

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

May 24, 2024

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429

Mr. Michael J. Hsu
Acting Comptroller
Office of the Comptroller of the Currency
U.S. Department of Treasury
400 7th Street, S.W.
Washington, DC 20219

Dear Chairman Powell, Chairman Gruenberg, and Acting Comptroller Hsu:

We write to express concern regarding the Federal banking agencies' proposed rule requiring the issuance of long-term debt by certain financial institutions.¹ We are particularly concerned that the proposed rule will adversely impact millions of small and medium-sized businesses across the United States as a result of the increased funding costs the rule will create for regional banks that are a major source of credit for our nation's small businesses.

Given that a typical small business loan has a 100 percent risk weight, the proposed rule forces a significant number of financial institutions to fund their small business lending through the issuance of long-term debt. Institutions at the lower end of the \$100 billion asset threshold are among the largest lenders to small businesses and yet they would face a disproportionate burden complying with the proposed rule since it is more expensive for even the safest mid-tier institutions to issue debt. This will have the effect of limiting the access to credit for small businesses that have fewer alternative options.

Furthermore, the credit spreads and issuance costs for regional banks are expected to be much greater than those of money center institutions. The rule as presently proposed violates the letter and spirit of tailoring that is required by law. It also fails to take into account any equity

¹ Long-Term Debt Requirements for Large Bank Holding Companies, Certain Intermediate Holding Companies of Foreign Banking Organizations, and Large Insured Depository Institutions, 88 Fed. Reg. 64524 (proposed Aug. 29, 2023).

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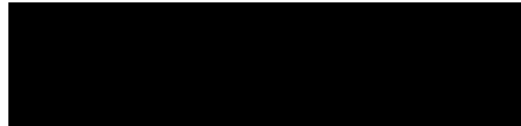
capital already held by banks in excess of existing requirements for a bank to be considered “well capitalized.” As a result, it may have the perverse consequence of incentivizing banks to reduce any excess equity capital they presently hold.

We ask that prior to finalizing any rule, the proposed rule’s harmful effects on small businesses be accounted for. The more than 33 million small businesses in the United States, employing more than half of the private sector workforce, are at risk of bearing a major portion of the cost of this proposed rule, and such an impact should be carefully considered and accounted for in finalizing any new regulation.

In God We Trust,



Chairman
Committee on Small Business



Pete Stauber
Vice Chairman
Committee on Small Business



Jake Ellzey
Member of Congress
Committee on Small Business



Aaron Bean
Member of Congress
Committee on Small Business