American Bankers Association
Building Success. Together.

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The Honorable Steven T. Mnuchin
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C.20220

Dear Secretary Mnuchin,

I wish to thank you, on behalf of the bankers and officers of the American Bankers Association[1] who participated in the community banker meeting at the Treasury Department on April 5, for the opportunity to share with you our views on how to improve rules and regulations to support increased economic growth. It is clear to us how significant an emphasis that you and the Treasury Department are devoting to the Core Principles review initiated by President Trump's Executive Order.

In follow up to that meeting, we would like to share with you a summary of key issues that we raised. Moreover, we stand ready to respond to any questions or provide additional information that would be helpful to you in fulfilling the purpose of the Executive Order.

The Community Bank Business Model

Community banks' competitive advantage rests on their detailed knowledge of their local markets, local market participants, the local business environment, and the ability to customize services in accordance with that knowledge. Small businesses, and businesses focused on smaller markets, depend heavily on community banks for many financial services, but especially for credit terms that are sensitive to, and prudent in the context of, local business conditions. This detailed local knowledge benefits community banks' customers, because these banks support their customers and markets throughout the business cycle. The local bank is more able to make adjustments in loan and financial service terms safely and prudently, which keeps the financial resources available and maintains loan performance.

The regulatory trend of recent years to impose standardization of loans and financial services products undermines community banks' chief competitive advantage, instead rewarding firms that make their profit from the volume of loans and services provided. This also disadvantages financial customers who are not "standard" but nevertheless credit-worthy.   Moreover, standardizing the banking industry stifles innovation, discourages entrepreneurial investment, punishes banks serving important market niches, and has compelled many of banks to exit certain traditional lines of business.

[1] The American Bankers Association is the voice of the nation's $17 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard $13 trillion in deposits, and extend more than $9 trillion in loans.

The artificial $10 billion threshold (whether in statute or by regulation) is acting as a ceiling on community banks, forcing them to restrict their growth so as not to cross that artificial line, or otherwise face a major change in their business model in order to manage the new costs and responsibilities that come with having more than $10 billion in assets. There should be little business difference between a bank with $9 billion in assets and one with $11 billion in assets, but there is a very significant—and disruptive—regulatory difference. Consider that, once across the line, a bank gains one more examination agency as the consumer Bureau begins supervision of the bank's provision of consumer banker products and services. The bank will be subject to annual stress test exercises. Under current FDIC rules, the bank would pay a higher rate for deposit insurance. New safety and soundness requirements would also apply, including liquidity reporting, model risk guidance, and a mandate to its board of directors that it establish a separate risk committee (if the bank's stock is publicly traded). Earnings that the bank receives from debit card interchange are cut under price controls administered by the Federal Reserve. And if the bank is a national bank or state bank member of the Federal Reserve System, the dividends that it receives on the stock in its local Federal Reserve Bank is severely cut (by action of the FAST Act).

An active but unwritten regulatory policy has been to require banks to adopt what the regulators perceive as "best practices," particularly practices developed for larger banks. Much of the regulatory burden on community banks relates to this practice, and banks are being ordered to do increasingly more of what could be characterized as "busywork" that adds no supervisory or management value; the level of risk inherent in the community bank industry does not justify the amount of compliance work that is being required. Talent is leaving community banks because the regulatory burden has changed their jobs significantly and taken away the ability to take care of our customers the way to which community banks are accustomed. The cost of compliance is driving banks to have to consider responses that may, for example, reduce customer convenience by directing customers to use self-service delivery channels. It has also caused banks to rethink their branch networks and close branches.

Increasingly, community bank lending committees make a compliance decision more than they make a credit decision.

<u>Minority-Owned Banks</u>. The community bank model is also home to nearly all minority-owned banks, a segment of the industry under significant pressure. Section 308 of FIRREA was enacted to preserve Minority Depository Institutions (MDIs) in the following manner: Preservation of the present number of MDIs, preservation of the minority character where mergers or acquisitions are concerned, provide technical assistance, promote and encourage creation of new MDIs, and provide for training, technical assistance, and education. A recommitment to Section 308 of FIRREA is needed and timely. During the recent recession, minority banks failed at a rate three times that of their majority bank counterparts. In particular, there were 48 African American Banks in 2001, 41 in 2008, and 24 as of December 31, 2016.

