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President and CEO

April 28, 2010

Dear Senator:

On behalf of the nearly 5,000 community bank members of the Independent Community Bankers of America, I write to express our support for the good faith efforts of both parties to negotiate meaningful financial reform legislation that will end the abuses of Wall Street and reduce the prospect of a future economic collapse. We take this opportunity to note the provisions of S. 3217 that we support and to detail the modifications we seek. The ICBA's top priorities are outlined below, and a complete list of potential changes that would impact community banks (positively or negatively) is attached.

ICBA's top priorities are:

End Too-Big-To-Fail. ICBA supports the provisions of S. 3217 designed to end the problem of too-big-to-fail banks by (i) regulating large financial firm activities so that they pose less risk to the system; and (ii) creating a resolution authority mechanism modeled after the FDIC's resolution authority.

Set FDIC Assessment Base That Reflects True Risk to the System. The FDIC should base deposit insurance assessments on assets (minus tangible capital) instead of domestic deposits to ensure large firms pay their fair share of deposit-insurance premiums and capture the true risk they pose to the financial system. The assessment formula must be made statutory in S. 3217 in order to shield the FDIC from lobbying by the megabanks.

Consumer Financial Protection Bureau Rules Must Not Compromise Safety and Soundness. ICBA opposes the creation of an autonomous consumer protection agency. S. 3217 should be modified to completely exempt community banks from CFPB examination and strengthen the role of the prudential regulators in consumer regulation. The prudential regulator checks on CFPB rule-writing currently contained in S. 3217 should be enhanced.

Enhance Non-Bank Consumer Enforcement. The resources of the CFPB should be focused on the source of the most abusive consumer practices – non-bank lenders and other non-depository financial institutions. In addition to being subject to CFPB rules, non-banks should be subject to regular examination by the CFPB.

Avoid Punitive Lending Limits for State Banks. State-chartered banks should be subject to lending limits determined by their primary regulators who are best able to

judge the unique circumstances of their state economies. We oppose the provision of S. 3217 that would subject state-chartered banks to national lending limits. This one-size-fits-all approach would unreasonably constrain small business lending, especially in rural states.

Restore the Federal Reserve's Authority to Examine State-Chartered Community Banks. S. 3217 would strip the Federal Reserve's authority to examine state-chartered community banks. We support restoration of this authority. The Federal Reserve's relationship with state-chartered community banks keeps them in touch with the Main Street businesses they serve and aids in the development of sound monetary policy. The central bank function of the Federal Reserve was created to serve all of America not just Wall Street.

Eliminate Unnecessary Risk Retention Requirement for Qualified Loans. Qualified loans should be exempt from the risk retention requirement of S. 3217 for loans sold. Unreasonable risk retention of requirements will stifle needed lending.

We look forward to working with you to enact legislation that will put our financial regulatory system on sound footing in order to restore the economic vitality of our nation.

Sincerely,

/s/

James D. MacPhee
ICBA Chairman
CEO, Kalamazoo County State Bank

/s/

Camden R. Fine
President & CEO



Independent Community Bankers of America Views on S. 3217

ICBA supports the following changes to S. 3217

Federal Deposit Insurance Corporation Assessments: Make asset-based assessments statutory to better reflect risk to the financial system.

Consumer Financial Protection Bureau (CFPB) Rule Writing: Increase prudential regulators' role in CFPB rule writing to protect safety and soundness.

CFPB and Non-Banks: Grant CFPB exam and enforcement authority over non-banks.

Community Bank Exemption from CFPB Exams: Extend community bank exemption from CFPB to examinations. The CFPB would have no examination or enforcement authority over community banks and should play no role in examinations conducted by primary regulators.

Lending Limits for State Banks: Delete provision conforming lending limits of state-chartered banks to those applicable to national banks.

Federal Reserve Exam Authority: Restore Fed authority to examine state-chartered community banks in order to retain the link between the Fed and Main Street.

Loan Retention: Statutory relief from 5% retention requirement on loans sold. Sound loans did not cause the financial crisis and should be exempt from the retention requirement.

Extended Loan Loss Amortization: Extended loan loss amortization for privately-held banks, giving them more flexibility to work with struggling borrowers.

Section 404(b): Permanent exemption for small companies of at least \$150 million in public float from Section 404(b) of Sarbanes-Oxley.

FDIC Transaction Account Guarantee Program: Extension of FDIC TAG program to 2013.

Farm Credit System: Eliminate Farm Credit System exemptions that provide a competitive advantage for FCS institutions.

Swaps Regulation: Exemption from definition of swap dealer for depository institutions that enter into swaps with customers that are end-users.

Thrift Charter: Restore option of new federal thrift charters.

Deposit Cap: Support amendments to strengthen deposit concentration cap.

Accredited Investors: Delete higher income/wealth standards for accredited investor status for private placements.

Governance: Relief from new burdens on publicly-held banks and bank holding companies – small banks should be exempted from:

- Rules regarding “say on pay”
- Requirement for compensation committees
- New compensation disclosures
- Claw-back provisions
- Rules regarding director elections

Home Mortgage Disclosure Act: Delete new HMDA disclosures – banks would have to report at least 13 new items under HMDA.

Federal Home Loan Banks: Correct provisions adversely affecting Federal Home Loan Banks:

- Lending concentration limits
- Application of the resolution authority
- Application of derivatives limits

State Attorneys General: Limit or bar state AG enforcement of CFPB rules over national banks.

FDIC exam fees: Eliminate FDIC exam fee authority and subsidy of OCC.

Paperwork: Relief from new paperwork burdens including:

- Deposit reporting requirements (geocoding etc)
- Small business loan applicants reporting
- Authority of CFPB to require additional info/reports regarding consumer financial services and publicize it

New Treasury Assistant Secretary: Create an Assistant Secretary of the Treasury for Community and Minority-Owned Financial Institutions.

Industrial Loan Companies: Maintain the separation of banking and commerce by prohibiting ILC charters.

ICBA opposes the following changes to S. 3217

Interchange fees: Amendment to regulate interchange fees.

Usury caps: Amendments to impose usury caps.

Auto dealer Exemption: Exempt auto dealers from CFPB.

Small Business Exemption: Exempt small businesses from CFPB.