

Federal Legislative Update for the

**Independent Bankers Association of
New York State, Inc.**

**Annual Convention
October 25, 2011**



Focus on three important areas

- Communities First Act (CFA)
- Credit union/member business lending
- ICBA's Political Action Committee

Communities First Act

- Third Congress/iteration
- 26 provisions
- Regulatory, small business, and tax relief
- H.R. 1697/S. 1600



Highlight a few key provisions

Call Reports

- Problem: have grown in length and complexity.
- Solution: permit highly rated/well-capitalized banks with assets <\$10b to file short form report in 2 non-sequential quarters each year.

SEC Shareholder Threshold

- Problem: hasn't been increased since the 1960s!
- Generational transfers.
- Solution: For banks, increase current registration threshold from 500 to 2000 shareholders.

Sarbanes-Oxley Section 404

- Problem: internal control attestation requirements are an expensive compliance burden.
- Necessary for small banks? No!
- Solution: exempt banks with assets <\$1b.

Annual Privacy Notices

- Problem: send out the same notice every year--\$\$!
- Notices go right into the “circular file”.
- Solution: require banks to send notices out only if the bank changes its policy.

Mortgage Escrow Requirements

- Problem: DFA requires for most loans.
- Make sense for CBs? Many cases, no!
- Solution: exempt banks with assets <\$10b if they hold loan in portfolio.
- Maintain discretion of CB.

Credit Ratings

- Problem: DFA says banks can no longer rely upon credit ratings. Regulators: another system?
- Compliance burden: big bank vs. small bank.
- Solution: Retain credit ratings/regulator may require additional risk analysis.

CFA Strategy

- Very big/very broad bill.
- Move pieces separately or as part of other legislative vehicles.
- Success with previous versions of CFA.
- Current examples: SEC shareholder threshold; Sarbanes-Oxley Section 404.
- House hearing: November/December.

Co-Sponsors

- House: H.R. 1697 currently has 43 co-sponsors--26R/17D.(New York Reps. Hayworth and Bill Owens: two out of 39 House members).
- Senate: S.1600 currently has 5 co-sponsors—all Rs.

We need your help!!

cbconnect[®]

www.cbconnect.org

CFA Toolkit

- Talking Points
- Bill Information

Congress Today/Key Legislation

- Up-to-date cosponsor info

Featured Alert

- Write Congress on CFA/customizable letter.

CFA Featured Alert

CFA Toolkit

The screenshot shows the cbconnect website with a navigation bar at the top containing links for HOME, GET INFORMED, GET INVOLVED, CONGRESS TODAY, JOIN US, and CONTACT US. A blue arrow in the top right corner points to the CONGRESS TODAY/KEY LEGISLATION link. The main content area features a 'Communities First Act Toolkit' section with a blue header and a 'CLICK HERE TO VISIT THE COMMUNITIES FIRST ACT TOOLKIT FOR THE LATEST UPDATES ON THE FIGHT FOR MUCHNEEDED REGULATORY AND TAX RELIEF FOR COMMUNITY BANKS.' link. Below this are two featured alerts: 'Support Regulatory Relief for Community Banks' and 'Oppose House/Senate Credit Union Business-Lending Cap Raise Bills'. The 'Support Regulatory Relief' alert includes text about Rep. Blaine Luetkemeyer (R-MO) and Sen. Jerry Moran (R-OK) introducing companion bills (S. 1000 and H.R. 1097) to provide regulatory relief for community banks. The 'Oppose House/Senate Credit Union Business-Lending Cap Raise Bills' alert includes text about the House and Senate considering companion bills (H.R. 1418 and S. 509) to expand credit union lending powers. Both alerts include a 'Contact Congress NOW!' button. The footer of the website includes the ICBBA logo and the text 'INDEPENDENT COMMUNITY BANKERS of AMERICA®'.

Credit Union/Member Business Lending Legislation

H. R. 1418/S. 509

Would more than double CU member business lending from 12.25% to 27.50% of assets.

ICBA strongly opposes!

Credit unions claim:

- Many credit unions are close to bumping up against the current cap (according to NCUA, only 162 out of 7300 credit unions are near the cap).
- Banks are turning away viable small business customers. (???)
- Loan diversification will enhance their safety and soundness. (In the commercial lending space?).

ICBA's Rebuttal

- H.R 1418/S. 509 will not increase small business lending.
- There is low small business loan demand today due to uncertainty: new health care law; regulatory environment; tax burden; job situation/faltering economy.
- Our customers need customers!

ICBA Rebuttal—cont'd

- CU lending costs taxpayers at all levels.
- Displaces lending by taxpaying banks.
- If they act like banks, then they should be regulated like banks!
- Remove their tax exempt status (would reduce deficit by \$32b over 10 years).
- Make CUs subject to CRA.

House/Senate Hearings

- House hearing: October 12 (Sal Marranca, President/CEO, Cattaraugus County Bank; ICBA Chairman).
- Senate hearing: June 2011
- Overriding issue—loan demand.

Credit Union Grassroots Power

H.R. 1418 has 88 co-sponsors

S. 509 has 20 co-sponsors

Sound policy arguments don't always determine legislative success/failure.

CUs have a wide and deep grassroots network/force to be reckoned with.

ICBA's POLITICAL ACTION COMMITTEE

ICBPAC



Grassroots

Lobbying

- Only federal PAC exclusively dedicated to protecting & promoting the community banking industry
- Supports candidates of both parties who understand community banking & our interests

ICBPAC

- Over 3,000 supporters
- Raised over \$1.5 million during '09-'10 cycle
- Supported 300 candidates/committees in '09-'10 cycle
- 100 Club: more than 250 community bankers & 2,000 directors make an annual contribution of \$100 or more
- Annual Auction: held during ICBA's national convention, raised \$450,000 in 2010!

ICBPAC

Personal contributions (check or credit card)
can be made online at www.icba.org

or may be mailed to

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