

January 10, 2014

The Honorable Jeb Hensarling
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

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

Dear Chairman Hensarling and Chairman Capito:

On behalf of the members of the American Bankers Association (ABA), I am writing to express our strong support for your bill, H.R. 3819, the Fairness for Community Job Creators Act. This important and urgently needed legislation would clarify that the Volcker Rule will not require banking institutions to divest their ownership in collateralized debt obligations (CDOs) secured by trust preferred securities (TruPS) that were issued before December 10, 2013.

We applaud you for introducing this important legislation to provide relief from the sudden and unnecessary write downs of TruPS CDOs resulting from the agencies' Volcker Rule implementing regulations. Because of the timing of this rule, many community banks must – both unexpectedly and unnecessarily – record market value losses on trust preferred securities for year-end financial statements.

Even though these institutions previously intended to hold these securities to maturity, thus eliminating the need to recognize temporary pricing changes, accounting rules require full mark-to-market loss recognition upon the expectation of selling, which would be required under the agencies' Volcker Rule. Because banks must file within just a few weeks, there is considerable urgency to have relief and to enact H.R. 3819.

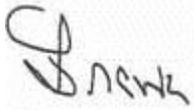
We understand there has been some discussion among some in Congress about imposing limitations on relief based on the size of the bank that holds TruPS CDOs. ABA believes that there should be no such size limitations. Issuing TruPS enabled community banks to raise long-term funds that the regulators allowed to count as capital. Most community banks have limited access to outside capital, so TruPS issuance was an important vehicle for them and enabled greater lending capacity. Importantly, those banks could only issue TruPS if there were a market for them of willing buyers.

This market demanded a pooling of TruPS issued by several banks (into the TruPS CDOs), and relies not just on other small banks as investors – although many stepped up to buy these and help fellow community banks. Rather, the market by necessity had to be bigger, with banks of all sizes participating. There is no reason to hurt any investor, regardless of size, that had endeavored to help community banks raise capital and serve their communities.

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We thank you for introducing H.R. 3819 to help community banks and we hope Congress will take immediate action to pass this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Keating". The signature is written in a cursive style with a large initial "F".

Frank Keating
President and CEO

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