

January 4, 2017

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Paul Ryan
Speaker of the House
United States House of Representatives
Washington, D.C. 20515

The Honorable Chuck Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
Washington, D.C. 20515

Dear Leader McConnell, Speaker Ryan, Minority Leader Schumer and Minority Leader Pelosi:

On behalf of the members of the American Bankers Association, I am writing to congratulate, welcome and offer our assistance to you and the members of the 115th Congress as you craft policy solutions that will help our nation's economy and communities thrive.

Together, America's community, midsize, regional and large banks comprise a \$16 trillion industry that employs more than 2 million women and men whose work helps to create jobs and generate economic growth. Our fundamental mission—like yours—is to ensure the security and prosperity of the people and communities we serve. We fulfill that mission by safeguarding \$12 trillion in deposits, extending \$8 trillion in loans to families and businesses and providing financial services and innovations that deliver safety, convenience, and a vibrant marketplace.

Over the last decade, the banking industry has undergone a dramatic transformation. Since 2006, more than 1,500 banks have failed, been acquired or merged. During that same period, only four new bank charters have been granted. Today, for the first time since the 1890s, there are fewer than 6,000 banks serving our nation's cities, towns and rural communities. While banks have continued to meet the needs of their clients, customers and communities, they have done so in the face of strong headwinds posed by increased prescriptive government regulation and competition from less-regulated financial players.

There are many factors beyond the Dodd-Frank Act that have caused the closure and consolidation of banks, but the sheer weight of more than 24,000 pages of proposed and final rules of this law has become a key consideration for many institutions in determining their future. That is why ABA is calling on the Administration, Congress and bank regulatory agencies to work in a bipartisan manner to pursue legislative changes that will keep financial institutions strong and capable of fulfilling their mission.

As the House Financial Services Committee and the Senate Banking Committee work together to produce such legislation, we encourage them and lawmakers on both sides of the aisle to incorporate the following priorities:

Tailored regulation and arbitrary thresholds. Tailor regulation to correspond to a bank’s business model and risk, eliminate artificial and arbitrary regulatory asset thresholds, and pursue a more balanced supervisory process that eliminates drag on bankers’ ability to employ capital to support economic growth.

Mortgage rules. Reform mortgage regulations that have raised costs and prevented banks from flexibly serving their customers without enhancing consumer protections or safety and soundness. Most crucially, deeming loans held in portfolio as Qualified Mortgages will expand safe and responsible access to credit.

Housing finance reform. Constrain the role of the federal government—and potential taxpayer liability—in housing finance to a well-defined, explicit and fully priced guarantee of loans made by private lenders. Ensure equitable access to such programs by lenders of all sizes and from all communities.

Flood insurance. Help homeowners protect themselves by providing more incentives to participate in the National Flood Insurance Program and encouraging development of a strong private flood insurance market.

Level playing fields. Reduce economic distortions by providing more charter flexibility and capital options for thrift institutions, including mutual banks, and protecting S-Corp banks from arbitrary disadvantages due to the Basel III capital and other rules.

Small business growth. Fuel lending to job-creating businesses through both increased funding for key SBA loan programs and eliminate = regulations that artificially dictate business lending decisions.

Tax reform. Reduce rates to drive growth while simplifying the complex tax code—plus eliminating poorly targeted subsidies to massive credit unions and Farm Credit lenders that no longer pursue their missions.

Student debt. Change the tax treatment of student debt repayments to help unburden those who have invested in their own potential.

Fintech and nonbank competitors. Facilitate partnerships of banks and technology firms, ensure customers are protected through consistent and effective oversight of all providers and encourage innovations by providing a regulatory “greenhouse” for testing new products before roll-out.

Data breaches. Ensure that all parties share accountability for protecting customer information and notifying the public after a breach, with the responsible party bearing the costs of their failure to protect customers.

Cybersecurity. Expand collaborative public-private efforts to fight cyber threats through information-sharing and self-reporting of cyber risks without fear of regulatory sanctions or reputation risk.

Rural growth. Pursue pro-growth policies to help farmers manage debt burdens and pricing challenges, fight deposit flight through encouraging access to longer-term stable funding sources, and address the shortage of qualified appraisers in rural areas that hinders real estate transactions.

Interchange. Restore market pricing on debit interchange fees so that consumers can once again enjoy more flexibility in the products and services that banks offer.

AML/BSA. Limit the burdens of Bank Secrecy Act compliance and reporting—especially new requirements that place undue burdens on customers—and eliminate potential sanctions for banking legal businesses.

Small-dollar credit. Preserve banks' ability to serve customers with small-dollar loans and overdraft protection.

Sensible regulation. Oversee finance in a way that promotes growth and innovation, while avoiding arbitrary and capricious penalties and providing robust exam review and appeal channels. Update rules to reflect changes in technology. Restore balance to the regulatory process, including Consumer Financial Protection Bureau reform and a focus on promoting both economic growth and safety and soundness.

Several legislative proposals were introduced in the last Congress that address these priorities, and ABA was pleased to lend our support for these measures. We look forward to working with you to enact pro-growth banking policy solutions such as these so that, together, we can help America's communities and economy thrive.

Sincerely,

A handwritten signature in black ink that reads "ROB NICHOLS". The letters are bold and slightly slanted, with a stylized flourish at the end of the name.

Rob Nichols

cc: The Honorable Mike Crapo
The Honorable Jeb Hensarling
The Honorable Sherrod Brown
The Honorable Maxine Waters
Members of the United States Senate
Members of the United States House of Representatives