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September 1, 2017

The Honorable Mitch McConnell
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Charles E. Schumer
Minority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Paul D. Ryan
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 McConnell, Minority Leader Schumer, Speaker Ryan, and Democratic Leader Pelosi:

On behalf of the more than 5,800 community banks represented by ICBA, I write to thank you for your support for legislation to expedite the recovery from Hurricane Harvey. Congress and public servants at all levels know the urgency of stabilizing and rebuilding this vital region. As providers of basic credit and other financial services needed to revitalize local economies, community bankers inside and outside the disaster zone are contributing to the recovery effort as a humanitarian imperative and a matter of national economic importance.

We pledge our support for a strong and timely legislative response and offer a working list of suggested provisions that would empower community banks to help customers and communities rebuild following a historic national disaster.

- **Raise bank-qualified bond issuance limit to \$50 million (and index for inflation).** The tax code provides a special incentive for banks to purchase bonds issued by municipalities, school districts, sanitation districts, and other public entities, provided the issuer expects to issue no more than \$10 million of bonds annually. These are known as “bank qualified bonds.” Because the \$10 million limitation has been severely eroded by inflation, today only a small number of issuers are eligible to take advantage of lower interest rates by issuing bank qualified bonds. The limitation was temporarily increased to \$30 million by the

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American Recovery and Reinvestment Act of 2009. A \$50 million limit would help finance the post-Harvey rebuilding effort at a lower interest rate.

- **Special bond issuance.** Establish \$10 billion in tax-free “Harvey redevelopment bonds,” allowing financial institutions to invest in Harvey bonds as tax exempt/bank-qualified bonds.
- **Authorize \$10 billion in Small Business Administration (SBA)-guaranteed disaster loan authority.** This authority would be used by financial institutions to assist businesses and individuals in disaster areas. Community banks are expert small business lenders with the ability to quickly process loans applications and disburse needed funds. Recommended terms would include loan limits up to \$250,000 for an individual and \$2 million for a business; up to a 30-year term; and 85 percent SBA guaranty.
- **Appropriate \$150 million to the SBA 7(a) loan program.** This appropriation would help lower fees for lenders and borrowers and would be especially needed to offset fee increases attributable to Harvey-related defaults.
- **Increase existing SBA 7(a) lending authority level by \$5 billion.**
- **Significantly increase funding for USDA guaranteed farm and rural development programs.** Important agricultural production of cattle, cotton, and other crops exists within the Harvey disaster-area counties. The devastation to farms and ranches will undoubtedly overwhelm USDA’s disaster programs. Increasing funds for guaranteed farm operating and ownership programs can be done at very low cost. The loan cap on these programs should also be raised to \$2.5 million to help ensure producers can re-establish and rebuild their operations and facilities. Funding should be increased for USDA’s Business and Industry (B&I) guaranteed loan program and other important rural development guaranteed loan programs that assist producers, communities and rural businesses.
- **Raise the Federal Reserve’s Small Bank Holding Company Policy Statement limit from \$1 billion to \$10 billion for financial institutions that serve the disaster area.** The Federal Reserve Board’s Small Bank Holding Company Policy Statement is a set of guidelines that makes it easier for small bank and thrift holding companies to raise additional capital by issuing debt. Qualifying bank and thrift holding companies must not have significant outstanding debt or be engaged in nonbanking activities that involve significant leverage. A \$10 billion limit would allow more bank and thrift holding companies to raise capital to assist with the disaster recovery effort.
- **Allow 40% tax credit for up to \$10,000 in wages paid by Harvey-zone employers.** This policy would encourage job retention and creation in an area that is at high risk of population loss.
- **Allow 5-year net operating loss (NOL) carry back for financial institutions in disaster areas.** This policy would provide more capital for investment in disaster recovery.

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- **Waive taxes on interest earned from rural mortgage and agriculture real estate loans in Harvey disaster area.** Tax incentives are needed to promote critical lending that will support the recovery effort.

Thank you for your commitment to disaster relief legislation. Swift and decisive action is needed to help flood victims and restore the local economy before population loss devastates the region. We hope that our recommendations are helpful.

Sincerely,

/s/

Camden R. Fine
President & CEO

CC: Members of the Senate Committee on Banking
Members of the Senate Committee on Finance
Members of the Senate Committee on Small Business and Entrepreneurship
Members of the Senate Committee on Agriculture, Nutrition, and Forestry
Members of the House Committee on Financial Services
Members of the House Committee on Ways and Means
Members of the House Committee on Small Business
Members of the House Committee on Agriculture

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