July 14, 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: Update Community Bank Regulatory Thresholds

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 full committee hearing on Tuesday, "Dodd-Frank Turns 15: Lessons Learned and the Road Ahead."

ICBA applauds the committee for acting early this Congress to advance legislation to remove a harmful legacy of Dodd-Frank, Section 1071, which requires invasive data collection on small business loan applicants. We look forward to working with you to enact the "1071 Repeal to Protect Small Business Lending Act" (H.R. 976), sponsored by Rep. Roger Williams.

Looking forward, we urge you to build on this early success by pursuing a much-needed update to regulatory thresholds created by the Dodd-Frank Act and other legislation and regulation. Such an update would be a commonsense way to ensure threshold exemptions put in place decades ago continue to effectively exempt community banks. This would be consistent with Chairman Hill's "Make Community Banking Great Again" principles.

Regulatory mandates designed for systemically risky, high-volume, transaction-based institutions are a poor fit, and indeed destructive to, community banks. "One-size-fits-all" regulations disproportionately burden community banks that don't have dedicated legal and compliance departments and have smaller asset bases over which to spread compliance costs. Tiered regulation helps alleviate this problem. However, current thresholds are long overdue for an update.

To assist in this initiative, ICBA has undertaken a thorough review of outdated regulatory thresholds that create a deadweight burden and expense for community banks and inhibit them from serving their customers and communities.

The results of this review are attached to this letter. Thank you in advance for including threshold updates in the committee's agenda.

Sincerely,
/s/
Rebeca Romero Rainey
President & CEO

Attachment: ICBA List of Recommended Regulatory Threshold Updates

866-843-4222
icba.org

1615 L Street NW
Suite 900
Washington, DC 20036

518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

Methodology for Increasing Thresholds

- In 2010, $10b asset threshold covered nearly 80 banks, representing the top 1% of the industry (78 of 6,520) FRB: Large Commercial Banks-- March 23, 2010.
- If we were to capture the top 80 banks of the industry today, the asset threshold would be approximately $25 billion FRB: Large Commercial Banks-- September 30, 2024.
- That 2x increase is attributed to other statutes/regulations, rounded where appropriate.

Contents

Section 1071

- **Current threshold**: 100 small business loans; definition of "small business" is $5m gross annual revenue.
- **Change to**: 1,500 small business loans; $1 million gross annual revenue for "small business."
- **How many banks might be impacted:** Exempts approximately 3,400 community banks while still collecting 90% of small business lending data.
- **Why this helps**: Exempting more community banks will avoid the standardization of small business lending and provide small businesses with more privacy.

CTR/SAR thresholds

- **Current threshold**: CTR is currently set at $10,000 and SAR is set at $5,000.
- **Change to**: CTR should be $30,000 and SAR set at $15,000.
- **How many banks might be impacted:** Approximately 4,500 banks (virtually all)
- **Why this helps:** increasing the thresholds for both CTRs and SARs would allow banks to focus on more truly suspicious activity rather than reporting large volumes of relatively normal transactions

CRA Compliance (12 CFR parts 25, 228, 345)

- **Current threshold**: $1.3b
- **Change to**: $3b
- **How many banks might be impacted:** More than 340 banks between $1.3b and $3b
- **Why this helps:** Community banks already serve their communities, compliance is costly, and community development tests are not appropriate for smaller community banks.

Mortgage escrow (12 CFR 1026.35)

- **Current threshold**: $2.64b for HPML; $10b and 1,000 first lien mortgages for all others
- **Change to**: $5b for HPML; $25b and 2,000 first lien mortgages for all others
- **How many banks might be impacted:** More than 150 banks between $2.64b and $5b; 81 banks between $10b and $25b
- **Why this helps:** Establishing escrow accounts is costly and complex, especially for small banks or those in rural areas that do not originate many mortgages.

Qualified mortgage

- **Current threshold**: $2.64b for HPML; $10b and 1,000 first lien mortgages for all others
- **Change to**: $25b
- **How many banks might be impacted:** More than 80 banks between $10b and $25b
- **Why this helps:** More banks would have automatic "qualified mortgage" status for certain mortgages they originate and hold in portfolio, allowing them to tailor the loan to the individual borrower instead of adhering to a 'one-size-fits all' approach.

Home Mortgage Disclosure Act (12 CFR 1003.2.)

- **Current threshold**: $56m or fewer than 25 closed-end mortgages or 200 open-end lines are exempt.
- **Change to**: $500MM or fewer than 100 closed-end mortgages or 500 open-end lines.
- **How many banks might be impacted:** Approximately 1,500 banks; undetermined for loan volume
- **Why this helps:** HMDA collection and reporting is very time intensive with examiners scrutinizing for technical compliance rather than substantive.

Exam Cycle (12 U.S.C. 1820(d)(4))

- **Current threshold**: $3b
- **Change to**: $6b
- **How many banks might be impacted:** Approximately 145 between $3b and $6b
- **Why this helps:** Examinations every 18-months rather than every 12 saves bank time and resources that could be better spent on their customers.

