



United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

November 21, 2025

The Honorable Michelle Bowman
Vice Chair for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Jonathan Gould
Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Travis Hill
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Vice Chair Bowman, Comptroller Gould, and Acting Chairman Hill,

We are writing to urge the rescission of four agency guidance documents, including the leveraged lending guidance, model risk management guidance, and third-party risk management guidance, each jointly issued by the Board of Governors of the Federal Reserve System (Board), Office of the Comptroller of the Currency (OCC), and Federal Deposit Insurance Corporation (FDIC) and the Venture Funding bulletin issued by the OCC. Rescission of these directives would align with the goals laid out in President Trump's Executive Order 14219 by directing the repeal of unlawful regulations.¹ In addition to being improperly issued under the Congressional Review Act (CRA),² the four guidance documents also reflect poor policy by materially hindering U.S. economic growth and our national security.

¹ 90 Fed. Reg. 10,583 (Feb. 25, 2025). In Executive Order 14219, "regulation" includes any "guidance document" as defined in Executive Order 13422, 72 Fed. Reg. 2763, 2763 (Jan. 23, 2007).

² 5 U.S.C. § 801 *et seq.*

Leveraged Lending

During the Obama Administration, the agencies issued guidance in 2013³ and related frequently asked questions (FAQs) in 2014⁴ that restricted the ability of banking organizations to originate, arrange or hold leveraged loans, which generally are loans to corporate borrowers with high leverage levels, usually for the purpose of financing a merger, acquisition, or expansion. These companies traditionally are particularly reliant on bank credit, as they do not have credit ratings or an established earnings history. However, once financed, they are a potent source of economic growth.

The poorly crafted guidance has made bank credit more difficult to obtain and has been an ineffective means of managing the risks related to truly highly leveraged loans. While the agencies cited a financial stability risk in announcing the guidance, subsequent analysis and more than a decade of experience has shown there was no such risk.⁵ A 2016 working paper by Board staff⁶ and another published in 2017 by Federal Reserve Bank of New York staff⁷ independently concluded that the leveraged lending guidance was an ineffective tool for reducing that risk.

³ Bd. of Governors of the Fed. Rsrv. Sys., Supervision & Regul. Letter No. 13-3, Interagency Guidance on Leveraged Lending (rev. Nov. 13, 2014), <https://www.federalreserve.gov/supervisionreg/srletters/sr1303.htm>; Off. of the Comptroller of the Currency, OCC Bull. No. 2013-9, Leveraged Lending: Guidance on Leveraged Lending (Mar. 22, 2013), <https://www.occ.gov/news-issuances/bulletins/2013/bulletin-2013-9.html>; Fed. Deposit Ins. Corp., Fin. Inst. Letter No. FIL-13-2013, Final Joint Guidance on Leveraged Lending (Mar. 27, 2013), <https://www.fdic.gov/news/financial-institution-letters/2013/fil13013.pdf>.

⁴ Bd. of Governors of the Fed. Rsrv. Sys., Supervision & Regul. Letter No. 13-3, Interagency Guidance on Leveraged Lending (rev. Nov. 13, 2014), <https://www.federalreserve.gov/supervisionreg/srletters/sr1303.htm>; Off. of the Comptroller of the Currency, OCC Bull. No. 2014-55, Leveraged Lending: Frequently Asked Questions for Implementing March 2013 Interagency Guidance on Leveraged Lending (Nov. 7, 2014), <https://www.occ.treas.gov/news-issuances/bulletins/2014/bulletin-2014-55.html>; Fed. Deposit Ins. Corp., Fin. Inst. Letter No. FIL-53-2014, Interagency Guidance on Leveraged Lending: Frequently Asked Questions (FAQs) (Nov. 13, 2014), <https://www.fdic.gov/news/financial-institution-letters/2014/fil14053a.pdf>.

