

Date: December 11, 2017

To: Members of the Committee on Financial Services

From: James Ballentine, Executive Vice President, Congressional Relations & Political Affairs

Re: ABA's Views on Bills Scheduled for December 12, 2017 Full Committee Mark-Up

On behalf of the members of the American Bankers Association (ABA), I am writing to share our views on three bills scheduled for consideration before the House Financial Services Committee on Tuesday, December 12, 2017. The ABA is pleased to see such a diverse set of reform proposals come before the Committee. We look forward to working with the Committee and the members of the House as these bills go through the legislative process.

H.R. 1457, the Making Online Banking Initiation Legal and Easy Act of 2017 (MOBILE Act). This bipartisan legislation introduced by Representatives Tipton, Hultgren, McHenry, Sewell, Sinema, and Scott, would allow financial institutions – with the consent of an individual – to record personal information from the swipe of a driver's license or personal identification card and retain it for the purposes of opening an account with a financial institution or obtaining a related banking product or service.

The ABA believes that this legislation is mutually beneficial to both, our members and their customers, as it will help expand access to crucial banking services for underbanked populations by offering similar retail services through mobile technology. At the same time, the MOBILE Act safeguards consumer privacy through the storage of personal identification information in an electronic format, which can be an important and accessible barrier to prevent fraud or other criminal activity.

ABA supports H.R. 1457 and the substitute amendment that will be offered by Representative Tipton that will help consumer's access financial services products in a safe and efficient manner.

H.R. 4545, the Financial Institutions Examination Fairness and Reform Act. This bipartisan legislation is designed to address continuing concerns about the lack of consistency and quality in the bank examination process.

Introduced by Representatives Tipton and Maloney, H.R. 4545 establishes clear standards by giving supervised financial institutions the right to have material supervisory determinations reviewed by an independent Examination Review Director to ensure the consistency of all examinations. The legislation would also ensure that financial institutions receive timely examination reports that include full documentation of the information the regulators used to make their determinations; would create an expedited process for banks to appeal examination

decisions; and would impose safeguards to ensure institutions do not improperly use the review process.

This legislation takes a major step toward a more balanced and transparent approach regarding regulators' decision-making during the examination process. ABA supports H.R. 4545 and would urge the committee to approve this legislation.

H.R. 4464, the Common Sense Credit Union Capitol Relief Act of 2017. While the National Credit Union Administration's (NCUA) risk based capital rules may not be perfect from the perspective of the \$1.3 trillion taxpayer subsidized credit union industry, they are an important step toward protecting the taxpayer-backed insurance fund from the losses that could occur should the industry be allowed to continue to operate under existing rules. NCUA noted in a 2015 report to the House Financial Services Committee that the risk based capital rule that this legislation would repeal was pursued because both the Government Accountability Office and NCUA's Inspector General found that the existing NCUA rule on risk-based net worth failed to prevent credit union losses as a result of the financial crisis. Just last week, NCUA Board Member Rick Metsger noted the National Credit Union Share Insurance Fund may soon be required to increase loss reserves because of recent credit union failures due to high concentrations of certain business loans. Existing capital rules did not stop these risky concentration levels, and as Board Member Metsger noted, these recent failures are "a prime example of why we need a strong risk-based capital system" for credit unions.

The NCUA Chairman has indicated that revisiting the risk based capital rule is a priority, so H.R. 4464 may be premature at this time. We urge the Committee to review this legislation carefully to determine the full impact of the measure.

We appreciate the opportunity to share our views with the Committee on measures which ABA has a formal position. We hope that those measures that ABA supports will be approved by the Committee and receive favorable consideration on the House floor.