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February 8, 2023

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

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, D.C. 20515

Re: Community Bank Perspective on Legislation Before the Committee

Dear Chairman McHenry and Ranking Member Waters:

On behalf of the Independent Community Bankers of America and the nearly 50,000 community bank locations we represent, I write to thank you for convening today’s hearing on “Revamping and Revitalizing Banking in the 21st Century.” Consumers, businesses, and the broader economy can only thrive in a competitive landscape for financial services that harnesses the potential of emerging technologies in a way that does not create systemic risk or compromise consumer financial integrity. Robust competition among numerous providers and a level playing field ensure favorable pricing and innovative, quality services and minimize systemic risk.

ICBA offers the community bank perspective on the following bill to be considered at today’s hearing.

The Financial Data Privacy Bill. This bill includes important provisions that will improve consumer privacy and accountability for data security for more entities that handle consumer data. We highlight the following provisions:

- **The inclusion of data aggregators in the definition of financial institution so they are bound by the same GLBA rules as traditional financial institutions.** ICBA supports privacy measures that hold all entities that handle nonpublic personal information to the same standards to which community banks and other financial institutions are held through the Gramm-Leach-Bliley Act (“GLBA”). We suggest that the definition be expanded to include all permissioned third parties.
- **Holding data aggregators responsible for ensuring the security of the consumer information they access.** The more entities that access and transfer bank data, the higher the probability of compromise. When a financial loss occurs through no fault of a community bank, a third party that has failed to secure consumer data must be held liable for any breach and resulting consumer harm. Too often, the breached entity evades accountability while community banks are left to mitigate damages to their customers. Barring a liability shift, community banks should have access to various cost recovery options.

The Nation’s Voice for Community Banks.®

WASHINGTON, DC
1615 L Street NW
Suite 900
Washington, DC 20036

SAUK CENTRE, MN
518 Lincoln Road
P.O. Box 267
Sauk Centre, MN 56378

866-843-4222
www.icba.org

- **Recognition of the burden on small financial institutions.** The bill directs agencies to take into account the compliance costs new privacy rules will impose on small institutions. ICBA strongly supports this provision and urges policymakers to consider the compliance burden imposed by additional disclosures and other new regulatory requirements.
- **A national privacy standard preempting the patchwork of state privacy laws.** The current patchwork of differing state privacy laws and requirements creates unnecessary cost and burden for community banks and other small businesses. A single national standard will simplify community bank compliance and reduce inadvertent errors in the application of complex and sometimes conflicting laws.

ICBA looks forward to further discussions of the details of this important draft bill.

The Promoting Access to Capital in Underbanked Communities Act of 2023 (H.R. 758). ICBA strongly supports H.R. 758, which would promote the creation of de novo community banks, especially in America’s rural areas, which have been adversely impacted by the rapid consolidation of financial institutions over the past decade. The bill would provide more flexible capital standards for de novo banks. ICBA has addressed the details of this bill in a separate [letter of support](#).

The Promoting New and Diverse Depository Institutions Act. This bill requires the federal banking agencies to study barriers to entry for de novo depository institutions face and develop a strategic plan for the promotion of de novo applicants with a special focus on minority depository institutions, potential community development financial institutions, and depository institutions in underserved communities. ICBA support this bill as a complement to H.R. 758 in the creation of much-needed de novo community banks.

Thank you again for convening today’s hearing and for considering the community bank perspective. We look forward to working with to advance the bills discussed above.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO