB Advances. ICBA is urging the Federal Housing Finance Agency (FHFA) to modernize its regulatory capital standards and conform them with those of the federal banking regulators. Currently, FHFA requires banks to recognize unrealized “paper losses” on debt securities held for sale. Banks with negative tangible equity due to such “losses” are ineligible for new or increased existing FHLB advances, an important source of liquidity and lending.

- » ICBA coordinated advocacy included congressional letters to the FHFA signed by bipartisan groups of lawmakers, joint trades letter to FHFA, meetings with FHFA and all banking agencies.

Small Business Loan Data Collection Rule. The CFPB’s proposed rule would require banks to collect and report data on loan applications from small businesses, as required by the Dodd-Frank Act. The proposed rule, which would apply to banks that originate 25 or more small business loans per year, fails to recognize the customized nature of small business lending. The rule will be finalized before the end of March.

- » ICBA submitted extensive [comments](#) urging the Bureau to exempt community banks below \$1.3 billion in assets, collect only statutorily-mandated data, and keep small-business borrower information private. ICBA mobilized bankers and business owners nationwide, collecting and submitting detailed comment letters from nearly 300 community banks and small businesses.
- » Rebeca Romero Rainey contributed an [op-ed](#) to American Banker expressing opposition to the CFPB proposal.





Industrial Loan Company Loophole. The industrial loan company (ILC) loophole allows commercial companies to own ILCs and evade holding company supervision. ICBA is promoting bipartisan legislation that would close the ILC loophole, grandfather existing ILCs, and address pending applications.

- » In a victory for ICBA, the “Close the ILC Loophole Act” (H.R. 5912) passed the House Financial Services Committee in June 2022, the first ILC-reform legislation to pass committee since 2007.
- » Similar legislation, the Close the Shadow Banking Loophole Act (S. 5189) was introduced in the Senate in December and is expected to be reintroduced this Congress.

Overdraft. Congress and the regulators should carefully consider the unintended consequences of any new overdraft restrictions targeting so-called “junk fees,” a gross mischaracterization of the White House and CFPB. Overdraft legislation or regulations should not punish community bank customers by restricting access to services of convenience that meet their account needs.

- » ICBA has surveyed member banks to collect data to counter negative media and demonstrate to policymakers the value of overdraft protection and has conducted a lobbying and grassroots campaign against adverse legislation.

ICBA Anti-Credit Union “Wake Up” Campaign. The mission of this campaign is to pursue legislative and regulatory changes to address the expansion of credit unions and to draw media and public attention to the industry’s aggressive and abusive exploitation of their tax exemption.

- » ICBA will continue to educate lawmakers of the harm to individual consumers when tax-exempt credit unions acquire tax-paying community banks eroding the tax base.

SBA Lending. ICBA is opposing legislative and agency proposals for SBA direct 7(a) lending. Such proposals would sideline community bank lenders, reduce access to small business credit, and be prone to fraud. ICBA also strongly opposes an SBA proposal to allow fintechs to originate 7(a) loans thereby increasing fraud risk.

- » ICBA witnesses have testified (links [here](#) and [here](#)) in opposition to the proposal before the House Small Business Committee hearing.
- » ICBA supports legislation expected to be reintroduced in the House and Senate that would prohibit SBA direct lending.

Tax Incentives for Community Bank Agriculture and Home Loans. ICBA supports the ECORA Act which would create a tax exclusion for interest on loans secured by agricultural land and residential mortgages in rural communities. ECORA is expected to be reintroduced in this Congress. ICBA has launched a grassroots campaign to promote cosponsorship of ECORA.

Cannabis Banking. ICBA supports legislation that would create a safe harbor from federal sanctions for financial institutions that serve cannabis-related businesses in states where cannabis is legal.

- » ICBA sponsored a Morning Consult poll showing that two-thirds of voters support giving state-legal cannabis businesses access to the banking system.

CRA Modernization. The federal banking agencies have jointly proposed a revised CRA rule that would create new data collection and reporting burdens for many community banks. ICBA is urging the agencies to make a set of recommendations that would ease community bank compliance. A final rule is expected in early 2023.

- » An ICBA witness testified before the House Financial Services Committee in July.
- » ICBA submitted a comment letter to the agencies in August.

Support for Agriculture. ICBA advocates for enhancing USDA guaranteed loans, maintaining strong crop insurance products, and ensuring commodity programs provide a stable safety net for American agriculture.

- » ICBA will lobby for a robust Farm Bill in 2023.