



Report on CBAI Staff Visit to Washington

November 28- December 2, 2016

CBAI's Vice President of Federal Governmental Relations, David Schroeder, visited the office of each member of the Illinois Congressional Delegation, met several times with officials at the Comptroller of the Currency (OCC), and conferred with senior legislative staff members of the Independent Community Bankers of America (ICBA). The purpose of his quarterly visit was to urge support for our positions on priority community banking issues. Here's a synopsis of those priority issues.

Support Meaningful Regulatory Relief for Community Banks in the Lame Duck Session of the 114th Congress.

Oppose Any Additional Regulatory Burden on Community Banks Resulting from the Criminal Misdeeds of Wells Fargo.

Support Community Bank Position on Credit Unions and the Farm Credit System and Oppose Their Expanded Powers.

During this lame duck session, Schroeder urged passage of legislation to promote fair competition in financial services and give consumers more choices. The bills listed below will strengthen community banks, which are built on customer trust, and support small business development, home and educational loans, and long-term financial security.

Support Meaningful Regulatory Relief for Community Banks in the Lame Duck Session of the 114th Congress.

Community Bank Regulatory Relief

The CLEAR Relief Act (H.R. 1233/S. 812) would provide broad regulatory relief to community banks specifically with respect to: Call Reports filings in the first and third quarters, increasing the Small Bank Holding Company Policy Statement threshold, SOX internal control attestation requirements, TILA exemptions for escrow requirements, Qualified Mortgage (QM) exemption for loans held in portfolio, and including balloon mortgages as Qualified Mortgage loans.

This legislation has 114 bi-partisan cosponsors in the House and 40 cosponsors in the Senate. **CBAI thanks Senator Mark Kirk, and Congressmen Mike Bost (R-12), Rodney Davis (R-13), Robert Dold (R-10), Randy Hultgren (R-14), Adam Kinzinger (R-16), Darin LaHood (18), and John Shimkus (R-15) for cosponsoring this legislation.**

The CLEAR Relief Plus Act (S. 927) and the Community Bank Reporting Relief Act (H.R. 4500) are legislation that would allow highly-rated and well-capitalized banks to file short-form Call Reports in the first and third quarters of each year. Full length Call Reports would be filed in the second and fourth quarters.

CBAI thanks Congressman Randy Hultgren (R-14) for introducing this bi-partisan legislation and Congressmen Mike Bost (R-12), and John Shimkus (R-15) for cosponsoring this legislation.

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.

This legislation has 27 bi-partisan cosponsors in the House. **CBAI thanks Congressman Randy Hultgren (R-14) for cosponsoring this legislation.**

Relief for Portfolio Mortgage Lending

The Portfolio Lending and Mortgage Access Act (H.R. 1210/S. 2995) 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.

This legislation has already passed the House. **CBAI thanks Congressmen Rodney Davis (R-13), Bob Dold (R-10), and Randy Hultgren (R-14) for cosponsoring this legislation.** This legislation has 40 bi-partisan cosponsors in the Senate. **CBAI thanks Senator Mark Kirk for cosponsoring this legislation.**

Relief from HMDA Reporting

The Homeowner Information Privacy Protection Act (H.R. 4993) would protect mortgage borrowers from exposure of their sensitive personal information as a result of the new HMDA mortgage application collection reporting requirements. The Comptroller would be required to conduct a study to determine if the new requirements increase the probability of exposing the

identity of mortgage applicants, identity theft, and the marketing of abusive financial products, and to recommend legislation or regulation to enhance consumer privacy in addition to suspending publication of the new data fields.

CBAI thanks Congressman Randy Hultgren (R-14th) for introducing this legislation.

The Home Mortgage Disclosure Adjustment Act (H.R. 4997/S. 3215) would require 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 lenders are currently required to collect. This legislation 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.

Establish a Treasury Department Community Bank Advisory Committee

The Small Financial Institution Advisory Committee Act (H.R. 4950) establishes a Treasury Department Community Bank Advisory Committee which would provide Treasury with valuable advice and guidance on a broad range of important issues impacting community banks in Illinois and throughout the country as well as the communities they serve. Treasury has the responsibility to be knowledgeable about community bank issues, problems and opportunities. The Advisory Committee would help Treasury fulfil its important responsibilities.

CBAI thanks Congressman Mike Quigley (D-05) for introducing this legislation.

Increase USDA Loan Guarantee Limits

The Beginning Farmer and Rancher Guaranteed Loan Modernization Act (H.R. 5733) amends the Agricultural Act of 1961 to modify the limitations applicable to qualified conservation loan guarantees from \$1.39 million to \$2.5 million while maintaining the existing 90% guarantee against default.

