

March 1, 2018

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Charles Schumer
Minority Leader
United States Senate
Washington, D.C. 20510

Dear Majority Leader McConnell and Minority Leader Schumer:

On behalf of the members of the American Bankers Association (ABA), I am writing to express our strong support for S. 2155, the Economic Growth, Regulatory Relief and Consumer Protection Act, which is scheduled for consideration before the Senate next week. We appreciate the opportunity to weigh in on this legislation as it will enhance the ability of our nation's financial institutions to serve their customers and communities.

First, we would like to commend Banking Committee Chairman Mike Crapo and Senators Heidi Heitkamp, Jon Tester, Joe Donnelly and Mark Warner for their focused attention on crafting this bipartisan regulatory reform proposal. The committee has held a number of hearings and received input from over 100 stakeholders, including community groups, think tanks, organized labor, small business interests, and financial service providers of all sizes, on how to improve economic growth. This comprehensive process has led to the crafting of a strongly bipartisan piece of legislation, which is cosponsored by Senators Corker, Scott, Cotton, Rounds, McCaskill, Perdue, Manchin, Tillis, King, Kennedy, Kaine, Moran, Peters, Risch, Bennet, Heller, Coons, Blunt, Carper, Sasse and Jones. We welcome the bipartisan support for this bill and believe this legislation marks a long-overdue return to commonsense, bipartisan banking policy that serves the American people.

S. 2155 will address some issues stemming from the thousands of pages of new regulations that have been imposed on banks in the past ten years. These rules have been particularly hard for community banks to absorb and have been an enormous driver of their decisions to sell or to merge. There simply is not enough capacity at smaller organizations 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 legislation amounts to a right-sizing of financial rules that will allow these smaller institutions to best serve their customers and communities without compromising safety and soundness.

Though not a perfect bill, particularly in its continued reliance on arbitrary asset thresholds, S. 2155 contains many provisions that ABA and our members banks have long supported. Among them is one that would provide "qualified mortgage" legal status to residential mortgage loans that a community bank holds in its portfolio. Portfolio lending is among the most traditional lending practices in which a bank can engage. Loans held in portfolio are well underwritten and

conservative by their very nature. They must be for the safety and soundness of the bank, since a bank carries all of the credit and interest rate risk of a loan held in portfolio until it is repaid.

Existing mortgage rules, especially those governing “ability to repay” and “qualified mortgage” status under the Truth in Lending Act, are very restrictive and have made it difficult – and in some cases impossible – for banks to make loans to creditworthy borrowers who don’t fit the government’s criteria. While ABA strongly believes that banks of any size should be able to receive the safe harbor offered in this legislation, we support the inclusion of this provision in the bill.

Title II of the bill contains several ABA-supported provisions, including relief for community banks from unnecessary Volcker Rule restrictions. We believe this is an important first step in recalibrating the rule for smaller banks whose trading and investment activities do not pose the systemic risks that the Volcker Rule legislation was intended to address.

S. 2155 also includes a multitude of regulatory reform provisions aimed at the nation’s smaller financial institutions, such as: allowing highly-rated banks to file short form call reports; offering savings associations charter flexibility, allowing them to adapt their business models to the changing demographics and needs of their communities; enabling more banks and thrifts to qualify for the relief offered under the Federal Reserve’s small bank holding company policy statement; exempting small banks from complex capital and regulatory guidelines that do not provide materially more safety and soundness protection; and extending the 18-month examination cycle to save both banks and regulators time and resources. The bill also facilitates opening online accounts, which will help all institutions be responsive to the financial needs of their communities.

There is broad support, including from current and former regulators, for revisiting the asset threshold that triggers enhanced prudential standards. ABA strongly supports tailored regulation, and while it’s unfortunate that S. 2155 continues to rely on arbitrary asset thresholds rather than adopting a risk-based approach to reform, we believe increasing the threshold constitutes a critical step in the ongoing process of replacing one-size-fits-all regulation with more nuanced, tailored supervision.

ABA is pleased that the committee has taken the input of a wide range of stakeholders in fashioning this bipartisan legislation. We strongly believe the bill’s many meaningful reforms will help financial institutions serve their customers and grow our economy.

We urge members of the Senate to join the 26 bipartisan cosponsors of this bill and support S. 2155.

Sincerely,

A handwritten signature in black ink that reads "BOB NICHOLS". The letters are bold and slightly slanted, with a stylized flourish at the end of the name.

cc: Members of the United States Senate