



INDEPENDENT COMMUNITY
BANKERS of AMERICA®

November 12, 2015

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The Honorable James Inhofe
Chairman
Committee on Environment & Public Works
U.S. Senate
Washington, D.C. 20510

The Honorable Bill Shuster
Chairman
Committee on Transportation & Infrastructure
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Barbara Boxer
Ranking Member
Committee on Environment & Public Works
U.S. Senate
Washington, D.C. 20510

The Honorable Peter DeFazio
Ranking Member
Committee on Transportation & Infrastructure
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairmen Inhofe and Shuster and Ranking Members Boxer and DeFazio:

On behalf of the more than 6,000 community banks represented by ICBA, I write to express our strong support for two amendments to H.R. 22, the DRIVE Act, which were adopted by the House with overwhelming support. ICBA urges you to include the amendments described below in the final conference report.

Amendment Offered by Financial Services Committee Chairman Jeb Hensarling (the “Hensarling Amendment”)

The Hensarling amendment, which passed the House by voice vote, includes 15 measures that previously passed the House by voice vote. None of these measures were part of the Dodd-Frank Act. Specifically, ICBA supports the following provisions of the Hensarling amendment, which represent priority provisions of ICBA’s Plan for Prosperity:

- **The Eliminate Privacy Notice Confusion Act** eliminates the requirement to mail annual privacy notices when no change in policy has occurred. Such notices do not provide useful information to customers and are a nuisance and often a source of confusion to them.
- **The Small Bank Exam Cycle Reform Act** would allow a highly rated community bank with assets of less than \$1 billion to use an 18-month exam cycle. Because examiners have more than sufficient information to monitor a community bank from offsite, we believe that this change would not compromise supervision, and would actually increase safety and soundness by allowing examiners to focus their limited resources on the true sources of risk.
- **The Holding Company Registration Threshold Equalization Act** would correct an oversight in the drafting of the 2012 JOBS Act that denied thrift holding companies the intended benefits of a key provision of the Act. This provision would raise the threshold number of thrift holding company shareholders that trigger SEC registration from 500 to 2,000. It would also raise the deregistration threshold from 300 shareholders to 1,200. These changes are necessary to create parity between thrift holding companies and bank holding companies.

The Nation’s Voice for Community Banks.®

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Amendment Offered by Representatives Randy Neugebauer and Bill Huizenga

The Neugebauer-Huizenga amendment passed the House by a vote of 354 to 72. This amendment removes from H.R. 22 a controversial spending offset and thereby preserves the current dividend rate paid on Federal Reserve stock. All state-chartered Federal Reserve member banks and all nationally chartered banks are required to purchase Federal Reserve stock. This stock is effectively “dead capital” because it may not be sold, transferred, or used as collateral. The Federal Reserve pays a dividend on this stock which offsets the cost of setting aside capital that could otherwise be used for lending and other services. As demonstrated by the overwhelming House vote in support of the Neugebauer-Huizenga amendment, there is broad, bipartisan opposition to reducing the dividend, which could result in significant unintended consequences for years to come. Community bankers nationwide adamantly oppose any reduction in the dividend rate paid on Federal Reserve stock.

The Neugebauer-Huizenga amendment also removes a provision that would extend higher guarantee fees (g-fees) on mortgages sold to Fannie Mae and Freddie Mac. The purpose of g-fees is to offset credit losses on mortgages guaranteed by Fannie Mae and Freddie Mac. These fees should not be siphoned off to fund wholly unrelated spending at the expense of mortgage borrowers.

The Neugebauer-Huizenga amendment maintains budget neutrality by drawing revenue from the Federal Reserve’s surplus account of retained earnings. Due to a change in Federal Reserve accounting, this surplus account is no longer necessary.

Again, ICBA urges all conferees to H.R. 22 to agree to the House position with respect to the Hensarling amendment and the Neugebauer-Huizenga amendment.

Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine
President & CEO

CC: Conferees to H.R. 22, the DRIVE Act

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