



INDEPENDENT COMMUNITY
BANKERS of AMERICA®

ICBA ADVOCACY PRIORITIES

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