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The Honorable Mike Johnson
Speaker of the House
U.S. House of Representatives
568 Cannon House Office Building
Washington, DC 20515

The Honorable Hakeem Jeffries
Minority Leader
U.S. House of Representatives
1236 Longworth House Office Building
Washington, DC 20515

Dear Speaker Johnson and Minority Leader Jeffries:

The American Bankers Association (ABA)[1] writes today to commend Chairman French Hill, Ranking Member Maxine Waters, and the members of the House Financial Services Committee for their leadership in advancing H.R. 6644, the Housing for the 21st Century Act. ABA applauds policy initiatives that create equitable, sustainable, and affordable housing opportunities, both homeownership and rental, in all communities. In addition, we appreciate the inclusion of provisions that will ensure that America's banking industry continues to play a leading role in the meeting housing needs across the country. We value the Committee's attention in Titles I through V to advancing policies to expand the supply of housing, including streamlining regulatory requirements, modernizing existing housing programs, and enhancing affordable housing finance options. In particular, ABA supports the following housing provisions:

<u>Expanding Housing Inventory and Affordability</u>

Section 301. Manufactured Housing Innovations, which eliminates the permanent chassis requirement for manufactured homes and establishes the Dept. of Housing and Urban Development (HUD) as the primary authority for construction and safety standards for manufactured homes, including standards related to a manufactured home's construction, design, energy efficiency, and performance.

Section 302. **FHA Small Dollar Mortgages,** which directs HUD to propose a pilot program to expand access to Federal Housing Administration-backed small dollar mortgages. This section would increase homeownership equity and address lending gaps for lower-cost homes across the country.

Section 303. **Community Investment and Prosperity,** which amends the National Bank Act and Federal Reserve Act to increase the Public Welfare Investment (PWI) cap from 15% to 20% for banks regulated by the Office of the Comptroller of the Currency and the Federal Reserve. This provision will expand banks' ability to make critical investments in affordable housing and entities receiving New Markets Tax Credits and investments in or support to entities that provide

[1] The American Bankers Association is the voice of the nation's $25.1 trillion banking industry, which is composed of small, regional and large banks that together employ over 2 million people, safeguard $19.7 trillion in deposits and extend $13.2 trillion in loans.

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financial literacy, job training, or similar assistance to low-and moderate-income individuals and areas.

Section 405. Reforms to Housing Counseling and Financial Literacy Programs, which clarifies HUD's authority to evaluate the performance of housing counseling agencies and counselors. This section would enhance financial literacy for consumers across the country by increasing the effectiveness of housing counselors and counseling agencies.

Title VI of the legislation, "Strengthening Community Banks' Role in Housing," includes many provisions that ABA supports, such as measures to provide regulatory and examination relief to community banks, incentivize the formation of new banks, and enhance the transparency of the systemic risk determination process.

Raising Supervisory Thresholds for Community Banks

Despite the impact of inflation and the growth of the banking industry itself, supervisory asset thresholds applicable to banks can remain unchanged for years. As a result, thresholds that once reflected meaningful distinctions in size, complexity, or risk now capture institutions that were never intended to be subject to more burdensome regulatory requirements. Increasing supervisory thresholds to reflect growth is a critical step in maintaining a healthy, vibrant banking sector. ABA supports the following provisions in Title VI, "Strengthening Community Banks' Role in Housing."

Sec. 603. Supervisory Modifications for Appropriate Risk-Based Testing, which increases the total asset threshold from $3 billion to $6 billion under which institutions qualify for a limited-scope examination directly after an on-site, full-scope exam. The provision also requires that if the institution is otherwise subject to a separate safety and soundness exam and a consumer compliance exam, at the request of the institution, the regulatory agency shall combine these exams and carry them out at the same time.

Sec. 604. Tailored Regulatory Updates for Supervisory Testing, which increases the total asset threshold under which institutions qualify for an 18-month exam cycle from $3 billion to $6 billion. By reducing the frequency of examinations for well-capitalized and well-managed institutions, this provision would allow more community banks to avoid navigating duplicative examinations.

New Bank Formation

Bank consolidation is a long-term trend. In fact, there are 4,316 fewer banks in the U.S. now than in 2005. Consolidation in the industry must be tempered by robust de novo bank creation, and ABA supports the Committee's focus on promoting new bank formation across the country through the following provisions:

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Sec. 610. American Access to Banking, which directs federal banking agencies to streamline and simplify the new bank application process and allows applicants to request a designated caseworker within the regulatory agency to assist with the process. In addition, this provision facilitates a mentor program in which recently approved de novo institutions can work with de novo applicants and requires agencies to engage state governments and stakeholders on reforms that will make de novo formation easier.

Sec. 611. Promoting New Bank Formation, which promotes the formation of new banks by establishing a pilot two-year phase-in period for federal capital requirements. By facilitating the formation of new banks in urban and rural areas, this legislation expands banking access for both individuals and small- and medium-sized businesses.

Sec. 612. Rural Depositories Revitalization Study, which requires the federal regulators to jointly study ways to improve the growth, capital adequacy, and profitability of rural depository institutions. Identifying regulatory barriers to new bank formation and sustainability in rural areas will help ensure that these communities maintain access to mortgage credit and other essential financial services critical to housing stability and growth.

Other Provisions

ABA also supports the following provisions aimed at promoting a healthy banking sector and transparent regulatory process:

Sec. 606. Systemic Risk Authority Transparency, which requires the Government Accountability Office (GAO) and appropriate federal banking regulators to issue reports detailing the causes of bank failures, regulatory actions, and any management or supervisory shortcomings, within certain specified timeframes after the FDIC invokes the systemic risk exception. This section will increase transparency in the regulatory process and promote accountability and market confidence through required reporting to Congress.

Sec. 609. Advancing the Mentor-Protégé Program for Small Financial Institutions, which establishes the Financial Agent Mentor-Protégé Program within the Dept. of the Treasury to strengthen minority, rural, and small financial institutions and expand access to housing credit.

Conclusion

The ABA appreciates Congressional leadership for advancing this legislation to the House floor and urges all members to vote in favor of H.R. 6644, the Housing for the 21st Century Act.

Sincerely,

Kirsten Sutton

Cc: Members of the U.S. House of Representatives