CBAI thanks Congressman Mike Bost (R-12) for introducing this legislation.

Promote the Use of Reciprocal Deposits

(H.R. 4116/ S. 3373) is bi-partisan legislation 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

The Right to Lend Act (H.R. 1766) would 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.

Allow Subchapter “S” Bank Shares to be Held in an Individual Retirement Account

The “S” Corporation Modernization Act (H.R. 5754/S. 3181) is bi-partisan 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 critical funding for community bank lending. A similar amendment 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.

This legislation has 84 House cosponsors. **CBAI thanks Congressmen Rodney Davis (R-13), Randy Hultgren (R-14), and John Shimkus (R-15) for cosponsoring this legislation.**

Capital Relief for Community Bank Investments in TruPS

(H.R. 6244) is a bi-partisan 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 their communities.

Consumer Financial Protection Bureau Reform

The Consumer Financial Protection Bureau Examination and Reporting Threshold Act (H.R. 4099) would increase the CFPB’s examination, enforcement and reporting threshold from \$10 billion to \$50 billion in assets.

Financial Regulatory Improvement Act (S. 1484 - Title 1) and Financial CHOICE Act (H.R. 5983)

This legislation was introduced by the Chairman of the Senate Banking Committee and Chairman of the House Financial Services Committee respectively and includes many provisions to enable community banks to thrive and better serve their customers and communities. CBAI urges members of both the House and Senate to work on a bi-partisan basis to pass many of the beneficial provisions contained in these bills into law.

Oppose Any Additional Regulatory Burden on Community Banks Resulting from the Criminal Misdeeds of Wells Fargo

Wells Fargo's criminal misdeeds resulted in a multi-million dollar fine and add to a tragically long list of violations by the nation's largest banks as evidenced by billions of dollars in fines and settlements, enforcement actions, and deferred prosecution agreements (conditional amnesty). The duration, scope, and severity of Wells Fargo's misconduct are so egregious that the public and policymakers may view the entire banking profession with broad disdain. The mega bank's behavior must not tarnish the exemplary image or impede attaining targeted regulatory relief for community banks.

There will undoubtedly be a legislative and regulatory response to the Wells Fargo fraud, but we strongly urge Congress to consider the impact of any new regulations on the nation's community banks. Costly, unnecessary new requirements would only hamper community banks' ability to serve their customers and further consolidate our nation's banking assets.

CBAI strongly urges Congress to not allow the sins of Wells Fargo and the nation's megabanks to stall the passage of regulatory relief for well-deserving community banks that treat their customers and communities fairly, honestly, and with respect.

Support Community Bank Position on Credit Unions and Farm Credit System and Oppose Their Expansion of Powers

Both credit unions and Farm Credit lenders have long-since strayed from their founding purposes, blatantly abusing their competitive advantages, and harming Illinois community banks. They must be reined in!

Again in the 114th Congress, credit unions have introduced a bill to increase their percentage of asset cap on member business lending, H.R. 1188 (Credit Union Small Business Jobs Creation Act). **The only members of the Illinois delegation who are cosponsoring this MBL bill are Cheri Bustos (D-17) and Dan Lipinski (D-3). CBAI urges Illinois members not to cosponsor this bill.** The National Credit Union Administration (NCUA), the "cheerleader regulator" of credit unions, is not satisfied with Congressional inaction on this legislation.

In a bold-faced and blatant end-around Congress the NCUA is proposing to accomplish by rulemaking what it has been unsuccessful totally unsuccessful in enacting into law through Congress, namely increasing the percentage cap on MBL. The Independent Community Bankers of America (ICBA) has filed a law suit against the NCUA to stop this unlawful rulemaking.

Most recently, the NCUA has proposed an expansion of credit union membership that would significantly weaken the current common bond requirements established by the Federal Credit Union Act. This proposal, which has been characterized by the NCUA as the most

comprehensive, sweeping, and substantive policy change in this area in 45 years, is another example of their attempt to extend credit unions' government-funded competitive advantages over taxpaying community banks. The ICBA is currently considering a law suit against the NCUA to prevent this unlawful rulemaking.

CBAI recommends that Congress convene joint committee hearings to investigate the operations, supervision, risks and financial soundness of the Farm Credit System (FCS), and its increasingly harmful impact on rural community banks. An investigative hearing would inform the House and Senate financial services and banking committees respectively about the systemic importance and bailout risks of the FCS (which is operating outside of its purview), and inform the agricultural committee about the impact of the FCS (which is the 13th largest financial institution within its purview) on our financial system and particularly rural community banks.

CBAI is urging Congress to make the Lame Duck session a productive one and close-out the 114th Congress with meaningful regulatory relief to strengthen community banks and our communities.

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