

May 1, 2017

The Honorable Jeb Hensarling
Chairman
House Committee on Financial Services
Washington, D.C. 20515

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
Washington, D.C. 20515

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the members of the American Bankers Association, I am writing to share our views on H.R. 10, the Financial CHOICE Act of 2017. We appreciate the opportunity to weigh in on this legislation as it will have a profound impact on our nation's financial institutions.

First, we would like to commend you and the members of the Committee for focusing your attention on regulatory reform at the outset of the 115th Congress. Last month, the Financial Institutions Subcommittee held a hearing on the lack of new bank formations since the passage of the Dodd-Frank Act. ABA was pleased to testify at this hearing. We noted that the lack of de novo activity is concerning to our industry and reflects the same forces that are driving consolidation – excessive and complex regulations that are not tailored to the risks of specific institutions.

The thousands of pages of new regulations that have been imposed on banks, particularly community banks, are an enormous driver of decisions to sell or to merge. There is simply not enough capacity to: read and understand what rules apply; implement, train, and test for compliance with those that do; and, still have the time and resources to meet with individuals and businesses about their financial needs.

The Financial CHOICE Act will help address many of these concerns and allow banks to get back to the business of serving their customers. We are pleased that the legislation contains many provisions that ABA and our member banks have long supported.

Among the critical provisions is a repeal of the Durbin interchange amendment. This amendment was pushed through on a promise to Congress from retailers that the savings they would reap would be passed on to their customers through lower prices – a promise we now know was hollow. We thank you and Committee members on both sides of the aisle for recognizing that this price control amendment has only harmed consumers by reducing access to low-cost banking accounts for those that need them most. ABA strongly supports the provision to repeal the Durbin amendment and urges the committee to retain this provision in the bill.

We are also pleased that Title V of the CHOICE Act contains several ABA-advocated measures that have received bipartisan support and many of which have been approved in previous Congresses, such as: the TAILOR Act, which requires financial regulators to tailor regulations to fit an institution's business model and risk profile; the Qualified Mortgage (QM) safe harbor provision for mortgages held in a lender's portfolio; a provision to establish an Office of Independent Examination Review to permit appeals of examination decisions; a provision to

raise the Federal Reserve's Small Bank Holding Company threshold to \$5 billion in consolidated assets; a measure to provide mutual institutions with greater flexibility to exercise national bank powers without changing their charters; a repeal of the small business loan data collection requirement; and, a provision to allow highly-rated banks to file short form Call Reports.

ABA has long been concerned about the Consumer Financial Protection Bureau's (CFPB) broad authority coupled with a lack of sufficient transparency and accountability to elected policymakers, and we are pleased that Title VII acknowledges these deficiencies and begins to bring some clarity to the agency's mission and operations. ABA also believes that over the long term, a bipartisan commission structure could provide the necessary accountability, continuity and balanced approach that is more in keeping with other financial regulators. In addition, the repeal of the Volcker rule would remove an exceedingly complex, costly and burdensome rule, and allow banks to engage in traditional, and prudent lending, asset management and risk-mitigating hedging activities. We also appreciate the steps taken in the bill to provide relief from unnecessary stress testing but strongly believe, as do the regulatory agencies, that more could be done. For example, medium-size banks in the \$10 to \$50 billion should be exempt from company-run stress testing, a recommendation supported by the FDIC, the OCC, and in statements by Federal Reserve leaders. We likewise believe that a re-examination of the SIFI threshold for banking institutions is warranted, beyond what is currently in the underlying text.

Finally, ABA remains concerned about Title VI, the Regulatory Relief for Strongly Capitalized, Well Managed Banking Organizations provision. This provision, while well intentioned, may unnecessarily limit regulatory relief for hundreds of well-run banks of all sizes, including community and mid-size institutions. The impact of the narrow definition of traditional banking organizations combined with the restrictive elements of the supplemental leverage ratio is not clear. Our members indicate that many banks that deserve regulatory relief will either choose not to elect to be treated as a "qualifying banking organization", or will be unable to do so. We are confident that the Committee would like to identify the broadest possible relief for deserving institutions and we pledge to work with you to find solutions to accomplish this.

Banks are at the core of building strong communities. We are pleased that you and members of the Financial Services Committee share that belief. We look forward to working with the Committee throughout this Congress on crafting legislative approaches that allow our nation's banks to better and more effectively serve their customers and communities.

Sincerely,

A handwritten signature in black ink that reads "BOB NICHOLS". The letters are bold and slightly slanted, with a cursive-like flourish on the "S".

cc: Members of the Committee on Financial Services