

REGULATORY OVERREACH: THE PRICE TAG ON AMERICAN PROSPERITY

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REGULATORY OVERREACH: THE PRICE TAG ON AMERICAN PROSPERITY

TUESDAY, APRIL 29, 2025

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS,
COMMITTEE ON FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:06 a.m., in room 2128, Rayburn House Office Building, Hon. Andy Barr [Chairman of the Subcommittee] presiding.

Present: Representatives Barr, Loudermilk, Huizenga, Williams of Texas, Rose, Timmons, Norman, Meuser, Kim, Donalds, Fitzgerald, Flood, Moore, Hill, Foster, Velázquez, Meeks, Scott, Sherman, Green, Vargas, Casten, Lynch, Beatty, Fields, and Waters.

Chairman BARR. The Subcommittee on Financial Institutions will come to order.

Without objection, the Chair is authorized to declare a recess of the committee at any time. This hearing is titled “Regulatory Overreach: The Price Tag on American Prosperity.”

Without objection, all members will have 5 legislative days within which to submit extraneous materials to the Chair for inclusion in the record.

I now recognize myself for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. ANDY BARR, CHAIRMAN OF THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS, A U.S. REPRESENTATIVE FROM KENTUCKY

I want to first thank our witnesses for being here today for the first of many in-depth hearings on the importance of supporting community financial institutions.

The committee’s first hearing of the 119th Congress laid the foundation for what we aim to accomplish in the Financial Institutions Subcommittee this Congress.

During that hearing, we heard from regulatory experts and community bankers who are being crushed by the weight of burdensome and politically driven regulations from Federal bank regulators.

Community banks are the lifeblood of our local economies and serve as critical support for small businesses, particularly in rural and underserved areas. Unfortunately, these community banks were swept up in the regulatory overhaul of Dodd-Frank 15 years ago, despite not contributing to the financial crisis.

The one-size-fits-all approach to regulation created by Dodd-Frank ignores the unique business models and size of these local

institutions and impresses unnecessary compliance costs upon them.

In 2018, Congress acknowledged the need to adjust regulations on financial institutions that reflect their associated risk profile and lending strategies. This led to the passage of the bipartisan Economic Growth Regulatory Relief and Consumer Protection Act, or S. 2155.

This was a monumental step in recalibrating our Federal bank regulation framework toward a more dynamic, risk-based approach that does not impose excessive compliance burdens on small or less complex financial institutions.

Unfortunately, Democrat-appointed regulatory officials under the Biden Administration abandoned the bipartisan policy approach of tailoring in favor of an uniform subjective-based approach.

We saw this firsthand with the interagency rulemaking on Basel III endgame, a partisan campaign led by former Vice Chair of Supervision at the Federal Reserve that moved away from risk-based tailoring and required small, less complex institutions to follow the same rules as the largest Global Systemically Important financial institutions.

Fortunately, due to the overwhelming number of negative comment letters and pushback from legislators on both sides of the aisle and both Chambers of Congress, this de facto rollback of S. 2155's tailoring was not finalized.

Last Congress we advanced several bipartisan bills that reassert congressional oversight over the kinds of agreements regulators strike with global governance groups, such as the Network for the Greening of the Financial System, or the NGFS.

This proved to be successful as our prudential regulators have since pulled out of the NGFS.

Several bills attached to today's hearing advance regulatory tailoring and maintain Congress's Article I authority over these agencies.

I have heard from community bankers across the country about the inconsistency and lack of clarity in the supervision and examination of framework being driven by partisan bureaucrats in Washington.

Rather than our prudential regulators working alongside supervised institutions to ensure compliance, we have seen a shift to promoting agendas such as climate-related finance or the debanking of legally operating businesses—dangerous deviations from the core mission and purpose of the agencies.

For example, we have seen regulators hand out supervisory determinations based on novel interpretations of longstanding laws without providing a meaningful appeals process.

Without any due process, these covered institutions are constantly held in limbo while they await the next press release that attacks their legal business strategy.

This hearing will examine how Congress can direct bank examiners to use objective, risk-based metrics in their examination process, specifically regarding the CAMELS framework and the abuse of the management component that has hindered otherwise compliant firms.

I look forward to hearing from our witnesses about Congress' role in supporting an objective, risk-based regulatory and supervisory framework that works for all Americans, the importance of regulatory tailoring, and the need to protect the U.S. financial system from overreach by global governance groups.

I yield back and the Chair now recognizes the Ranking Member of the subcommittee, Dr. Foster, for 4 minutes for an opening statement.

OPENING STATEMENT OF HON. BILL FOSTER, RANKING MEMBER OF THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS, A U.S. REPRESENTATIVE FROM ILLINOIS

Mr. FOSTER. Thank you, Chairman Barr, and thank you to our witnesses.

Over the last 100 days, President Trump's policies have triggered a wave of uncertainty for the financial system and for Americans in all walks of life. On-again, off-again tariffs, mass firing of Federal civil servants, and unlawful attacks on what should be independent agencies, like the Federal Reserve, have made it impossible for small businesses to plan, injected volatility into our financial markets, and weakened the U.S. dollar.

On the campaign trail, President Trump claimed that he would lower prices for Americans on day 1, with policies like capping credit card fees at 10 percent and reinstating Glass-Steagall.

Really? I do not see any of that here today, just chaos. One-hundred days in, more than 60 percent of the Americans disapprove of the President's handling of the economy, and nearly 90 percent expect the new tariffs to increase prices.

Two-thirds of Americans say that they fear a recession, and banks, large and small, are hearing from the businesses that they support that these businesses have no idea how they will survive the chaos, the costs, and the supply chain disruption from Trump's tariff tantrums.

I support some of the legislation being put forward at this hearing like the Homebuyers Privacy Protection Act, which will protect the privacy of mortgage applicants and prevent them from being bombarded by unwanted solicitations and scams.

Our witnesses bring thoughtful perspectives on banking supervisory and examination processes, and I am looking forward to discussing their recommendations with them today and I believe there are real opportunities, for example, to use technology to streamline bank supervision.

I was elected to Congress and joined this committee in March 2008, on the eve of the global financial crisis. On this committee, we surveyed the wreckage from excessive risk-taking from large financial firms, predatory mortgage lending practices, and other market excesses that brought the global economy to the brink of collapse.

All of this was due to ill-advised financial deregulation.

I would note, interestingly, that, while there are several Democrat on this subcommittee that were in Congress at that time—Representatives Lynch, Sherman, Meeks, Scott, Green—zero Republican members of this subcommittee were. Perhaps that explains their amnesia.

Following the financial crisis, I was proud to help draft the Dodd-Frank Wall Street Reform and Consumer Protection Act, which aimed to correct the mistakes that led to the panic, pain, and contagion that we saw in 2008.

Following Dodd-Frank, we saw the strongest period of uninterrupted economic expansion in our country's history, a period in which the U.S. financial system far outgrew the less regulated rest of the world, achieving, dare I say, financial dominance. Now we appear to be throwing that all away.

One important provision created by the Consumer Financial Protection Bureau, CFPB, that was tasked with regulating things like mortgages and credit cards whose predatory terms and hidden fees weakened consumers ahead of the crisis.

The Dodd-Frank Act also established the Financial Stability Oversight Council, FSOC, and the Office of Financial Research (OFR), to oversee activities of systemically important financial institutions.

Each of these agencies, along with our banking and market regulators, served critical roles for the financial stability of the United States, yet their missions are under assault. Tomorrow our committee will consider legislation that would cut the CFPB's budget by roughly 70 percent, cut the FSOC and OFR budgets by nearly 90 percent, far below what they require to carry out their roles established by Congress.

This comes as thousands of Federal employees from around the Federal Government are being terminated without cause and without due process, leaving essential roles understaffed and financial agencies without the resources they need to function.

This uncertainty caused over the last 100 days, combined with preexisting geopolitical tensions, cybersecurity threats, and disruptive technologies, make these financial watchdogs more important than ever.

So, I urge my colleagues to oppose the administration's deliberate economic chaos and preserve and strengthen the Federal agencies that protect America's financial well-being.

Thank you, Mr. Chairman. I yield back.

Chairman BARR. The gentleman yields.

The Chair now recognizes the Chairman of the full committee, Mr. Hill, for 1 minute.

STATEMENT OF HON. FRENCH HILL, CHAIRMAN OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM ARKANSAS

Chairman HILL. Thank you, Chairman.

Today's hearing revisits one of our committee's top priorities for this Congress, enhancing and growing our community banks and restoring common sense to financial regulation.

For 15 years, we have heard testimony in this room about how Dodd-Frank has hollowed out our banking sector, especially hurting small and midsize institutions that serve as the backbone for our local, Main Street economies.

That is why Republicans and Democrats came together in 2018 to pass commonsense, prudential reforms during the first Trump

Administration, S. 2155, including the support, I believe, of our Ranking Member of this subcommittee.

Now it is time to return to that spirit of bipartisan practical approach to community financial institution supervision and regulation.

This hearing is an opportunity to build on the record of support for ideas like regulatory tailoring and supervisory modernization—issues that every community banker and credit union back in our districts are thinking about every day.

I look forward to hearing from our witnesses about the challenges these institutions face, their thoughts on the bills we have noticed today, and what is at stake if we fail to act.

I thank the Chair, and I yield back.

Chairman BARR. The gentleman yields.

STATEMENT OF HON. MAXINE WATERS, RANKING MEMBER OF THE COMMITTEE ON FINANCIAL SERVICES, A U.S. REPRESENTATIVE FROM CALIFORNIA

The Chair now recognizes the Ranking Member of the full committee, Ms. Waters, for 1 minute.

Ms. WATERS. Good morning. Republicans are, once again, using community banks to advance an agenda for mega banks. Instead, we should hold a hearing on Trump's coup and theft of the American Dream.

Unfortunately, Republicans are not using their oversight power and instead ignoring the Trump regime's reckless and lawless actions; from firing board members of the National Credit Union Administration, imposing chaotic tariffs, and attacking the Community Development Financial Institutions Fund. All these actions harm community banks, credit unions, and the consumers and small businesses they serve.

Mr. Chairman, it is no wonder consumer confidence has dropped to record lows. Americans are worried about higher prices, fewer jobs, and Trump's coup d'etat.

I yield back the balance of my time.

Chairman BARR. The gentlelady yields.

Today we welcome the testimony of Ms. Sarah Flowers, Senior Vice President and Senior Associate General Counsel for regulatory affairs for the Bank Policy Institute, where she focuses on capital stress testing, mergers and acquisitions, and other prudential regulatory matters.

Mr. Michael Radcliffe, a fellow Kentuckian—welcome to the committee—he is Chairman and CEO of Community Financial Services Bank (CFSB), a \$1.3 billion community bank with eight locations that serves rural western Kentucky. He has been with the CFSB since 2002, and it is my great pleasure to have him here with us today in Washington.

Ms. Margaret Tahyar is the head of the Financial Institutions Group at Davis Polk & Wardwell, where she has been a partner for 27 years. She has testified before this committee previously; so, we welcome her back.

Good to see you again.

Mr. Graham Steele, an Academic Fellow with Stanford Law School's Rock Center for Corporate Governance, he previously

served as Assistant Secretary for Financial Institutions at the Treasury Department under the previous administration.

We thank you all for your time being here. Each of you will be recognized for 5 minutes to give an oral presentation of your testimony.

Without objection, your written statements will be made part of the record.

Ms. Flowers, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF SARAH FLOWERS SENIOR VICE PRESIDENT,
SENIOR ASSOCIATE GENERAL COUNSEL, BANK POLICY INSTITUTE,
WASHINGTON, D.C.**

Ms. FLOWERS. Chairman Barr, Ranking Member Foster, and honorable members of the subcommittee, thank you for inviting me to testify. My name is Sarah Flowers, and I am a Senior Vice President, Senior Associate General Counsel at the Bank Policy Institute (BPI).

Prior to joining BPI, I spent several years focused on prudential regulatory policy at a regional bank, and for many years in private practice, I served bank clients of all sizes.

BPI is a nonpartisan policy research and advocacy organization, representing the Nation's leading banks. On behalf of BPI members, we greatly appreciate this committee's leadership and the opportunity to provide perspective on regulatory overreach in the banking sector.

In the United States, banks of all sizes play a vital role in fueling economic growth. By recognizing the value each type of institution offers and appropriately tailoring regulatory requirements and supervision, our banking system better supports the economy.

Secretary Bessent recently noted that, besides better tailoring of regulation, perhaps the single most important reform will be to refocus bank supervision on material financial risks. To support these goals, we offer a few recommendations.

First, regulations need to reflect economic reality rather than being frozen in time. There is an urgent need to index regulatory tailoring thresholds for all banks for economic growth and inflation.

Regulation that fails to evolve with the macroeconomic environment constrains growth without offering an offsetting benefit.

Economic growth and inflation do not increase systemic risk in the financial system. As the economy expands, various sectors of the economy grow proportionally. Annually and automatically adjusting the tailoring category thresholds would prevent banks from facing more stringent regulations solely due to natural economic expansion.

Once properly indexed, as new rules are developed, care must be taken to prescribe less stringent requirements for firms whose activities and structure present less risk.

Rules designed to address the complex activities of internationally active banks should not be indiscriminately applied to smaller banks with less complex structures and business models.

Second, effective tailoring requires effective supervision. By enacting a bipartisan tailoring law in 2018, Congress communicated

to the banking agencies that they should take a holistic approach to regulation.

However, that holistic approach has failed to take hold in supervision, where examiners treat regional banks and the largest banks with the same broad brush.

Regional banks routinely report that the agencies use horizontal reviews to hold them to the same standards as

Global Systemically Important Banks, or G-SIBs, through the exam process.

These banks are technically exempt from those standards, but nothing stops an examiner from imposing them by issuing a matter requiring attention, or MRA, in a nonpublic exam.

A key reform should be the adoption of regulations that define an unsafe or unsound practice using a financial materiality standard. This would help ensure that enforcement actions are grounded in practices that genuinely threaten a bank's financial integrity.

Finally, the exam ratings framework is broken. In the exam framework itself, a lack of focus on material financial risk leads to unwarranted CAMELS ratings downgrades as the ultimate output of the exam process.

While this framework in theory evaluates six factors, it is the management rating, or the M, that dominates as a factor in the composite rating. The management rating is uniquely subjective. It is not based on any empirical or financial standard but, rather, serves as a vehicle by which examiners can find fault with any aspect of a bank's compliance program or the bank's willingness to accede to examiner mandates.

It is often where inappropriate focus on reputational risk can manifest. There are severe automatic consequences of an unsatisfactory management component rating.

Removing or replacing the management component would help limit the assignment of unsatisfactory CAMELS ratings to institutions in poor financial condition and better reflect that a bank should be considered well managed if its management team is appropriately managing the risks that matter most.

Because the exam process remains confidential, it is not subject to public scrutiny, and the ratings frameworks themselves provide no meaningful standard to govern their use—or misuse.

While the agencies have adopted internal appeals processes, the appeals involve senior personnel of the same agency involved in the dispute. This conflicts with fundamental principles of fairness and due process.

Banks should be expressly permitted to appeal CAMELS exam findings and ratings to a legitimately neutral authority.

We greatly appreciate this committee's thoughtful approach to these issues and stand ready to work with you to ensure that bank regulation and supervision supports financial stability without imposing undue burdens on institutions.

Thank you for the opportunity to speak today, and I look forward to any questions.

[The prepared statement of Ms. Flowers follows:]



Testimony of Sarah Flowers

Bank Policy Institute Senior Vice President and Senior Associate General Counsel

Before the U.S. House Financial Services Committee, Subcommittee on Financial Institutions and Monetary Policy

"Regulatory Overreach: The Price Tag on American Prosperity"

April 29, 2025

Chairman Barr, Ranking Member Foster and Honorable Members of the Subcommittee, thank you for the opportunity to testify today. My name is Sarah Flowers, and I am a Senior Vice President, Senior Associate General Counsel at the Bank Policy Institute, which is a research and advocacy group supported by banks with more than \$100 billion in U.S. assets. Collectively, our banks employ nearly two million Americans, make half of the nation's small business loans and are an engine for economic growth. On behalf of BPI member companies, I appreciate the opportunity to provide input on regulatory overreach in the banking sector, particularly how ineffective bank supervision and improper regulatory tailoring are holding back the banking industry from being able to fully support its customers and the broader economy.

The U.S. has a uniquely versatile and varied banking sector, which fuels its diversified economy. U.S. economic vitality requires local relationship banking, sophisticated consumer services, strong commercial lending and vibrant capital markets. Banks of all sizes play a vital role in fueling U.S. economic growth. Not only is the U.S. banking industry competitive, it is also connected, with large banks providing services to smaller institutions including correspondent banking services, cash distribution, check processing, and international payment clearing.¹

Excessive regulation is hindering the ability of the banking system to serve its customers efficiently. For mid-sized and regional banks, the problem starts with the federal banking agencies effectively ignoring a statutory mandate, enacted on a bipartisan basis by Congress in 2018, that enhanced prudential standards for banks be appropriately tailored. There is an urgent need to index the thresholds established by the agencies' tailoring regulations for all banks for economic growth and inflation. Economic growth and inflation do not increase systemic risk in the financial system; as the economy expands, various sectors of the economy grow proportionally.

¹ Our member institutions—generally comprising banks with at least \$100 billion in U.S. assets—have the scale and sophistication needed to provide small banks and credit unions with vital financial services they need to thrive. Our members count hundreds of small banks and credits unions as customers, representing hundreds of millions in credit commitments. Our members further support smaller institutions by helping them (1) administer their cash flow and advising them on ways to manage excess cash; (2) providing institutional investment advice, including guidance on buying U.S. Treasuries and mortgage-backed securities; (3) navigating foreign exchange markets and international trade logistics; (4) providing loan syndication services (including large bank purchases of residential loans from smaller banks, enabling them to offer traditional mortgages), commercial cards, and foreign and domestic payment services to improve cash flow and reduce financial risk; (5) providing custodial services and investment portfolio management, helping small banks maintain financial health and long-term stability.

