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Rebeca Romero Rainey, *President and CEO*

January 30, 2023

Dear Senator or Representative:

On behalf of community banks¹ across the country, I write to congratulate you on being sworn in as a member of the 118th Congress.

We take this opportunity to share with you our policy priorities for the 118th Congress. Community bankers believe well-designed initiatives, and avoidance of misguided policies that carry unintended consequences, will promote economic prosperity. ICBA's recommendations for the 118th Congress are presented below. Some of these recommendations are unfinished business from the 117th Congress that have been thoroughly vetted and received bipartisan support. Others are fresh initiatives put forward by community bankers based on their real world, on-the-ground experience of what works in their communities.

ICBA Agenda for the 118th Congress

Robust Agency Oversight. ICBA urges Congress to exercise robust oversight of the federal financial agencies. In particular, community bankers are concerned about agencies overstepping their statutory authority in rulemaking; the use of informal communications, including press statements and social media, to convey expectations and effectively make rules outside of the notice and comment requirements of the Administrative Procedure Act; and inadequate oversight of non-bank financial firms, including financial technology and cryptocurrency firms which pose significant risk to the broader financial system.

Climate Risk. Community banks have decades of experience managing concentration risks, maintaining strong underwriting and insurance practices, and responding to natural disasters. Climate risk proposals and regulations – including concentration limits, stress testing, mandatory disclosures, and capital requirements – must not obstruct community banks' support for their communities and customers.

Credit Card Routing Mandates. ICBA will continue to strongly oppose controversial legislation that would create complex new credit card routing mandates that would force an overhaul of the payments landscape at significant systemic cost – a cost ultimately borne by consumers and the community banks that serve them.

¹ With more than 50,000 locations nationwide, community banks constitute 99 percent of all banks, employ nearly 750,000 Americans and are the only physical banking presence in one in three U.S. counties. Holding more than \$5 trillion in assets, more than \$4 trillion in deposits, and more than \$3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America.

The Nation's Voice for Community Banks.®

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Recent proposals for such mandates have been poorly conceived and would benefit the largest “big-box” merchants including Amazon, Walmart, and others at the expense of consumers.

Preserve SBA Bank Lending. ICBA strongly opposes direct lending under the Small Business Administration’s 7(a) program. The SBA has a poor track record in direct lending, with significantly higher subsidy rates and increased risk of fraud. SBA direct lending is a poor and costly alternative to private sector lending and would reach fewer borrowers.

The SBA’s proposal to allow non-bank financial technology (fintech) lenders to participate in the 7(a) loan program would threaten the integrity of a highly successful program long led by community banks. Non-bank fintech fraud and defaults in the Paycheck Protection Program are well documented and must not be allowed to undermine the 7(a) program and harm borrowers. ICBA urges legislation to block this misguided SBA proposal.

A Fair and Competitive Landscape for a Dynamic Economy

Crypto Assets, Decentralized Finance, and Central Bank Digital Currency. Recent market events, including the multi-billion-dollar meltdown perpetrated by FTX, have again highlighted the ongoing risks of cryptocurrencies, including stablecoins, and their potential for contagion and overspill into the traditional financial system. Effective and comprehensive regulation is needed to balance the risks and benefits of this emerging technology. ICBA strongly opposes efforts to grant nonbank stablecoin issuers access to the Federal Reserve master account and the creation of any retail U.S. CBDC, which would directly compete with community bank deposits needed to fund local lending.

ILC Loophole Promotes Corporate Consolidation and Threatens the Federal Safety Net. Industrial loan companies (ILCs) are the functional equivalent of full-service banks without being subject to federal consolidated supervision. New ILC charters controlled by dominant social media and e-commerce conglomerates would give these companies yet more economic power and reach into the lives of Americans without needed regulation. ICBA supports statutory closure of the ILC loophole.

Curb or Eliminate Tax Subsidies for Rapid-Growth, Bank-Like Credit Unions. Today’s behemoth, growth-oriented credit unions are leveraging their tax subsidy to purchase tax-paying community banks. This trend is reducing consumer choice and eroding the tax base of states, localities, and the federal government. ICBA urges Congress to restore balance to the American financial services marketplace and help close the growing budget deficit by re-examining the justification for the outmoded, 100-year-old credit union tax subsidy.

Farm Credit System Crowding Out Rural Community Bank Lending. Farm Credit System (FSC) lenders enjoy unfair advantages over rural community banks and leverage their tax and funding advantages as government sponsored enterprises (GSEs) to siphon the best agricultural loans away from community banks. In recent years FCS has sought non-farm lending powers in an effort to compete directly with commercial banks for non-farm customers.

Incentivizing Credit for Low- and Middle-Income Customers and American Agriculture. ICBA supports the creation of targeted tax credits or deductions for community bank lending to low- and moderate-income individuals, businesses, and farmers and ranchers. Such tax credits or deductions would help to sustain and strengthen lending to these borrowers and would help to offset the competitive advantage enjoyed by tax-exempt credit unions and Farm Credit System lenders.

Farm Bill. ICBA advocates for a robust Farm Bill in 2023 that provides enhanced USDA guaranteed loans and strong crop insurance and ensures commodity programs provide a stable safety net for American agriculture.

Regulatory Policies to Promote Economic Growth and Job Creation

Promoting De Novo Community Banks. ICBA supports a flexible and tailored supervisory policy for de novo banking applicants to help ensure a robust community bank landscape serving small businesses and households.

Supporting Minority Depository Institutions. Minority-owned depository institutions (MDIs) are committed to improving lives and stabilizing neighborhoods in distressed communities. It is crucial that MDIs have the legislative, regulatory, and financial support they need to remain operational and profitable.

Community Development Financial Institutions. CDFIs are specialized financial institutions that provide financial products and services to populations and businesses located in underserved markets. The CDFI Fund's proposed revisions to the Certification Application and the Annual Certification would harm the low-income communities served by CDFIs. ICBA urges legislation to block or amend this proposal.

Extension of expiring tax relief. ICBA will advocate for permanent extension of the individual provisions of the Tax Cuts and Jobs Act, including the deduction for pass-through income (Section 199A), a top individual rate of no more than 37 percent, preferential tax rates for capital gains, and an adequate estate tax exemption, before their scheduled expiration in 2026.

Banking Services for Legal Cannabis-Related Businesses. ICBA supports legislation that would create a safe harbor from federal sanctions for financial institutions that serve cannabis-related businesses in states where cannabis is legal. It is critically important to public safety that cannabis-related businesses have access to the traditional banking system, rather than operate exclusively in cash.

ICBA believes that the policy recommendations outlined in this letter will play a critical role in creating a robust economy and charting a course for inclusive growth and a more competitive financial landscape that serves small

businesses and consumers. We look forward to meeting with you soon to discuss these proposals in more detail.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

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