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President and CEO

January 8, 2014

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Shelley Moore Capito
Chairman
Subcommittee on Financial Institutions &
Consumer Credit
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairmen Hensarling & Capito:

On behalf of the nearly 7,000 community banks represented by ICBA, I write to express our support for the Fairness for Community Job Creators Act (H.R. 3819), which would allow banks to retain collateralized debt obligations (CDOs) backed by trust preferred securities (TruPS) issued before December 10, 2013. H.R. 3819 would provide immediate and urgently needed relief for hundreds of community banks from an arbitrary and severely damaging provision of the final Volcker Rule which would only hamper our nation's economic recovery. Community bankers are grateful for your prompt attention to this matter and hope that your bill will receive strong bipartisan support. We are aware that Members on both sides of the aisle are eager to solve this problem. I respectfully urge you to act with all due haste in advancing this critical piece of legislation.

As you know, the final Volcker Rule, issued December 10, requires, in most instances, that banks, including community banks, divest their holdings of collateralized debt obligations CDO TruPs by July 2015. This provision was unanticipated and its impact will be abruptly felt. Accounting standards require these community banks to recognize immediately an impairment of their investments. The divestment requirement will immediately drive down the value of these instruments, and the write down will be based on fire sale prices that bear no relation to their true long term value. Left unaddressed, this requirement could cause a significant, immediate and permanent loss of capital to hundreds of community banks that are still recovering from the financial crisis.

Your legislation would avert this debacle by repealing the divestment requirement for CDO TruPS issued before the final rule. Thank you again for moving expeditiously to correct a provision that threatened serious harm to community banks and to the economic recovery.

Sincerely,

/s/

Camden R. Fine
President and CEO