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President and CEO

October 6, 2017

United States Senate
Washington, D.C. 20510

Dear Senator:

On behalf of the more than 5,700 community banks represented by ICBA, I write today to urge you to stand with your local community by enacting meaningful regulatory relief before year-end 2017. The proposals and bills listed below promote competition in financial services and give consumers more choices. The bills will strengthen community banks, which are built on customer trust and support small business development, home and educational loans, and long-term financial security.

Relief for portfolio mortgage lending. The CLEAR Relief Act (S. 1002), sponsored by Senators Jerry Moran and Jon Tester, would provide automatic “qualified mortgage” (QM) status for community bank mortgages held in portfolio, among other critical provisions. When a bank holds a mortgage in portfolio, it has every incentive to ensure it is well underwritten and the borrower has the ability to repay it. S. 1002 also provides escrow relief for community bank portfolio lenders and SOX 404(b) relief and Volcker Rule relief for community banks. (House companion bill: H.R. 2133.)

HMDA relief. The Home Mortgage Disclosure Adjustment Act (S. 1310), sponsored by Senators Mike Rounds and Heidi Heitkamp. A new rule under the Home Mortgage Disclosure Act (HMDA) which will require covered banks and credit unions to collect and report 48 unique data points on each mortgage loan they make, more than double the number of data points covered lenders are currently required to collect. S. 1310 would provide critical relief for low volume mortgage lenders without materially impacting the mortgage data available to the CFPB or impairing the purpose of the HMDA statute. (House companion bill: H.R. 2954.)

Repeal new small business loan data collection requirement. Support legislation to repeal an onerous new requirement that lenders collect and maintain data on all small business loan applicants. Relief from this requirement will allow community banks to direct additional resources toward community lending. A House bill, the CLEAR Act (H.R. 2133), would provide such relief, among other provisions.

The Nation's Voice for Community Banks.®

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Relief from Basel III. Support legislation to exempt banks with assets of \$50 billion or less from the Basel III regulatory capital rule, which was originally intended to apply only to large, internationally active banks. Legislation in the 114th Congress, the Community Bank Access to Capital Act sponsored by Senator Mike Rounds, included such relief as well as an exemption from internal control attestation requirements for community banks with assets of less than \$1 billion.

Capital for small bank holding companies. The Community Bank Relief Act (S. 1284), sponsored by Senators Orrin Hatch, Angus King, and Bill Nelson, would raise the asset limitation of the Federal Reserve's Small Bank Holding Company Policy Statement from \$1 billion to \$5 billion. The Policy Statement, which contains important safeguards, facilitates capital raising for small bank holding companies and their subsidiaries.

Preserve arbitration option for community banks. H.J.Res. 111 is needed to nullify the CFPB rule barring the use of arbitration clauses by financial institutions. Arbitration is a fair and neutral forum for dispute resolution that avoids costly and lengthy class action litigation and results in better outcomes for consumers.

Better risk targeting of CFPB exam resources. The Consumer Financial Protection Bureau Examination and Reporting Threshold Act (S. 1499), sponsored by Senators Pat Toomey and Joe Donnelly, would exempt banks with assets of \$50 billion or less from CFPB examination and reporting. This change would allow the CFPB to focus on the financial services providers that pose the greatest risk to consumers. Exempt banks would be examined for compliance with consumer protection regulation by their prudential regulators. A bipartisan companion bill, H.R. 3072 sponsored by Reps. William Lacy Clay and Steve Stivers, is pending in the House.

Support reciprocal deposits. The Keeping Capital Local for Underserved Communities Act (S. 1500), sponsored by Senators Mark Warner and Jerry Moran, would allow "reciprocal deposits" to serve as a stable source of funding to support community bank lending by ensuring that reciprocal deposits are not treated by the FDIC as "brokered deposits." Studies have shown that reciprocal deposits act similarly to "core deposits": they are from local customers, earn the local interest rate, and are stable sources of funding. Because reciprocal deposits are wrongly governed by the law on brokered deposits, it is difficult for community banks to utilize their full potential.

Relief from stress testing for community banks. The Main Street Regulatory Fairness Act (S. 1139), sponsored by Senators Jon Tester and Jerry Moran, would exempt banks with assets of less than \$50 billion from regulatory stress tests, as currently required by the Dodd-Frank Act. Stress testing requires significant technology investments or the engagement of vendors and

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diverts scarce community bank resources that could otherwise be dedicated to community lending and local economic growth. Banks with assets of less than \$50 billion pose no systemic risk and should be exempt from stress testing.

Charter flexibility for federal savings associations. The Federal Savings Association Charter Flexibility Act (S. 567), sponsored by Senators Heidi Heitkamp and Jerry Moran, would create a new national charter option for federal savings associations, the Covered Savings Association (CSA) with authority to exercise the full range of national bank powers. S. 567 would provide flexibility for institutions to choose the business model that best suits their needs and the communities they serve, without having to go through the process or incurring the legal expense of converting to a national bank charter.

Capital relief for community bank investments in TruPS. S. 1647, sponsored by Roger Wicker, is a bipartisan bill that would provide capital relief for community banks, many of them rural-based, that have made limited investments in trust preferred securities (TruPS) issued by other community banks. Under the Basel III rule, these investments are subject to punitive capital treatment that adversely impacts their ability to provide credit to the communities they serve.

Tiered regulation. The Tailor Act (S. 366), sponsored by Senator Mike Rounds, would promote tiered regulation by requiring the federal financial institutions regulatory agencies to tailor regulatory actions based on the risk profile and business model of affected institutions in order to limit the regulatory impact, including cost, human resource allocation, and other burdens.

Strengthen CFPB governance. The Consumer Financial Protection Board Act (S. 105), sponsored by Senator Deb Fisher, create a five-member board for the governance of the CFPB, replacing single-director governance. This change would strengthen accountability and bring a diversity of views and professional backgrounds to decision making at the agency.

Progress on a new farm bill. ICBA urges your support for continuing strong price support programs and maintenance of a robust crop insurance program as part of any farm bill. These programs have allowed producers to remain viable in challenging economic times. USDA's guaranteed farm and rural development loan programs are also extremely important and need to be enhanced as part of the next farm bill. ICBA will also adamantly oppose efforts to expand the powers of the Farm Credit System (FCS). We believe reforms are necessary for this government sponsored enterprise (GSE) to ensure it remains focused on serving bonafide farmers and ranchers and does not engage in non-farm lending pursuits in competition with tax-paying community banks.

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We urge you to make productive use of the time remaining in 2017 and to close out the first session of the 115th Congress with meaningful regulatory relief that will strengthen our communities and our prosperity.

Thank you for your consideration.

Sincerely,

/s/

Camden R. Fine
President & CEO

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