



Transforming Regulation for Growth: The Community Bank Agenda

ICBA's legislative agenda would create a framework of streamlined regulation and low taxation for community banks and their customers. Community bank credit fuels local economic growth in thousands of communities across America.

ICBA and community bankers look forward to working with policymakers to advance this agenda.

Fix Destructive Regulatory Burden

Overly prescriptive regulations continue to encumber community bank lending and inhibit economic growth. Excessive regulation of community banks drives industry consolidation that will directly harm consumers and small businesses. Community bank regulatory relief will promote the flow of credit and economic opportunity for households and small businesses.

Simple, transparent, and streamlined regulations can be administered more efficiently and reduce government cost, saving taxpayer dollars.

ICBA recommendations include:

Update Regulatory Thresholds for Community Banks. Congress and the regulatory agencies should comprehensively review and update the many thresholds used to tier bank regulation and supervision. Tiered regulation recognizes the significant differences between community banks and large, complex institutions in terms of the risks they pose to consumers and to the financial system. To work as originally intended and remain aligned with an evolving financial services landscape, thresholds for regulatory accommodations and exemptions based on asset size, risk profile, and transaction volume should be continually reviewed and adjusted upward as community banks consolidate and the average asset size of banks increases.

Relief from Intrusive Small Business Data Collection Rule. The CFPB's rule under Dodd-Frank Section 1071 requires community banks and other financial institutions to collect and report 81 pieces of data on every small business loan application, well beyond what is required by statute. Intrusive data collection will compromise the privacy of small business applicants, effectively "commoditize" small business lending, and increase the cost of credit.

The 118th Congress demonstrated its staunch opposition to the CFPB rule by passing bipartisan House and Senate legislation to repeal it, only to be vetoed. In addition, legislative fixes were advanced that would exempt more community banks and more small business borrowers.

ICBA urges the 119th Congress to promptly repeal or substantially revise Section 1071 to limit the implementation of a destructive rule.

The Supreme Court’s Chevron Reversal Should Lead Policymakers to Reconsider More Harmful and Inefficient Rules. In June 2024, a Supreme Court ruling effectively curbed *Chevron* deference, which gave agencies discretion to interpret ambiguous laws through rulemaking. This ruling creates an opportunity for a comprehensive review of regulations with the goal of cost cutting and more efficient government.

Modernizing the Bank Secrecy Act. ICBA recommends raising the currency transaction report (CTR) threshold from \$10,000 to \$30,000 and indexing future increases on an annual basis. The current threshold, set in 1970, is significantly outdated and captures far more transactions than originally intended. A higher threshold would produce more targeted, useful information for law enforcement. ICBA calls for the implementation of Section 6204 of the Anti-Money Laundering Act of 2020, which requires the Treasury secretary to review the efficacy of the current BSA-reporting thresholds.

Strengthening Accountability in Bank Exams: A Workable Appeals Process. An independent body should be created to receive, investigate, and resolve material exam complaints from banks in a timely and confidential manner. This would create much-needed checks and balances in the current system, which grants examiners almost unfettered and unassailable authority. A workable appeals process would hold examiners accountable and prevent retribution against banks that file complaints.

Relief from Internal Control Mandates. An exemption from SEC-mandated internal control audit requirements should be created for publicly traded banks with a market capitalization of at least \$350 million or less regardless of revenue. This should be paired with an equivalent exemption from FDIC-mandated internal control audit (Part 363) for banks with assets of less than \$5 billion. Under current law, any company with market capitalization of \$75 million or less or a company with less than \$700 million in market capitalization with annual revenue less than \$100 million is exempt from the SEC mandate. Any bank with assets of less than \$1 billion is exempt from the FDIC mandate. Because community bank internal control systems are monitored continually by bank examiners, they should not have to sustain the unnecessary annual expense of paying an outside audit firm. This provision would substantially lower unnecessary accounting costs for small banks without creating more risk for investors or the deposit insurance fund. It would allow these banks to redirect resources toward community lending.

Facilitate New Capital Investment Through Private Offerings. SEC Regulation D should be reformed so that anyone with a net worth of more than \$1 million, including the value of their primary residence, would qualify as an “accredited investor.” The number of non-accredited investors permitted to purchase stock under a private offering should be increased from 35 to 70.

Ensuring a Competitive Financial Landscape

The separation of banking and commerce is a longstanding principle of American financial policy and has been critical to our nation’s economic success. Community banks embrace innovation in financial technology, which offers the promise of reaching more consumers and expanding products and services.

As Congress continues to review and reform the legal and regulatory framework of financial services, we urge them to ensure that it promotes community bank innovation. Congress should create a level playing field and ensure frameworks do not harm consumers, distort competition, or provide regulatory advantages to new entrants in the marketplace over current providers, such as community banks.

The competitive advantages enjoyed by tax-exempt credit unions and Farm Credit System lenders warrant special scrutiny.

Preserve and Enhance a Competitive Tax Environment.

ICBA advocates for pro-growth tax relief for America’s small businesses, families, and community banks. Expiring provisions of the Tax Cuts and Jobs Act should be permanently extended to provide long-term certainty for business planning, including:

- The 20-percent deduction for pass-through income (Section 199A).
- The structure of individual rates and brackets that allows Americans to keep more of their hard-earned dollars.
- The higher deduction under the alternative minimum tax (AMT).
- An estate tax exemption that does not force sales of family-owned businesses.

Full expensing for equipment purchases and the deductibility of business interest are pro-growth policies and must be restored. Further, we urge Congress to build on the success of the TCJA by an additional reduction in corporate rate. The 21 percent corporate has proven one of the most impactful components of that legislation, increasing corporate investments and job creation. Additional relief would accelerate American economic growth.