To be effective, tailoring of bank regulation must also be accompanied by complementary reforms to bank supervision. Regional banks routinely report that the use of “horizontal reviews” by the agencies results in their being held to the same standards as GSIBs through the examination process. While technically exempt from those standards as a matter of public regulations, nothing stops an examiner from nevertheless imposing them by issuing, or threatening to issue, a supervisory directive (a Matter Requiring Attention) in a non-public examination.

More broadly, banks are subject to a “shadow enforcement regime,” imposing significant penalties on banks without due process protections, any checks or balances, or any accountability. This testimony will outline proposed reforms to restore the examination framework to its intended purpose and enhance due process for banks.

As Congress holds the federal banking agencies accountable for compliance with S. 2155, it should prioritize (1) codification of automatic indexing of all regulatory tailoring thresholds, so that we are not discussing this same issue for the same reasons a few years down the road, and (2) building safeguards into the examination process to restore checks and balances on supervisory practices. The appropriate adjustment of regulatory tailoring thresholds to reflect economic reality, and a supervisory framework focused on core financial risks and subject to due process, will enable durable reforms to the bank regulatory framework and prevent needless costs to economic growth.

Ensuring Regulatory Tailoring Required by S.2155 Is Dutifully Followed

Automatically Indexing Regulatory Tailoring Thresholds

When the agencies proposed their rules implementing the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155) in 2018, BPI emphasized repeatedly the need to automatically adjust the dollar-based thresholds used in the risk-based indicators, as well as the \$700 billion asset-size threshold for Category II, on an annual basis to account for economic growth so that those indicators would retain similar relationships to risk as the U.S. banking industry as the economy expanded.

In January 2019, the U.S. regulatory agencies finalized the tailoring rule to revise the criteria for applicability of a range of prudential regulatory requirements for large banks; over a year before the significant economic growth and inflationary trends began with the onset of the COVID-19 pandemic in 2020. This rule established a framework that imposes increasingly stringent standards on banks based on their size, complexity and risk profile. The most stringent capital and liquidity requirements apply to Category I firms, identified as U.S. GSIBs. The next most stringent standards apply to Category II firms, with more than \$700 billion in total consolidated assets, or cross-jurisdictional activity of \$75 billion or more. Category III firms are those with more than \$250 billion in total consolidated assets or \$75 billion or more in either STWF, Non-Bank Assets, or Off-Balance-Sheet Exposure. Category IV standards apply to those with total consolidated assets of at least \$100 billion (a statutory threshold above which the Federal Reserve *may* apply enhanced prudential standards if determined to be appropriate based on risks to financial stability of the United States or to promote safety and soundness of bank holding companies) that do not meet the thresholds for a higher category. The Federal Reserve Board determined all these indicator thresholds via rulemaking except the \$250-billion Category III threshold, which was statutorily defined by S.2155.

In the final rule, the agencies did not present empirical support for their threshold calibrations. However, responding to commenter concerns, the agencies did commit to periodic threshold reviews to account for economic growth and inflation. This commitment acknowledges the need for regulatory frameworks to evolve with the economy, to maintain effectiveness and avoid unintended consequences. Even if fixed thresholds are well developed and empirically supportable at the outset, when they are not indexed or adjusted to reflect general economic growth and inflation, they can become outdated. A bank's total exposures might grow larger simply because the whole economy is growing, not because the bank's portfolio is becoming riskier or more complex. But if the thresholds do not change, this normal growth could suddenly subject the bank to much stricter rules. This would contradict the original purpose of having different requirements for banks of various sizes. If a firm's asset size and risk-based indicators increase proportionately to increases in domestic banking assets, the firm's relative significance and risk profile within the U.S. banking system—as measured by the framework set forth in the tailoring proposals—generally remains static even though the absolute value of its assets or risk-based indicators is increasing. Those increases would reflect the expansion of the banking sector and the economy more generally, not changes in the firm's risk profile.

Economic growth and inflation do not increase systemic risk in the financial system. As the economy expands, various sectors of the economy grow proportionally. First, rising household incomes improve consumer creditworthiness, enabling larger loans supported by improved ability to repay. Second, economic expansion leads to the creation of new businesses and the expansion of existing firms to meet this growing demand. These firms, ranging from small firms to large corporations, use bank loans and financial services to support their operations. In addition, the rising costs of consumer goods and housing prices due to inflation further increase borrowing levels. Adjusting the tailoring category thresholds for banks based on economic growth and inflation would prevent banks from facing more stringent regulations solely due to natural economic expansion. Since the end of 2019, nominal GDP has grown by 34 percent. If the regulatory thresholds established by the agencies' tailoring regulations were adjusted proportionally to this economic growth and inflation proxy, the Category II size threshold would increase from **\$700 billion to about \$950 billion**, and the Federal Reserve Board calibrated risk thresholds across categories would increase from **\$75 billion to about \$100 billion**.²

These adjustments would ensure the regulatory framework remains aligned with the current economic reality, preserving the framework's effectiveness while preventing potential distortions in the banking sector. Periodic review and adjustment of these thresholds, as initially promised by the regulatory agencies, would foster a more dynamic and responsive regulatory environment. Adjustments for economic growth and inflation should be made annually and automatically to provide predictability for firms and to be more effective.

Once properly indexed for inflation and economic growth, the agencies must also more closely align prudential standards for U.S. banking organizations with the risk profiles of these firms. Regulations designed to capture risk associated with the complex activities of internationally active banks, for example, should not be indiscriminately applied to smaller domestic banks with less complex structures and business models. As new rules are developed, care must be taken to ensure that the most stringent requirements apply to firms with the most risk based on their relative complexity, and prescribe

² See Francisco Covas and Alexander Kim, *Adjusting Regulatory Thresholds for Economic Growth* (September 9, 2024), available at <https://bpi.com/adjusting-regulatory-thresholds-for-economic-growth/>.

materially less stringent requirements for firms whose activities and structure present less risk.

Reforming Supervision to Restore Checks and Balances

Limiting Examination to Assessment of Material Financial Risks and Banks' Overall Financial Condition

No regulatory tailoring for banking organizations can be effective unless it is consistently and faithfully reflected in the examination process. However, instead of enforcing the standards in the regulations under the tailored framework, additional compliance standards are routinely imposed on banks via the examination process.

When compliance with standards that are removed from the regulations are nonetheless imposed in the examination process through matters requiring attention, horizontal reviews,³ or rating decisions, with those requirements instead cast as “best practices” or “supervisory expectations,” they are no less binding than regulations on firms in practice. Because the examination process remains confidential, it is not subject to public scrutiny, and banks effectively have no right of appeal. It is thus crucial to identify what examination reforms should be implemented to ensure that no agency guidance or ad hoc examination mandate trumps the statutory and regulatory tailoring requirements. If the agencies wish to establish new, binding standards that all or a subset of banks must follow, the law and basic due process considerations require that they do so via notice-and-comment rulemaking and not via confidential supervisory directive. When the agencies proposed their rules implementing the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155) in 2018, BPI encouraged the agencies to ensure that final tailoring regulations not be nullified through an examination process that would reimpose the same standard.

Codifying a Standard for Safety and Soundness

To promote safe and sound banking practices, the examination framework should be refocused on risks to a bank's financial condition. Most prominent among the banking agencies' enforcement tools is the authority to issue orders to a bank to cease and desist from “unsafe or unsound” practices or conditions or violations of law. A key reform should be the adoption of regulations that define an “unsafe or unsound” practice using a financial materiality standard. Currently, the federal banking agencies often disregard judicially recognized definitions of “unsafe or unsound” practices, which emphasize financial materiality. Courts have consistently interpreted these practices as those threatening a bank's viability. The overwhelming focus of the current examination regime is on a range of acts and practices that quite clearly do not meet the legal standard established by the courts—that is, acts and practice that pose risks that are remote and contingent and, if even those risks did materialize, would result in only minor (or no) financial loss. By codifying regulations that define an “unsafe or unsound” practice using the financial materiality standard established by the courts—both for purposes of determining when an agency may issue an MRA or bring an enforcement action based on such a practice—we can ensure that

³ See Governor Bowman, *Brief Remarks on the Economy and Accountability in Supervision, Applications, and Regulation* (February 17, 2025) (“Supervisory practices like horizontal reviews can create examiner incentives to expect uniformity and “grade on a curve,” but this approach perversely punishes variation among bank practices, stifling competition and innovation.”); Governor Bowman, *Brief Remarks on the Economy, and Perspective on Mutual and Community Banks* (January 31, 2025) (“I think regulatory and supervisory “trickle-down” is real and it has significantly harmed community banks. I am referring to regulators conveying expectations to community banks (for example, during the examination process) that lack a foundation in applicable rules or guidance, or that were designed for larger institutions, or based on a horizontal review of unique banks.”)

MRAs and enforcement actions are used only when examiners identify practices that genuinely threaten a bank's financial integrity, rather than merely those that are inconsistent with the individual preferences or views.

Raising the Bar for MRAs

No statute specifically authorizes the agencies to issue MRAs. Instead, it is the threat of becoming subject to an enforcement action for unsafe or unsound practices (along with the related threat of ratings downgrades) that generally gives teeth to MRAs and incentivizes their remediation, unmoored from any statutory constraints. Many of these MRAs are issued for routine governance and compliance matters such as information technology and infrastructure maintenance, vendor management, etc. At the same time, the consequences associated with MRAs have increased in severity.

In addition to codifying a safety and soundness standard, further checks and balances on the issuance of MRAs are warranted to ensure that agency staff are bound by such guardrails, which would empower an institution when formally or informally challenging MRAs or notices of charges. First, an MRA must be defined *in regulation* as conduct or a problem that meets the safety and soundness standard. An MRA, as now, would then require a remediation plan, and attention from senior management and, at times in appropriate cases, the bank's board. Matters not rising to the level of an MRA would not, and MRAs would thus be appropriately limited to remediating unsafe and unsound practices or significant violations of law. This limitation would prevent MRAs from being used to enforce non-binding guidance or supervisory preferences, in violation of the agencies' rule on guidance.⁴

Second, some discipline should be imposed to ensure that MRA determinations at the examiner level are made with due discipline, particularly in the context of a large bank where an "unsafe and unsound" practice is likely to be of significant concern to agency leadership. Accordingly, establishment of a new requirement that any MRA proposed to be issued to a U.S. bank with at least \$100 billion in assets must be reported to the head or heads of the agency imposing it would help to establish necessary discipline and ensure timely escalation.

To that end, and as noted above, if the agencies wish to establish new, binding standards that all or a subset of banks must follow, the law and basic due process considerations require that they do so via notice-and-comment rulemaking and not via confidential supervisory directive. In the experience of BPI member institutions, "industry MRAs" (*i.e.*, supervisory directives that are not specific to any one bank's practices but instead are issued to multiple firms in essentially identical terms) have become increasingly common. Because MRAs generally have severe consequences and are effectively unappealable, these MRAs operate as binding rules without notice and comment, effectively bypassing statutory requirements, raising significant due process concerns for banks. To address this issue, as suggested by former Federal Reserve Vice Chair for Supervision Randal Quarles in his January 2020 speech on bank supervision, an important improvement to the process by which bank supervision is conducted would be to establish a routine practice within each agency under which significant supervisory communications, including exam letters containing MRAs, would be subject to independent review within the agency before final issuance. The purpose of such review would be to make sure that such supervisory communications, including MRAs, "focus on violations of law and material safety and

⁴ Interagency Statement Clarifying the Role of Supervisory Guidance, issued by the FDIC, Board of Governors of the Federal Reserve System, OCC, National Credit Union Administration (NCUA), and Consumer Financial Protection Bureau (CFPB) (September 11, 2018) available at <https://www.govinfo.gov/content/pkg/FR-2021-04-08/pdf/2021-07146.pdf>.

soundness issues and that these communications don't mistakenly give the impression that supervisory guidance is binding."⁵ Indeed, given that the banking agencies each subsequently issued (in response to a BPI petition for rulemaking) a final rule on guidance (referenced above), one of the functions of such internal independent review would be to confirm that the rule on guidance is being followed as a substantive matter.

Examiners have also focused on—and, in some notable instances, weaponized⁶—“reputational risk,” which may arise from business activities that are safe, sound and legal, but of which the banking agencies disapprove for other reasons.⁷ The reforms outlined above would refocus examiners on material financial risk and away from non-financial and subjective notions of reputational risk. For national banks and state non-member banks, the OCC⁸ and FDIC⁹ respectively have recently announced their intention to remove references to reputational risk in supervisory materials, and the OCC has updated its supervisory handbooks accordingly. While these are encouraging developments that may empower banks to review their own risk frameworks to eliminate any elements imposed by the prior supervisory focus on reputational risk, considerable uncertainty remains. For example, the Federal Reserve has not yet announced a similar review, and it is not clear that agency examiners have received training on what it means for reputation risk to have been removed from the OCC handbooks (i.e., on the ability to factor reputation risk into safety and soundness determinations or CAMELS ratings).

Reforming the CAMELS Rating Framework

This lack of focus on material financial risk leads to unwarranted “CAMELS” ratings downgrades as the ultimate output of the examination process. Banks are assigned CAMELS ratings composed of six components rated from 1 to 5: Capital, Asset quality, Management, Earnings, Liquidity and Sensitivity to market risk including interest rate risk. Since the Uniform Financial Institutions Rating System (“UFIRS”) was adopted in 1979 as a nonbinding “internal supervisory tool for evaluating the soundness of financial institutions”¹⁰ with no self-enforcing mechanism, the CAMELS framework has developed into a supervisory tool with significant, severe, automatic and legally binding consequences for banks and their parent holding companies. As a result of a low CAMELS rating, a bank or holding company may: (i) lose “financial holding company” status, and thus eligibility to engage in certain financial activities, (ii) face higher deposit insurance assessment pricing, (iii) lose eligibility for primary credit at the discount window, and (iv) be prohibited from acquiring another institution or expanding across state lines.

⁵ Randal K. Quarles, *Spontaneity and Order: Transparency, Accountability, and Fairness in Bank Supervision* 14 (Jan. 17, 2020), available at: <https://www.federalreserve.gov/newsevents/speech/quarles20200117a.pdf>.

⁶ House Committee on Oversight and Government Reform, Report: DOJ's Operation Choke Point Secretly Pressured Banks to Cut Ties with Legal Business (May 29, 2014), available at <https://oversight.house.gov/report/doj-operation-choke-point-secretly-pressured-banks-cut-ties-legal-business/>. See also Tara Payne, *The Regulatory Pressures Driving Account Closures* (Feb. 6, 2025), available here <https://bpi.com/the-regulatory-pressures-driving-account-closures/>.

⁷ Reputation risk has been explained as the risk that bank stakeholders will negatively change their perception of the bank, usually an ancillary consideration to credit risk operational risk or other primary risk. See Julie A. Hill, *Regulating Bank Reputation Risk*, 54 Ga. L. Rev. 523 (2019). Available at: https://scholarship.law.gsu.edu/bcr_articles/152/.

⁸ OCC Bulletin 2025-4, *Removing References to Reputation Risk* (March 20, 2025), available at <https://www.occ.gov/news-issuances/bulletins/2025/bulletin-2025-4>.

⁹ <https://www.fdic.gov/news-issuances/bulletins/2025/bulletin-2025-4.html#:~:text=The%20OCC%20has%20never%20used%20reputation%20risk%20as,a%20condition%20and%20resilience%20risk%20from%20negative%20public%20opinion.> The OCC further noted that “[f]or handbooks and guidance issuances issued jointly with other regulators, the OCC will work with those regulators to expeditiously remove references to banks’ reputation risk.”

⁹ On March 24, acting FDIC Chairman Travis Hill informed Congress that the agency is preparing to eliminate the use of “reputation risk” as a basis for supervisory criticism. In a letter to Rep. Dan Meuser (R-Pa.), Hill explained that the FDIC has completed a review of its regulations, guidance, and examination procedures to identify and remove references to reputational concerns in its supervisory framework. Available at [FDIC Letter](https://www.fdic.gov/news-issuances/bulletins/2025/bulletin-2025-4.html#:~:text=The%20OCC%20has%20never%20used%20reputation%20risk%20as,a%20condition%20and%20resilience%20risk%20from%20negative%20public%20opinion.).

¹⁰ 61 Fed. Reg. 67024-25 (Dec. 19, 1996).

At the same time, the broader bank regulatory environment has also changed dramatically since the UFIRS' adoption, including with respect to core prudential standards integral to certain CAMELS components, including significant substantive developments in capital regulation, liquidity regulation and stress testing. Yet, the CAMELS framework has not been substantially revised to reflect such dramatic changes in the regulatory environment, and the experiences of BPI's member institutions indicate that the application of the CAMELS rating system (and the corresponding Large Financial Institutions (LFI) rating system applicable to large bank holding companies) involve a significant degree of subjectivity and inconsistency on the part of examiners.

The agencies should make clear via rulemaking with notice and comment that the explicit purpose of these ratings are to gauge the *financial condition* of the bank. This purpose is consistent with the existing components under the UFIRS, as metrics regarding capital, asset quality, earnings, liquidity and sensitivity to market risk speak principally to an institution's financial condition. To promote the clarified purpose and ensure that institutions are not penalized and subject to severe consequences unless warranted, agencies utilizing the UFIRS should limit the assignment of unsatisfactory CAMELS ratings to those institutions the financial condition of which is poor or subject to a high likelihood of degradation, focusing on the likelihood of failure at a cost to creditors or insurers (i.e., the Deposit Insurance Fund). This clarification will help examiners apply the system more objectively and allow banks to evaluate their performance against clear standards.

