

November 28, 2016

Dear Representative/Senator:

On behalf of the more than 6,000 community banks represented by ICBA and the undersigned state community bank associations, representing thousands of community bank employees and customers, we are writing today to urge you to stand with your local community by enacting meaningful regulatory relief. During the lame duck session, we urge you to consider the proposals and bills below to 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 from Basel III. The Community Bank Access to Capital Act (H.R. 1523/S. 1816) includes provisions 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, and provide an exemption from internal control attestation requirements for community banks with assets of less than \$1 billion.

Relief for portfolio mortgage lending. The CLEAR Relief Act (S. 812) 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. This provision is also included in S. 1484 (noted below).

HMDA relief. The Home Mortgage Disclosure Adjustment Act (H.R. 4997/S. 3215). 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. 3215 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.

Promote use of reciprocal deposits. (H.R. 4116/ S. 3373) is a bipartisan bill that 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.

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 **Right to Lend Act (H.R. 1766)**, would provide such relief.

Allow Subchapter S bank shares to be held in an individual retirement account (IRA). The S Corporation Modernization Act (H.R. 5754/S. 3181) is bipartisan legislation that would create an additional source of capital for Subchapter S community banks by allowing them to accept IRA investments. This change would increase funding for critical community lending. An amendment similar to S. 3181 received unanimous support in the Senate Finance Committee.

Block Treasury's backdoor estate tax increase on family businesses. (H.R. 6100/S. 3436) would block a Treasury and IRS proposal to effectively end estate-planning techniques commonly used to transfer community banks and other family-owned businesses to the next generation. Under the plan, transferring community banks and other businesses to family members would in many cases become unaffordable.

Capital relief for community bank investments in TruPS. (H.R. 6244) 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.

The Financial Regulatory Improvement Act (S. 1484): Title I of S. 1484 includes provisions to promote community bank mortgage lending, including QM status for mortgages held in portfolio; create an exam cycle commensurate with the risk posed by community banks; bring more accountability to exams by the creation of an Ombudsman; and exempt community banks from a Volcker Rule clearly intended for complex, high risk international institutions.

We urge you to make the lame duck session a productive one and to close out the 114th Congress with meaningful regulatory relief that will strengthen our communities and our prosperity. Thank you for your consideration.

Sincerely,

Independent Community Bankers of America
Alabama Bankers Association, Inc.

Arkansas Community Bankers

Arizona Bankers Association

California Community Banking Network

Independent Bankers of Colorado

Florida Bankers Association

Community Bankers Association of Georgia

Community Bankers of Iowa

Community Bankers Association of Illinois

Indiana Bankers Association

Community Bankers Association of Kansas

Bluegrass Community Bankers Association

Louisiana Bankers Association

Massachusetts Bankers Association

Maryland Bankers Association

Maine Bankers Association

Community Bankers of Michigan

Independent Community Bankers of Minnesota

Missouri Independent Bankers Association

Mississippi Bankers Association

Montana Independent Bankers

Independent Community Banks of North Dakota

Nebraska Independent Community Bankers

New Hampshire Bankers Association

New Jersey Bankers Association

Independent Community Bankers Association of New Mexico

Independent Bankers Association of New York State

Community Bankers Association of Ohio

Community Bankers Association of Oklahoma

Oregon Bankers Association

Pennsylvania Association of Community Bankers

Independent Banks of South Carolina

Independent Community Bankers of South Dakota

Tennessee Bankers Association

Independent Bankers Association of Texas

Virginia Association of Community Banks

Vermont Bankers Association

Community Bankers of Washington

Wyoming Bankers Association

Wisconsin Bankers Association

Community Bankers of West Virginia