S. 2155 REALITY CHECK

American Bankers Association

Claim: This bill only helps the nation's biggest banks.

Fact: There are roughly 5,700 banks in this country and nearly all of them (98 percent) have less than $10 billion in assets. The majority of the provisions in this bill are directed toward these community banks by reducing cost-prohibitive rules that were never meant for them.

Claim: This bill "rolls back" Dodd-Frank.

Fact: The primary pillars of Dodd-Frank—including higher capital standards, increased oversight of the most complex institutions, robust resolution planning, oversight of the derivatives markets, an independent Consumer Financial Protection Bureau and greater coordination between regulators—remain unchanged. This bill fixes a modest number of Dodd-Frank provisions that had unintended consequences, making it hard for banks to fully serve their customers and communities and are unnecessarily holding back economic growth. This bipartisan bill is a sensible step toward right-sizing rules and builds on bipartisan measures approved in the U.S. House of Representatives. The bill also includes several provisions separate from Dodd-Frank, such as updating the Home Owners Loan Act and simplifying the Basel III capital standards for highly capitalized smaller banks.

Claim: Dodd-Frank always exempted smaller institutions, so these changes aren't necessary.

Fact: Whether intended or not, Dodd-Frank imposed a number of new rules on banks of all sizes, not just the more complex. A prime example is the Volcker Rule, which was intended to address systemic risk issues. Unfortunately, the rule was applied to even the smallest institutions that pose no systemic risk to the financial system. Former Rep. Barney Frank, one of Dodd-Frank's authors, said in 2016 that community banks were not intended to be subject to the Volcker Rule and should be exempted.

Claim: S. 2155 means banks will no longer have to face stress tests.

Fact: Consistent with the banking agencies' request following their recent regulatory review, smaller institutions will be exempted from Dodd-Frank mandated stress tests. However, banks with more than $100 billion in assets will continue to be subject to stress tests.

Claim: This bill will allow foreign banks to escape regulatory oversight.

Fact: The U.S. subsidiaries of the foreign financial institutions will continue to have to meet the same requirements of comparable U.S. banks, as Federal Reserve Chairman Jay Powell confirmed in his Senate Banking Committee testimony in early March. Foreign banks would still be subject to the Fed's intermediate holding company requirement, subjecting them to the same general regulatory framework as their U.S. counterparts.

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Claim: This bill will increase risk of another financial crisis.

Fact: None of the provisions in the bill undo reforms adopted to address underlying causes of the most recent financial crisis. Asked about the legislation, Fed Chairman Jay Powell recently told the Senate Banking Committee: "I think it gives us the tools that we need to continue to protect financial stability."

Claim: Easing Home Mortgage Disclosure Act requirements on banks will result in more racial discrimination in lending.

Fact: The bill does not change fair lending laws; any bank found to be violating fair lending laws will face legal consequences. All HMDA-reporting banks will continue to report pre-existing HMDA data points, which will be analyzed for fair lending compliance. Under the bill, community banks that originate less than 500 mortgage loans annually will be exempt from reporting a *recently expanded* set of data on mortgage lending. This change will simply ease one of the most significant compliance burdens on smaller institutions. It will also allow those banks to focus more time serving their communities rather than filling out compliance forms.

Claim: Rising compliance costs have nothing to do with the bank consolidation we have seen since Dodd-Frank.

Fact: Industry surveys have repeatedly shown that rising compliance costs are a factor in determining whether a bank chooses to close its doors, merge or open itself to acquisition. A survey conducted by the Federal Reserve and the Conference of State Bank Supervisors found that 85 percent of banks considering an acquisition offer rated growing regulatory costs as an "important" or "very important" factor. Researchers at Harvard's Kennedy School of Government found that Dodd-Frank's passage was an inflection point doubling the pace of community banks' loss of market share—an outcome they attributed in large part to new compliance burdens the law imposed. According to estimates by the Minneapolis Fed, hiring just two additional people for compliance would make one in three banks with less than $50 million in assets unprofitable. Finally, since Dodd-Frank we have seen only seven new bank charters, an anemic pace of de novo activity that bank investors commonly attribute in large part to the excessive cost of regulatory compliance.

Claim: This bill will ease capital requirements on all banks and take us back to where banks were before the financial crisis.

Fact: Bank capital requirements will continue to exceed those before the crisis. Bank capital levels are near their highest levels in modern times, with the industry holding nearly $2 trillion in capital at the end of 2017.

Claim: Regulators oppose adjusting the $50 billion SIFI threshold.

Fact: Current and former regulators—including former Fed Chair Janet Yellen, former Fed Governor Dan Tarullo and current Fed Chairman Jay Powell—have publicly supported increasing the threshold for systemically important financial institutions. Former Rep. Barney Frank has called the current $50 billion threshold a "mistake." While acknowledging not all of those policymakers have supported raising the threshold to $250 billion, ABA has long maintained that arbitrary asset thresholds are the wrong approach to setting bank regulation. Regulations should be tailored based on risk and business model. Asset size should not be the determining factor.

Claim: This bill erodes consumer protection.

Fact: Actually, this bill includes new consumer protections that allow consumers to freeze and unfreeze their credit reports without charge and without limitation. Additional provisions help better protect seniors from financial abuse and exclude from credit reports certain medical debt incurred by veterans. It makes no changes to any structure or authorities of the CFPB.