While this framework in theory evaluates six factors, the management rating—the "M"—dominates for purposes of determining the composite rating. The Management rating is uniquely subjective; it is not based on any empirical standard but rather serves as a vehicle by which examiners can find fault with any aspect of a bank's compliance regime and can be determined by non-financial factors and the bank's willingness to accede to examiner mandates. For example, in current practice, the Management component is often used to measure an institution's compliance with federal consumer compliance, securities, tax, anti-money laundering, sanctions and other laws or state law, or the level of "reputational risk" in the bank's lines of business. Indeed, "CAMELS ratings can be predicted by examiner identities and past experiences, holding bank fundamentals constant."¹¹ The Management component is also often overweighted in calculating an institution's composite rating: recent scholarship on this issue has found that "[d]isagreement in ratings across examiners can be attributed to high average weight (50%) assigned to subjective assessment of banks' management quality, as well as heterogeneity in weights attached to more objective issues such as capital adequacy."¹²

These concerns are compounded by the severe, automatic consequences of an unsatisfactory Management component rating. A Management component rating below 2 could effectively disqualify an institution from financial holding company status and eligibility even if the bank has a 2 rating for every other component. Furthermore, "examiner discretion" has been shown to have "a large and persistent causal impact on future bank capitalization and supply of credit, leading to volatility and uncertainty in bank outcomes, and a conservative anticipatory response by banks."¹³ Given the severe

¹¹ National Bureau of Economic Research Working Paper Series, Sumit Agarwal, Bernardo C. Morais, Amit Seru, Kelly Shue, Working Paper 32344: *Noisy Experts? Discretion in Regulation* (April 2024).

¹² National Bureau of Economic Research Working Paper Series, Sumit Agarwal, Bernardo C. Morais, Amit Seru, Kelly Shue, Working Paper 32344: *Noisy Experts? Discretion in Regulation* (April 2024).

¹³ National Bureau of Economic Research Working Paper Series, Sumit Agarwal, Bernardo C. Morais, Amit Seru, Kelly Shue, Working Paper 32344: *Noisy Experts? Discretion in Regulation* (April 2024).

stakes associated with a low Management component rating and the risk that such a subjective component could become increasingly politicized in its application, the Management component should be eliminated from the CAMELS framework, or alternatively, significantly reformed to focus on objective factors, to ensure that the framework preserves a fair and objective approach to supervision that is tailored to factors material to an institution's financial condition, in keeping with the proper purpose of the UFIRS.

We recognize that banks may have material risks that are not covered by the C,A,E,L or S components and yet should be relevant to its examination rating. There are material operational risks that could affect the safety and soundness of a bank: for example, persistent and critical systems failures. Rather than attempting to cover material operational risks through a wholly subjective Management component that could include any other grievance an examiner might have, we believe that the better course would be to replace the Management rating with one specifically targeted at other material risks. As with all the other components, management of such risks would be a consideration, but at the end of the day, the component would consider actual risk in a more objective manner.

Removing or replacing the Management component would (i) help limit the assignment of unsatisfactory of CAMELS ratings to institutions the financial condition of which is poor or subject to high likelihood of degradation and (ii) better reflect that a bank should be considered "well managed" if, on balance, its management team, acting under the oversight of its board of directors, is appropriately managing the bank's capital, liquidity, asset quality, earnings and sensitivity to market risk.¹⁴

Supervisory Appeals

While these consequences of a ratings downgrade are significant and concrete, the assignment of these ratings is effectively left entirely to the subjective judgment of the examiner: as noted above, the relevant ratings frameworks themselves provide no meaningful standard at all to govern their use (or misuse). The agencies have adopted an internal appeals process, but that process almost invariably upholds the examination finding, which is not surprising given that the appeal is to senior personnel of the agency involved in the dispute.¹⁵ It is quite easy to uphold any examination finding on internal appeal when there is no standard against which to judge it nor any impartial decision-making body to judge it.

Bank examination ratings also constitute confidential supervisory information and it has historically been asserted by the agencies that institutions may be subject to criminal penalties for unauthorized disclosure of such confidential information. Even if there were a chance of a favorable appeal, any such victory would likely come at significant cost, as retaliation in future examinations is a real concern. Unsurprisingly, the internal appeals process is rarely pursued by banks.¹⁶

¹⁴ Indeed, while this same paper acknowledges that there are some predictive benefits to the "soft information" picked up by human discretion, it finds that placing moderate limits on examiner discretion can translate into more informative and predictive ratings. See National Bureau of Economic Research Working Paper Series, Sumit Agarwal, Bernardo C. Morais, Amit Seru, Kelly Shue, Working Paper 32344: *Noisy Experts? Discretion in Regulation* (April 2024).

¹⁵ See Julie Andersen Hill, *When Bank Examiners Get It Wrong: Financial Institution Appeals of Material Supervisory Determinations*, Washington University Law Review (2015), available at (noting that an institution must first pursue an appeal with an agency official who supervised the examination, with the decisions reached at earlier stages of the appeals processes "a near complete black box.")

¹⁶ See, *id.* (noting that "because this level of appeal is addressed to an agency official more closely associated with the examination staff, this may be the stage at which the appeal is most likely to induce examiner retaliation.")

The pitfalls faced by institutions seeking to appeal unsatisfactory CAMELS ratings, and the severe consequences attending such ratings, conflict with fundamental regulatory principles of fairness and due process. Accordingly, agencies utilizing the UFIRS should expressly permit examination findings and ratings to be immediately appealable to a legitimately neutral fact-finder and judge, including via judicial review.

Reining in Excessive Demands for Bank Information

When focusing on areas that have minimal relationship to material financial risk, examiners routinely request volumes of information from bank management and then require meetings to have the information explained to them. We know anecdotally that regional banks have dozens of full-time examiners and are subject to constant examination; for the largest banks, that number is in the hundreds, with a dozen or more examinations ongoing at all times, and examiners are resident at all large banks.

Of particular concern in light of recent events,¹⁷ cybersecurity is a major threat to our economy and national security, yet cyber teams are being forced to spend the bulk of their time on compliance related activities rather than implementing strategic program improvements and preparing for emerging threats. Last year, a survey of bank Chief Information Security Officers — the people responsible for guarding against cyberattacks — revealed that they spent 30-50 percent of their time on compliance and examiner management; their teams spent 70 percent of their time on those functions. They reported on average over 100 requests for information leading up to an average examination, with anywhere from 75 to 100 supplemental requests during the exam. And 25 percent of examination requests duplicate requests from other agencies. They also anecdotally report major morale problems, including burnout and attrition among their staff driven by the need to respond to these requests within days or hours.

The OCC's recent cyber breach is yet another example of how the examination regime can introduce risk to firms and the financial system. Firms must provide extraordinary amounts of sensitive information to regulators who then fail to hold themselves to the same high standards for security and incident response as they expect of the firms they regulate. We have now seen several significant cyber incidents at regulators and government agencies and it is time for a holistic review that consolidates exams, reduces the amount of sensitive information being shared and retained, and focuses on protecting against national security threats.

In conclusion, these proposed reforms aim to restore the regulatory supervisory framework to their proper purpose of monitoring unsafe and unsound banking practices while providing robust due process protections for banks. By codifying (1) automatic indexing of all regulatory tailoring thresholds, and (2) a financial materiality standard for "unsafe or unsound" practices, as well as reforming the CAMELS and LFI rating systems and enhancing due process in examinations, we can ensure that bank regulation and supervision supports financial stability without imposing undue burdens on institutions. I urge the Committee to consider these reforms to promote a tailored, fair and objective regulatory and supervisory environment.

¹⁷ OCC News Release 2025-30, OCC Notifies Congress of Incident Involving Email System (April 8, 2025), available at <https://www.occ.gov/news-issuances/news-releases/2025/ni-occ-2025-30.html>; OCC News Release 2025-32, OCC Releases Letter on Information Security Incident to Supervised Institutions (April 15, 2025), available at <https://www.comptrollerofthecurrency.gov/news-issuances/news-releases/2025/ni-occ-2025-32.html>.

Thank you for your attention, and I look forward to your questions.

Chairman BARR. Thank you.

Mr. Radcliffe, you are now recognized for 5 minutes.

**STATEMENT OF J. MICHAEL RADCLIFFE, CHAIRMAN AND
CHIEF EXECUTIVE OFFICER, COMMUNITY FINANCIAL SERVICES BANK, BENTON, KY**

Mr. RADCLIFFE. Chairman Barr, Ranking Member Foster, and distinguished members of the committee, thank you for the opportunity to speak today on the impact of regulatory burden and overreach on community banks.

My name is Michael Radcliffe, and I am the CEO of Community Financial Services Bank, a \$1.3 billion institution serving rural western Kentucky for the past 135 years.

Community banks like ours play a critical role in the financial system. We provide nearly 60 percent of small business loans and 80 percent of bank agriculture loans nationwide.

In many rural areas, we are the sole financial institutions offering access to credit, creating jobs, and fostering economic growth.

Despite holding just 13 percent of total banking assets, our impact is substantial, and we operate with unmatched efficiency and local focus.

However, the increasing regulatory burden is jeopardizing our ability to serve these communities. At CFSB, we spend over \$632,000 annually on compliance costs alone. This includes expenses for personnel, training, reporting, and technology, all resources that could instead support local families, farmers, and small businesses.

The CFPB's 1071 rule exemplifies the challenge. While it aims to promote fair lending, the data-collection requirements impose significant administrative costs and raise privacy concerns amongst our borrowers—eroding the trust that defines community banking.

I am grateful to this committee for passing 976, the 1071 Repeal to Protect Small Business Lending Act, to provide relief from this harmful rule and statute.

Additionally, regulatory expectations for tier 1 capital ratios have shifted unofficially, with examiners often requiring many community banks to maintain levels above 9 percent, far beyond the well-capitalized standard of 6 percent.

These unmandated requirements tie up resources that could fuel local economies.

Unlike large banks, we cannot easily absorb these costs. For them, \$632,000 is a rounding error. For us, it is a substantial portion of our budget.

These disparities drive industry consolidation, with Kentucky's State-chartered banks declining from 109 in 2020 to 98 by 2024. The last new State banking charter was issued in 2009.

Consolidation of this magnitude reduces financial diversity, weakens rural economies, and ultimately increases borrowing costs for families and small businesses.

We need more new charters to offset consolidation. I strongly support Chairman Barr's Promoting New Bank Formation Act, H.R. 478, which would provide regulatory and capital flexibility for de novo bank charters, and I thank the committee for passing this important bill.

To preserve the essential role of community banks, I urge the committee to consider the following reforms: Scale regulations to bank size and complexity, ensuring community banks are not burdened by rules designed for larger, more complex institutions; provide targeted regulatory relief to simplify compliance and reporting requirements; encourage innovation, enabling community banks to adopt technologies that enhance efficiency; and ensure proportional oversight to balance financial stability with market diversity.

As I explain in my written statement, a number of bills before this committee today incorporate these core principles and would make critical regulatory reforms to strengthen community banks and the local economies they serve: For example, Representative Loudermilk's TAILOR Act would require the agencies to tailor rules and regulations on a bank's risk profile and business model.

Representative Huizenga's FDIC Board Accountability Act would designate a board seat for an individual with small depository institution experience. Fed Governor Miki Bowman has shown us the value of creating a designated community bank seat, and I expect that this bill would yield a similar benefit.

H.R. 2808, sponsored by Representative John Rose and Ritchie Torres, would protect the privacy of homebuyers, and curb invasive and annoying trigger leads.

Two bills—the TRUST Act and the SMART Act—would ease exam burden for more well-managed and well-capitalized community banks.

I encourage you to advance these bills at the earliest opportunity.

Community banks are not just financial institutions. We are lifelines for the communities we serve. Without meaningful reform, the increasing regulatory burden will extinguish this vital part of our financial ecosystem, leaving rural America without access to essential services.

Thank you for your time and attention, and I look forward to your questions.

[The prepared statement of Mr. Radcliffe follows:]



Testimony of

J. Michael Radcliffe

Chairman and Chief Executive Officer
Community Financial Services Bank

On behalf of

Community Financial Services Bank

Before the

U.S. House of Representatives
Committee on Financial Services
Subcommittee on Financial Institutions

Hearing on

“Regulatory Overreach: The Price Tag on American Prosperity”

April 29, 2025

Washington, D.C.

Introduction

Chairman Barr, Ranking Member Foster, and distinguished members of the Committee: Thank you for the opportunity to testify today about the challenges faced by community banks due to regulatory burden and overreach. My name is Michael Radcliffe, and I am proud to represent Community Financial Services Bank (CFSB). Founded in 1890, CFSB is a \$1.3 billion institution with eight locations serving rural western Kentucky. As for my own background, I have been with CFSB for twenty-three years. I originally joined the bank as a credit analyst, and after a few years was given the opportunity to serve as the bank's Compliance Officer, a role I held for over a decade and which provided me with firsthand experience on today's topic.

For 135 years, CFSB has been a cornerstone of our community, providing access to credit, supporting small businesses, and fostering local economic growth. We also serve as one of our county's largest employers, with 246 team members and an annual payroll of over \$14 million. However, the increasing regulatory burden is threatening the survival of institutions like ours, driving industry consolidation, and reducing the availability of community-focused financial services.

The Role of Community Banks

Community banks play a unique and irreplaceable role in our financial system. Institutions like CFSB specialize in relationship-based banking, allowing us to offer tailored solutions to meet the specific needs of individuals, small businesses, and farmers.

In many rural areas, community banks are the only financial institutions serving local residents. Our presence helps to stabilize these economies by providing loans, creating jobs, and fostering entrepreneurship. Without community banks, rural communities face diminished access to capital, which stifles growth and innovation.

Nationwide, community banks are responsible for nearly 60% of all small business loans and over 80% of bank agricultural lending. Despite their vital role, community banks hold just 13% of total banking assets, underscoring the efficiency and impact of their operations. However, their survival is increasingly jeopardized by the disproportionate effects of regulatory compliance.

Regulatory Burden and Overreach

Since the 2008 financial crisis, regulatory reforms have significantly increased compliance requirements across the banking sector. While these reforms were well-intentioned, aiming to prevent systemic risks, many of them are fundamentally ill-conceived and have placed an outsized burden on smaller institutions.

At CFSB, we spend over \$632,000 annually on compliance staff and systems. This includes costs for training, reporting, auditing, and the implementation of technology required for the compliance function. Moreover, compliance with the Current Expected Credit Loss (CECL) standard alone costs us over \$117,000 annually. For a community-focused institution, these resources could instead be invested in our local economy—helping families purchase homes, farmers acquire equipment, or small businesses expand.

The CFPB's 1071 Rule

Another regulatory challenge comes from the Consumer Financial Protection Bureau's (CFPB) 1071 Rule, which mandates detailed data collection and reporting on small business lending. While the rule aims to promote transparency and fair lending, it has unintended consequences for community banks and their borrowers. The requirements are administratively burdensome, adding significant complexity and cost to an already onerous compliance landscape. What started as 13 data points in Dodd-Frank ballooned into 81 data points in the final rule published by the CFPB.

In order to implement 1071 CFSB will have to hire a dedicated full-time team member as well as purchase a dedicated software product, which is in addition to programming changes made to our existing loan origination system and workflow software. The new data is required to be gathered on all commercial loan applications regardless of whether the loan is approved or denied. CFSB will be forced to absorb all of this cost. We do not and cannot charge an application fee to offset the cost, because no bank in our market charges one. The incremental expense will most likely result in higher loan processing fees for those borrowers whose loans *are* approved, which disproportionately increases the cost of credit for our small businesses. For those banks whose business models are more focused on consumer or residential lending, these regulatory costs will

most likely result in their exit from the small business lending space because of their inability to cover the recurring expenses caused by this rule.

Furthermore, many of our borrowers view the 1071 Rule as an intrusive breach of their privacy. These small businesses often value the close, confidential relationships they have with community banks like ours. Being required to disclose sensitive demographic and financial information as part of loan applications creates discomfort and erodes trust, potentially discouraging borrowers from seeking the credit they need to grow their businesses. In small towns like Benton, Kentucky (population 5,000), the publication of the 1071 data will allow small businesses to be identified even though the data is anonymized prior to publication. Not only will the data include loan amounts, interest rates, and fees for loans approved, but also reasons for denial if the loan is denied, breaching the privacy of our clients and violating their trust.

To that end I would like to thank the committee for passing H.R. 976, the 1071 Repeal to Protect Small Business Lending Act, earlier this month on April 2nd, as well as for its work on H.R. 941, the Small LENDER Act.

Examiner “Recommendations” Are De Facto Expectations

Compounding these challenges are the regulatory expectations communicated through bank exams regarding such things as capital levels. By regulation, a bank is considered “well capitalized” if it maintains a Tier-1 capital ratio of at least 6%. However, most banks in Kentucky carry far more capital than this threshold. The lowest Tier-1 ratio among Kentucky banks at the end of 2024 was 7.7%, and most institutions maintain ratios of 9% or higher. Most of these banks are not holding higher levels of capital voluntarily, rather it has been the result of informal guidance from field examiners during exams. Despite the definition of “well capitalized,” regulators have communicated an implicit expectation to many of us that community banks will keep their Tier-1 ratio above 8 or 9%, even though the official standard does not mandate it, or risk being downgraded. This effectively shifts the goalposts, requiring community banks to tie up more capital than necessary and limiting their ability to deploy resources into the local economy.

A further example of informal regulation by examination came after the failure of Silicon Valley Bank in March 2023. In the aftermath it was determined that 89% of SVB's deposits had been uninsured, and liquidity immediately became a focus of most bank exams. CFSB's liquidity policies, procedures, and stress testing had all been reviewed by examiners just six months before SVB's collapse and had been deemed sufficient and acceptable for a bank our size. However, post-SVB at our next exam those very same policies and procedures were found to be deficient, and we were required to significantly alter stress testing assumptions and ensure we had enough collateralized borrowing capacity to cover our uninsured deposits. In stark contrast to Silicon Valley, CFSB's uninsured deposits totaled only 17.8%, and it is worth noting between the time of SVB's failure and CFSB's exam, no additional regulatory guidance around liquidity risk management had been issued. This 'one-size-fits-all' approach to issues such as this impose a significant and unwarranted burden on community banks.