The MDIs and African American MDIs in particular have capital challenges. It is the policy and recommendation of ABA that the programs of the CDFI fund be preserved. The CDFI fund has several tools at its disposal to help minority and community banks secure capital. Among its various programs are the Bond Guarantee Program, Financial and Technical Assistance Grants, and the Bank Enterprise Award Program (BEA). Consideration to the expansion of the BEA Award program would be beneficial to minority banks. The New Markets Tax Credit Program has generated capital for the banks, and it is requested that the program be administered in a more equitable approach (making the program more inclusive of minority banks) which would allow for significant increases in capital.

We would also draw attention of the Administration to consideration of reestablishing the Minority Depository Program. A federal government wide Minority Depository Program would guarantee a stable source of liquidity for minority banks serving the urban, low to moderate, and underserved communities. Minority Depository Institutions serve populations in low-to-moderate income census tracts and a large share of the minority population.

The deduction of deferred tax accounts from regulatory capital is also a concern for community banks, especially those who invested in the NMTC as an investment in low-to-moderate income communities. The reduction in regulatory capital for credits not used during the program period is a significant challenge for community banks.

Residential Mortgage Lending

Multiple mortgage lending regulations have been issued over the past several years (TRID, Ability to Repay, TILA), and these have severely impacted residential lending at all banks. The new rules are extremely lengthy and complex, spanning thousands of pages of regulatory and interpretive material, and carrying substantial administrative and legal liabilities. In many instances these rules are defective in that they contain errors and fail to define clearly implementation requirements and liabilities. A typical community bank reports that its *checklist* for a mortgage loan file is now four pages long, detailing the preparation and delivery of information from application to closing.

The new regulations are extremely technical and restrictive, applying thresholds and strict limits on fees, terms, and underwriting options. This has restricted product choice and eliminated financial options that could be useful to consumers (for example, balloon financing, and prudent loans to self-employed or non-prime borrowers). Any error on a disclosure, regardless of its importance, is treated by examiners as a *systemic problem* within the bank. Uncertainties in the rules depress lending and decrease investor appetite in secondary markets. In an April 2016 ABA survey, 72% of community banks reported that the ability to repay/qualified mortgage rules had restricted their ability to extend credit.

The net benefits to customers are also in doubt. The number and length of disclosures have produced less customer interest in their content, and the timing requirements for the disclosures are upsetting customers: the loan cannot close as quickly as they want and delays in closing often happen due to the timing requirements.

A simple mortgage loan has been turned into one of the most labor intensive products that the bank offers. The expenses connected with this type of loan have increased further due to the liability of outside parties preparing information for the closing and software required to prepare documents and make calculations, all required by the complexity of the regulations exceeding the in-house resources of a typical community bank.

ABA recommends a review of the mortgage rules to refine and simplify them and provide needed and authoritative guidance on their application. That exercise should include providing clarity on applicable penalties and liabilities. The risk of unpredictable liability for even technical oversights has caused delays for purchase transactions, increased prices, and reduced secondary market options.

A specific step that can be taken by regulation or by statute, that would have immediate benefits for customers and banks, would be to treat loans originated by the bank and held in portfolio as qualified mortgages (QM) under the ability to repay regulations. In those cases the bank is carrying the risk for the loan, a powerful incentive to make loans that the bank believes will be repaid. This treatment for QM loans might produce more mortgage loans that perhaps would not qualify for the secondary market but would qualify for what the bank determines to be good loans for the customers and the community, with the bank exposure encouraging the kind of quality underwriting at origination that would comport with safety and soundness.

Consumer Financial Protection Regulatory Approach

During the last decade, regulatory burden has multiplied tenfold, with more than 50 new rules in the two years before Dodd-Frank. Since 2010, regulators have issued more than 25,000 Federal Resister pages of proposed or final rules. Regulators have finalized 9 mortgage rules (many with multiple revisions), a remittance rule (revised 6 times), a prepaid card rule, a beneficial ownership rule, additional flood insurance rules, and they have doubled the HMDA reporting requirements.

In addition, the Bureau is working to finalize rules on arbitration, small dollar lending, to propose rules governing debt collection, overdraft protection services (these rules would be in addition to the Federal Reserve's "opt-in" rule that went into effect in 2012), and a rule mandating a HMDA-like data collection on small business lending.

<u>Regulation by Enforcement</u>. Since opening its doors, the Consumer regulator has used its broad powers to engage in "regulation through enforcement," including using the Bureau's undefined UDAAP authority. Director Cordray has stated that it is "compliance malpractice" for banks not to study enforcement consent orders and to extrapolate from them what are the new standards for compliance.

