

July 9, 2013

The Honorable Shelley Moore Capito
Chairman, Subcommittee on Financial
Institutions and Consumer Credit
House Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Gregory Meeks
Ranking Member, Subcommittee on Financial
Institutions and Consumer Credit
House Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Capito and Ranking Member Meeks:

On behalf of the members of the American Bankers Association, I am writing in support of your bill, H.R. 2547, the Determination of Appropriate Risk-Based Capital Requirements for Community Financial Institutions Act of 2013.

The Federal Reserve Board (Fed), Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) – the “federal banking agencies” – have proposed capital rules for banks related to the international standards agreed to by the Basel Committee known as “Basel III.”

Although the new capital standards originally were intended to set appropriate levels of high quality bank capital for internationally active banks, the rules initiated by the federal banking agencies go beyond the Basel III framework. Despite the recent revisions made by the banking agencies, the proposed rules will have adverse consequences for all financial institutions, but particularly for community, mid-size, and regional institutions, the communities they serve, and the overall U.S. economy.

We are greatly concerned that in proposing the rule the federal banking agencies did not present a thorough empirical study proposal. Although there were quantitative impact studies of the potential impact on the largest institutions, there was no empirical study of the impact of the proposals on all segments of the U.S. banking sector, customers, and the broader U.S. economy. Even with the publication of implementing rules by the banking regulators, the need persists for policymakers to know what the impact will be before these rules start affecting the economy and the availability of banking services. The phase-in time provided in the rules gives important opportunity to study the impact of the rules and allows the regulators to make necessary adjustments.

H.R. 2547 presents several important areas of consideration and study, including the long-term potential impact of the Basel III rules; the costs of the rules for community financial institutions; and the impact of the rules on residential mortgage lending and home equity lines of credit.

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We applaud your leadership on this issue. We encourage your colleagues to support H.R. 2547 and similar measures that require a thorough analysis of the impact of Basel III on financial institutions.

Sincerely,

A handwritten signature in black ink that reads "James C. Ballentine". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

James C. Ballentine

cc: Members of the House Financial Services Committee