Unlike larger banks, community banks lack the economies of scale to absorb these costs and administrative burdens. A \$632,000 compliance bill might be a rounding error for a \$2 trillion institution, but for us, it represents a significant portion of our annual budget.

Consequences of Regulatory Overreach

The consequences of excessive regulation are clear:

1. **Financial Strain:** Rising compliance costs make it difficult for community banks to compete with larger institutions that benefit from economies of scale.
2. **Industry Consolidation:** Many community banks are forced to merge or be acquired, reducing financial diversity.
3. **Loss of Local Services:** As consolidation occurs, rural and underserved areas lose access to the personalized financial services that only community banks can provide.

In Kentucky, the number of state-chartered banks has decreased from 109 in 2020 to just 98 by the end of 2024. This decline is emblematic of a national trend, where smaller institutions are being squeezed out of the market by the costs and complexities of regulatory compliance. According to the Kentucky Department of Financial Institutions, there has not been a new state banking charter issued in Kentucky since 2009. I would like to thank Chairman Barr for

recognizing this issue by introducing H.R. 478, The Promoting New Bank Formation Act of 2025, and I would like to thank this committee for passing Chairman Barr's bill on April 2nd.

Adding to this imbalance is the implicit advantage of "too big to fail" banks. These institutions benefit from an implied 100% FDIC insurance coverage on all deposits, as the federal government has repeatedly demonstrated an unwillingness to allow their failure. This perception of guaranteed backing gives large banks an unfair competitive edge, attracting depositors and amplifying systemic risk.

Broader Impacts of Industry Consolidation

The decline of community banks has significant consequences for our financial system and the communities we serve:

1. **Reduced Access to Credit:** Community banks are often the only lenders willing to serve small businesses, farmers, and low-income families. Without us, many of these borrowers face higher costs or are excluded from the financial system altogether.
2. **Reduced Competition:** As the number of financial institutions continues to dwindle, there is less competition, especially in rural areas that may already have limited options. Fewer choices in the marketplace along with the current regulatory burden results in increased costs to consumers and small businesses.
3. **Economic Decline in Rural Areas:** The closure of a community bank often leads to economic stagnation in rural areas. Businesses lose access to capital, residents lose access to services, and communities lose a trusted partner in development.

Broader Implications for Financial Resilience

The loss of community banks also reduces financial diversity and resilience. A healthy financial system requires a mix of large, medium, and small institutions, each serving different market segments. When small banks disappear, the system becomes less competitive, less dynamic, and more vulnerable to shocks, leading to fewer choices and higher costs for families and small businesses.

Recommendations for Reform

To address these challenges, I respectfully urge the Committee to consider the following policy solutions:

1. **Scaling Regulations:** Implement a tiered regulatory framework that tailors compliance requirements to the size and complexity of institutions. This approach recognizes that community banks do not pose the same systemic risks as large, interconnected institutions.
2. **Regulatory Relief:** Simplify reporting requirements and provide exemptions for community banks from certain rules designed for larger institutions.
3. **Encourage Innovation:** Support community banks in adopting new technologies to streamline compliance and improve customer service.
4. **Proportional Oversight:** Adopt practices from other jurisdictions that balance oversight with market diversity, ensuring that regulations enhance stability without stifling competition.

Implementing a tiered regulatory framework is critical to addressing the disproportionate burden that community banks face under the current system. Such a framework would tailor compliance requirements to the size, risk profile, and complexity of each institution, acknowledging the fundamental differences between small, relationship-based community banks and large, interconnected financial institutions.

Under the existing “one-size-fits-all” regulatory regime, community banks are often held to the same standards as multinational banks with trillions in assets. This approach disregards the minimal systemic risk posed by community banks and places an undue burden on their operations. A tiered framework would ensure that the regulations align with the scale of potential risks and operational capacities of different types of banks.

Benefits of a Tiered Framework

1. **Enhanced Proportionality:** Community banks like CFSB, which hold just 13% of total banking assets nationwide, would benefit from scaled-down compliance requirements that match their limited risk exposure. For example, stress-testing and capital adequacy

requirements could be adjusted to reflect the unique nature of community banks, avoiding unnecessary resource allocation.

2. **Resource Optimization:** By reducing the complexity of compliance for smaller institutions, a tiered framework would free up financial and human capital. These resources could instead be redirected to core banking functions, such as lending to small businesses, farmers, and first-time homebuyers.
3. **Regulatory Clarity and Consistency:** A tiered system would help eliminate the aforementioned ambiguity and inconsistency in regulatory expectations, particularly during examinations. Clear, size-appropriate standards would reduce the subjective interpretations that currently lead to uneven enforcement.
4. **Preservation of Market Diversity:** By easing the compliance burden on smaller institutions, a tiered framework would slow the trend of industry consolidation, preserving the essential role community banks play in fostering competition, innovation, and economic stability.

Support for Hearing Legislation

The principles for reform outlined above are embodied in a number of the bills before the committee today. I'm pleased to offer my support for the following bills.

The TAILOR Act of 2025 (Rep. Loudermilk)

This bill would promote tiered regulation of the banking industry, which is critical to deterring further consolidation and preserving a competitive financial services industry.

The TAILOR Act would promote tiered regulation by requiring the federal financial regulatory agencies to tailor rules and regulations based on the risk profile and business model of affected institutions in order to limit the regulatory impact to smaller banks, including cost, human resource allocation, and other burdens. The opportunity for certain community banks to file a short-form call report in the first and third quarters will allow them to direct more resources to community lending without depriving regulators of the information they need to monitor risk. In addition, the bill includes a seven-year look-back provision, which would sweep in some of the most burdensome regulations on the books, as well as measures to ensure agency accountability. Tailoring or tiering regulations ultimately benefits consumers by promoting a competitive

financial services landscape and ensuring that community banks have flexibility to meet their credit needs.

The FDIC Board Accountability Act (Rep. Huizenga)

This discussion draft would reform and strengthen the FDIC Board by requiring the appointment of a member with experience in small depository institutions.

In 2015, Congress reformed the Federal Reserve Board of Governors by requiring the appointment of an individual with community banking experience, a position ultimately filled by Governor Michelle Bowman, who has been an exemplary advocate for our industry and for tiered regulation. I strongly support a similar requirement for the FDIC Board and expect that it would yield a similar benefit in promoting appropriately tiered regulation.

Twelve-year term limits for Board members would ensure fresh perspectives are brought to industry regulation.

The Homebuyers Privacy Protection Act (H.R. 2808, Reps. John Rose and Ritchie Torres)

As a mortgage lender, I strongly support this legislation to help protect the financial privacy of my mortgage applicants. The “trigger leads” nuisance hits close to home. Just last week as I was preparing this statement, a neighbor and customer texted me a screenshot of a TEXT message he received from a trigger lead company, which included a link to a report about his mortgage with CFSB! He was clearly annoyed by this invasion of his privacy.

H.R. 2808 would amend the Fair Credit Reporting Act to prohibit a credit reporting agency from selling “trigger leads” when a consumer applies for a residential mortgage unless the consumer has opted into the creation and sale of such leads or if certain exceptions apply: the recipient of the trigger lead has originated or services the consumer’s current mortgage or is an insured depository institution that holds a current account for the consumer.

Today, consumers, including my neighbor, are inundated with unwanted and invasive solicitations after they apply for a mortgage, yet the current process for a consumer to opt out is confusing and does not take effect immediately. As a result, consumers may believe that their accounts have been hacked. A mortgage application should not be public information. H.R. 2808

would give consumers more control over their private financial information and shield them from unwanted solicitations.

The Tailored Regulatory Updates for Supervisory Testing Act of 2025 (TRUST Act of 2025)

This discussion draft raises the consolidated asset threshold from \$3 billion to \$10 billion for banks to qualify for an 18-month examination cycle. A higher threshold for well capitalized and well managed banks that pose no systemic risk is safe and sensible reform that would allow more community banks to direct more resources toward serving their customers and communities.

The Supervisory Modifications for Appropriate Risk-based Testing Act of 2025 (SMART Act of 2025)

This discussion draft provides well-managed and well capitalized financial institutions under \$10 billion in assets with regulatory relief, such as alternating limited-scope examinations and a combined safety-and-soundness exam and consumer compliance exam. Similar to the TRUST, I believe these exam reforms are safe and would provide significant relief.

Enactment of the above bills would go a long way toward reforming our financial regulatory system in a way that strengthens community bank so that they can better serve their local communities.

Conclusion

Community Financial Services Bank and other community banks are not just financial institutions; we are lifelines for the communities we serve. The increasing regulatory burden threatens to extinguish this vital part of our financial ecosystem, leaving rural and underserved areas without access to essential services.

I urge this Committee to act decisively to preserve the diversity, resilience, and local focus of our financial system. With thoughtful reforms, we can ensure that community banks continue to thrive and support the economic foundations of America.

Thank you for your time and attention. I look forward to your questions.

Chairman BARR. Thank you, Mr. Radcliffe.
 Mrs. Tahyar, you are now recognized for 5 minutes.

**STATEMENT OF MARGARET E. TAHYAR, PARTNER, HEAD OF
 FINANCIAL INSTITUTIONS GROUP, DAVIS POLK &
 WARDWELL LLP, NEW YORK, NY**

Mrs. TAHYAR. Thank you for inviting me to speak to you here today. Let me start by giving respect to the art of supervision and the many dedicated examiners, but I would like to submit to you that bank supervision needs modernizing reform. There are two key challenges. One is discretion, and the other is secrecy.

In recent years, there has been a great deal more discretion in examination, as examiners have moved away from core financial risks into qualitative subjective judgments on governance and management.

More discretion means more accountability is needed, especially to congressional oversight committees, banks, and the public.

The culture of secrecy is also a challenge to reform. There are many unknown unknowns in supervision. Is it effective? Does it work, in business as usual or in troubled times?

We actually do not know. That is because it is not transparent. Why is not it more transparent?

I am not suggesting body cams on examiners, but there are some things that could be done that are relatively easy. One is to release very old exam reports, 35 years or more, where nobody who was at the bank or at the agencies is still working.

Another is to release more consistent, anonymized aggregate data that will allow an examination into whether exams are consistent and fair across banks, their models, and whether tailoring works.

Another is to reform the appeals process, which is broken. As Secretary Bessent recently said, it is more theoretical than real. In a 13-year period at the FDIC, there were 50 appeals to over 100,000 exams and I do not think anybody is that perfect.

There were very few wins. Last year, banks were 1 to 17.

Here are other things that we do not know about supervision. How are examiners trained? There is more information out there about the training and the exams that other professions take place—doctors, lawyers, Certified Public Accountants (CPAs), barbers, manicurists—than you can find on the training and the examination curriculum of examination staff.

What are the pass rates? We do not know.

What has been the training on interest rate risk in governance as examiners have moved into those areas—or in the case of interest rate risk, maybe not? We do not know. A lot of unknown unknowns.

How are examiners and their managers held accountable? Very little public information on how the supervisory staff is organized and managed.

To be fair to line supervisory staff, we should ask whether they are well managed. Do they operate in an environment where they have the tech and the tools and the direction to do what they need, or are they stuck in this morass of checklists because of a lack of direction from the top?

There are a lot of good ideas being discussed at the moment, and I have listed them in my written testimony. This committee also has a number of bills before it which would encourage or require many of these reforms.

In my view, the executive branch and the agencies should not wait for Congress to act but should start their own process of reform now. I believe the three banking agencies have all the power they need in their own grounding statutes, with the authority granted in the Federal Financial Institutions Examination Council (FFIEC), and in the authority granted to FSOC.

There are two topics that are not on the agenda for supervisory reform, but which ought to be. They are examiner discretion and the assertion of criminality. The agencies defer, particularly in the Administrative Law Judge (ALJ) enforcement process, to examiner discretion.

I think it is an open question how much deference should be given to examiners outside of their core expertise, and I think that should be reexamined.

The other is the fragile nature of the criminality assertion. Confidential Supervisory Information (CSI) has viewed it is criminal to disclose it, and that is based on a very fragile assertion of property that recent case law has challenged—and it has always been fragile. I think that should also be rethought.

In sum, appropriate reforms made by the Federal agencies, working together for efficiency, transparency, and fairness, and enhancing the oversight of Congress and its committees, could really create change for the better.

Thank you very much.

[The prepared statement of Mrs. Tahyar follows:]

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STATEMENT OF
MARGARET E. TAHYAR
BEFORE

THE SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
OF THE HOUSE COMMITTEE ON FINANCIAL SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

APRIL 29, 2025

REGULATORY OVERREACH: THE PRICE TAG ON AMERICAN PROSPERITY

MARGARET E. TAHYAR BIOGRAPHY

My name is Margaret E. Tahyar, known as Meg, and I head the Financial Institutions Group at Davis Polk & Wardwell LLP where I have been a partner for 27 years and where I have toiled in the field of banking regulation for 35 years. I am one of the co-authors of the law school textbook, *Financial Regulation and Policy* (Barr, Jackson, Tahyar, 3rd Edition, Foundation Press 2021). I represent a large range of financial institution clients, but I am here today in my individual capacity and not on behalf of any client. The views I express are my own, and not necessarily those of Davis Polk, any client or any other organization with which I am or have been affiliated.

The Art of Supervision What We Don't Know

Let me start by paying homage to the art of supervision and the many examiners and their managers who are talented and dedicated experts. Bank examinations and visitorial supervisions have existed since well before the creation of federal deposit insurance in the New Deal with the first formalized bank examination system emerging in New York in 1829.¹ But, I submit to you that, in our country today, bank supervision needs modernizing reform.² You might reasonably ask, how I can support this statement since I have never been a supervisor and I am not a commissioned examiner. How do I know? That gets directly to one of the key challenges with supervision. Most people don't know very much about how bank examination and supervision work in practice. Folks in banks experience it in action. Examiners and their managers know it intimately. Top level principals grow over time to understand it. Lawyers can have access to exam reports, MRAs, and MRIAs but rarely attend supervisory meetings.

But, many who comment upon it or are charged with overseeing it do so without ever having seen supervisory materials or attended a meeting with supervisory staff and, worse, have limited information about it. It is an open question how Congress can effectively oversee the supervisory actions of the federal banking agencies when most of those actions occur behind closed doors. Banks cannot share with Congressional committees information about supervisory actions, including whether or not they have even taken place, without a serious threat of being charged with having committed a crime.³ Even the Treasury Secretary has limited access to supervisory information.

The culture of secrecy around supervision has expanded far beyond its original goal of protecting against bank runs in a pre-deposit insurance era. This expansion in the culture of secrecy has occurred alongside a fundamental transformation in supervision from its quantitative core of credit, interest, and market risk to a highly discretionary function involving qualitative judgements about management, governance, and controls.⁴ One example in that change is that, in the early years of the 20th century, examiners used to focus largely on the quantity of reserves and the duration of loans. There was less need for accountability around these quantitative tasks. Today, examiners look at the quality of loans and other illiquid assets, compliance with law (especially consumer law), the effectiveness of governance and controls, and assess the quality of management.⁵ These are highly discretionary tasks and more accountability is needed. This increased discretion coupled with decreased transparency calls into question the scope of the accountability of the supervisory staff and their managers to the Senate-confirmed principals at the federal banking agencies where they work, Congress, and the public they serve.

¹ See Peter Conti-Brown and Sean H. Vanatta, *Private Finance, Public Power: A History of Bank Supervision in America*, at 33-34 (forthcoming 2025).

² To avoid cluttering this testimony with technical terms, I use the word "bank" to include bank holding companies, savings and loan holding companies, savings associations, and any other entities supervised by any of the federal banking agencies.

³ 18 U.S.C. § 641.

⁴ See Testimony of Margaret E. Tahyar Before the U.S. Senate Committee on Banking, Housing and Urban Affairs (Apr. 30, 2019), <https://www.banking.senate.gov/imo/media/doc/Tahyar%20Testimony%204-30-19.pdf>.

⁵ See Peter Conti-Brown and Sean H. Vanatta, *Private Finance, Public Power: A History of Bank Supervision in America* (forthcoming 2025).

Here are some things Congress and the broader public don't know about today's bank supervision.

- **Does bank supervision work to keep banks safer in business as usual and in troubled situations? And if so how? What are its greatest strengths and weaknesses?** We don't know because there is no way for the vast majority of researchers and others to assess exam reports and other supervisory materials, even very old ones or aggregated data.⁶ Those studies that rely on confidential supervisory information cannot be assessed or replicated by others.⁷ We know that the CAMELS ratings are out of sync with current reality.⁸ We know that reputational risk has been poorly deployed.⁹ We know that supervision of failed banks typically shows a serious supervisory failure alongside a serious management failure.¹⁰ But, there are no overall studies on the effectiveness of supervision. In particular, we do not have good data on how supervision actually works or how it could be tailored to be more efficient and effective in practice.
- **Why isn't it more transparent?** I am not suggesting body cams on examiners or even that recent exam reports and other supervisory materials be made public. It is, however, an open question whether we know enough about how supervision works to assess or improve its efficiency or effectiveness. There are too many unknown unknowns. There are several ways to address the lack of transparency into bank supervision.
 - One way to get more data here would be to release very old exam reports and supervisory materials that have become stale – say from 35 or more years ago. A good start would be to release deeply historical exam reports from the first part of the 20th century. I understand why recent exam reports of existing banks where both supervisory staff and management are still in seat and which contain competitive information or information that might threaten financial stability need to be confidential. It is, however, not only a “tragedy” to destroy very old exam reports, it prevents study into the efficiency and effectiveness of supervision.¹¹

⁶ Bank examiners have multiple ways of referring to the many different types of examination reports and supervisory findings. The Federal Reserve and OCC bank examiners use “Matters Requiring Attention” (MRAs) and “Matters Requiring Immediate Attention” (MRIAs) to communicate supervisory findings and demands, not requests, for actions or changes to a bank's management or the board of directors. The FDIC uses “Matters Requiring Board Attention” (MRBAs). I will refer to “exam reports and other supervisory materials” for simplicity.

