



September 30, 2011

The Honorable Kirsten Gillibrand
United States Senate
478 Russell
Washington, DC 20510

Dear Senator Gillibrand,

As the President/CEO of Independent Bankers Association of New York State, Inc., in your district, and on behalf of the roughly 5,000 member banks of the Independent Community Bankers of America, I write to request your support and co-sponsorship of S. 1600, the Communities First Act (CFA). The CFA was recently introduced by Sen. Jerry Moran (R- Kan.) with the goal of providing regulatory relief for community banks, their customers, and their communities.

Regulatory, tax, and paperwork requirements disproportionately burden our community banks and leave them lacking the legal and compliance resources of larger institutions. The expense of this over-regulation makes it harder for community banks to attract capital, support the credit needs of their customers and communities, and contribute to our local economies. Credit unions and other nonbank institutions that offer comparable products and services are not subject to the same laws and regulations, giving them a competitive advantage over community banks. Enactment of the Communities First Act will provide relief for community banks and the communities and customers they serve.

The CFA also reduces the tax burden on community banks and narrows the competitive gap between community banks and tax-exempt credit unions.

Examples of CFA provisions include:

- Modifying FSOC review of CFPB regulations to allow FSOC to veto a rule that "is inconsistent with the safe and sound operations of United States financial institutions."
- Increasing SEC shareholder registration threshold to 2,000 from 500 for banks. To de-register stock for banks, increase shareholder threshold from 300 shareholders to 1700 shareholders.
- Requiring the SEC to ensure that accounting principles truly reflect the business model of the preparer.
- Extending 5 year NOL carry back. Allow community banks with \$15 billion or less in assets to spread out their current losses with a 5 year carry back allowed through 2011.

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- Amending Dodd-Frank to provide that mortgage loans held in portfolio by banks under \$10 billion in assets are excluded from escrow requirements.
- Allowing community banks under \$10 billion in assets to raise additional capital without losing net operating loss carry-forward tax benefit.
- Increasing from \$10 million to \$30 million the annual issuance limitation for tax-exempt obligations. The limitation would be indexed for inflation prospectively.
- Permitting a Roth IRA account for individuals under age 26 to encourage early savings.

The Communities First Act was introduced and advanced during the 109th and 110th Congresses, both times with bi-partisan support. Prior to Sen. Moran, CFA legislation was introduced in the Senate during the 110th Congress by then-Senator Sam Brownback (R-KS).

The 2006 Financial Services Regulatory Relief Act (FSRRA) adopted provisions from a prior version of the CFA, notably the increased eligibility threshold for the extended 18-month exam cycle. FSRRA provided a welcome down payment on needed regulatory and tax relief for community banks. The measured relief provided by CFA would bring more credit to our communities without compromising safety and soundness or consumer protection.

Thank you for your time and consideration of this pro-Main Street legislation.

Sincerely,

Frank J. Capaldo
President / CEO

FJC/clc