ICBA

Independent Community Bankers *of* America®

January 10, 2014

The Honorable Mark Kirk
United States Senate
Washington, D.C. 20510

The Honorable Mike Crapo
Ranking Member
Committee on Banking
United States Senate
Washington, D.C. 20510

Dear Senator Kirk and Ranking Member Crapo:

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 (S. 1907), which would allow banks to retain collateralized debt obligations (CDOs) backed by trust preferred securities (TruPS) as well as debt securities of collateralized loan obligations (CLOs) issued before December 10, 2013. S. 1907 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.

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 as well as CLOs issued before the final rule. Thank you again for acting promptly to correct a provision that threatens serious harm to community banks and to the economic recovery.

Sincerely,

/s/

Camden R. Fine
President and CEO

Independent Community Bankers *of* America *The Nation’s Voice for Community Banks.®*
1615 L Street NW, Suite 900, Washington, DC 20036-5623 ■ 800-422-8439 ■ FAX: 202-659-1413 ■ Email: info@icba.org ■ Website: www.icba.org