<u>UDAAP</u> is especially problematic especially for community banks. With UDAAP being vague and undefined, a community bank feels helpless to defend itself against an accusation of "abusive" practices. What makes the practice "abusive," and what redresses that concern? The standard is entirely arbitrary, at the regulator's discretion. To avoid the problem, community banks lean toward doing everything the same and not trying anything new, approaching innovation with regulatory-induced fear. That, of course, can lead to obsolescence, but it manages the regulatory UDAAP risk. Community banks by nature will view rules and compliance regulations very conservatively and err on the side of over compliance. Keep in mind that rule violations can have extreme penalties, such as up to $1 million per day, an enormous Damocles sword hanging over a community bank.

<u>Mortgage Servicing Rules</u>. The Bureau's mortgage servicing rules are another example of an excessive regulatory approach that serves neither customers nor banks very well. The further the borrower gets from the originator of the loan the more communication problems arise. The whole

Successors and Interest requirements are particularly troublesome due to the burden placed on banks for finding and notification of the successors of the property, informing them of their rights in a timely fashion, and loss mitigation review and changes. The rules potentially put banks at odds with privacy issues with the original borrowers' personal information. These rules shift to the bank the burden of determining that the legal entity of the property comports with the loan agreement. In addition, the definition of delinquency works against the bank and the borrower, raising safety and soundness concerns without really helping the borrower. Early intervention requirements erect significant process hurdles with regard to when you *have to* call, when you *can* call, and they conflict with some investor guidelines. There are also timing and rules hurdles surrounding the loss mitigation provisions. There are regulatory conflicts in prompt payment standards and debt collection rules that need to be addressed. And not least in importance, there is regulatory uncertainty concerning under what circumstances banks can talk with the customer about the past due status and how we can help. In short, the whole set of servicing rules are over-engineered, to the detriment of customers and servicers alike.

<u>Fair Lending/Disparate Impact</u>. The Bureau's approach to fair lending, particularly its reliance upon the disparate impact theory of enforcement, discourages any bank from standing out from the crowd. By definition, doing something different means that the statistics of your performance will be different, which is where the regulatory risk of disparate impact lives. If all banks look and act the same, there will be nothing "disparate" in their performance data.

Often, disparate impact findings are made based on demographic data or statistics that do not tell the whole story and lead to false conclusions. The approach inhibits a bank's ability to work with individual customers whom the banker knows very well in order to provide them credit. But doing so likely means that some factor is outside a minimum credit score or LTV. The threat of enforcement built on disparate impact theory inhibits bank outreach of its products to certain markets and customer segments where these products could genuinely help, raising the regulatory risk that the bank may be accused of missing a market segmentation or generating some irrelevant piece of product data.

The statutory increase in Home Mortgage Disclosure Act (HMDA) reporting fields—doubled again by Bureau implementing regulations—is troublesome, extending deep into the customer's credit profile. Previously banks used a number to identify a file, that could only be traced back by looking at the file. The Bureau's new rules require an actual street address, and they include debt to income data that could be used to figure out an individual's total income; the rules also call for reporting credit score information. The data collection could be taken as offensive to customers (non-bank financial firms are already advertising about how they do not gather and share with the government all the customer data that banks do), while also increasing the opportunity for one off mistakes, more than occasionally treated by regulators as compliance violations. This further increases the time and expense spent to create and review the reports. One community bank experienced agency action when the bank had errors in 14 out of 2,600 data fields, with many of the errors due to the bank's software identifying different census tracts than the agency's software identified. Another bank estimated that the current collection of HMDA data (including scrubbing) takes the bank at least 2 man hours per file (with a very low error rate), not including training time. The bank estimates that the increased fields will add another hour per file.

All this and other regulations have significantly inhibited community banks from being creative and innovative in their traditional way of helping individual customers with unique circumstances obtain credit, provide niche products to their community based on need, and offer loan delinquency mitigation to fit the actual individual customer's circumstance, due to fear that the bank has made an exception to policy. There are many extenuating circumstances why, fully consistent with sound underwriting, taking a customer's individual circumstances into consideration should allow community banks to help that customer—without being told that you need to apply an exception across the board to everyone. Standardizing customer interaction undermines the competitive advantage of community banks to tailor their products and services.

