

Outcomes in the Highway Bill: Effective Advocacy Matters for Community Banks

The Recently-Advanced Highway Bill Contained Risks and Opportunities for Community Banks. ICBA and Community Banks' Effective Advocacy Made a Critical Difference in the Outcome.

What was at Risk?

The Senate-passed Highway bill tapped banks to pay for new transportation spending.

Seventy-Five
Percent
Dividend Cut on
Federal Reserve
Stock

Higher Guarantee-
Fees on Loans Sold
to Fannie
Mae/Freddie Mac

- The Senate-passed bill included a steep reduction in the dividend paid on Federal Reserve stock. The dividend rate would have dropped from 6% to 1.5% for member banks with assets above \$1 billion.
- The Senate-passed bill also would have extended higher g-fees.

What was the Outcome?

The final House-Senate agreement provides:

Exemption for banks of
less than \$10 billion

Dividend rate linked to
the interest rate on 10-
year Treasury notes
and capped at 6%

Higher g-fees
eliminated

The Opportunity

As a result of ICBA's effective advocacy, instead of shrinking revenues for thousands of community banks and creating a new tax of mortgage lending, the Highway Bill became a vehicle for ICBA's **Plan for Prosperity** community bank regulatory relief provisions. These provisions were held hostage to legislative gridlock. The final House-Senate agreement includes:

Longer Exam
Cycles for Highly
Rated Banks

Broader Access to
"Rural Lender"
Benefits

Privacy Notice
Relief

Relief for Thrift
Holding
Companies

Restoration of
Crop Insurance
Funding

Capital Treatment
of Trust Preferred
Securities

➤ Exam Cycle

The final bill allows CAMELS 1 and 2 banks with assets up to \$1 billion to use an 18-month exam cycle. A longer exam cycle will reduce distractions and allow bank management to focus on serving their customers and communities.

➤ Rural Lenders

The final bill makes it easier for community banks with assets below \$2 billion to qualify as “rural lenders” by eliminating the requirement that they lend “predominantly” in rural areas. Rural lenders can make balloon loans that qualify as “qualified mortgages” and are not required to escrow for higher priced mortgages. This provision will ease the QM rule for many more community banks.

➤ Privacy Notices

The final bill eliminates annual privacy notice mailings when a bank has not changed its privacy policies. These notices are a source of confusion to consumers and needless expense for community banks.

➤ Thrift Holding Companies

The final bill creates parity between thrift holding companies and bank holding companies by allowing them to use the shareholder registration thresholds of the 2012 JOBS Act. A thrift holding company will not be required to register with the SEC until it exceeds 2,000 shareholders. A thrift holding company that drops below 1,200 shareholders will be allowed to deregister.

➤ Federal Crop Insurance

The final bill restores \$3 billion in recent cuts to the federal crop insurance program which were included in the recent budget agreement. Crop insurance plays a critical role in helping community banks finance agricultural borrowers.

➤ Trust Preferred Securities

Under current law, only community banks with assets of less than \$15 billion may count trust preferred securities as Tier 1 capital. A bank’s assets level is measured on a single, arbitrary date, December 31, 2009. The final bill adds a second date, March 31, 2010, so that banks that experienced a drop in asset values may take advantage of this capital treatment.

Effective Advocacy Turned a Risk into an Opportunity for Community Banks

ICBA and thousands of community bankers nationwide directly shaped the outcome of the Highway Bill by:

- ✓ Rolling out a [Plan for Prosperity](#) regulatory relief agenda for the 114th Congress
- ✓ Publishing [op-eds](#) in widely-read publications
- ✓ Speaking out in the media
- ✓ [Testifying](#) before congressional committees and sending numerous [letters](#) to Congress
- ✓ Taking our message directly to members of Congress and key staff in countless meetings in Washington and in their home districts and states
- ✓ Initiating more than 2,600 grass roots banker contacts
- ✓ Leveraging the influence of 43 state-based community bank associations