⁷ See, e.g., Beverly Hirtle, Anna Kovner, and Matthew Plosser, *The Impact of Supervision on Bank Performance*, Federal Reserve Bank of New York Staff Reports, no. 768 (Mar. 2016; revised May 2019).

⁸ See, e.g., Greg Baer and Bill Nelson, *A Better M for CAMELS* (Feb. 13, 2025), <https://bpi.com/a-better-m-for-camels/>; BPI Staff, *Myth vs. Reality: Bank Supervision* (Mar. 25, 2025), <https://bpi.com/myth-vs-reality-bank-supervision/>. Reforming CAMELS ratings is a goal of the CAMELS Rating Modernization Act of 2025. See CAMELS Rating Modernization Act of 2025 (discussion draft).

⁹ See Julie A. Hill, *Regulating Bank Reputation Risk*, 54 GA. L. REV. 523 (2020); Testimony of Stephen T. Gannon Before the U.S. Senate Committee on Banking, Housing and Urban Affairs (Feb. 5, 2025), https://www.banking.senate.gov/imo/media/doc/gannon_testimony_2-5-25.pdf (hereinafter “Gannon Testimony”).

¹⁰ See Office of Inspector General, *Material Loss Review of Silicon Valley Bank* (Sept. 25, 2023) (concluding that a failure of interest-rate risk management 101 by SVB's senior management and board of directors was not detected or made a matter of the highest urgency by the supervisory staff because they did not tailor their supervision to focus on SVB's most salient risks, instead focusing on relatively trivial process and documentation deficiencies, and recommending that the supervisory staff prioritize the most salient risks in future examinations at other regulated banks), <https://oig.federalreserve.gov/reports/board-material-loss-review-silicon-valley-bank-sep2023.pdf> (hereinafter “OIG SVB Report”); FDIC, *FDIC's Supervision of Signature Bank* (Apr. 28, 2023), <https://www.fdic.gov/sites/default/files/2024-03/pr23033a.pdf>.

¹¹ Peter Conti-Brown, *The curse of confidential supervisory information*, Brookings (Dec. 20, 2019), <https://www.brookings.edu/articles/the-curse-of-confidential-supervisory-information/>.

- There should be much more recent aggregate data at a more granular level made available.¹² Only very recently has some high level aggregate data been made available.¹³ Why isn't there more aggregate data available on a more consistent basis?
 - Aggregate data should be provided at a detailed enough level so that it enables Congress, scholars, the banking sector, and the broader public to assess how supervision is performing, including whether ratings follow the business cycle and how supervision has changed over time. Why, for example, is there such an "odd mismatch" in the aggregate data recently made available in which management ratings are low but financial ratings are high?¹⁴
- Acknowledge the uneasy truce between the regulatory traditions of confidential bank supervision and of transparency and public accountability in a democracy, which are reflected in the federal securities laws. As I have previously noted, the culture of secrecy in supervision enforced at the edge of the sword of criminal penalties for unauthorized disclosures is in tension with the disclosure requirements of the federal securities laws.¹⁵ These tensions remain unresolved and unexamined.
- We should stop the asymmetric information warfare that permits the federal and state banking agencies to make selective disclosures of confidential supervisory information of their choosing when they feel it suits,¹⁶ sometimes by organized leaks, but forbids banking organizations, under threat of criminal prosecution, from sharing such information even with Congress. This asymmetry almost certainly chills some constitutionally protected speech because of the vagueness of the definition of confidential supervisory information, leaving people to guess what is prohibited and inviting arbitrary and discriminatory enforcement.¹⁷

¹² This thought is also contained in one of the draft bills, the Banking Regulator Accountability Act. See Banking Regulator Accountability Act (discussion draft).

¹³ The Federal Reserve's semiannual report on supervision and regulation reported that in the first half of 2024 two-thirds of large financial institutions (LFIs) were rated less than satisfactory by their examiners as apparently measured by the quality of management and governance and controls, while at the same time concluding that the U.S. banking system was strong as measured by capital and liquidity levels. Federal Reserve Board, Supervision and Regulation Report (November 2024), <https://www.federalreserve.gov/publications/files/202411-supervision-and-regulation-report.pdf>. Bloomberg News reported in 2024 that the OCC in its confidential assessments found 11 of the 22 large banks it supervises have "insufficient" or "weak" management of operational risk. Hannah Levitt and Katanga Johnson, *Secret Bank Ratings Show US Regulator's Concern on Handling Risk*, Bloomberg (July 21, 2024), <https://www.bloomberg.com/news/articles/2024-07-21/secret-bank-ratings-show-us-regulator-s-concern-on-handling-risk>.

¹⁴ See Federal Reserve Governor Michelle Bowman, *Brief Remarks on the Economy and Accountability in Supervision, Applications, and Regulation* (Feb. 17, 2025), <https://www.federalreserve.gov/newsevents/speech/files/bowman20250217a.pdf>.

¹⁵ See Margaret E. Tahyar, *Are Banking Regulators Special?*, Banking Perspectives (2018), https://www.davispolk.com/sites/default/files/tch_banking_perspectives_-_are_banking_regulators_special.pdf.

¹⁶ In 2017, the New York State Department of Financial Services suddenly and unusually used its power to release information that it deemed to be in the public interest to make public its otherwise confidential ratings of the Bank of Tokyo-Mitsubishi UFJ. See Letter from Shirin Emami, Executive Deputy Superintendent-Banking, N. Y. State Dept. of Fin. Servs., to Marva V. Cummings, Director for District Licensing, OCC (Nov. 13, 2017), <https://www.wsj.com/public/resources/documents/NYDFSLetterToOCC11-13-2017.pdf>. The timing of that release was at the moment that the bank was converting into an OCC licensee, not a moment driven by financial problems at the bank or a public risk of contagion.

¹⁷ See Richard J. Bonnie, Anne M. Coughlin, John C. Jeffries, Jr. & Peter W. Low, *Criminal Law*, at 51 (4th ed. 2015); N.A.A.C.P. v. Button, 371 U.S. 415 (1963).

- **How can supervision be consistent and fair?** More work needs to be done to make supervision more effective, fair, and consistent across banks. The agencies have made efforts in this direction through increased use of horizontal exams, which review a specific business or function at multiple institutions, and – in theory, at least – provide feedback on identified best practices among the examined banks. These horizontal reviews can be helpful, but suffer from the same concerns that apply to traditional exams, such as lack of transparency, and as a function of their design can push banks towards a mono-model view of best in class without taking into account the significant differences among banks. The pursuit of efficient, effective, fair, consistent, and transparent supervision is not, as some have suggested, based on a view that, because supervisors are government actors, the full suite of Administrative Procedure Act requirements should apply to supervisory activities.¹⁸ Supervisors and banks both value the confidential communications and the opportunity for dialogue in the current supervisory process and recognize that an APA process would impede that. It is precisely for that reason, however, that supervision should operate under a framework that anchors supervisory expectations to an understanding of the tailored business and risk models of each individual bank, and preserves banks’ rights to understand the basis for examiner criticisms and effectively challenge them when necessary without fear of retaliation or threats of criminal punishment for unauthorized disclosures of confidential supervisory information. Tailoring as a concept in supervision is one way to be more efficient, effective, and fair within a framework of consistency within each business model.
- **Why are there so few appeals and so few wins in appeals?** As Treasury Secretary Bessent recently noted, the appeal process is more theoretical than real.¹⁹ For example, from January 2007 to 2020 at the FDIC, 50 appeals were filed out of 111,516 exams.²⁰ And there are very few wins. In 2024, banks in total, went a combined 1-for-17 in the final supervisory appeal decisions published for the year.²¹ The checks and balances in the appeals process are weak.²²

¹⁸ See Lev Menand, *Why Supervise Banks? The Foundations of the American Monetary Settlement*, 74 Vand. L. Rev. 951, 961-62 (2021).

¹⁹ See Secretary of the Treasury Scott Bessent, *Treasury Secretary Scott Bessent Remarks before the American Bankers Association* (Apr. 9, 2025), <https://home.treasury.gov/news/press-releases/sb0078> (hereinafter “Bessent ABA Remarks”). Two decades after the Congressional mandate that each federal financial institution regulator establish an independent intra-agency appellate process, Julie A. Hill in her review of the appeals processes of the FDIC, Federal Reserve, OCC, and NCUA concluded that the appeals process is hardly ever used and the regulators “differ significantly in the access they provide to the appeals process as well as the standards they use to evaluate appeals.” Hill determined that “the existing [material supervisory determination] appeals processes do not provide a meaningful avenue for correcting uneven regulatory treatment.” A decade has passed since Hill’s article and yet these same concerns continue to plague the appeals processes at the federal banking regulators. See Julie A. Hill, *When Bank Examiners Get It Wrong: Financial Institution Appeals of Material Supervisory Determinations*, 92 Wash. U. L. Rev. 1101, 1184 (2015).

²⁰ See FDIC Chairman Jelena McWilliams, *Statement on the Request for Comment on Charges to Supervisory Appeals Process* (Aug. 21, 2020), <https://www.fdic.gov/news/speeches/2020/spaug2120.html>.

²¹ Bank Insists It Experienced a Run in March 2022 (Dec. 30, 2024), Bank Reg Blog, <https://bankregblog.substack.com/p/bank-insists-it-experienced-a-run>. The 1 represents a partial win by a bank in an SARC appeal decision in which the FDIC upgraded its composite rating from “4” to “3.” Decision of the Supervision Appeals Review Committee, Case No. 2024-05 (Dec. 9, 2024), <https://www.fdic.gov/laws-and-regulations/sarc-2024-05-1292024>.

²² The FDIC has gone back and forth on the reform of its appeals process in recent years, moving from less to more to less independence by the reviewing staff. See FDIC Chairman Jelena McWilliams, *Statement on the Request for Comment on Charges to Supervisory Appeals Process* (Aug. 21, 2020), <https://www.fdic.gov/news/speeches/2020/spaug2120.html>; FDIC Chairman Jelena McWilliams, *Changes to Supervisory Appeals Process* (Jan. 19, 2021), <https://www.fdic.gov/news/speeches/2021/spjan1921.html>; FDIC, *Amendments to Guidelines for Appeals of Material Supervisory Determinations* (May 17, 2022), <https://www.fdic.gov/news/financial-institution-letters/2022/fil22022.html>.

- **How are they trained?** A lot more information should be made available about the training of examination staff. The federal agency websites describe training as long-term, rigorous, and ongoing²³ while providing limited information on the curriculum and virtually nothing on the commissioning examinations. No federal agency publishes the pass rates of examiners in the commissioning examination, continuing education requirements, or compliance with any such requirements. We do know that completion of training has recently been a problem for the FDIC.²⁴ Less information is available about these exams in content and the related training and continuing education requirements, than for other professions, such as doctors, lawyers, CPAs, and even barbers and manicurists. Two questions we do not know the answer to are, in recent years, what has been the training on interest rate risk and, in an era where many banks have low ratings on governance and controls, what has been the training in those areas. There should be more transparency on the curriculum, the pass rates, and the content of the examinations, including the extent to which training is classroom or screen-based, or taught by the direct manager or by an experienced teacher.
- **How are examiners and their managers accountable?** Examiners, and their management today, wield extraordinary discretion and secret power. Some of it is wielded for the good but some of it is unfettered discretionary power with little to no public accountability. Very little information is available about how supervisory staff is organized and managed.²⁵ Many lessons have been drawn from the reports delivered after the March 2023 Turmoil but there is little new information since those reports on how the weaknesses in supervision and the management of supervision have been corrected.²⁶ To be fair to line supervisory staff, we should ask whether they are well managed. Do they operate in an environment where management provides them the tools, direction, and autonomy to do their jobs well or are they stuck in a politicized environment? Are line supervisors stuck in the morass of checklists because of conflicting signals from the top of the house? On the one hand, they are told not to manage banks and yet, on the other hand, they take the heat when a bank fails. It seems like those further up the chain should be held accountable.
- **Does the current overlapping structure of supervision make sense?** There are multiple overlaps in federal bank supervision as it has changed over time.²⁷ As Peter Conti-Brown and Sean H. Vanatta lay out in their soon to be published and long awaited

²³ See FDIC, Impactful Careers – Join the FDIC Bank Examiner Program, <https://www.fdic.gov/careers/impactful-careers-join-fdic-bank-examiner-program> (including quotes by examiners describing the FDIC's "robust training programs" and "opportunities to develop new skills or specialize in complex topics while working for the FDIC"); OCC, Career Development, <https://careers.occ.gov/pay-and-benefits/career-development/index-career-development.html> (stating that the OCC "encourages all employees to develop continuously throughout their career" with "formal and informal training opportunities"); Federal Reserve Board, Examiner Training and Commissioning, https://www.federalreserve.gov/supervisionreg/topics/examiner_training.htm ("The examiner training program . . . primarily strives to ensure that examiners receive the knowledge required to keep pace with recent and expected changes in the banking industry.").

²⁴ See Office of Inspector General, *Top Management and Performance Challenges Facing the Federal Deposit Insurance Corporation*, (February 2024), at 1-4, <https://www.fdicigov.gov/sites/default/files/reports/2024-05/TMPC-Final-Feb24%20508%20Compliant.pdf>.

²⁵ The OCC is the only agency that identifies its examiners in charge of the largest banks. See OCC, Large Bank Supervision Locations, <https://www2.occ.gov/about/who-we-are/locations/large-bank-supervision/index-large-bank-supervision.html>.

²⁶ The Federal Reserve's OIG report suggested reforms to supervision which were agreed to by the Director of the Federal Reserve's Division of Supervision and Regulation. See OIG SVB Report. Eighteen months later, no evidence of these reforms for regional banks has entered the public domain.

²⁷ Conti-Brown and Vanatta have coined the term "institutional layering" to describe this structure.

book on the history of supervision, “We can think, then, of bank supervision as the evolutionary outgrowth of a series of unrelated decisions made by politicians, bankers, legislators, policymakers, citizens, and many other stakeholders, eventually creating a system that creaks and groans as unmatched parts, crafted at different times for different purposes, grind against one another, all while still serving useful and well-adapted purposes.”²⁸ Surely, using the powers of the FSOC and the FFIEC, along with the good sense of many involved there is a way to simplify the federal supervisory system so that banks are not responding to multiple overlapping inquiries.²⁹ There is a way for federal supervisors to sing from the same song book.³⁰

There have been discussions about modernizing and reforming supervision for many years. There are lots of good ideas being discussed right now, including by the Treasury Secretary, the nominee for Vice Chair for Supervision at the Federal Reserve, the Acting Chair of the FDIC, this Committee, and other experienced observers. Here is a list of their ideas which, if implemented, could make a major difference for the better:

- Focus supervision on material financial risk and not process checklists.³¹ As Secretary Bessent recently said “[K]eep the main thing the main thing.”³²
 - Define “unsafe and unsound” on a material financial risk basis,³³ as the courts have repeatedly done but which has been ignored by the agencies³⁴
- Tailor supervision to risk and complexity, particularly providing relief to mid-size and community banks³⁵
- Rethink emphasis on process, controls, and risk management, especially when not related to material financial risks³⁶
- Where appropriate use supervisory observations as suggestions not the higher level commands of MRAs and MRIAs

²⁸ Peter Conti-Brown and Sean H. Vanatta, *Private Finance, Public Power: A History of Bank Supervision in America*, at 7-8 (forthcoming 2025).

²⁹ My focus is solely on the overlaps in the federal system and not a critique of the dual banking system, which continues to work well as a check and balance on the federal system.

³⁰ See Secretary of the Treasury Scott Bessent, *Treasury Secretary Scott Bessent Remarks at the Economic Club of New York* (Mar. 6, 2025), <https://home.treasury.gov/news/press-releases/sh0045> (“We need our financial regulators singing in unison from the same song sheet.”).

³¹ See Federal Reserve Governor Michelle Bowman, *Brief Remarks on the Economy and Accountability in Supervision, Applications, and Regulation* (Feb. 17, 2025), <https://www.federalreserve.gov/newsevents/speech/files/bowman20250217a.pdf>; FDIC Vice Chair Travis Hill, *Charting a New Course: Preliminary Thoughts on FDIC Policy Issues* (Jan. 10, 2025), <https://www.fdic.gov/speech-vice-chairman-travis-hill-preliminary-thoughts-fdic-policy-issues-1-10-2025.pdf> (hereinafter “Hill Policy Remarks”). We should not underestimate how the focus on process and checklists distracts both examiners and staff within the banks, creating internal bureaucracies and multiple checking of the checkers in both the private and public sector. It also increases expenses in both the public and private sector.

³² Bessent ABA Remarks.

³³ Bessent ABA Remarks.

³⁴ One change to the Federal Reserve’s LFI rating system could be that a low rating on highly subjective governance and controls alone should not be sufficient to lower the overall composite rating.

³⁵ See Bessent ABA Remarks. See also Federal Reserve Governor Michelle Bowman, *Reflections on 2024: Monetary Policy, Economic Performance, and Lessons for Banking Regulation* (Jan. 9, 2025), <https://www.federalreserve.gov/newsevents/speech/files/bowman20250109a.pdf>.

³⁶ See Hill Policy Remarks. See also Federal Reserve Governor Michelle Bowman, *Brief Remarks on the Economy and Accountability in Supervision, Applications, and Regulation* (Feb. 17, 2025), <https://www.federalreserve.gov/newsevents/speech/files/bowman20250217a.pdf>.

