

May 5, 2014

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

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

Re: ABA Support for Suspension Calendar bills H.R. 3329 and H.R. 2672

On behalf of the members of the American Bankers Association (ABA), I am writing to express our support for H.R. 3329, legislation introduced by Representative Blaine Luetkemeyer (R-MO). This bipartisan legislation, which passed the House Financial Services Committee on November 14, 2013 by voice vote, would provide much needed regulatory relief for hundreds of community banks and thrifts by increasing the Federal Reserve's Small Bank Holding Company (BHC) threshold.

Under H.R. 3329, the BHC threshold would be increased from \$500 million to \$1 billion. By doing so, more banks and thrifts will qualify for coverage under the BHC and will be exempt from certain capital and regulatory guidelines that do not provide materially more safety and soundness protection in the context of these community banks.

This legislation accomplishes a major goal. It facilitates the ability of community banks and thrifts to issue debt and raise capital and thus increase their involvement in promoting the growth of their local economies. This is extremely important as regulators have proposed through other regulations to increase capital requirements significantly for both community banks and larger institutions in the coming years.

ABA has supported similar legislation (H.R. 1750), which would have raised the threshold to \$5 billion. We remain supportive of that higher threshold and would encourage the Congress to reevaluate this issue in the future. We appreciate the leadership of Rep. Luetkemeyer on this issue and **urge the House to help community banks and thrifts by supporting H.R. 3329.**

H.R. 2672, the Helping Expand Lending Practices in Rural Communities Act, introduced by Representative Andy Barr (R-KY), would direct the Consumer Financial Protection Bureau (CFPB) to establish an application process under which a person who lives or does business in a state may apply to have an area designated as a rural area if it has not already been designated as such by the Bureau. This ABA-supported legislation passed the House Financial Services Committee by a vote of 55-1 on March 14.

The Dodd-Frank Act provided the CFPB with discretionary authority to exempt certain loans from the qualified mortgage rule. The CFPB has exercised this authority to accommodate community banks that make short-term balloon loans as a means of hedging against interest rate risk. The exemption applies only if, during the preceding calendar year, the creditor extended more than 50 percent of its total covered transactions that provide for balloon payments in one or more counties designated by the Bureau as "rural" or "underserved." Thus, the definition of

rural and underserved is critical and can dramatically affect banks and the communities they serve.

The CFPB has struggled with an appropriate definition as there are dozens of different definitions of “rural” used for various federal government purposes. The CFPB’s original definition of rural—which the Bureau has appropriately put on hold—was far too narrow and was inconsistently applied and would have had a dramatic, negative impact on small lenders and communities.

The CFPB acknowledges the narrowness of its original definition of rural and the willingness of small portfolio lenders to serve borrowers with specialized needs, and the necessity for protection in order for these lenders to continue to make loans meeting these needs.

An appropriate exemption is critical to a bank’s ability to meet their community’s needs. The CFPB has wide discretion in defining “rural and underserved” and it should ensure that any future definition not exclude banks from offering deserving customers access to credit. H.R. 2672 would help to assure that whatever definition of rural is ultimately used by the CFPB, there would be an avenue to apply to the Bureau to extend the definition of rural in those inevitable cases where a county may have been inappropriately excluded. We appreciate the leadership of Rep. Barr on this issue and **we urge passage of H.R. 2672.**