

ICBA News Watch this week / US Weekly Bell

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Plan for Prosperity

ICBA Backs New Community Bank Reg-Relief Bill

ICBA expressed strong support for regulatory-relief legislation that would advance provisions from ICBA's Plan for Prosperity. The Small Financial Institutions Regulatory Relief Act of 2014 (H.R. 5786) includes provisions to provide community bank relief from new mortgage rules, eliminate redundant privacy notice mandates, require community bank experience on the Federal Reserve Board and reform the Consumer Financial Protection Bureau's designation of rural areas.

In a [letter to the bill's sponsors](#)—Reps. James Lankford (R-Okla.) and Peter Welch (D-Vt.)—ICBA wrote that the bill will allow community banks to better promote local job creation and economic growth. ICBA will continue pushing for community bank regulatory and tax relief throughout the remainder of the 113th Congress.

Data Security

Bank Lawsuit Over Target Breach Allowed to Proceed

A federal judge this week rejected Target Corp.'s attempt to dismiss a lawsuit from financial institutions seeking compensation for costs related to the retailer's massive 2013 data breach. U.S. District Judge Paul Magnuson said Target played a key role in the data breach, which he said justified the case.

Five plaintiffs are accusing the retailer of negligence and seeking damages for the cost of issuing new credit and debit cards following the breach. The plaintiffs, which include four community banks and a credit union, are seeking class-action status for all banks and credit unions with customers who used credit and debit cards at Target between Nov. 1 and Dec. 19, 2013.

ICBA reported earlier this year that community banks had to reissue more than 4 million payment cards following the data breaches at Target and Neiman Marcus at a cost of more than \$40 million. [Read Court Memorandum.](#)

Too-Big-To-Fail

ICBA Supports Capital Surcharge on Megabanks

ICBA said it supports the Federal Reserve Board's proposal to require a capital surcharge on systemically important financial institutions. The proposed rule would implement a surcharge on the nation's eight largest megabanks calibrated to their size and complexity.

In a news release, ICBA said the proposal is a positive step toward containing the too-big-to-fail threat, mitigating the megabank funding advantage over community banks, and leveling the playing field between megabanks and the rest of the industry. [Read ICBA Release.](#) [Read More from Fed.](#)

Credit Unions

Senator Calls for Eliminating Credit Union Tax Exemption

Sen. Tom Coburn (R-Okla.) is targeting the credit union industry's federal tax exemption in a new report on government tax expenditures. In his ["Tax Decoder" report](#), Coburn recommends

eliminating the credit union tax exemption, which he says will cost taxpayers \$11.9 billion through fiscal 2018.

Citing the Congressional Research Service, the report notes that credit unions are the only depository institutions exempt from federal income taxes even as the industry's asset size has nearly doubled to more than \$1 trillion in 2012.

ICBA has repeatedly called on Congress to review the credit union industry's unwarranted federal tax subsidy and has strenuously opposed the industry's expansionist agenda.

Security

ICBA Shares Perspective with Congress on Cyber, Data Security

ICBA today is reiterating its cybersecurity and data-security principles in a statement to Congress. In its statement for today's Senate Banking Committee hearing, ICBA is calling on policymakers to recognize existing data-security mandates, extend comparable standards to all critical infrastructure sectors, promote threat-information sharing, and better control third-party risk. Also in its statement, ICBA is urging policymakers to mitigate data-breach risks by ensuring that parties that incur data breaches are liable for associated costs, extending Gramm-Leach-Bliley-like standards to retailers and establishing a national data-breach and notification standard. [Read ICBA Statement.](#)

Senate Passes ICBA-Backed Cybersecurity Bill

The Senate passed [ICBA-backed](#) legislation to improve protections against cyber-threats by updating the Federal Information Security Modernization Act. The legislation would require federal agencies to comply with National Institute of Standards and Technology computer standards and perform risk-based analysis of cyber-threats to develop appropriate controls. The legislation heads to the House, which must pass the bill to send it to the president's desk.

Financial-Retail Cybersecurity Partnership Plans Next Steps

ICBA and a coalition of other financial and retail trade groups announced next steps in their partnership to enhance cybersecurity. The Merchant and Financial Cybersecurity Partnership released eight next steps, including a joint effort urging Congress to pass legislation to promote cyber-threat information sharing.

The partnership, which formed in February, has achieved its goals of promoting collaboration across the payments system to protect customers and their data from cyber-threats. The partnership has highlighted the importance of data- and cyber-security on Capitol Hill and participated in numerous outreach events, such the Sept. 10 Merchant-Financial Services Cybersecurity Summit.

ICBA's participation has ensured the community bank voice is being heard loud and clear. The association will continue to advocate its data- and cyber-security principles to protect community banks and promote consistent data-protection standards for banks and merchants. [Read Joint News Release.](#)

Congress

House Passes Bill Requiring Community Bank Presence on Fed Board

The House passed legislation that includes ICBA-advocated language that would require the White House to appoint someone with community banking experience to the Federal Reserve Board.

The language is included in legislation reauthorizing the Terrorism Risk Insurance Act, which passed on a 417-7 vote. As [advocated by ICBA](#), the bill would require at least one member of the Fed board to have experience as a community banker or community bank supervisor.

The House legislation differs from a TRIA extension passed earlier this year in the Senate that

also includes the ICBA-advocated language requiring community bank representation on the board. As a result, the chambers must come to an agreement before they can send legislation to President Barack Obama to be signed into law.

ICBA has repeatedly called on the White House and Congress to ensure a community bank presence on the Fed board, and it has strongly supported the legislative language contained in both bills. The association thanks House Financial Services Chairman Jeb Hensarling and Rep. Randy Neugebauer (R-Texas) for their leadership on this issue and will continue working to ensure its final passage.

Operation Choke Point

Luetkemeyer Urges Swift FDIC Review of Operation Choke Point

Rep. Blaine Luetkemeyer (R-Mo.) [sent a letter](#) to FDIC Chairman Martin Gruenberg urging a swift and full review of alleged wrongdoing related to the agency's involvement in Operation Choke Point. Luetkemeyer's letter also urges Gruenberg to use his authority to improve the FDIC's examination process to create more transparency and rein in FDIC examiners and senior staff. Luetkemeyer, a former community banker, [previously announced](#) that the FDIC and Justice Department confirmed they will investigate the ICBA-opposed Operation Choke Point initiative. The incoming House Financial Services Subcommittee on Housing and Insurance chairman also has introduced [ICBA-advocated](#) legislation to protect financial institutions and their customers from Operation Choke Point. The bill would require the federal banking agencies to put in writing any suggestion or order to terminate a customer's banking account.

Lending

Fannie, Freddie Announce 3 Percent Down-Payment Option

Fannie Mae and Freddie Mac announced that they will allow qualified first-time homebuyers to get a mortgage with a down payment as low as 3 percent. The 97 percent loan-to-value ratio option has the blessing of the government-sponsored enterprises' regulator, the Federal Housing Finance Agency, which said the programs will improve access to mortgage credit.

The loans will require private mortgage insurance; eligible borrowers must complete a homeownership education program; and the properties must be owner-occupied. The Fannie Mae program takes effect this weekend, and Freddie Mac's will be available after March 23.

[Read More from Fannie Mae.](#) [Read More from Freddie Mac.](#)