A 2015 ABA survey found that compliance burdens have caused almost 23% of banks to stop offering a loan product, and almost 28% of banks decided not to launch a new product, delivery channel, or enter a geographic market because of expected compliance costs or risks. Loan officers and frontline staff must spend their time in training, filling out forms, and responding to audit and exam requests rather than serving customers and making loans. Banks hire more new compliance personnel than loan officers.

Credit for Small and Medium-Sized Business

Community bank approval rates for loans to small and medium-sized business are 76%, with a 75% customer satisfaction rate for small bank business borrowers compared with 15% for online lenders. The transactions costs associated with processing a $50,000 loan, however, are nearly as much as processing a $1 million loan, but with less profit, helping to explain why community bank "efficiency ratios" (the ratio of overhead to revenue) tend to be significantly higher than the ratios for larger banks.

Proposals to impose new "consumer" protections for business loans, and new reporting requirements for bank lending to small businesses are counterproductive. Blindly applying "consumer" protections will limit judgment and access. Flexibility is necessary for small business lending. Business loans are significantly different from consumer loans. Greater sophistication is both necessary and expected for credit decisions, and bank advice is critical to business plans and credit options. Reporting steers toward standardization; business lending is far more customized. Community banks are especially positioned to be able to customize loans, unless prevented by standardizing regulations. Avoid commoditizing and standardizing small business lending.

Accommodation of Agricultural and Rural Credit

Most agricultural and rural banks are small, with an average size of $118 million in assets. Compliance burdens are more acute in rural areas due to the shortage of trained compliance personnel, and smaller income base to support compliance costs. In to many cases, boards of ag/rural banks have either decided to sell their bank or at the least reduce product offerings to customers. Applying urban-focused laws with the limitations faced by rural lenders simply does not work. The availability of resources is much more limited. Regulations that are formulated to apply nationally must include consideration for agricultural and rural areas.

Regulations applicable to examinations by the bank regulators must take into account the unique nature of lending to agriculture, the long cycles of repayment, measures of liquidity that are different from commercial credits, and other relevant factors. Increasingly there are too few examiners that have experienced the cycles of agriculture, and there is growing concern that the lack of experience will result in abrupt and excessive downgrades or other action detrimental to the ag/rural banks. This applies to lending parameters such as, for example, mortgage rules designed for homogeneous urban areas that do not take into account rural properties and their unique nature.

We would recommend for consideration allowing ag/rural banks to classify the type of loan based on collateral instead of purpose. If the collateral is ag/commercial, then the loan should be classified accordingly, subject to applicable regulation.

Supervisory concentration limits, while important factors to raise in exams of any bank, should take into account the market conditions for ag/rural banks, and apply flexibility accordingly. Concentrations should be considered, but also weighed against the ability of the bank to manage those concentrations. Many banks in rural areas do not have economic choices beyond agriculture. Forcing banks to diversify into new lending markets with which they are not familiar could raise risks, rather than ameliorate them. As long as the bank has in place sound risk management practices to mitigate risks, examiners and regulatory agencies should consider ag loan concentrations on a case by case basis and not with a broad brush.

Due to the onerous regulations implemented after the crisis, it has become increasingly difficult to attract new entrants into the appraisal industry. This is especially acute in rural areas. The average age of a rural appraiser is 60 years, with very few entrants. The regulations to qualify to become an appraiser must be streamlined and made more flexible to allow for a more plentiful supply of appraisers, especially for remote rural areas, and to allow appraisals to adjust to local conditions (for example, the scarcity of comparable properties to guide an appraisal). We would recommend for consideration that when a mortgage is held in portfolio, a community bank should be able to substitute an in-house “property evaluation” for a full residential property appraisal completed by a licensed appraiser. To help address the appraiser shortage in rural areas, we would suggest considering lowering the number of “mentoring” hours required to become a licensed appraiser, and limiting the potential liability to the mentoring appraiser.

Commercial Real Estate Guidance

Community banks are particularly well suited to compete effectively in commercial real estate lending. CRE lending is especially dependent on detailed knowledge of local markets, market participants, and the business environment.

CRE concentration limits expressed in supervisors’ 2006 guidance were stated as *guidelines*, not firm limits, but examination practice has often treated the limits as set rules. Banks need to be able prudently to serve long-standing customer relationships and meet local credit needs. Besides limiting business activity and concurrent job creation, artificially restricting community banks’ ability to serve local lending opportunities can become a significant driver of increased banking industry concentration, limiting the banks competitive advantage, while also frustrating local economic growth.