- Modernize and make training more transparent
- Modernize exam manuals
- Put much more aggregate data into the public domain³⁷
- Stop regulation by supervision or enforcement
- Modernize supervisory technology³⁸
- Put in place a meaningful and independent appeals process
- Reform the CAMELS rating process³⁹
- Remove reputational and strategic risks from exams⁴⁰
- Simplify or remove model risk guidance⁴¹
- Simplify third party vendor guidelines
- Make it clear that examiners should not threaten to retaliate or otherwise discourage lending to legal businesses or banking to certain kinds of persons based on political or other considerations not related to financial risk, removing social and political viewpoints from the field

The Committee has a number of bills before it today which would encourage or require many of these reforms. The executive branch and the agencies should not wait for Congress to act but should start their own process of reform working closely together. The three banking agencies have all of the power they need to cooperate together with the authority granted in the FFIEC statute and to FSOC to make these reforms.

There are two topics that are not on the agenda of the current principals which I submit ought to be. They are the scope of examiner discretion and the regulatory assertion of criminality for disclosure of confidential supervisory information.

- **First, what should be the scope of examiner subjective discretion?** There is case law about the broad scope of examiner discretion, which is used in the ALJ process to assert that the ALJ or those being pursued must be bound by examiner discretion. In *Sunshine State Bank v. FDIC*, the court held that the FDIC's loan classifications, made by

³⁷ This is one of the provisions in the Banking Regulator Accountability Act. See Banking Regulator Accountability Act (discussion draft).

³⁸ See Taking Account of Institutions with Low Operation Risk Act of 2025 (discussion draft).

³⁹ See CAMELS Rating Modernization Act of 2025 (discussion draft). See also Hill Policy Remarks; Greg Baer and Bill Nelson, *A Better M for CAMELS* (Feb. 13, 2025), <https://bpi.com/a-better-m-for-cameles/>; Randall D. Guynn, *The Deposit Insurance Fund as an Early Resolution Tool*, at 78 (July 15, 2024), <https://www.davispolk.com/insights/articles-books/deposit-insurance-fund-early-resolution-tool> (recommending that the FDIC develop supervisory capital and liquidity projection models to facilitate earlier detection, remediation, and resolution of troubled banks to minimize the long-term costs to the Deposit Insurance Fund, as required by 12 U.S.C. 1823 note).

⁴⁰ This is one of the provisions in the FIRM Act. See H.R. 2702, Financial Integrity and Regulation Management Act.

⁴¹ See Greg Baer and Greg Hopper, *The Most Damaging "Guidance" in Banking* (Apr. 14, 2025), <https://bpi.com/the-most-damaging-guidance-in-banking/>.

experienced bank examiners, are entitled to deference and should not be overturned unless they are shown to be arbitrary and capricious or outside a “zone of reasonableness.”⁴² The facts in that case involved asset classifications in the loan portfolio. As I have previously written, it is one thing to defer to examiners when they are making judgements central to their expertise, loan classifications and credit risk, around a quantitative core.⁴³ It is another to call for blanket discretion in areas far beyond their traditional expertise in areas such as governance, or in assessing management’s judgement around operational risk or controls. There should be a review of how examiner discretion is asserted in the in-house ALJ enforcement process.

- **Second is the tenuous nature of the regulatory assertion that the disclosure of confidential supervisory information is a crime.** The banking regulators’ authority to treat confidential supervisory information as property relies on a general federal statute relating to federal government property, which is stretched to form the basis for imposing criminal liability on unauthorized disclosures. As Stephen Gannon has shown, recent case law has shown that such disclosures can no longer support the threat of criminality by regulatory fiat.⁴⁴

Conclusion

We are at a moment where appropriate reforms, made by the federal agencies working together for efficiency, transparency, and fairness, could create change for the better. Smart reform could unleash a renaissance in the banking sector by permitting banks to lower inefficient expenses and increase lending. The major outlines of how those changes might be made are clear: more transparency, more oversight, less politicized decision making, revamping of training, better management of line supervisors, a real appeals process and, most importantly, a refocus on material financial risks rather than process and checklists.

⁴² See *Sunshine State Bank v. FDIC*, 783 F.2d 1580 (11th Cir. 1986).

⁴³ Testimony of Margaret E. Tahyar Before the U.S. Senate Committee on Banking, Housing and Urban Affairs (Apr. 30, 2019), <https://www.banking.senate.gov/imo/media/doc/Tahyar%20Testimony%204-30-19.pdf>.

⁴⁴ See Gannon Testimony.

Chairman BARR. Thank you for your testimony, and before we move on to your final witness, just a reminder to members and staff to take your conversations outside of the committee room so that all members can hear clearly the testimony of our witnesses. Thank you for your consideration.

Mr. Steele, you are now recognized for 5 minutes for your oral remarks.

**STATEMENT OF HON. GRAHAM STEELE, ACADEMIC FELLOW,
ROCK CENTER FOR CORPORATE GOVERNANCE, STANFORD
LAW SCHOOL, STANFORD, CA**

Mr. STEEL. Good morning, Chairman Barr, Ranking Member Foster, and members of the subcommittee. Thank you for inviting me to testify today. My name is Graham Steele, and I am an Academic Fellow at the Rock Center for Corporate Governance at Stanford Law School and a fellow at The Roosevelt Institute.

From November 2021 until January 2024, I served as the Assistant Secretary for Financial Institutions at the Treasury Department.

So we know that building a more just economy and society requires a stable financial foundation. Unfortunately, the Trump Administration's plan is clearly to gut, whether by legislation, regulatory action, or staff attrition, the agencies that oversee the financial system and the authorities these agencies use to rein in financial excesses.

Some of the bills under consideration today would weaken supervision and regulation for banks of all sizes, unlearning the lessons of the global financial crisis and the regional banking stress of 2023.

One proposal addresses the purported threat of so-called debanking, while still others would impose assorted onerous reporting requirements on banking agencies and limit their ability to provide useful guidance to industry and the public.

Finally, several bills would impose limits on U.S. agencies' ability to participate in nonbinding international financial policy coordinating bodies.

My written testimony goes into greater depth into the problems with each of these bills, but I want to right now offer two observations about the short-sighted, self-defeating nature of the Trump Administration's actions to date and the harms of financial deregulation.

The first point is these bills, which are ostensibly about executive branch accountability, fail to address the most pressing issue of the day, which is that this administration is running roughshod over traditional notions of financial agency independence and respect for the separation of powers.

The President has illegally attempted to remove Democratic appointees at the National Credit Union Administration (NCUA) and other agencies. The White House has issued executive orders attempting to place agencies under the thumb of the White House's Office of Management and Budget and the Justice Department.

The Acting Director of the CFPB is violating an order from a U.S. district court by attempting to all but eliminate the CFPB, an agency that has returned more than \$20 billion to U.S. consumers.

The Environmental Protection Agency (EPA) and the Department of Justice (DOJ) have ordered Citibank to freeze the bank accounts of lawful grant recipients, including community financial institutions, in order to make investments that will help communities address the impacts of climate change.

The President has been browbeating the Chair of the Federal Reserve Board in an attempt to exert partisan political influence over monetary policy, and the President is attempting to use the International Emergency Economic Powers Act, or IEEPA, to impose sweeping and likely illegal tariffs that will increase costs for the U.S. consumers.

These lawless actions are causing instability in our financial markets and our society more broadly.

The cure for this instability is not deregulation but robust economic growth and financial stability coupled with adherence to democratic values, stable institutions, and the rule of law.

The second point is that financial deregulation will only make the problems this administration is creating even worse.

Deregulation will allow financial companies to take excessive risks, extract wealth from working people and enrich executives and shareholders through bonuses and payouts.

It will make this financial system less accessible and less affordable for people looking to start a new business or buy a home. It will make the financial system more fragile, meaning people's money will be put at risk, and taxpayers may eventually be called upon to support failing financial institutions that have behaved recklessly.

It will undermine banking agencies' ability to prevent or respond to financial crises, making crises more frequent and more severe in their impact; and it will be harder for smaller financial institutions to compete with big banks that benefit from advantages of size, scale, and implicit government support.

If the subcommittee is interested in ensuring widespread prosperity for the American economy, some issues that warrant your attention and consideration include, first, reforming the deposit insurance and bank merger review regimes; second, stopping light-touch charters like Stablecoins, industrial loan companies, and the movement of Big Tech into financial services; third, rather than threatening to cut the Community Development Financial Institution (CDFI) Fund, providing more resources for CDFIs and Minority Depository Institutions (MDIs) to invest in urban and rural communities; fourth, help community financial institutions update their technology offerings and navigate their relationships with core service providers and other technology providers; fifth, help community and regional financial institutions address the increasing risk of climate change, especially the recent developments in property insurance markets; and, sixth, conduct robust oversight of the President's attempts to stretch the bounds of IEEPA to impose illegal tariffs.

The weakening oversight of the financial system, raising costs for working people, engaging in erratic protectionist trade policies, and assaulting the independence of agencies like the Federal Reserve, will only create financial instability.

[The prepared statement of Mr. Steele follows:]

Written Statement of Graham Steele
 “Regulatory Overreach: The Price Tag on American Prosperity”
 Before the Subcommittee on Financial Institutions
 Committee on Financial Services
 U.S. House of Representatives
 April 29, 2025

Good morning Chairman Barr, Ranking Member Foster, and members of the subcommittee. Thank you for inviting me to testify today. My name is Graham Steele and I am an academic fellow at the Rock Center for Corporate Governance at Stanford Law School¹ and a fellow at the Roosevelt Institute. From November 2021 until January 2024, I served as the Assistant Secretary for Financial Institutions at the U.S. Department of the Treasury and from 2015 to 2017, I was the Minority Chief Counsel for the Senate Committee on Banking, Housing & Urban Affairs.

Building a more just economy and society begins with a stable financial foundation. As I observed while I was at the Treasury Department, the failures of Silicon Valley Bank (SVB) and other banks and crypto firms once again demonstrated that strong regulation and consumer protection are vital to ensuring that our financial system can serve as a source of stability and equitable growth.² Appropriate regulation helps to preserve banks’ viability and competitiveness, enabling them to weather disruptions resulting from declines in asset values due to factors like changing interest rates. This instills confidence in customers and depositors, even during times of economic uncertainty and financial stress.

Unfortunately, the Trump Administration’s agenda is focused on giving financial companies greater flexibility to take risks, extract wealth from working people, and enrich their executives and shareholders through bonuses and payouts. President Trump vowed to do “a big number on Dodd-Frank” during his first term³ and stacked his first administration full of Wall Street executives who adhered to a financial industry–friendly ideology. The agenda for a second term is clearly more of the same, with some economic chaos thrown into the mix.

¹ Affiliation is provided for identification purposes only. Further details on background and expertise are available here: <https://law.stanford.edu/graham-steele/>.

² See Graham Steele, Assistant Sec’y for Fin. Insts., U.S. Dep’t of the Treasury, Remarks at the Americans for Financial Reform Education Fund (July 25, 2023), <https://home.treasury.gov/news/press-releases/jy1648>.

³ See Graham Steele, The End of Banking History? Finishing the Unfinished Business of Financial Reform 6, Roosevelt Institute (Aug. 2024), https://rooseveltinstitute.org/wp-content/uploads/2024/07/RI_Banking-Unfinished-Business-Financial-Reform_Brief_082024.pdf.

After the election, JPMorgan CEO Jamie Dimon said that bankers were “dancing in the street.”⁴ The plan is to gut the agencies that oversee the financial system and the authorities those agencies use to rein in financial excesses—sometimes dramatically, at other times in the manner of a death-by-a-thousand-cuts. But this agenda is short-sighted and self-defeating. Weakening oversight of the financial system, raising costs for working people, engaging in erratic protectionist trade policies, and assaulting the independence of agencies, including the Federal Reserve, will only create financial instability, increase the risks of a recession, and diminish the U.S.’s global economic standing.

In the remainder of my testimony, I will discuss the deregulation of Wall Street and the financial sector that occurred during President-elect Trump’s first term and the legislative and regulatory agenda for the second Trump administration. I will also discuss how Wall Street deregulation harms working people and communities and offer some brief suggestions on areas that warrant this subcommittee’s attention because they would help Main Street—instead of Wall Street.

I. The First Trump Administration: Wall Street Deregulation and its Consequences

During the first Trump administration, Wall Street got its way and is poised to do so again—and that should be very concerning to the public.

In 2017, following directives from both the White House and Treasury Department, the banking agencies began weakening the more stringent post-Global Financial Crisis approach to financial regulation in several respects.⁵ The 2018 Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) rolled back important provisions of the Dodd-Frank Act’s financial reforms. The ensuing regulatory changes, some of which were consistent with EGRRCPA and some of which went beyond the law’s mandates, were known as “tailoring.”

These changes sought to minimize banks’ so-called “regulatory burden” and discarded some of the painful lessons learned during the Global Financial Crisis of 2007-09 about potential sources of financial risks and the importance of robust regulation.⁶ In the words of former Federal Reserve Governor Dan Tarullo, this approach resulted in a

⁴ Theron Mohamed, *Jamie Dimon Says Bankers are ‘Dancing in the Street’ Because They Expect Trump to Cut Regulation*, Business Insider (Nov. 15, 2024), <https://www.businessinsider.com/jamie-dimon-jpmorgan-trump-deregulation-banks-musk-vivek-policy-election-2024-11>.

⁵ See Graham S. Steele, *The Tailors of Wall Street*, 93 U. Colo. L. Rev. 993, 1032 (2022). In particular, the Treasury Department drafted a report that included 101 unique recommendations for how the bank regulatory and supervisory processes could be “tailored.” See *id.*

⁶ See *id.*, at 1032-52.

“kind of low-intensity deregulation, consisting of an accumulation of non-headline-grabbing changes and an opaque relaxation of supervisory rigor.”⁷

The “tailoring” approach made the U.S. financial system less resilient and less capable of supporting the Main Street economy. When President Biden took office in 2021, there was a long to-do list to reverse the banker-friendly deregulatory policies instituted by his predecessor and, during my time serving at the Treasury Department, we were forced to deal with the consequences of the deregulation that occurred during the first Trump Administration.

In 2023, the US experienced three of the four largest bank failures by assets in the nation’s history, caused by a run by uninsured depositors at large regional banks beginning with SVB.⁸ All three of the banks that failed in 2023—SVB, Signature Bank, and First Republic Bank—were beneficiaries of tailoring, including less stringent capital, liquidity, stress testing, and resolution planning requirements.⁹

More appropriate prudential regulations and tighter limits on crypto-related activities could have helped prevent the stress created in 2023. Despite the flawed premise of tailoring that banks of this size could not threaten to undermine financial stability, the Treasury, Federal Reserve (Fed), and Federal Deposit Insurance Corporation (FDIC) were forced into using a systemic risk exception to guarantee uninsured depositors in two of the three failed banks.

Trump administration regulators also loosened oversight of financial technology (fintech) companies and their partnerships with banks. In their words, they “prioritized establishing a regulatory approach that encourages, rather than stifles, innovation.”¹⁰ They sought to “remove regulatory hurdles to innovative partnerships” between banks and fintech companies.¹¹ In 2022, Treasury raised questions about the compliance standards at many fintech partner banks and the banking agencies’ oversight of these bank-fintech partnerships.¹² Last year, the bankruptcy of the fintech Synapse left thousands of people without access to their money for an extended period. Synapse’s

⁷ Daniel K. Tarullo, Taking the Stress Out of Stress Testing 3 (May 21, 2019), <https://ourfinancialsecurity.org/wp-content/uploads/2019/05/Tarullo-AFRTalk.pdf>.

⁸ See Graham Steele, *Remember the Silicon Valley Bank Disaster?*, Wash. Monthly (Mar. 15, 2024), <https://washingtonmonthly.com/2024/03/15/remember-the-silicon-valley-bank-diaster/>.

⁹ See Steele, Remarks at the Americans for Financial Reform Education Fund, *supra* note 2.

¹⁰ Steele, *The End of Banking History*, *supra* note 3, at 7 (quoting Jelena McWilliams, Chairman, Fed. Deposit Ins. Corp., *Brokered Deposits in the Fintech Age*, Speech at Brookings Inst. (2019)).

¹¹ *Id.*

¹² See U.S. DEP’T OF THE TREASURY, ASSESSING THE IMPACT OF NEW ENTRANT NON-BANK FIRMS ON COMPETITION IN CONSUMER FINANCE MARKETS (Nov. 2022), <https://home.treasury.gov/system/files/136/Assessing-the-Impact-of-New-Entrant-Nonbank-Firms.pdf>.

bankruptcy coincided with a spate of enforcement actions against fintech partner banks.¹³

II. The Second Trump Administration: Accomplishments, Agenda & Outlook

Turning from the past to the present and future, there are several concerning trends woven throughout the agenda early in the second Trump Administration that would have sweeping and profound implications for consumer protection, safety and soundness, and financial stability. This agenda stands in stark contrast to, and largely ignores, much of what has happened in the financial system in the past five years. At the same time, this agenda also ignores many of the troubling things this administration is presently doing to the financial industry and the financial regulatory agencies with insufficient oversight from Congress.

A. “Tailoring” Redux

The legislation the Subcommittee considers today marks a return to the discredited tailoring approach. Many of the proposals would weaken supervision and regulation for banks of all sizes, un-learning the lessons of the Global Financial Crisis of 2007-09 and the regional bank stress in 2023. They would also obstruct the longstanding bank supervision process by implementing longer examination cycles and constraining the use of the CAMELS bank rating system.

The *TAILOR Act* directs banking agencies to further tailor their rules in various ways. There are many relevant factors, including underlying economic conditions, that can play a role in determining whether stress or failure of a bank or group of banks can threaten the broader banking system or financial stability.¹⁴ The shifting nature of risk and panic is consistent with the “too many to fail” problem, where “panics can be caused by herding and by contagion,” as experienced during the failures of small depository institutions during the savings and loan crises of the 1980s and 1990s.¹⁵ These dynamics can lead to

¹³ For a list of fintech partner bank enforcement actions in 2024, see [Appendix 1](#).