Comprehensive tax legislation must include the Access to Credit for Rural Economies (ACRE) Act to promote rural economic development. The ACRE Act would create a tax exclusion for

interest received on qualifying loans to farmers, ranchers, and rural homeowners and thereby reduce interest rates for these borrowers.

Tax reform should include a review of the tax exemption enjoyed by today's multi-billion-dollar credit unions. These institutions have outstripped their public mission and tax-exempt purpose and are now leveraging their tax exemption to purchase tax-paying community banks. The pace of these acquisitions in recent years is driving the consolidation of financial services across all markets, to the harm of consumers and small businesses.

These tax policies are important to creating economic growth and jobs for American workers.

Close ILC Loophole to Limit Big Tech Overreach. Industrial loan companies (ILCs) are the functional equivalent of full-service banks without regulation by the Bank Holding Company Act. This exemption invites risk into the financial system. ILCs owned by non-financial companies, including Big Tech, violate the longstanding separation of banking and commerce by allowing commercial entities to own banks. New ILC charters controlled by dominant social media and e-commerce conglomerates would give these companies yet more economic power and reach into the lives of Americans. ICBA supports statutory closure of the ILC loophole.

Promoting De Novo Community Banks. De novo community bank formation is needed to offset the loss of smaller community banks through consolidation and help ensure a robust community bank landscape serving small businesses and households. ICBA supports a flexible and tailored supervisory policy for de novo banking applicants.

Ensuring Effective Digital Assets Regulation. Effective and comprehensive regulation is needed to recognize and balance the risks and benefits of emerging technologies. ICBA strongly opposes efforts to grant nonbank stablecoin issuers access to the Federal Reserve master account or payment rails and special-purpose charters that do not subject nonbank stablecoin issuers to the standards of safety, soundness, and fairness that apply to insured depository institutions.

Credit Card Routing Mandates. ICBA will continue to strongly oppose controversial legislation that would create complex new credit card routing mandates. Such mandates would force an overhaul of the payments landscape at significant systemic cost. This cost would ultimately be borne by consumers and the community banks that serve them. Credit card routing mandates would only benefit the largest "big-box" merchants including Amazon, Walmart, and others at the expense of consumers.

Curb or Eliminate Tax Subsidies for Rapid-Growth, Bank-Like Credit Unions. The outmoded subsidization of credit unions is an inefficient use of taxpayer dollars and ripe for repeal. Today's multi-billion-dollar credit unions are leveraging their tax subsidy to purchase tax-paying community banks. This trend is reducing consumer choice and eroding the tax base of states, localities, and the federal government. ICBA urges Congress to restore balance to the

American financial services marketplace and help close the growing budget deficit by re-examining the 100-year-old credit union tax subsidy.

Revitalize Rural America

The recent elections reaffirmed the critical voice of rural Americans, who have earned a place at the center of our policy agenda. The vital interests of rural economies must be prioritized in the 119th Congress. Rural communities are poised for growth and prosperity with the right combination of thoughtful policies. Community banks, funding nearly 80 percent of bank-originated agricultural loans, play a critical role in creating and sustaining rural economic prosperity. The following provisions will help rural America and strengthen community banks.

Farm Bill. ICBA advocates for a robust Farm Bill in 2025 that raises USDA guaranteed loan limits in addition to providing a strong farm safety net that includes robust commodity price supports and enhanced crop insurance options for producers.

Farm Credit System Crowding Out Rural Community Bank Lending. The Farm Credit System (FCS) is a government-sponsored enterprise (GSE), and FCS lenders enjoy unfair tax and funding advantages over rural community banks. These advantages allow FCS to cherry-pick the best customers and loans from taxpaying community banks by underpricing local markets. In recent years, the FCS has sought expansive non-farm lending powers in an effort to compete directly with commercial banks for non-farm customers. Congress should block further expanded lending powers and hold hearings on the FCS given their rapid consolidation and questionable non-farm lending pursuits.

Tax Incentives for Community Bank Agriculture and Home Loans. ICBA strongly supports the Access to Credit for Rural Economies (ACRE) Act, which has enjoyed broad bipartisan support. ACRE would create lower interest rates for farmers, ranchers, and rural homeowners by creating a tax exclusion for interest income on loans secured by agricultural land and residential mortgages in rural communities. The ACRE Act should be included in any comprehensive tax legislation in the 119th Congress.

Strengthening Financial Consumers

As the financial landscape evolves, new threats emerge to America's financial consumers. Policy changes are needed to keep pace with technological developments and more sophisticated fraud.

End “Trigger Leads” Harassment. Legislation is needed that would restrict credit reporting agencies from the sale of consumers' contact information when they apply for a residential mortgage. These “trigger leads” compromise consumer privacy and create a flood of unwanted solicitations and confusion for community bank customers. ICBA urges Congress to resume work on the Homebuyers Privacy Protection Act, bipartisan legislation advanced in the 118th

Congress.

Eliminate Check Fraud. The administrative agencies must play a stronger role in combatting the alarming rise in check fraud, which has surged by 385% since the pandemic and costs Americans and small businesses billions of dollars every year. A coordinated effort is needed by the federal banking agencies, the National Credit Union Administration, the U.S. Postal Service, the Financial Crimes Enforcement Network, and other agencies. Congressional oversight of this critical effort will ensure it is effective.

Protecting Customer Data. The CFPB recently finalized a rule under Section 1033 of the Dodd-Frank Act that requires banks to create and maintain an API-enabled “developer portal” which non-bank fintechs and other third parties could use to access customer data. The rule creates a threat to consumer data security and privacy. Banks cannot ensure the security protocols of potentially thousands of fintechs seeking access to their customers’ data. In addition, banks must be permitted to charge reasonable fees to third parties – who will financially benefit from access to customer data – in order to offset the significant costs of compliance with this rule.