



WILLIAM A. LOVING, JR.  
*Chairman*  
JOHN H. BUHRMASTER  
*Chairman-Elect*  
JACK A. HARTINGS  
*Vice Chairman*  
NANCY A. RUYLE  
*Treasurer*  
TIMOTHY K. ZIMMERMAN  
*Secretary*  
JEFFREY L. GERHART  
*Immediate Past Chairman*  
CAMDEN R. FINE  
*President and CEO*

April 18, 2013

The Honorable Jerry Moran  
United States Senate  
Washington, D.C. 20510

The Honorable Joe Manchin  
United States Senate  
Washington, D.C. 20510

Dear Senators Moran and Manchin:

On behalf of the 7,000 community banks represented by ICBA, I write to thank you for introducing the “Financial Institutions Examination Fairness and Reform Act” (S. 727) and to offer our firm support for the bill. S. 727 will go a long way toward improving the oppressive examination environment by creating a workable appeals process and consistent, commonsense standards for classifying loans, among other provisions. Bank examination reform is a key component of ICBA’s Plan for Prosperity: A Regulatory Relief Agenda to Empower Local Communities.

S. 727 would create an expedited appeals process under which an independent administrative law judge would hear appeals and make a recommendation to a newly created Ombudsman, located within the Federal Financial Institutions Examination Council (FFIEC). The Ombudsman would make a final decision that would be binding on the agency and the financial institution. Taking the appeals process out of the examining agencies is a positive step. While not completely independent of the agencies – the FFIEC is composed of each banking agency – we expect that this level of separation between the appeals process and the agencies will provide a measure of distance and insulation. ICBA would support additional provisions that would bring a higher level of accountability to the regulators and their field examiners. The current system, which grants examiners almost unfettered, unassailable authority, begs for checks and balances. That said, we are pleased to support the appeals provisions of S. 727, as a foundation on which to build a more rigorous process.

ICBA also supports the provisions of S. 727 that would create more consistent and commonsense criteria for loan classifications and capital determinations. Establishing conservative, bright-line criteria will allow lenders to modify loans, as appropriate, without fear of being penalized. If these standards become law, they will give bankers the flexibility to work with struggling but viable borrowers and help them maintain the capital they need to support their communities.

Again, thank you for introducing S. 727. The current examination environment is a serious impediment to the flow of credit that will create jobs and advance the economic recovery. Legislative solutions are needed to improve this environment. ICBA supports the advancement of S. 727.

Sincerely,

Camden R. Fine