



February 22, 2024

The Honorable Jerome Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance
Corporation
550 17th Street, SW
Washington, DC 20429-9990

The Honorable Michael J. Hsu
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
Constitution Center
400 Seventh Street, SW
Washington, DC 20219

Re: The Economic Growth and Regulatory Paperwork Reduction Act of 1996

Dear Chair Powell, Chair Gruenberg and Acting Comptroller Hsu:

On February 6, 2024, the Federal Reserve, FDIC, and the OCC (the “Agencies”) announced their first of a series of requests for comment to reduce regulatory burden under The Economic Growth and Regulatory Paperwork Reduction Act of 1996, or “EGRPRA.” This law requires the Federal Financial Institutions Examination Council and federal bank regulatory agencies to review their regulations every ten years to identify any outdated or otherwise unnecessary regulatory requirements for their supervised institutions. The Agencies plan to divide all their regulations into twelve categories and over the next two years, will request comment on them--asking the public to identify regulations they believe are outdated, unnecessary, or unduly burdensome.

This is the third iteration of the EGRPRA review. The previous two reviews in 2006 and 2016 resulted in recommendations that provided little substantive regulatory relief for community banks.

Consolidation within the industry, acquisitions of community banks by credit unions, and a small number of de novo bank applications are symptoms of the underlying problem: that the cumulative impact of regulatory burden on community banks is overwhelming the industry, and causing long-term damage to the communities that depend on these vitally important local resources.

We hope the Agencies will take this new EGRPRA review more seriously since the community banking industry is suffocating from excess regulation and is reaching a breaking point. We urge the Agencies to consider the following:

First, since practice has shown that the Agencies cannot objectively evaluate the regulatory burden of their own regulations, we recommend that the Agencies collectively hire an independent outside consultant to quantify the current regulatory burden on community banks. Such an assessment should include all federal banking regulations that community banks are subject to including those of the CFPB (even though the CFPB regulations are not within the scope of the EGRPRA review) and should be calculated for community banks of different sizes, i.e., those between \$100 million-\$500 million, \$500 million to \$1 billion, etc. The burden should be quantified or expressed in a simple, straight forward way, (i.e. as a percentage of a bank's gross or net income or as a percentage of bank's assets) so that it will be understood by outside stakeholders and can serve as a baseline for any future burden assessments. We realize that computing the burden accurately will require extensive work by an outside consultant, but we believe this is the only way the Agencies can credibly determine and quantify the extent of the regulatory burden on community banks.

Second, we applaud the Agencies for their intention to hold outreach meetings. However, we recommend that they go further than they have done at past EGRPRA review meetings and hold at least two outreach meetings in every region of the country. At each outreach meeting, we hope that community banks will be able to actively participate at these meetings and can testify to the current regulatory burden. Although the CFPB regulations are not technically being reviewed under EGRPRA, we hope that community bankers will still be able to comment on the regulatory burden of those regulations and that a written or video recording of any of these comments will be sent to the CFPB so that agency can incorporate it as part of its five-year review process. These outreach meetings should be streamed in real-time over the internet and we hope at each meeting, there will be regulators from each Agency who can speak on behalf of any regulation in question.

Third, we urge the Agencies to conduct a thorough review of their past assessments of regulation under the Paperwork Reduction Act of 1995 and the Regulatory Flexibility Act. ICBA believes these assessments have consistently understated the regulatory burden of new regulation on community banks. With the help of an independent outside consultant, the Agencies could review their past assessments under these two statutes to see if they have accurately determined regulatory burden and could make changes pursuant to the recommendations of the consultant.

The Agencies acknowledge in their EGRPRA proposal that they are “especially concerned about the impact of requirements on small institutions” and realize that smaller institutions must devote a

significant amount of resources to determine if and how a new regulation will affect them. Since the Agencies seem to be truly committed to reducing the regulatory burden on community banks through the EGRPRA review process, we hope they will adopt the recommendations we have made in this letter and will use the EGRPRA review to better understand the cumulative effect of regulations on community banks.

Sincerely,

/s/

Rebeca Romero Rainey
President and CEO
Independent Community Bankers of America