ICBA
INDEPENDENT COMMUNITY
BANKERS of AMERICA®

August 30, 2016

The Honorable Joe Donnelly	The Honorable Ben Sasse
United States Senate	United States Senate
Washington, D.C. 20510	Washington, D.C. 20510

Dear Senators Donnelly and Sasse:

On behalf of the nearly 6,000 community banks represented by ICBA, thank you for your leadership in coordinating a letter to Consumer Financial Protection Bureau (CFPB) Director Cordray to request that the CFPB carefully tailor its regulations to match the unique nature of community banks. Your letter was signed by an impressive bipartisan coalition of 70 Senators, which is testimony to the powerful consensus behind tailored, or tiered, regulation. ICBA urges the Senate to seize on this rare consensus by enacting legislation before the close of the 114th Congress that would promote tiered regulation of community banks. A list of suggested bills is attached to this letter.

In his response to you, Director Cordray lists a number of rules issued by the CFPB that accommodate community banks by exempting them from certain requirements, providing higher thresholds or creating more generous timelines for compliance. Each one of those actions is helpful and appreciated by ICBA and community banks. Unfortunately, Director Cordray's response doesn't tell the full story.

What's missing from Director Cordray's letter is any recognition of the cumulative and collective impact on community banks of the more than 5,000 pages of regulations, amendments, clarifications of rules, and interpretative rules issued by the CFPB, in addition to rules issued by other federal agencies before and after the Dodd-Frank Act. Implementing a single new rule can take weeks or months, depending on the complexity of the change and the bank processes impacted. Every regulatory change requires software updates, testing, and training, as well as legal and audit expenses. The process of reading, evaluating, and determining the organizational impact of a 1,000-page rule is in itself a significant expenditure of staff time. And even rules that include community bank exemptions generally still require some form of compliance. All of this diverts valuable staff from other duties, including serving customers.

ICBA believes the CFPB can and should go further in the use of their delegated authority to create broad exemptions for community banks. What's more, we urge the Senate to pass legislation to provide regulatory relief for community banks with regard to the "qualified mortgage" status of loans held in portfolio, small business loan data collection, Home Mortgage Disclosure Act (HMDA) reporting, small mortgage servicers, Basel III compliance, and other areas as specified in the attached list.

Thank you again for your leadership in seeking regulatory relief for community banks and their customers. We look forward to working with you to advance community bank regulatory relief legislation into law before the close of the 114th Congress.

Sincerely,

/s/

Camden R. Fine
President & CEO

Attachment: Priority Community Bank Regulatory Relief Senate Legislation

CC: CFPB Director Cordray

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Priority Community Bank Regulatory Relief Senate Legislation

ICBA urges the Senate to pass the following bills before the adjournment of the 114th Congress:

Consumer Financial Protection Bureau Examination and Reporting Threshold Act (S. 482). S. 482 would exempt financial institutions with assets of less than $50 billion from examination and enforcement by the CFPB. This bill would enhance consumer protection by allowing the CFPB to concentrate on larger institutions, focusing on the greatest threat to consumers and making more effective use of the agency's resources. Non-exempt financial institutions would continue to be examined for compliance with CFPB rules by their prudential regulators. Supervision is more balanced and effective when a single regulator examines for both safety and soundness and consumer protection.

The CLEAR Relief Act (S. 812). S. 812 includes provisions designed to preserve community banks mortgage lending, among other provisions. Each provision is designed to preserve vital consumer protections and protect safety and soundness.

The CLEAR Relief Plus Act (S. 927). Among other provisions, S. 927 would allow a highly rated bank to file a short form call report in the first and third quarters of each year. A full-length call report would be filed in the second and fourth quarters. S. 927 would help to end run-away call report burden.

The Community Bank Access to Capital Act (S. 1816). 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. Community bank internal control systems are monitored continually by bank examiners.

The TAILOR Act (S. 3153). S. 3153 would promote tiered regulation by requiring the federal financial institutions regulatory agencies to tailor regulatory actions based on the risk profile and business model of affected institutions in order to limit the regulatory impact, including cost, human resource allocation, and other burdens.

The Home Mortgage Disclosure Adjustment Act (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.

The community bank provisions in **The Financial Regulatory Improvement Act (S. 1484):** Title I of S. 1484 includes provisions to promote community bank mortgage lending, especially in rural areas; 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. All told, this is a balanced yet robust package of relief for community bank customers.