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## NATIONAL CONFERENCE OF INSURANCE LEGISLATORS (NCOIL)

### **Resolution in Support of an Exemption for Community Banks from Onerous and Unnecessary Regulations**

*To be considered by the NCOIL Financial Services Committee on March 4, 2017.*

*Adopted by the NCOIL Financial Services Committee on July 15, 2017 and the NCOIL Executive Committee on July 15, 2017.*

***Sponsored by Sen. Travis Holdman (IN)***

**WHEREAS**, community banks, generally defined as banks with less than \$10 billion in assets, provide safe and sound lending opportunities for their members and play a critical role in U.S. lending markets; and

**WHEREAS**, community banks account for more than 50% of all small business loans, and almost one out of every five U.S. counties have no other physical banking offices except those operated by community banks; and

**WHEREAS**, despite their major role in the U.S. economy and their minimal role in the 2008 financial crisis, one of the most significant problems community banks face is the sheer volume of banking regulations resulting from the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which established the Consumer Protection Financial Bureau (CFPB) whose authority is to administer, enforce, and otherwise implement federal consumer financial laws; and

**WHEREAS**, many of the regulations resulting from Dodd-Frank were intended to stop activities that larger institutions conducted in the run-up to the financial crises; and

**WHEREAS**, such regulations require a degree of categorization, recordkeeping, and reporting that can be particularly onerous for smaller institutions such as community banks which do not have large compliance staffs; and

**WHEREAS**, many community banks struggle with such unnecessary regulatory burdens, hindering their ability to fuel small business growth and job creation without enhancing consumer protections or improving the safety of the financial system; and

**WHEREAS**, the Government Accountability Office (GAO) has found that Dodd-Frank regulations have caused community based financial institutions to spend a tremendous

amount of resources on compliance, thereby reducing the availability of credit to the communities they aim to serve; and

**WHEREAS**, while the CFPB does not have direct supervisory authority oversight over community banks, incongruously, the CFPB can still require community banks to submit reports, and can examine community banks at its discretion “on a sample basis...to assess compliance with the requirements of Federal consumer financial law,” thereby sending a mixed message to community banks; and

**WHEREAS**, section 1022(b)(3)(a) of Dodd-Frank gives the CFPB the authority to adapt regulations by allowing it to exempt “any class” of entity from its rulemakings; and

**NOW, THEREFORE, BE IT RESOLVED**, that NCOIL supports the CFPB using such authority to create a regulatory environment for community banks that promotes their role as catalysts for entrepreneurship, economic growth, and job creation; and

**NOW, THEREFORE, BE IT FURTHER RESOLVED**, that the CFPB exempt community banks from all of its rulemakings pursuant to section 1022(b)(3)(a) of Dodd-Frank, and if the CFPB does not use its authority to exempt community banks from its rulemakings, then NCOIL urges Congress to amend Dodd-Frank accordingly so that community banks are exempt from all of the Act’s provisions so that community banks can return to the effective regulatory scheme in place prior to July 21, 2010, thus freeing community banks to use their capital in productive ways; and

**NOW, THEREFORE, BE IT FURTHER RESOLVED** that NCOIL urges the Secretary of the Treasury, the Federal Reserve Board, the Comptroller of the Currency, and the Chairman of the Federal Deposit Insurance Corporation to take all steps within their authority consistent with this Resolution;

**AND, BE IT FINALLY RESOLVED**, that a copy of this Resolution shall be distributed to the Speaker and Minority Leader of the US House of Representatives; the Majority Leader and Minority Leader of the United States Senate; Chairman and Ranking Member of the US House Financial Services Committee; Chairman & Ranking Member of the Senate Banking Committee; Secretary of the Treasury; Director of the Consumer Financial Protection Bureau, Chairman of the Federal Reserve Board; Comptroller of the Currency; and, Chairman of the Federal Deposit Insurance Corporation.