Regional Bank Coalition

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MID-SIZE BANK COALITION OF AMERICA

November 30, 2016

The Honorable Blaine Luetkemeyer
2440 Rayburn House Office Building
Washington, D.C. 20515

The Regional Bank Coalition (RBC) and the Midsize Bank Coalition of America (MBCA) are writing in support of the Systemic Risk Designation Improvement Act (H.R. 6392). Both RBC and MBCA's banking institutions serve as the dependable backbone of the American economy, lending billions of dollars to small businesses on Main Streets across America – big enough to serve larger commercial customers but with the traditional, simple balance sheets and operations of community banks. MBCA members offer loans of more than $840 billion with RBC members offering an additional $1.7 trillion in loans.

H.R. 6392 is a vital piece of legislation in addressing an improperly calibrated regulatory framework which currently employs an arbitrary asset threshold to evaluate bank risk – in turn hindering our banking institutions from serving our customers, communities and economy. Our banks are forced to focus more on regulation compliance than serving the customers, which is reducing capital that can be used for lending. According to a Federal Financial Analytics study, regional banks' capital available for lending has been reduced by $20 billion over five years due to improperly calibrated regulations. This is happening as the start-up rate of new businesses at its lowest level in decades, and new businesses are hiring fewer workers on average, according to a Third Way report.

We believe the regulatory framework should reflect the significant differences between community, midsize, regional and globally systemic banks. Both midsize and regional banks are dwarfed in size and complexity by the internationally active banks, and focus on lending to their consumer and business customers with less than one percent of assets in risky trading. In contrast, larger Wall Street Banks carry risk associated with complex networks of interconnected transactions and choose to hold risky trading assets. One-size-fits-all regulations that treat these institutions all the same do harm more than good by failing to account for what makes them different.

No arbitrary asset threshold can take into account a bank's business model and operations, and it's these activities that should be examined in determining what risks it poses to the financial system and, therefore, if it should be subjected to heightened regulatory standards. The more risk, the more regulation there should be, but for institutions with reduced risk, there should be a corresponding reduced regulatory scope. Moving to a multi-factored risk approach would ensure regulations are properly calibrated without hindering the ability to serve our customers, many of whom are consumers and small business owners. Currently, a majority of business owners have issues fulfilling funding needs, according to Third Way and Babson College studies – we must act now to reverse this damaging trend.

We support Rep. Luetkemeyer's bill and look forward to advancing the legislation towards becoming law, as it would lead to relief for many midsize and regional banks and spur capital lending to small businesses, and therefore, Main Streets around the country.