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May 11, 2015

The Honorable Lynn Westmoreland
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Carolyn Maloney
U.S. House of Representatives
Washington, D.C. 20515

Dear Representatives Westmoreland and Maloney:

On behalf of the more than 6,000 community banks represented by ICBA, I write to thank you for introducing the “Financial Institutions Examination Fairness and Reform Act” (H.R. 1941) and to offer our support for the bill. H.R. 1941 would go a long way toward improving the oppressive examination environment by creating a workable appeals process and consistent, commonsense standards for classifying loans, among other provisions. Bank examination reform is a key component of ICBA’s Plan for Prosperity.

H.R. 1941 would create an Office of Independent Examination Review within the Federal Financial Institutions Examination Council (FFIEC) and give financial institutions a right to an expedited, independent review of an adverse examination determination before the Office’s Director or before an independent administrative law judge. The Director would make a final decision that would be binding on the agency and the financial institution. Taking the appeals process out of the examining agencies is a positive step. While not completely independent of the agencies – the FFIEC is composed of each banking agency – we expect that this level of separation between the appeals process and the agencies will provide a measure of distance and insulation. ICBA would support additional provisions that would bring a higher level of accountability to the regulators and their field examiners. The current system, which grants examiners almost unfettered, unassailable authority, begs for checks and balances. That said, we are pleased to support the appeals provisions of H.R. 1941, as a foundation on which to build a more rigorous process.

ICBA also supports the provisions of H.R. 1941 that would create more consistent and commonsense criteria for loan classifications and capital determinations. Establishing conservative, bright-line criteria will allow lenders to modify loans, as appropriate, without fear of being penalized. If these standards become law, they will give bankers the flexibility to work with struggling but viable borrowers and help them maintain the capital they need to support their communities.

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1615 L Street NW, Suite 900, Washington, DC 20036-5623 | 800-422-8439 | FAX: 202-659-1413 | Email: info@icba.org | Website: www.icba.org

Again, thank you for introducing H.R. 1941. The current examination environment is a serious impediment to the flow of credit that will create jobs and advance the economic recovery. Legislative solutions are needed to improve this environment. ICBA supports the advancement of H.R. 1941.

Sincerely,

/s/

Camden R. Fine
President & CEO

CC: Members of the House Financial Services Committee

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