Short form call reports

- **Current threshold**: $5b
- **Change to**: $10b
- **How many banks might be impacted:** Approximately 110 between $5b and $10b
- **Why this helps:** the short form call report, which require less information to be filed in the first and third quarters, saves time and resources for community banks.

Section 1033

- **Current threshold**: $850m
- **Change to**: $2.5b
- **How many banks might be impacted:** Approximately 580 banks between $850m and $2.5b
- **Why this helps:** 1033 could potentially lead to increased risk of consumer data breaches by allowing third-party financial applications broad access to sensitive customer financial data without sufficient oversight or accountability, raising concerns about fraud, privacy violations, and lack of control over how this data is used, especially if the third-party data aggregators have weak security practices.

CFPB Supervision (12 USC 5515)

- **Current threshold**: $10b
- **Change to**: $25b
- **How many banks might be impacted:** More than 80 banks between $10b and $25b.
- **Why this helps:** Would exclude more community banks from direct CFPB supervision, which is significantly more costly. This includes annual examinations and more frequent communication.

Risk-Based Capital (12 CFR 225)

- **Current threshold**: $10b
- **Change to**: $25b
- **How many banks might be impacted:** More than 80 banks between $10b and $25b.
- **Why this helps:** Would exempt "well capitalized" banks from mandatory and prescriptive risk-based capital requirements, including Basel III and its predecessors.

Corporate governance (independent auditing, financial reporting, internal controls) (12 USC 1831m(j))

- **Current threshold**: $500m
- **Change to**: $1b
- **How many banks might be impacted:** Approximately 675 banks between $500m and $1b
- **Why this helps:** Exempts banks from costly corporate governance controls, like external audits.

Flood insurance (12 CFR 339.5(c)(1))

- **Current threshold**: $1b
- **Change to**: $2b
- **How many banks might be impacted:** Approximately 360 banks between $1b and $2b
- **Why this helps:** Exclusion from costly and unnecessary flood insurance escrow requirements.

Small Bank Holding Company Policy Statement (12 U.S.C. 5371(b)(5))

- **Current threshold**: $3b
- **Change to**: $10b
- **How many banks might be impacted:** Approximately 145 between $3b and $6b
- **Why this helps:** This eases limitations on the issuance of debt for banks.

Stress tests (12 CFR 252.54)

- **Current threshold:** $50b
- **Change to**: $100b
- **How many banks might be impacted**: Approximately 15 between $50b and $100b
- **Why this helps:** Stress tests may require banks to retain too much capital, which can lead to under-provision of credit to the private sector.

Risk committees (12 CFR 252.22)

- **Current threshold:** $50b
- **Change to**: $100b
- **How many banks might be impacted**: Approximately 15 between $50b and $100b
- **Why this helps:** Banks must maintain a risk committee that approves and periodically reviews the risk-management policies, is geared toward large, interconnected banks. Increasing the threshold would exempt more banks from this requirement.

Volcker Rule (12 U.S.C. 1851)

- **Current threshold**: $10b
- **Change to**: $25b
- **How many banks might be impacted:** More than 80 banks between $10b and $25b.
- **Why this helps:** Allowing banking entities to invest in and sponsor venture capital funds.

Interlock Rule (12 CFR 212)

- **Current threshold**: $10b
- **Change to**: $25b
- **How many banks might be impacted:** More than 80 banks between $10b and $25b.
- **Why this helps:** Additional banks could share management officials, thereby enabling them to find better talent and expertise, which would help with succession troubles.

Consumer liability under Reg E (15 USC 1693)

- **Current threshold**: $50 liability
- **Change to**: $500 liability
- **How many banks might be impacted:** Approximately 4,500 banks (virtually all)
- **Why this helps**: Reg E consumer liability for unauthorized transactions was set more than 45 years ago. With the rampant rise of fraud, banks are increasingly on the hook for consumer negligence in taking reasonable steps to protect transaction accounts.

Reciprocal deposits (12 USC 371-3780)

- **Current threshold (limit)** : lesser of $5 billion or 20 percent of the bank's total liabilities
- **Change to**: lesser of $10 billion or 20 percent of the bank's total liabilities
- **How many banks might be impacted:** uncertain
- **Why this helps:** Certain reciprocal deposits are not considered brokered deposits, which allows banks greater balance sheet flexibility, reduce collateralization and tracking costs, and attract large-dollar deposits.

Loans to bank management (12 CFR 337.3)

- **Current threshold**: $100,000 limit
- **Change to**: $250,000 limit
- **How many banks might be impacted:** Approximately 4,500 banks (virtually all)
- **Why this helps:** Banks are limited to providing general credit to a bank executive officer that isn't a first mortgage on a primary residence, education loan or a loan secured with certain securities or accounts. This does not account for small business loans or lines of credit, which might be important for bank management or officials that provide important service in their community.