

June 7, 2017

The Honorable Paul Ryan
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Nancy Pelosi
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Speaker Ryan and Minority Leader Pelosi:

On behalf of the members of the American Bankers Association, I am writing to share our views on the Substitute amendment to H.R. 10, the Financial CHOICE Act of 2017, scheduled for consideration before the House of Representatives on June 8, 2017. We appreciate the opportunity to weigh in on this legislation as it will have a profound impact on our nation's financial institutions.

We would like to commend Chairman Hensarling and members of the House Financial Services Committee for focusing their attention on financial regulatory reform. The growing volume of bank regulation—particularly for community banks—is negatively impacting the ability of banks throughout the nation to meet our customers' and communities' needs. The committee's commitment to working on these issues is greatly appreciated.

We agree with members of Congress on the need for strong regulation of our financial system. Lawmakers, regulators and bankers themselves took important steps after the crisis to improve overall safety and soundness. However, within the 25,000 pages of new and proposed rules since Dodd Frank became law are requirements that are harming our ability to serve creditworthy customers and our communities.

The thousands of pages of new regulations that have been imposed on financial institutions 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 this legislation contains provisions that ABA and our member banks have long supported.

For example, 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.

Moreover, 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 regulation, 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 to eliminate the stress test for any non-SIFI. We likewise believe that a re-examination of the SIFI threshold for banking institutions to eliminate arbitrary asset thresholds is warranted. The most effective supervision regime is one that is risk-based and individually tailored, taking into account a wide-variety of factors relevant to the risk of a bank's activities, products, and services.

ABA remains concerned about Title VI, the Regulatory Relief for Strongly Capitalized, Well Managed Banking Organizations provisions. These provisions, 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 and the precedent of the legislative body setting capital ratios is a concern. Our members indicate that many banks who 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 hopeful that members of the Committee and of the House would like to identify the broadest possible relief for deserving institutions and we pledge to work with members to find solutions to accomplish this.

We are disappointed that the language to repeal the Durbin Interchange amendment, despite being approved in Committee in both the 114th and 115th Congress, was removed from H.R. 10 prior to floor consideration. The Durbin Interchange amendment was bad public policy when it was approved as part of the Dodd-Frank Act and remains bad public policy today. This price control amendment has only harmed consumers by reducing access to low-cost banking accounts for those that need them most. The CHOICE Act would be much improved with the inclusion of the Durbin repeal language.

The ABA supports an amendment (#13) by Representative Faso which will reinstate regulatory treatment of Mutual Holding Companies (MHCs) with minority shareholders that allows them to pay market rate dividends. The amendment will place MHCs on a more level playing field with stock holding companies and provide them the ability to raise additional capital to meet the lending needs of their customers and communities without placing their mutual structure at risk.

We thank the House Financial Services Committee for focusing on financial regulatory reforms and we look forward to working with members of the House on additional 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 "ROB NICHOLS". The letters are bold and slightly slanted, with a stylized flourish at the end of the word "NICHOLS".

cc: Members of the U.S. House of Representatives