Regulatory Overlap and Duplication

Call Reports. Over the past two decades the Call Report has become extremely burdensome to banks, which must file them on a quarterly basis. The result is a large, cumbersome report that collects both obsolete data and very granular and complex regulatory data. Todays' Call Report is almost 100 pages accompanied by an instruction book of almost 1,000 pages.

In response to significant industry concerns, the bank regulators launched a formal initiative in December 2014 to identify ways to reduce burden associated with the Call Report, drawing upon close consultation with the banking industry. As a result, regulators created a new Call Report for banks with assets of $1 billion or less, deleting obsolete line items and updating certain definitions. The new small bank Call Report is a positive, if modest, step. The next phase should focus on the primary sources of burden: the complexity and granularity of the reporting and the hurdles to understanding which data are properly placed in which line item. The regulators have left the door open for further reforms in consultation with industry. This has been an effective, ongoing exercise in burden relief that serves as a useful model for other regulatory relief efforts.

Bank Exams. Examiners, appropriately, look for matters that might pose a problem for banks. Sometimes they create problems or significantly overreact. For example, examiners may insist that loan loss reserves be increased even when a borrower has never missed or been late on payments, which is inconsistent with current examination guidelines. This creates uncertainty that has a direct impact on the ability of many banks to make good loans. Other times, examiners may apply standards inconsistent with laws or regulations. Banks have no effective appeals process, a problem identified recently by the FDIC's own Inspector General. ABA has sought legislation to enhance the independence of examination appeals by creating a separate "Office of Independent Examination Review" within the FFIEC. This solves the current problem where exam appeals are considered within the same agency, in effect the agency checking its own homework.

Capital and Balance Sheet Regulations

Mortgage Servicing Assets (MSAs). Many banks that make mortgage loans also engage in servicing (as discussed above). This strategy is important for banks to maintain valuable customer relationships, while clearing their balance sheets to be able to make additional loans and to manage interest rate risk. Servicing mortgage loans has provided a reliable source of fee income for banks. Basel III capital rules apply an extremely unfavorable capital treatment to MSAs, causing banks to retain less mortgage servicing (particularly when the Bureau's mortgage servicing regulations are also taken into account).

High Volatility Commercial Real Estate (HVCRE). Many community banks are active in funding acquisition, development, and construction (ADC) loans for their local communities. In doing so banks are providing the lifeblood to grow their local economies. Basel III applies a punitive capital requirement to High Volatility Commercial Real Estate (HVCRE), which is a subset of ADC loans. The definition HVCRE is extremely complex and vague. It has been costly for banks to review their ADC portfolios and lending practices to ensure compliance. Moreover, the punitive capital treatment for HVCRE loans means higher lending costs dampening borrower demand. The banking agencies should simplify the definition of HVCRE and recalibrate the capital requirement to promote growth.

Capital Conservation Buffer and Sub Chapter S Banks. A bank that does not meet the Basel III capital conservation buffer rule is prohibited from making distributions to shareholders. Because the conservation buffer rule does not allow distributions—even for the purpose of paying federal income tax—the S Corp shareholders are forced to pay taxes on income that has not been received out of individual funds. (Note with C Corps, taxes would be assessed against the bank so shareholders would not need to pay if there is not a distribution to shareholders). Sub S banks should be allowed to make distributions for the purpose of allowing shareholders to make tax payments on their share of the Sub S bank's undistributed income in an amount equal to the effective tax rate for C Corps.

CECL. Approved with the support of banking regulators, FASB's new credit loss accounting standard goes into effect in 2020 and will require banks to recognize not only current losses in their portfolio, but also future losses. Recording such losses will constrain regulatory capital in growing banks, and capital will also be more volatile because of the inherent inaccuracy of long term forecasting. Most of the impact of this will be felt by banks that make mortgages and other long-term loans. As banks have not traditionally maintained the data to forecast losses in such a way, they will need to implement costly new systems. Each of these issues—capital constraint and volatility, as well as cost—is compounded for community banks because of their lack of critical mass. Further, regulatory capital risk weights are already designed to provide for future losses; CECL allowances double-count the credit risk. Unaddressed, this accounting rule sits as a particularly heavy weight on the lending activity of community banks.

Third Party Vendors/Lending

Each of the banking agencies has issued guidance documents that require banks to conduct due diligence on their third-party vendors, based on various criteria for safety and soundness and consumer compliance. Generally, the due diligence process described by each agency focuses on critical or significant activities and requires monitoring throughout the lifecycle of the relationship as well as board and management oversight. Third party vendor management programs are expected to be risk-focused and to provide oversight and controls commensurate with the level of risk presented by each outsourcing arrangement.

