

MEMORANDUM

TO: Members of the Committee on Financial Services

FROM: Committee Majority Staff

DATE: January 31, 2025

SUBJECT: February 5, 2025, Full Committee Hearing: “Make Community Banking Great Again”

On Wednesday, February 5, 2025, at 10:00 a.m. EST, the Committee on Financial Services will hold a hearing in Room 2128 of the Rayburn House Office Building titled, “Make Community Banking Great Again.” The following witnesses will testify:

- Cathy Owen, Executive Chairman, Eagle Bank & Trust Company, Little Rock, AR
- Susannah Marshall, Bank Commissioner, Arkansas State Bank Department
- Rebecca Romero Rainey, President & CEO, Independent Community Bankers of America
- Patrick J. Kennedy Jr., Founding Partner, Kennedy Sutherland, LLP
- Mitria Spotser, Vice President, Federal Policy, Center for Responsible Lending

The hearing will examine the current landscape of community banking in the United States, including how community banks serve as the lifeblood for many local communities. The Committee will identify regulatory burdens stemming from Dodd-Frank and highlight the actions of federal banking regulators during the Biden Administration. Additionally, the hearing will examine potential legislative reforms to strengthen community banking and ensure regulation is properly tailored so as to not overly burden banks and threaten their ability to lend to American families, small businesses, and communities.

Attached Legislation

1. **H.R. 478, the *Promoting New Bank Formation (Barr)*:** This bill would promote de novo bank formations by reducing burdensome initial capital requirements and restrictions. Specifically, the bill would provide for a 3-year phase-in period for de novo financial institutions to meet federal capital requirements, lower the Community Bank Leverage Ratio (CBLR) for rural community banks to 8 percent from 8.5 percent during the first three years of operations, and require the federal banking agencies to promulgate rules setting the CBLR lower for the first two years of operations to allow for a phase-in period. The bill additionally removes some restrictions to allow federal savings associations to deal in agricultural loans and requires the federal banking agencies to conduct a joint study on trends in de novo financial institutions.

2. **H.R. __, the *Fair Audits and Inspections for Regulators (FAIR) Exams Act (Hill)*:** This bill would establish an Office of Independent Examination Review within the Federal Financial Institutions Examination Council to review material supervisory determinations (MSD) issued by the Federal banking agencies. This would allow any bank – including community and rural banks and credit unions – to appeal a supervisory determination while also prohibiting federal financial regulators from retaliating against a financial institution for exercising their appellate rights under this bill. The bill would also require bank examiners to conduct and complete examinations no later than 60 days of the exam exit interview and share with banks the materials relied on in making the MSD.
3. **H.R. __, the *Small Bank Holding Company Relief Act (Donalds)*:** This bill would require the Federal Reserve Board to raise the consolidated asset threshold of small bank holding companies from \$3 billion to \$10 billion. This bill will provide sensible regulatory relief to make it easier for smaller community banks to raise capital. The bill does not change capital rules and regulations for subsidiary banks.
4. **H.R. __, the *Small Lenders Exempt from New Data and Excessive Reporting (LENDER) Act (Hill)*:** This bill would exempt the smallest financial institutions from the requirements of the Consumer Financial Protection Bureau’s (CFPB) Small Business Lending Rule (pursuant to Section 1071 of the Dodd-Frank Act). The bill would raise the origination threshold to at least 500 credit transactions to small businesses in each of the preceding two years and lower the gross annual revenue threshold to \$1 million or less. The bill would also require a three-year compliance deadline and a two-year safe harbor from any penalties for failure to comply.
5. **H.R. __, the *Bank Loan Privacy Act (Rose)*:** This bill would require the CFPB to clarify, through a notice-and-comment rulemaking, the way information collected under the CFPB’s Small Business Lending Rule (pursuant to Section 1071 of the Dodd-Frank Act) will be published. Specifically, this bill would require the CFPB to issue a rule prior to deleting or modifying publicly available small business loan data due to privacy concerns, describe the intended modifications and deletions, and explain how such modifications and deletions will advance a privacy interest.
6. **H.R. __, the *1071 Repeal to Protect Small Business Lending Act (Williams)*:** This bill would repeal Section 1071 of the Dodd-Frank Act, which requires the CFPB to promulgate a small business lending data collection rule. The bill would also rescind the rule and terminate any data collection obligations associated with the rule.
7. **H.J. Res. __, a resolution of disapproval on CFPB’s overdraft rule:** Disapproving the rule submitted by the Bureau of Consumer Protection relating to “Overdraft Lending: Very Large Financial Institutions.”