⁵ In the Office of Financial Research (OFR)'s 2013 annual [report](#), it found that leveraged loans were primarily purchased by mutual funds that specialize in such loans, or bundled into collateralized loan obligations. Investments in loan mutual funds are generally not funded with leverage and so do not present a financial stability risk. And the OFR report concludes that the collateralized loan obligations backed by the leveraged loans did not entail financial stability risk because they were funded either by commercial banks, which held only senior tranches, or by long-term investors that did not finance their holdings using short-term debt.

⁶ Paul Calem et al., Int'l Fin. Discussion Paper No. 1186, Prudential Policies and Their Impact on Credit in the United States (Dec. 13, 2016), <https://www.federalreserve.gov/econresdata/ifdp/2016/files/ifdp1186.pdf>.

⁷ Sooji Kim et al., Fed. Rsrv. Bank of N.Y.C. Staff Rep. No. 815, Macroprudential Policy and the Revolving Door of Risk: Lessons from Leveraged Lending Guidance (May 2017), https://www.newyorkfed.org/research/staff_reports/sr815.html.

The GAO opined in 2017 that the leveraged lending guidance was a rule under the CRA.⁸ The CRA provides that before any rule can take effect, it must first be submitted to Congress and the GAO for review and potential disapproval. In violation of the CRA, the guidance was never submitted to Congress, and agency examiners have continued to apply the leveraged lending guidance, resulting in inconsistencies across administrations, agencies, and examination teams.

Model Risk Management

In 2011, the OCC and the Board jointly issued Supervisory Guidance on Model Risk Management,⁹ and the FDIC adopted this guidance in 2017.¹⁰ The guidance was originally focused on models that produce quantitative outputs key to a banking organization's financial condition (e.g., underwriting, valuing exposures, and determining capital and reserve adequacy). However, since its issuance, agency examiners have required all models on a wide range of topics to be developed in accordance with government-mandated processes. They have even required "non-models" to adhere to the guidance.¹¹

The essence of the U.S. banking system is competition in managing risks and serving customers, and the government should not be in the business of telling them how to do so. Additionally, banks with different risk portfolios should not be subjected to a one-size-fits-all approach. Furthermore, except for financial reporting and capital adequacy, the majority of models and non-models used by banks pose no material financial risk and should not be the concern of examiners. In some cases, the agency guidance has severely limited the ability of banking organizations to innovate as the guidance has not been updated. In addition, the guidance has imposed large costs on banking organizations, and these costs are passed on to their customers, as banking organizations have been forced to establish multi-stage bureaucracies to validate models and non-models that have no financial consequence.

⁸ Gov't Accountability Off., No. B-329272, Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation--Applicability of the Congressional Review Act to Interagency Guidance on Leveraged Lending (Oct. 19, 2017), <https://www.gao.gov/products/b-329272>.

⁹ Bd. of Governors of the Fed. Rsrv. Sys., Supervision & Regul. Letter No. 11-7, Guidance on Model Risk Management (Apr. 4, 2011), <https://www.federalreserve.gov/supervisionreg/srletters/sr1107.htm>; Off. of the Comptroller of the Currency, OCC Bull. No. 2011-12, Sound Practices for Model Risk Management: Supervisory Guidance on Model Risk Management (Apr. 4, 2011), <https://www.occ.gov/news-issuances/bulletins/2011/bulletin-2011-12.html>.

¹⁰ Fed. Deposit Ins. Corp., Fin. Inst. Letter No. FIL-22-2017, Adoption of Supervisory Guidance on Model Risk Management (June 7, 2017), <https://www.fdic.gov/news/financial-institution-letters/2017/fil17022.pdf>.

¹¹ Per the model risk guidance: "While outside the scope of this guidance, more qualitative approaches used by banking organizations— i.e., those not defined as models according to this guidance—should also be subject to a rigorous control process." Agency examiners have equated a rigorous control process with compliance with the guidance.

In 2019, the GAO opined that the guidance was a rule for purposes of the CRA.¹² However, it was never submitted to Congress for its approval. Yet, examiners continue to apply it to banking organizations.