¹⁴ See FED. RESV. SYS., ORD. NO. 2012-2, CAPITAL ONE FINANCIAL CORPORATION: ORDER APPROVING THE ACQUISITION OF A SAVINGS ASSOCIATION AND NONBANKING SUBSIDIARIES 32 (2012), <https://www.federalreserve.gov/newsevents/pressreleases/files/order20120214.pdf> (“Measures of a financial institution’s size on a pro forma basis could either understate or overstate risks to financial stability posed by the financial institution. For instance, a relatively small institution that operates in a critical market for which there is no substitute provider, or that could transmit its financial distress to other financial organizations through multiple channels, could present significant risks to the stability of the [U.S. financial system].”).

¹⁵ Stanley Fischer, Vice Chairman, Bd. of Governors of the Fed. Rsr. Sys., Financial Reform: How Far Are We? 20 (July 10, 2014), <http://www.federalreserve.gov/newsevents/speech/fischer20140710a.pdf>. For an extensive discussion of the “too many to fail” phenomenon in the community banking context, see Jeremy C. Kress & Matthew C. Turk, *Too Many to Fail: Against Community Bank Deregulation*, 115 Nw. U. L. REV. 647 (2020).

spillover risks, as the failure of one bank leads to deposit or liability runs at banks that markets perceive as having similar business models or exposures.

During the Global Financial Crisis, the failure of the \$32 billion thrift IndyMac due to a combination of aggressive growth, poor mortgage underwriting, concentrated real estate exposures, and reliance on brokered deposits set off a cascade of distress at other regional banks and thrifts with similar business profiles—contagion that was only contained by bailouts, and emergency mergers. The 2023 banking stress was a similar type of classic bank run, causing stress among regional and midsize banks.

While the *TAILOR Act* offers general guidance to agencies that may appear reasonable on its face, the message implicit in the tailoring metaphor is that agencies should prioritize “cutting back on rules like excess cloth and crafting rules to fit banks like bespoke garments.”¹⁶

The *FIRM Act* curtails the use of reputational risk in bank supervision and the *CAMELS Rating Modernization Act* directs agencies to review and revise the CAMELS rating system to use a “transparent methodology that is limited to . . . objective criteria” limiting the role played by factors such as an institution’s management. Reputational risk is just one factor in examination and supervision and is very rarely the sole basis upon which an agency would expect a bank to correct its behavior. It is most commonly used in relation to consumer compliance and deterring banks from engaging in predatory practices, compliance with anti-money laundering requirements and preventing banks from doing business with entities engaged in illicit activities, and the risks of environmental damage as a result of agricultural or oil & gas lending. A bank’s managerial character and capacity has long been a foundational basis for evaluating whether a bank is worthy of receiving a charter or federal deposit insurance.

Sound management and reputational considerations are fundamental part of the banking business. These factors may not be precisely quantifiable in the way a bank’s capital ratio can be calculated, but we have seen time and again that public perception and confidence and sound management affect the stability of banks and the entire banking system—from the failure of Riggs Bank in the 2000s, to the Global Financial Crisis, to the failures of SVB, Signature Bank, and Credit Suisse in 2023.

The irony is that these bills cannot make the underlying risks go away. Instead, they just require banking agencies to ignore reality and experience.

The *TRUST Act* and *SMART Act* would lengthen the time between examination cycles for banks below \$10 billion in assets. Again, experience tells us how this could go wrong.

¹⁶ Steele, *The Tailors of Wall Street*, *supra* note 5, at 996.

Some of that banks that experienced stress in 2023 were below this regulatory threshold and were only saved by the invocation of systemic risk determination or the arrangement of mergers. Further, as the Appendix illustrates, many fintech partner banks are also below the thresholds contained in the legislation. These risks will be exacerbated by the FDIC's decision to abandon its proposal to strengthen restrictions on banks' reliance on brokered deposits, which are more volatile than traditional deposits and are increasingly being sourced from fintech and crypto companies. The crypto bank Silvergate, whose failure precipitated runs on SVB and Signature, grew extremely quickly by sourcing crypto deposits and only barely exceeded the \$10 billion threshold before it failed. These bills would make it harder for supervisors to catch and address emerging risks at banks like Silvergate.

These bills also exempt banks that are well capitalized and well managed, meaning that weakening the Management criteria as required by the *CAMELS Rating Modernization Act* would, in turn, allow more banks to take advantage of the examination exemptions.

The substantive impact of the proposed legislation—individually and collectively—would make the bank supervision process more rote and less effective. This would increase the likelihood of “too many to fail”-type bank runs, panics, and financial crises. It is unfortunate that Congress would consider such changes just two years after the failures of SVB, Signature, and First Republic.

B. Weakening Consumer Protections

On Wednesday, the Committee will consider an appropriations package that would substantially reduce the Consumer Financial Protection Bureau's (CFPB) statutory funding. By any measure the CFPB is a worthwhile investment that provides immense value to the American people. Since its inception, the CFPB has returned over \$20 billion to consumers through enforcement actions.¹⁷ It also saves people money through the millions of complaints that it processes each year on behalf of harmed consumers.

It is difficult to quantify the value provided by preventing predatory and illegal practices, but it is clear the CFPB's rules deliver significant benefits to American consumers. For example, the CFPB rule to limit credit card penalty fees—bringing them from \$32 down to \$8—would have saved roughly 45 million Americans more than \$10 billion in late fees annually. The CFPB's rule limiting bank account overdraft fees to \$5 would have saved the estimated 23 million households who pay overdraft fees an additional \$5 billion per year. By putting \$15 billion per year in the pockets of working

¹⁷ See Opening Statement of Director Rohit Chopra before the House Financial Services Committee, Consumer Fin. Protection Bureau, June 13, 2024, <https://www.consumerfinance.gov/about-us/newsroom/opening-statement-of-director-rohit-chopra-before-the-house-financial-services-committee/>.

people instead of the coffers of big banks, these two rules alone would have delivered savings almost 20 times the size of the CFPB's annual budget.

After a campaign about lowering costs for working people and capping credit card interest rates, the Trump Administration and the Congress have instead raised costs on consumers by repealing the CFPB's attempts to lower credit card late fees and bank overdraft fees. Meanwhile, the Acting Director of the CFPB is attempting to all but eliminate, or "delete" in the words of Elon Musk, the CFPB in violation of a U.S. Federal District Court order.

What the Trump Administration is doing would take us back to the years before the Global Financial Crisis, when mortgages, student loans, and credit cards were full of hidden tricks, traps, and fees. Gutting the CFPB also means that small banks are still subject to examinations by their primary banking agency, but big banks and their nonbank competitors—including Big Tech firms—are not.

C. Undermining Agency Independence

The *Congressional Banking Regulation Priorities and Accountability Act of 2025*, the *Banking Regulator International Reporting Act*, the *Guidance Clarity Act of 2025*, the *FDIC Board Accountability Act*, the *Federal Reserve Financial Accountability and Transparency Act*, the *Banking Regulator Accountability Act* impose assorted onerous reporting requirements on banking agencies, limit their ability to provide useful guidance to industry and the public, and remove the CFPB Director from the FDIC Board.

These are not the most pressing Executive Branch accountability issues of the day.

This Administration is currently running roughshod over traditional notions of agency independence and respect for the separation of powers. It has taken the legal position that removal protections that apply to agencies like the National Credit Union Administration (NCUA) are unconstitutional. As a result, the President has illegally attempted to remove Democratic appointees across all these agencies and failed to nominate any minority commissioners for existing vacancies.¹⁸ The White House has issued Executive Orders attempting to place agencies under the thumb of the White House's Office of Management and Budget and the Treasury Department.¹⁹ It has also issued an Executive Order seeking to disband the CFPB's Credit Union Advisory Council and the FDIC's Advisory Committee on Community Banking.²⁰

¹⁸ In some cases, the White House has nominated individuals for seats currently occupied by Democrats, forcing those Democrats out of the seats rather than allowing them to hold over in expired terms.

¹⁹ See *Ensuring Accountability for All Agencies*, Exec. Order No. 14,215, 90 Fed. Reg. 10,447 (Feb. 18, 2025).

²⁰ See *Commencing the Reduction of the Federal Bureaucracy*, Exec. Order No. 14,217, 90 Fed. Reg. 10,577 (Feb. 19, 2025).

The Trump Administration is not alone in weakening agency independence. Through a series of administrative law decisions, conservative judges have diminished agencies' powers, reduced the independence of the leadership of financial regulatory agencies, and empowered industry to aggressively challenge agencies' actions.²¹

The way that Congress has designed independent banking agencies reflects a specific appreciation for the special nature of banking and a general respect for regulatory expertise.²² Congress has balanced democratic accountability required by our constitutional system of government with the need to insulate policymaking from certain forms of short-term political pressures so that public policy is based on substantive expertise and objective empirical evidence that serves the public's long-term interests.²³ These concerns are particularly acute in the financial sector where the regulatory structure is balkanized, the subject matter is technical, and the closeness of agencies' communications with their regulated entities can exacerbate the risks of capture.²⁴

Bank regulation, financial stability, and monetary policies should be based on sound economics not partisan politics. Hampering banking agencies' will undermine their ability to prevent or respond to crises, like the Global Financial Crisis or the 2023 bank failures, making such crises both more frequent and more severe. It would also introduce uncertainty and inconsistency in the meaning of regulations, guidance, and interpretive letters that could make engaging in the banking business more difficult, potentially calling into question interpretations like the banking agencies' expansion of banks' powers.

Contrast the picayune micromanagement required by these bills with the lack of Congressional oversight over the many illegal—and unconstitutional—actions taken by the Trump Administration.

Removing the CFPB Director from the FDIC Board is not the most urgent issue the Subcommittee could be focusing its legislative and oversight efforts on, as this Administration purges the NCUA and all other bipartisan commissions of Democratic members, the Acting CFPB Director purposefully violates a U.S. Federal District Court order, the President browbeats the Chair of the Federal Reserve Board in an attempt to exert political influence over monetary policy, and the President attempts to use the

²¹ See *Seila Law LLC v. Consumer Fin. Prot. Bureau*, 140 S. Ct. 2183 (2020); also *Collins v. Yellen*, 141 S. Ct. 1761 (2020); also *Loper Bright Enters. v. Raimondo*, 144 S. Ct. 2244 (2024); also *Corner Post, Inc. v. Bd. of Governors of the Fed. Rsv. Sys.*, 144 S. Ct. 2440 (2024); also *Sec. & Exch. Comm'n v. Jarkesy*, 144 S. Ct. 2117 (2024).

²² See Graham S. Steele, *Major Questions' Quiet Crisis*, 30 Geo. Mason L. Rev. 265, 305-06 (2024).

²³ See *id.*

²⁴ See *id.*

International Emergency Economic Powers Act (IEEPA) to impose sweeping and potentially illegal tariffs on U.S. consumers.

Speaking as a former Congressional staffer, it is disappointing to see Congress taking greater interest in the minutiae of the Fed's budget as the President threatens the Fed's independence and the Administration defies laws passed by Congress and orders issued by Federal courts.

We should be clear about the extent to which financial market participants bear responsibility for the current state of affairs. By pursuing deregulation at the expense of agency independence and making concessions to this administration's agenda, they are emboldening a President who is not known for his self-restraint. It is shortsighted to throw the baby of the trust, stability, and certainty provided by our banking laws out with the bathwater of specific banking regulations that they find inconvenient or overly burdensome.

D. "De-Banking"

Trump administration regulators, conservative state legislatures and executives, and conservative members of the U.S. Congress have all targeted companies and regulators that took it upon themselves to address the risks presented by, for example, the epidemic of gun violence, the proliferation of private prisons, and the devastating consequences of climate change.²⁵

Members of the venture capital and cryptocurrency industries further stoked the controversy by accusing the U.S. government of "terrorizing" and attempting to "de-bank" certain disfavored individuals and industries.²⁶ The President himself accused

²⁵ See Graham S. Steele, *Banks and ESG*, Rock Center for Corporate Governance at Stanford University Working Paper No. 259, at 15-24 (2024), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4992325.

²⁶ Erin Griffith & David Yaffe-Bellany, *How Crypto Insiders Turned 'Debanking' Into a Political Storm*, N.Y. Times (Dec. 10, 2024), <https://www.nytimes.com/2024/12/10/technology/crypto-debanking-trump.html>. In reality, concerns about the crypto industry stem from its persistent lack of compliance with anti-money laundering rules and the so-called "crypto winter" of 2022, when there were runs on at least seven different crypto assets that resulted in at least five crypto platforms declaring bankruptcy, with more than four million customers filing claims to recover their lost or frozen funds. This includes the scandalous bankruptcy and criminal fraud conviction of the cryptocurrency exchange FTX and its CEO Sam Bankman-Fried. Two of the three banks that failed in 2023, as well as Silvergate, were heavily concentrated in the crypto industry, meaning venture capital and crypto firms were among the beneficiaries of the systemic risk exception. As I said at the time, the banking agencies' resulting crypto activity guidance was a straightforward effort to "maintain the safety and soundness of banking institutions in the context of certain extremely volatile financial products," and was therefore a "well-founded response to the recent events in the crypto-asset markets." Graham Steele, Assistant Sec'y, Dep't of the Treasury, Remarks by Assistant Secretary for Financial Institutions Graham Steele at the Exchequer Club of Washington, D.C. (Feb. 15, 2023), <https://home.treasury.gov/news/press-releases/jy1277>.

banks of denying access to individuals who identify as conservative.²⁷ In what would have been a remarkable turn of events in any other administration but has become commonplace in this Administration, the Trump Organization sued Capital One Bank, alleging that the bank closed more than 300 of its bank accounts following the January 6, 2021, attack on the U.S. Capitol by supporters of President Trump—in effect, seeking to extort millions of dollars from a bank supervised and regulated by President Trump’s own administration.²⁸

H.R. 1181 is the latest example of this effort, targeting payment companies by requiring them to include firearms companies under the broader industry code for merchandise or sporting goods retailers.

If the members of the Subcommittee are genuinely concerned by instances of so-called “de-banking,” then you will likely find the Trump Administration’s actions over its first three months to be shocking.

In his first days in office, President Trump issued an Executive Order establishing a policy of “protecting and promoting fair and open access to banking services for all law-abiding individual citizens and private-sector entities alike.”²⁹ At the same time, this Administration has attempted to “de-bank” politically disfavored groups. The Environmental Protection Agency and the Department of Justice ordered Citibank to freeze the bank accounts of recipients of \$20 billion in grants from the Biden Administration to make investments that will reduce the impacts of climate change pursuant to the Inflation Reduction Act of 2022.³⁰ The Social Security Administration also reportedly attempted to use its “Death Master File” to report groups of immigrants as deceased in an effort to deny them access to government benefits, bank accounts, and credit cards.³¹ With respect to payments companies specifically, last week, the President issued a memo directing the Department of Justice, in consultation with the Treasury Department, to investigate and take “all appropriate actions to enforce the law” against

²⁷ See Katherine Doherty, *Trump Tells BoFA’s Moynihan to Stop Blocking Conservatives*, Bloomberg (Jan. 23, 2025), <https://www.bloomberg.com/news/articles/2025-01-23/trump-surprises-davos-alleges-top-us-banks-reject-conservatives>.

²⁸ See Ben Protess, *Trump Organization Sues Capital One for Closing Its Accounts*, N.Y. Times (Mar. 7, 2025), <https://www.nytimes.com/2025/03/07/us/politics/trump-organization-capital-one-lawsuit.html>.

²⁹ Strengthening American Leadership in Digital Financial Technology, Exec. Order No. 14,178, § 1(a)(iii), 90 Fed. Reg. 8,647 (Jan. 23, 2025).

³⁰ See Lisa Friedman, Claire Brown & Charlie Savage, *Climate Groups Were Counting on \$20 Billion. Trump Won’t Let Them Access It*, N.Y. Times (Mar. 4, 2025), <https://www.nytimes.com/2025/03/04/climate/green-bank-climate-trump-freeze.html>.

³¹ See Alexandra Berzon, Hamed Aleaziz, Nicholas Nehamas, Ryan Mac, and Tara Siegel Bernard, *Social Security Lists Thousands of Migrants as Dead to Prompt Them to ‘Self-Deport’*, N.Y. Times (Apr. 10, 2025), <https://www.nytimes.com/2025/04/10/us/politics/migrants-deport-social-security-doge.html>.

ActBlue, a payment platform that processes contributions to causes and organizations affiliated with the Democratic Party.³²

These actions, including H.R. 1181, constitute the very sort of political targeting and weaponization of the banking system that “de-banking” opponents have decried for years. The Trump Administration’s efforts, state laws targeting corporate environmental, social and governance (ESG) and diversity, equity and inclusion (DEI) practices, the introduction of so-called “messaging bills,” and the general attempt to jawbone private financial actors into abandoning the incorporation of ESG and DEI-type principles into their business decisions are focused on influencing legitimate business decisions and exercises of supervisory and regulatory authority based upon partisan political motivations.³³

At the same time, the President has issued Executive Orders seeking to punish corporations for pursuing DEI policies³⁴ and weaken financial antidiscrimination laws like the Equal Credit Opportunity Act (ECOA) by eliminating the use of the disparate impact theory³⁵. The CFPB has voluntarily sought to vacate a judgment and refund a fine levied against a mortgage lender for ECOA claims related to discriminatory credit applications³⁶ arguing among other things that the lender had been punished for protected speech³⁷.

As members of the Subcommittee know well, the question of who is granted access to the U.S. banking system, and on what terms, has been a critical issue of economic and social policy throughout our nation’s history. Without access to banking services, individuals, businesses, and communities are unable to fully participate in the economy. Marginalized groups have traditionally lacked access to credit on fair and affordable terms, while powerful groups enjoy ample access, and, often, favorable treatment. U.S. banking law has long sought to address these inequities through a variety of measures

³² See Presidential Memorandum, Investigation into Unlawful “Straw Donor” and Foreign Contributions in American Elections, Apr. 24, 2025, <https://www.whitehouse.gov/presidential-actions/2025/04/investigation-into-unlawful-straw-donor-and-foreign-contributions-in-american-elections/>.

