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## Government Relations
# Issue Brief

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## National Legislative and Regulatory Update

The first year of the Trump Administration with control of the House and Senate in Republican hands has shown that progress can be made, sometimes on a bipartisan basis, on important issues to banking.

The Treasury Department, led by Secretary **Steven Mnuchin,** issued a bank regulatory reform roadmap that incorporated dozens of issues GBA and others had been advocating since the enactment in 2010 of the Dodd-Frank Act.

The House passed major regulatory relief legislation, the Financial CHOICE Act, thanks to the leadership of Banking Committee Chairman **Jeb Hensarling** (R-TX). Georgia Rep. **Barry Loudermilk** (R-GA11) serves on the committee and was a vocal proponent of the legislation. The Senate quickly indicated a more modest proposal would likely be considered due to the Senate rule on supermajority votes (60 or more) to avoid a filibuster. Chairman Hensarling then led efforts to break the Choice Act into its component parts giving the Senate committee a number of individual choices to include in their bill. Some of those bills, like one that would replace arbitrary asset-size thresholds with regulation tailored to the business model and risk profile of the bank drew bipartisan support, including Georgia Rep. **David Scott** (D-GA13). In November, Senate Committee chairman **Mike Crapo** (R-ID) announced a bipartisan deal had been struck among the nine republicans, eight democrats and one independent on the committee to provide regulatory relief to community and regional banks.

The bill eases mortgage rules for small lenders, attempts to simplify their capital requirements and removes the Volcker rule from applying as few, if any of these banks, engage in proprietary trading. Banks above $50 billion but less than $250 billion would benefit from changes that had formerly subjected them to stricter oversight and stress testing. The bill has been reported out of the committee and is awaiting action by the full Senate. Those actions bode well for more significant regulatory relief bills later this year.

On the regulatory front, President Trump has followed up on his promises about less regulation and turning businesses over to the business people, rather than the government, to manage. He's done that through the appointments he's made to the major financial regulatory agencies. In addition to Secretary Mnuchin, the President has named and the Senate confirmed **Joe Ottley** a former banker and colleague of Mnuchin, as the new Comptroller of the Currency to oversee nationally chartered banks. Awaiting confirmation hearings is the President's nominee to head the FDIC, **Jelena McWilliams**, the current general counsel to Fifth Third Bank. Nominated to replace outgoing Fed Chairman **Janet Yellen** is current Fed board member **Jerome Powell**. His confirmation is awaiting full Senate action. Another important Fed position is the Vice Chair of Supervision and **Randal Quarles**, an investment banker, has been confirmed. And awaiting confirmation is **Marvin Goodfriend**, a Carnegie Mellon economist, and announcements are expected soon for the other two Fed board vacancies. Leadership of the CFPB was disrupted when the original director **Richard Cordray** left suddenly in November. Acting director is OMB director **Mick Mulvaney** who has announced the halt for a number of new pending rules. Significant among those are the proposed rules GBA filed an extensive comment letter on related to granular data reporting for certain small business loans.

Since specific rules, regulations and legislation change quickly in this environment, the GBA uses the following broad guidelines to inform positions and statements as the process unfolds:

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**Sensible regulation.** Oversee banks in a way that promotes growth and innovation, while avoiding arbitrary and capricious penalties and providing robust exam review and appeal channels. Update rules to reflect changes in technology. Restore balance to the regulatory process, including Consumer Financial Protection Bureau reform and a focus on promoting both economic growth and safety and soundness.

**Tailored regulation and arbitrary thresholds.** Tailor regulation to correspond to a bank's business model and risk, eliminate artificial and arbitrary regulatory asset thresholds, and pursue a more balanced supervisory process that eliminates drag on bankers' ability to employ capital to support economic growth.

**Mortgage rules.** Reform mortgage regulations that have raised costs and prevented banks from flexibly serving their customers without enhancing consumer protections or safety and soundness. Most crucially, deeming loans held in portfolio as Qualified Mortgages will expand safe and responsible access to credit.

**Housing finance reform.** Constrain the role of the federal government—and potential taxpayer liability—in housing finance to a well-defined, explicit and fully priced guarantee of loans made by private lenders. Ensure equitable access to such programs by lenders of all sizes and from all communities.

**Flood insurance.** Help homeowners protect themselves by providing more incentives to participate in the National Flood Insurance Program and encouraging development of a strong private flood insurance market.

**Level playing fields.** Reduce economic distortions by providing more charter flexibility and capital options for thrift institutions, including mutual banks, and protecting S-Corp banks from arbitrary disadvantages due to the Basel III capital and other rules.

**Small business growth.** Fuel lending to job-creating businesses through both increased funding for key SBA loan programs and eliminate regulations that artificially dictate business lending decisions.

**Tax reform.** Eliminate poorly targeted subsidies to massive credit unions and Farm Credit lenders that no longer pursue their missions.

**Student debt.** Change the tax treatment of student debt repayments to help unburden those who have invested in their own potential.

**Fintech and nonbank competitors.** Facilitate partnerships of banks and technology firms, ensure customers are protected through consistent and effective oversight of all providers and encourage innovations by providing a regulatory "greenhouse" for testing new products before roll-out.

**Data breaches.** Ensure that all parties share accountability for protecting customer information and notifying the public after a breach, with the responsible party bearing the costs of their failure to protect customers.

**Cybersecurity.** Expand collaborative public-private efforts to fight cyber threats through information sharing and self-reporting of cyber risks without fear of regulatory sanctions or reputation risk.

**Rural growth.** Pursue pro-growth policies to help farmers manage debt burdens and pricing challenges, fight deposit flight through encouraging access to longer-term stable funding sources, and address the shortage of

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qualified appraisers in rural areas that hinders real estate transactions. We will keep an eye on formulation of next Farm Bill.

**Interchange.** Restore market pricing on debit interchange fees so that consumers can once again enjoy more flexibility in the products and services that banks offer.

**AML/BSA.** Limit the burdens of Bank Secrecy Act compliance and reporting—especially new requirements that place undue burdens on customers—and eliminate potential sanctions for banking legal businesses.

**Small-dollar credit.** Preserve banks' ability to serve customers with small-dollar loans and overdraft protection.