Venture Funding

In November 2023, President Biden’s acting comptroller issued a bulletin discouraging banks and certain other OCC-supervised institutions from making venture loans to companies in an early, expansion, or late stage of development.¹³ It states that “[v]enture loans originated with a non-pass risk rating are inconsistent with safe and sound lending standards,”¹⁴ effectively barring a bank from making them regardless of the bank’s underwriting process or reserving policies. The prohibition also contradicts the OCC’s own definition of non-pass loans, which includes special mention that “do not expose an institution to sufficient risk to warrant adverse classification.” While this was classified as a bulletin, it has been enforced by OCC examiners as a binding rule. As a result, it has cut off credit to small businesses and early-stage companies that are the engine of growth and jobs.

Third-Party Risk Management

In June 2023, the agencies finalized interagency guidance on third-party risk management, replacing earlier OCC bulletins.¹⁵ While framed as principles-based, the guidance has been enforced in practice by examiners as a binding set of requirements, with significant compliance costs for banking organizations. Community banks in particular have raised concerns that the guidance is not appropriately tailored, imposing the same complex documentation and oversight standards expected of the largest financial institutions. As Federal Reserve Governor Michelle Bowman noted in dissenting from the guidance, it does not provide “clear, usable, and more appropriately tailored expectations for small banks.”¹⁶

The guidance has also been criticized for creating a chilling effect on partnerships between banks and fintech firms, payments companies, and other third-party providers. Former FDIC Chairman Jelena McWilliams warned that unclear or burdensome expectations could drive banks to avoid third-party relationships altogether, harming innovation and limiting access to

¹² Gov’t Accountability Off., No. B-331324, Board of Governors of the Federal Reserve System—Applicability of the Congressional Review Act to Supervision and Regulation Letter 11-7 (Oct. 22, 2019), <https://www.gao.gov/products/b-331324>.

¹³ Off. of the Comptroller of the Currency, OCC Bull. No. 2023-34, Commercial Lending: Venture Loans to Companies in an Early, Expansion, or Late Stage of Corporate Development (Nov. 1, 2023), <https://www.occ.treas.gov/news-issuances/bulletins/2023/bulletin-2023-34.html>.

¹⁴ *Id.*

¹⁵ Interagency Guidance on Third-Party Relationships: Risk Management, Federal Reserve, OCC, and FDIC (June 2023), <https://www.fdic.gov/news/financial-institution-letters/2023/fil23029.html>.

¹⁶ Statement by Governor Michelle W. Bowman on Third-Party Risk Management Guidance, Board of Governors of the Federal Reserve System (June 6, 2023), <https://www.federalreserve.gov/newsevents/pressreleases/bowman-statement-20230606.htm>.

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financial products and services.¹⁷ Industry groups such as the Independent Community Bankers of America have echoed these concerns, highlighting that increased regulatory burden falls disproportionately on smaller institutions.¹⁸

Rescission is warranted, and any future supervisory framework for third-party relationships should be re-proposed with greater clarity, narrower scope, and consideration of cost-benefit impacts.

These guidance and bulletins should be rescinded immediately. If there is a need for future guidance on these topics, such future guidance should be rethought, narrowed, and published for public comment and in adherence with the CRA.

Thank you for your attention to this matter.

Sincerely,



French Hill
Chairman



Andy Barr
Chairman, Subcommittee on
Financial Institutions



Bill Huizenga
Vice Chairman



Roger Williams
Member of Congress



Barry Loudermilk
Member of Congress



John Rose
Member of Congress

¹⁷ Jelena McWilliams, remarks on third-party risk management, Banking Dive (2023), <https://www.bankingdive.com/news/fdic-chair-jelena-mcwilliams-third-party-guidance-baas-fintech-afc/699948/>.

¹⁸ Independent Community Bankers of America, Statement on Third-Party Risk Management Guidance (June 2023), <https://www.icba.org/newsroom/news-and-articles/2023/06/07/icba-statement-on-interagency-guidance-on-third-party-risk-management>.

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Young Kim
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Byron Donalds
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Scott Fitzgerald
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Mike Flood
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Monica De La Cruz
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Tim Moore
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cc: The Honorable Maxine Waters, Ranking Member
The Honorable Bill Foster, Ranking Member, Subcommittee on Financial Institutions