



Staff Visit to Washington Reinforces Support for Community Bank Initiatives

February, 2012

CBAI's David Schroeder, Vice President of Federal Governmental Relations, called on lawmakers in Washington, D.C., in late February to continue building congressional support for several important legislative initiatives and opposition to the unwarranted expansion of credit union powers. CBAI's 2012 Federal Policy Priorities include: important tax and regulatory relief to help community banks serve their community banks, address excessive bank regulation and harsh regulatory examinations, and support a 5-year extension of the Transaction Account Guarantee (TAG) program. Several beneficial bills have been introduced in both the House of Representatives and Senate, and Schroeder encouraged each and every member of the Illinois Congressional delegation to support and co-sponsor the favorable measures and oppose credit union expansion.

The Communities First Act (H.R. 1697 and S. 1600) was initiated by the Independent Community Bankers of America (ICBA) and includes a variety of regulatory and tax provisions benefiting community banks such as extension of the NOL carry back provisions, increasing the number of shareholders that trigger SEC registration, enhancing various rural lending programs, and authorizing loan loss amortization.

There are currently 80 bipartisan co-sponsors of the Communities First Act (CFA) including House Financial Services Committee (HFSC) Chairman Spencer Bachus (R-AL). **Illinois Congressmen Mike Quigley (D-5th), Robert Dold (R-10th), Randy Hultgren (R-14th), Tim Johnson (R-15th), and Donald Manzullo (R-16th) are also cosponsors.** The House Financial Services Committee held a hearing on this legislation last November and we are anticipating this legislation will move forward in the spring or summer.

Financial Institution Examination Fairness Act (H.R. 3461) was introduced in the House last November and is sponsored by the Chairman and the Ranking Member of the Financial Institutions Subcommittee of the House Financial Services Committee. The legislation sets forth a process for addressing the harsh regulatory examination environment which continues to be a top concern of community banks. Specifically, the legislation requires examinations to be completed in a timely manner, sets important examination standards, and establishes an independent Examination Ombudsman within the FFIEC to investigate bankers' complaints about regulatory examinations.

There are currently 108 bipartisan co-sponsors of this legislation including the HFSC Chairman Spencer Bachus (R-AL) and **Illinois Congressmen Mike Quigley (D-5th), Peter Roskam (R-6th), Robert Dold (R-10th), Judy Biggert (R-13th), Randy Hultgren (R-14th), Tim Johnson (R-15th), Don Manzullo (R-16th), Bobby Schilling (R-17th), and Aaron Schock (R-18th).** The House Subcommittee on Financial Institutions held a hearing on this legislation in early February.

Five Year Extension of the Transaction Account Guarantee (TAG) program - Congress must act quickly to advance legislation to extend full FDIC insurance coverage for non-interest-bearing deposits before the

December 31, 2012 expiration date. Failure to continue full coverage of these accounts would create uncertainty and disruption in the banking system for small business depositors.

During the depths of the financial crisis in 2008, the FDIC established coverage for these accounts to support liquidity and stability in the banking system and prevented the sudden withdrawal of deposits from community banks. As part of the Dodd-Frank Act, Congress modified and extended this coverage through 2012. The banking system and the economy remain fragile. If the insurance coverage is not extended, the coverage will revert to \$250,000. An important consideration is that this insurance is not a government bailout and FDIC insurance is fully paid for by banks with their deposit insurance premiums. Schroeder discussed this extension with members of the Illinois Congressional delegation and received positive feedback for the measure. Stay tuned for more information on how this initiative will be moving forward.

In addition to supporting positive community bank legislative initiatives, CBAI expressed strong opposition to the Capital Access for Small Businesses and Jobs (H.R. 3993) and Small Business Lending Enhancement Act of 2011 (H.R. 1418). Both of these measures are attempts by tax-exempt credit unions to expand at the expense of tax-paying community banks.

H.R. 3993 would alter credit unions' long-standing statutory capital-raising restrictions. More than 75 years ago Congress created credit unions to serve people of modest means and with a common bond. In exchange for that commitment credit unions were exempted from paying taxes. Allowing credit unions the additional power to raise investor capital will make them identical to any for-profit corporation that issues stock - except that credit unions would retain their tax-exempt status. **CBAI is pleased to report that no members of the Illinois delegation are co-sponsoring this bill.**

Credit unions are also endeavoring to pass H.R. 1418. This legislation would raise the statutory cap on member business lending. Investor capital, when coupled with an increase in the cap on member business lending, will give credit unions the opportunity to stray even further from their Congressionally mandated mission and operate in a way that was never intended by Congress when they were given their tax-exempt status. **Only four members of the Illinois delegation are co-sponsoring this bill - Bobby Rush (D-1st), Jesse Jackson (D-2nd), Dan Lipinski (D-3rd), and Jan Schakowsky (D-9th).**

CBAI thanks the Illinois Congressional delegation for their welcomed support for legislation beneficial to Illinois community banks and encourages members to oppose the expansion of tax-exempt credit unions.