

April 1, 2025

The Honorable French Hill
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: Support for Markup of H.R. 976, H.R. 1919, and H.R. 478

Dear Chairman Hill and Ranking Member Waters:

On behalf of ICBA and the nearly 45,000 community bank locations we represent, I write to thank you for scheduling a full committee markup on April 2. We are grateful for the inclusion of the community bank priority bills discussed below. **ICBA urges all members of the Financial Services Committee to vote YES on the following bills:**

The 1071 Repeal to Protect Small Business Lending Act (H.R. 976, Rep. Williams)

Repeal of Section 1071 of the Dodd-Frank Act is a top priority for ICBA and America's community banks. Section 1071 requires small business lenders to collect and report granular and invasive data on every small business loan application. The effect of this data collection would be the effective "commoditization" of small business lending.

Small business lending is not and should not be a commodity like consumer lending. Small business underwriting is based on numerous borrower characteristics and market variables. Loans are typically customized to give borrowers the best chance at success. The data collected under 1071 will not reflect the full scope of this underwriting and may suggest discrimination where none exists. Lenders will likely respond by standardizing loan features to protect themselves from charges of discrimination. Standardized features effectively "commoditize" small business lending for borrowers who are best served by customized loans – including minority and women borrowers – tailored to their individual business characteristics.

In addition, publication of collected data will compromise the financial privacy of borrowers in smaller communities, where it would be possible to identify borrowers based on reported data.

ICBA strongly supports full repeal of Section 1071 as embodied in H.R. 976.

The Anti-CBDC Surveillance State Act (H.R. 1919, Rep. Tom Emmer)

This legislation would prohibit the Federal Reserve from offering products or services directly to an individual, maintaining an account on behalf of an individual, or issuing a central bank digital currency directly to an individual.

ICBA adamantly opposes the direct provisioning of retail deposit accounts by the Federal Reserve known as “FedAccounts.” FedAccounts would compete directly with checking and savings accounts offered by community banks and raise serious privacy concerns, as they could potentially be used by the government to track consumer financial transactions.

A central bank digital currency (CBDC) would present many of the same objections as FedAccounts. Notably, it would directly compete for bank deposits that fund lending. Any type of direct-to-consumer CBDC could create an outflow of deposits from community banks with an adverse impact on credit availability.

ICBA strongly supports H.R. 1919 to prohibit both FedAccounts and a direct-to-consumer CBDC.

The Promoting New Bank Formation Act of 2025 (H.R. 478, Rep. Andy Barr)

This legislation would promote the creation of de novo community banks, especially in America’s rural areas. New bank charters are needed to offset the harmful impact of consolidation of financial institutions over the past decade. Consolidation has reduced the number of access points to credit and other financial services for rural farmers, small businesses and consumers.

H.R. 478 contains the following provisions:

- The bill would direct the Federal banking agencies to issue rules that provide for a 3-year phase-in of capital standards. This provision would lower one of the primary barriers to the creation of de novo banks: raising capital.
- The bill would allow a de novo community bank to request permission from the Federal Deposit Insurance Corporation to deviate from its approved business plan. Local economic circumstances change, and a de novo must have the ability to adapt and revise its business plan so that it can succeed.
- The bill would create a three-year phase-in of the Community Bank Leverage Ratio (CBLR) for rural community banks, with a CBLR of 8 percent in year 3 and lower percentages, to be determined by the Federal banking agencies, in years 1 and 2.
- The bill would remove limitations on agricultural lending as a percentage of assets for federal savings associations and thrifts. This provision will expand credit for American agriculture.

The provisions above would provide more regulatory, capital and lending flexibility which will facilitate the creation of de novo banks, encourage investment in these banks and promote their viability. Excessive regulation is a burden for all community banks, but it presents a special challenge for de novos that must dedicate their resources to establishing a foothold in their market and achieving

viability. H.R. 478 will promote more competition in rural markets for financial services, expand access to credit, and support the economic vitality of rural America.

Thank you for considering the committee bank perspective on these important bills. Again, we urge you to vote in favor of the above bills in Wednesday's markup.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

CC: Members of the House Financial Services Committee