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November 13, 2014

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable John Boehner
Speaker
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Majority Leader Reid, Minority Leader McConnell, Speaker Boehner, and Democratic Leader Pelosi:

On behalf of more than 6,500 community bankers represented by ICBA, I write to urge Congress to enact consensus, bipartisan community bank legislation before the close of the 113th Congress. All legislative opportunities should be taken during the “Lame Duck” session to enact much-needed community bank regulatory and tax relief critical to the economic well being of local economies and job creation nationwide. The bills listed below are ripe for enactment. Most are directly inspired by ICBA’s [Plan for Prosperity](#), a set of legislative priorities selected with input from community bankers from across the country.

The CLEAR Relief Act. S. 1349, sponsored by Senators Jerry Moran, Jon Tester, and Mark Kirk, has more than 40 bipartisan cosponsors. The bill advances key [Plan for Prosperity](#) provisions designed to provide community bank regulatory relief and expand access to consumer credit and other banking services. S. 1349 provisions include: (i) “qualified mortgage” status for community bank mortgages held in portfolio; (ii) relief from escrow requirements for community bank loans held in portfolio; (iii) relief from Sarbanes-Oxley Section 404(b) for community banks; and (iv) an increase in the qualifying asset threshold for the Federal Reserve’s Small Bank Holding Company Policy Statement which allows small banks to better attract capital needed to serve their communities. As noted below, provisions of S. 1349 have advanced separately in the House with broad, bipartisan support. The House version of the Clear Relief Act, H.R. 1750, sponsored by Rep. Blaine Luetkemeyer, has 178 cosponsors.

Modernizing the Federal Reserve Small Bank Holding Company Policy Statement. In a November 7 speech, Federal Reserve Governor Dan Tarullo called on Congress to consider raising the qualifying threshold for the Small Bank Holding Company Policy Statement. In addition to its inclusion in S. 1349, as noted above, a revision to the Small Bank Holding Company Policy Statement passed the House in single-provision bill (H.R. 3329) by voice vote on May 6, 2014. ICBA urges Congress to enact this critical, commonsense reform that has been endorsed by a key regulator, a broad bipartisan majority of the House, and the 40 bipartisan cosponsors of S. 1349.

Privacy Notice Relief. Bills in the House and Senate would provide relief from redundant and confusing privacy notice mailing requirements when a bank’s privacy policies have not changed. H.R. 749, sponsored by Rep. Luetkemeyer, passed the House by voice vote on March 12, 2013. S. 635, sponsored by Senators Sherrod Brown

The Nation’s Voice for Community Banks.®

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and Jerry Moran, has 75 cosponsors. ICBA urges swift enactment of a bill that enjoys overwhelming, bipartisan support.

Parity for Thrift Holding Companies. The 2012 JOBS Act created new SEC registration and deregistration thresholds for *bank* holding companies but did not create the same thresholds for *thrift* holding companies, which are subject to the same prudential oversight. H.R. 801, sponsored by Reps. Steve Womack and Jim Himes, would correct this oversight and provide parity for thrift holding companies. The bill passed the House by a vote of 417-4 on January 14, 2014. A companion bill, S. 872, sponsored by Senators Toomey and Pryor, has been introduced in the Senate.

Capital Treatment of Mortgage Servicing Assets. Basel III contains punitive new capital provisions for mortgage servicing assets (MSAs) that threaten to drive community banks out of the servicing business. In anticipation of the new rules, a large volume of MSAs is already shifting into the shadow banking system, which is not subject to prudential regulation. The Financial Stability Oversight Council and Comptroller Thomas Curry have flagged this trend as an emerging threat to financial stability. H.R. 4042, sponsored by Rep. Luetkemeyer and passed by the House Financial Services Committee in July, would delay the effective date of the Basel III rule with respect to MSAs for nonsystemic banking institutions and require the banking agencies to conduct a joint study of the appropriate capital treatment of MSAs.

In House Appraisals for Portfolio Mortgages. H.R. 5148, sponsored by Rep. Luetkemeyer and passed by the House Financial Services Committee in July, would create an exemption from the higher risk mortgage appraisal requirements for loans of \$250,000 or less provided they are held in portfolio by the originator. When a lender holds a loan in portfolio, it bears the full risk of default and has every incentive to ensure the collateral is accurately appraised.

Tax Law Certainty. ICBA urges Congress to enact the Expiring Provisions Improvement Reform and Efficiency (EXPIRE) Act, introduced by Senators Ron Wyden and Orrin Hatch, to provide much needed tax code clarity and certainty for millions of families and businesses served by community bankers. Failing to extend the measures included in the EXPIRE Act would prolong harmful tax code uncertainty, dramatically increase tax burdens, and needlessly disrupt the economic recovery and job creation.

Prompt enactment of the above consensus, bipartisan legislation before the close of the 113th Congress will provide meaningful regulatory relief and tax certainty for community banks, small businesses and families, sustaining the economic recovery and spurring job creation.

Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine
President & CEO

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