



Please Support Community Bank Legislative Initiatives

July, 2012

The Community Bankers Association of Illinois (CBAI) strongly urges you to support and co-sponsor the following legislation which is beneficial to Illinois' community banks.

**Five Year Extension of the Transaction Account Guarantee (TAG) program
Communities First Act (H.R. 1697 / S. 1600)
ATM Fee Disclosure (H.R. 4367 / S. 3204)
Financial Institution Examination Fairness Act (H.R. 3461 / S. 2160)**

Excessive regulatory burden and an overly harsh bank examination environment continue to plague community banks. These bills will address these issues and allow community banks to encourage additional small business lending, fuel job creation, and help create economic stability.

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 disruption and uncertainty 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 which prevented the sudden withdrawal of deposits from community banks. Congress modified and extended the coverage through 2012.

The banking system and economic recovery remain fragile. If the expanded insurance coverage is not extended insurance coverage will revert to \$250,000.00. An important consideration is that this insurance coverage is not a government bailout and the FDIC insurance is fully paid for by the banks with their deposit insurance premiums.

Communities First Act (H.R. 1697 / S. 1600)

The Communities First Act (CFA) includes a variety of regulatory and tax provisions benefiting community banks and has 90 bipartisan House cosponsors and 6 bipartisan Senate cosponsors. The bill would address the problem of overregulation and promote lending, fueling job creation and helping to create economic stability.

The much needed regulatory and tax relief for community banks include:

- Allowing the FSOC to veto a CFPB rule upon finding that it would “adversely impact a subset of the financial industry.”;
- Increase the SEC shareholder registration threshold;
- Exempt any bank with assets of less than \$1 billion from the internal control attestation requirements of SOX 404(d);
- Amend Dodd-Frank to restore community bank reliance upon external credit ratings; and
- Extend the 5-year net operating loss (NOL) carry back provision.

The House Financial Services’ Subcommittees on Financial Institutions and Capital Markets held a hearing on this important legislation on November 16, 2011. Illinois House cosponsors include: Quigley (D-5th), Dold (R-10th), Hultgren (R-14th), Johnson (R-15th), and Manzullo (R-16th).

ATM Fee Disclosure (H.R. 4367 / S. 3204)

This legislation will eliminate the requirement that fee notices be affixed to or displayed on ATMs. Illinois cosponsors include: Lipinski (D-3rd), Gutierrez (D-4th), Quigley (D-5th), Roskam (R-6th), Dold (R-10th), Biggert (R-13th), and Shimkus (R-19th). The House recently passed this legislation by a wide bipartisan majority. CBAI encourages the Senate to pass this important legislation.

Financial Institution Examination Fairness Act (H.R. 3461 / S. 2160)

This legislation was introduced on November 11, 2011 and is sponsored by the Chairman and Ranking Member of the Financial Institutions Subcommittee of the House Financial Services Committee. H.R. 3461 has 186 bipartisan House cosponsors and 11 bipartisan Senate

cosponsors. This legislation sets forth a process to address 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 banker's complaints about regulatory examinations.

The Bill was referred to the House Financial Services' Subcommittee on Financial Institutions. A Subcommittee hearing was held on February 1, 2012. Illinois cosponsors include Gutierrez (D-4th), Quigley (D-5th), Roskam (R-6th), Walsh (R-8th), Dold (R-10th), Kinzinger (R-11th), Biggert (R-13th), Hultgren (R-14th), Johnson (R-15th), Manzullo (R-16th), Schilling (R-17th), Schock (R-18th), and Shimkus (R-19th).

In addition to supporting the positive community bank legislative initiatives, we request that you **oppose** the following attempts by tax-exempt credit unions to expand at the expense of tax-paying community banks.

Small Business Lending Enhancement Act of 2011 (H.R. 1418 / S. 2231) and the Capital Access for Small Businesses and Jobs Act (H.R. 3993)

Credit unions are endeavoring to pass H.R. 1418 / S. 2231. This legislation would raise the statutory cap on member business lending. When coupled with outside investor capital (H.R. 3993), 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. The only members of the Illinois delegation who are cosponsoring this legislation are Rush (D-1st), Jackson (D-2nd), Lipinski (D-3rd), Davis (D-7th) and Schakowsky (D-9th). This legislation unfortunately has 139 House cosponsors and 21 Senate cosponsors.

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 outside investor capital will make them identical to any for-profit corporation that issues debt and stock - except that credit unions

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would retain their tax-exempt status. Not a single member of the Illinois delegation is cosponsoring this legislation.

Thank you very much for your consideration of our positions on legislation of importance to Illinois' community banks.

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