In practice, however, examiners have unrealistic expectations for compliance. For example, as interpreted by many examiners, the expectation for ongoing monitoring of the third party's activities and performance requires onsite visits and regular compliance monitoring and reporting, which is not practical for many community banks (or the third-party that may have hundreds of similar requests). Similarly, expectations for negotiating specific contractual provisions often fail to consider the imbalance of power between the two parties (i.e., a community bank versus a core provider).

Community banks rely upon third parties to offer products and services that the community bank would not have the scale and resources to develop on its own. But regulatory expectations and barriers can raise the regulatory risk of relying upon third parties and outside vendors. Community banks are thus discouraged from offering products that their customers want and value, and they are hampered in their ability to compete with larger institutions and offer innovative services.

In a related vein, the risk of regulatory or enforcement retribution is a potent deterrent against banking any customer that the government considers unworthy (though not illegal) of payment system access.

Requirements that a bank "know its customers' customers"— i.e., the customers of a payment processor—adds costs and regulatory risks that make many banks reluctant to offer deposit account access. These businesses lose banker access, banks lose good customers, and economic growth is impeded.

In addition to more reasonable and clear regulatory expectations, this problem can be significantly ameliorated were banks allowed to place some reliance upon assessments conducted by the banking agencies similar to joint agency assessments of shared national credits. Also, it should be recognized by regulators, that banks have contractual rights with their outside parties with regard to representations and warranties, and regulators should recognize the ability of banks to rely upon those to obtain redress of problems.

Community Reinvestment Act (CRA)

The world of banking has changed significantly since 1977, and CRA needs to be updated.

Uniform examiner training across agencies the agencies is needed. Examiners change from exam-to-exam and apply different standards, from agency to agency, and often within the same agency. Application of rules can seem arbitrary, undermining their efficiency and effectiveness. Bankers are reluctant to undertake activities where CRA consideration is uncertain, affecting the availability of credit and the flexibility to try new activities to meet non-standard local conditions.

The current CRA assessment area is based on physical location, developed before widespread use of the Internet and other new technologies. Greater flexibility is needed to recognize lending outside an assessment area. Currently, lending outside an assessment area may not be counted.

The other side of not recognizing the work that banks are doing, regulators are increasingly defining for the banks where the bank "should be" doing business (e.g. applying concepts like "Reasonably Expected Market Area" or "Proper Assessment Area"). This regulatory practice actually causes banks to restrict lending to their assessment area to avoid arbitrary expansion of the area by regulators where they may see an occasional loan by a bank. Application of CRA needs to reflect the market area that a bank determines it can properly serve—mere presence of a handful of loans in a geography should not bring that location into an assessment area and examiners should not arbitrarily add new geographies, while on the other hand, regulators should give full recognition to the services that banks are providing, including when the bank purchases loans, not just where the bank originates loans.

There should be stronger support for bank efforts to encourage small business lending. The performance context, recognizing the market and customers the bank serves, must be given the recognition required by the regulation (it is currently being ignored by examiners in many instances). There is an over emphasis on narrow low- and moderate-income geographies, causing projects that benefit entire communities, such as road projects and other infrastructure improvements, to be discounted or eliminated from consideration. That discourages banks from applying their resources I support of broad infrastructure projects.

Greater recognition for financial education efforts is needed, not just limited to education of children from demonstrably low-income families. All children and all groups can benefit from financial education, which helps all gain better access to financial services.

An appropriate step that would provide immediate relief—fully consistent with the purposes of CRA—would be to raise the ceilings for application of small bank and intermediate small bank treatment under CRA regulations. Keep in mind that if the local community bank does not serve the financial services needs of the local community, where else is it going to go for its business. For these banks, CRA is at best redundant.

Once again, on behalf of ABA and its member banks, I thank you for the opportunity to present to you some of the key concerns that community banks have with the current regulatory environment. Even more important, we appreciate your willingness to receive our recommendations for some actions that can and should be taken that will facilitate the ability of community banks to play their traditional role of boosting economic growth locally and, all added up, for the economy of the nation. We stand ready to work with you on a program of reforms that can preserve and promote important safety and soundness principles, harnessing them to meet the financial services needs of individuals, families, and local communities.

Sincerely,

Bob Nichols