³³ See Steele, *Banks and ESG*, *supra* note 25, at 28-38.

³⁴ See Ending Illegal Discrimination and Restoring Merit-Based Opportunity, Exec. Order No. 14,173, § 4, 90 Fed. Reg. 8,633 (Jan. 21, 2025).

³⁵ See Restoring Equality of Opportunity and Meritocracy, Exec. Order (Apr. 23, 2025), <https://www.whitehouse.gov/presidential-actions/2025/04/restoring-equality-of-opportunity-and-meritocracy/>. Under fair lending laws like ECOA, it is unlawful to discriminate in credit or housing decisions on the basis of race, color, religion, national origin, sex or marital status, age, disability, or because a person receives public assistance. See 12 U.S.C. § 1691(a).

³⁶ See Consumer Fin. Protection Bureau v. Townstone Financial, Inc., No. 23-1654 (7th Cir. 2024).

³⁷ See Press Release, CFPB Seeks to Vacate Abusive, Unjust Case Against Townstone, Consumer Fin. Protection Bureau (Mar. 26, 2025), <https://www.consumerfinance.gov/about-us/newsroom/cfpb-seeks-to-vacate-abusive-unjust-case-against-townstone/>.

that ensure all groups have equal access to loans, mortgages, and other banking products and services.

The actions taken by this administration constitute an ideological effort to ensure that *certain* viewpoints and parochial causes—fossil fuel companies, gun manufacturers, private prison companies, cryptocurrency companies—are deserving of protection and access to the financial system. At the same time, *others*—like victims of mass shootings, nonprofit groups helping communities affected by climate change, and traditionally marginalized racial and gender groups—are unworthy of protection.

These actions likely violate the Constitution’s guarantees of freedom of expression and equal treatment under the law. As the Supreme Court’s recent decision in *NRA v. Vullo* held, government officials are prohibited from “wielding their power selectively to punish or suppress speech, directly or . . . through private intermediaries.”³⁸

E. International Financial Engagement

The *International Regulatory Transparency and Accountability Act* and the *Ensuring U.S. Authority over U.S. Banking Regulations Act* attempt to impose various limits on U.S. agencies’ ability to participate in nonbinding international financial policy coordinating bodies.

The first thing to understand is that these bills are generally a solution in search of a problem. All the agencies participating in multilateral financial regulatory bodies are subject to differing legal mandates and authorities and have economies with different structures. None of the work done in these forums is binding on member agencies’ domestic agendas, meaning there is no reason—and indeed no justification or ability—for a U.S. banking agency to implement proposals that lack adequate basis in US law.

Again, it’s important to appreciate the bigger picture. Trump Administration regulators are already retrenching from multilateral coordinating bodies, as the President more generally attempts to disengage from our longstanding international partnerships. The U.S. used to drive an international agenda, and so the rules reflected our interests. Disengaging from multilateral international regulatory bodies will hurt our domestic interests.

After the Global Financial Crisis, the U.S. played a leading role in setting minimum but non-binding global standards for financial regulation. US banks were subject to stronger standards pre-crisis and raised more capital following the crisis, allowing them to expand when their global competitors were retrenching. Far from being a hindrance, the role of the US as a driving force behind stronger financial standards proved to be a source of

³⁸ *NRA v. Vullo*, 144 S. Ct., 1316, 1332 (2024).

competitive strength for U.S. banks. This experience should have demonstrated the value of global leadership and the benefits of winning a race-to-the-top.

Unfortunately, we have gone from being a leader in international financial regulatory forums to a laggard. The U.S. is hampered by domestic politics and what seems to be a lack of competence in regulatory implementation. Our lack of domestic progress implementing the final phases of the Basel III International Capital Accord is hurting our standing globally on financial policy. The pressure from Congress against international engagement does not help matters.

It is ironic that, after helping to intensify the push for financial reform after the Global Financial Crisis, the U.S. is choosing to put itself at a competitive disadvantage. It is a shame to cede leadership over such a consequential issue, but the rest of the world will not wait for the U.S. to come to its senses and get its domestic politics in order. Foreign governments and banks will be more than happy to pass the U.S. by.

To be clear, the days of financial instability are not behind us. Financial markets went haywire in early April, with yields on Treasury bonds spiking in response to the economic and political uncertainty created by the Trump Administration's ill-advised "Liberation Day" tariffs. This instability raised questions about the Treasury market's status as a global safe haven.

In a scramble to restore calm to financial markets and get back in Wall Street's good graces, the U.S. Treasury Secretary offered financial deregulation as medicine for the ailing the US Treasury and financial markets. These policies would not only fail to address the underlying loss of confidence in U.S. Treasuries, they will also make a fragile economic environment even more brittle.

While there are some options for addressing financial market fragility³⁹, the real cures for the underlying causes of the ailing Treasury market have nothing to do with financial plumbing. Global financial leadership requires robust economic growth and financial stability coupled with adherence to democratic values, stable institutions, and the rule of law. It requires the U.S. government to regain its status as a reliable international partner committed to the rule of law, abandon talk of devaluing the dollar and potentially

³⁹ For example, banking agencies could increase banks' resiliency by making risk-based capital and leverage rules more countercyclical so they build up capital levels when the economy is growing and then absorb large inventories of securities during times of market stress. The Securities and Exchange Commission could finally implement its rules requiring central clearing for Treasury trades and the Financial Stability Oversight Council could clamp down on the highly leveraged bets hedge funds make in the Treasury markets that increase volatility. If severe financial stability issues arise, the Federal Reserve can stabilize the market by purchasing Treasuries and using the Standing Repo Facility it created for this purpose.

haircutting Treasury bondholders, and end the assault on the independence of agencies like the Federal Reserve.

III. An Alternative Path: Other Matters Warranting the Subcommittee's Attention

Financial markets and institutions play a vital role in determining whether resources are channeled to all communities or only the wealthiest ones, to giant multinational monopolies or emerging small businesses, to productive research and development or to lavish executive pay and stock buybacks, and to clean energy innovation or fossil fuels that pollute the planet.

The success of our climate policy depends on our capacity to channel capital to invest in the climate transition. Addressing economic inequality requires ensuring that financial institutions don't extract unfair fees from working people whose paychecks are already stretched too thin and protecting ordinary investors from losing their life savings to a crypto industry that is rife with fraud and scams.

If the Subcommittee is interested in ensuring widespread financial growth and prosperity for the American economy, there are some specific issues that warrant greater attention and consideration:

- Deposit insurance reform.—Following the 2023 bank failures there were well-founded concerns that the government's response perpetuated the idea that we have a two-tiered banking system in which large banks benefit from implicit government guarantees, while small banks are subject to the harsh discipline of the marketplace. One way to correct the perception or existence of this competitive imbalance is to modernize the Federal Deposit Insurance framework to provide coverage to more business and transaction accounts.
- Industry consolidation.—Excessive consolidation also threatens to undermine the vibrancy and competitiveness of our banking system. The Acting Chairman of the FDIC has repealed the agency's bank merger review policy statement applying greater scrutiny to transactions where the resulting institution would have more than \$100 billion in total assets. The banking agencies also recently approved Capital One's acquisition of Discover Financial. Creating more "too big to fail" banks and allowing one of the largest issuers of credit cards to purchase its own card routing network presents a competitive threat to smaller banks. Congress should address these issues by updating bank merger laws to make the review of big banks mergers more stringent and passing the RECOUP Act, which passed the Senate Banking Committee last Congress with an overwhelming bipartisan majority.

- o Stablecoins & crypto.—Congress is actively considering creating a light-touch framework for entities that seek to issue so-called stablecoins—crypto assets that maintain a one-to-one peg with the U.S. dollar. Unfortunately, the bills before you contain shortcomings that expose the public, regulated financial institutions, and the entire financial system to potentially significant risk.⁴⁰ The President himself has a personal financial stake in this industry. In a move reminiscent of his past predatory businesses and conflicts of interest, President Trump has launched his own crypto business, including his own branded memecoin and stablecoin, while proposing putting the full faith and credit of the United States behind speculative crypto assets by creating a strategic bitcoin reserve.⁴¹ In addition to being a massive conflict of interest, it is deeply anticompetitive. What regulator is going to want to take action against an industry or a business that their boss, the President of the United States, has a personal financial stake in? It is an advantage that is not available to most honest businesses, especially small businesses. Further, deregulating these products and services and allowing lightly-regulated nonbanks to engage in them would put us back in a pre-2008 world, when so-called “shadow banks” were allowed to conduct bank-like activities without adequate regulation and supervision and U.S. taxpayer funds were used to bail them out.⁴²
- o Charter arbitrage.—In addition to stablecoins, other light-touch charters threaten to undermine banks’ franchise value. For example, the FDIC currently has four pending industrial loan company (ILC) deposit insurance applications, and the Acting Chair has expressed his receptivity to charting more ILCs.⁴³ This poses serious competitive risks to banks that are properly chartered and regulated and subject to the traditional separation of banking and commerce. Congress has also repealed a CFPB rule to supervise tech companies, especially Big Tech, that present anticompetitive challenges to banks, especially community banks. Big Tech firms entering financial services have the potential to scale rapidly, due to network effects and strategic complementarities, resulting in increased market concentration.⁴⁴ They may be able to use those network effects, data advantages, acquisitions, predatory pricing, and other tactics to gain or entrench their market power to the detriment of competition and, ultimately, consumers.⁴⁵

⁴⁰ See Graham Steele, *Neither stable nor genius: the misguided legislative attempt to regulate stablecoins*, Briefing Book (Mar. 31, 2025), <https://www.briefingbook.info/p/neither-stable-nor-genius-the-misguided>.

⁴¹ See Kelvin Chan, *Trump's Win Ignites a Crypto Frenzy That Sends Bitcoin to a Record High*, Associated Press (Nov. 6, 2024), <https://apnews.com/article/bitcoin-crypto-donald-trump-election-c2e2a1a895288c5e9c0df2721012a5bb>.

⁴² See Steele, *The End of Banking History*, *supra* note 3, at 18-19.

⁴³ See Summary of New Deposit Insurance Application Activities, Fed. Deposit Ins. Corp. (as of Apr. 22, 2025), <https://www.fdic.gov/bank-examinations/summary-new-deposit-insurance-application-activities>.

⁴⁴ See Steele, Remarks before the Exchequer Club, *supra* note 26.

⁴⁵ *Id.*

These emerging issues warrant greater attention from the Subcommittee to ensure a level competitive playing field for banks, especially community banks.

- Climate-related financial risk.—The Office of the Comptroller of the Currency (OCC) recently withdrew from the interagency Principles for Climate-Related Financial Risk Management for Large Financial Institutions⁴⁶ as climate-related weather events continue to increase in their frequency and intensity. In particular, these risks are manifesting in property insurance markets, as policies become increasingly unaffordable or unavailable, including in regions like the Midwest and Great Plains.⁴⁷ This creates risks for the banking system. In February, Federal Reserve Chair Jerome Powell testified that to “fast-forward 10 or 15 years, there are going to be regions of the country where you can’t get a mortgage, there won’t be ATMs, banks won’t have branches, and things like that.”⁴⁸ Regional and community banks do not have the luxury of pulling out of the communities that they serve, meaning they will be on the front lines as these risks continue to manifest. Rather than ignoring the increasing risks of climate change and weather-related disasters, Congress and the banking agencies should work with regional and community institutions to address them.
- Supporting the CDFI Fund.—The President issued an Executive Order seemingly seeking to reduce or eliminate Treasury’s Community Development Financial Institutions (CDFI) Fund.⁴⁹ Decreasing the CDFI Fund’s financial assistance programs and staffing will hurt financial institutions—both CDFIs and Minority Depository Institutions (MDIs)—that serve urban and rural communities, and Blue states and Red states, alike. It would hit the smallest institutions hardest. Fortunately, Executive Orders cannot override the laws passed by Congress. Treasury and the banking agencies have affirmative duties to support and promote MDIs, and the Dodd-Frank Act requires the agencies to maintain Offices of Minority and Women Inclusion (OMWI) to, among other responsibilities, develop policies that will promote participation of minority-owned and women-owned businesses in the programs and contracts of the agency, including standards for coordinating technical assistance to such businesses.⁵⁰ In 2020,

⁴⁶ While the agencies went through a formal notice-and-comment process to implement the principles, see 88 Fed. Reg. 74,183 (Oct. 30, 2023), the OCC seems to have simply unilaterally withdrawn without prior notice and opportunity for public input.

⁴⁷ See FED. INS. OFF., U.S. DEP’T OF THE TREASURY, ANALYSES OF U.S. HOMEOWNERS INSURANCE MARKETS, 2018-2022: CLIMATE-RELATED RISKS AND OTHER FACTORS (Jan. 2025).

⁴⁸ Claire Boston, *Powell predicts a time when mortgages will be impossible to get in parts of US*, Yahoo Finance (Feb. 15, 2025), <https://finance.yahoo.com/news/powell-predicts-a-time-when-mortgages-will-be-impossible-to-get-in-parts-of-us-190820841.html>.

⁴⁹ See Continuing the Reduction of the Federal Bureaucracy, Exec. Order No. 14,238, 90 Fed. Reg. 13,043 (Mar. 14, 2025).

⁵⁰ See 12 U.S.C. § 5452(b)(2).

Congress, with the leadership of the Committee's Ranking Member, recognized the successful model of the CDFI Fund and appropriated almost \$12 billion for the Fund to distribute in the form of grants and investments, which the Fund distributed in a fair and timely way.⁵¹ Congress should look to build on that success by further supporting CDFIs and MDIs, not weaken a program that benefits urban and rural communities.

- o Technology investments.—In the world of digital financial services, technology is one of the areas of greatest concern for financial institutions, especially small banks. Technological investments can help smaller banks compete in ways that help them leverage their advantages with relationship lending. When I was at Treasury, I heard a lot of interest in how small banks can use new technologies like cloud services. But there are also very real barriers that the government can help these banks navigate. Policymakers can work more with small, midsize, and regional banks to help them lean into the markets and products where they have natural advantages over large banks but need some guidance and assistance navigating the technological landscape, including contract negotiations, legal responsibilities, and information sharing.
- o Potentially unlawful basis for tariff authority.—The President has invoked IEEPA to impose sweeping tariffs on our international trading partners. It is not clear that he has the authority to do so. IEEPA was enacted out of concern that the President had been abusing his authority under the Trading with the Enemy Act (TWEA), and imposing measures like capital controls outside of wartime conditions. IEEPA was, in important respects, an attempt to cabin presidential authority over economic sanctions. Whether or not one believes IEEPA has been entirely successful in accomplishing that goal, it is not clear that the law provides the President with sufficient authority to impose sweeping tariffs, both because tariffs are not explicitly contemplated by the statutory text and because it is not clear that the existence of trade deficits constitutes an “emergency.” This Committee has jurisdiction over international trade, sanctions, and investment laws and policies. Committee members have, in the past, expressed concerns about the Executive Branch taking actions that are “economically significant” and “politically motivated” without clear statutory authorization.⁵² The imposition of sweeping tariffs that will increase costs for U.S. consumers based upon unclear statutory authority is just such an action, and it therefore warrants greater oversight from this Committee—indeed, any oversight at all.

⁵¹ See Graham Steele, Assist. Sec’y for Fin. Insts., *Update on Treasury’s Approach to Equitable Community Finance*, U.S. Dep’t of the Treasury (Jan. 16, 2024), <https://home.treasury.gov/news/featured-stories/update-on-treasurys-approach-to-equitable-community-finance>.

⁵² Letter from H. Comms. for Fin. Servs., to Michael S. Barr, Vice Chair for Supervision, Bd. of Governors of the Fed. Rsrv. Sys., et al. (Sept. 13, 2023), https://www.federalreserve.gov/SECRS/2024/May/20240528/R-1813/R-1813_020124_158323_398999611886_1.pdf.

IV. Who Pays the Price: The Costs and Consequences of Financial Deregulation

The inner workings of the banking and financial systems can often seem abstract and removed from the day-to-day-lives of most Americans. Taking a step back, what does this all mean for working people?

This deregulatory agenda will make the financial system more concentrated and less accessible and less affordable for people looking to start a new business or buy a home. It will make the financial system more fragile, meaning that people's money will be put at risk and taxpayers may eventually be called upon to support failing financial institutions that have behaved recklessly. And it will be harder for smaller financial institutions to compete with big banks that can use their size and scale to out-price them and benefit from the implicit support of the government.

The arguments for deregulation rests upon the idea that deregulation will result in more lending, thereby leading to more economic growth and, by extension, more jobs and higher take-home pay for working people. It is essentially trickle-down economic populism.

While lax financial regulation may arguably boost economic growth over the short run, it does so in a way that exacerbates inequality. Protections that impose costs for banks in the form of lost revenue create savings for consumers. Capital rules that reduce a bank's return on shareholder equity or constrain shareholder payouts, through dividends and stock buybacks, also provide substantial safety and soundness and financial stability benefits. Laws that limit mergers and bank ownership and control also ensure that banks are financially sound and financial resources are spread equitably throughout the community.⁵³

As we saw in the first Trump administration, weakening important consumer protections means that big banks can use their market power to take money out of the pockets of working people and put it into their own coffers. Deregulation, accompanied by a massive corporate tax cut, resulted in the financial sector enjoying record earnings in 2018 and 2019.⁵⁴ These windfalls translated into significant payouts for bank shareholders in the form of dividends and stock buybacks—from 2018 to 2020, shareholder payouts by

⁵³ See Saule T. Omarova & Graham S. Steele, *Banking and Antitrust*, 133 YALE L.J. 1162, 1192-1200 (2024); also *id.*, at 1211-12; also *id.*, at 1228-32.

⁵⁴ See Steele, *The Tailors of Wall Street*, *supra* note 5, at 1050.

the eight largest US banks exceeded their net income.⁵⁵ But banks' lending, as measured by their loan-to-deposit ratios, leveled off and even declined from 2018 through 2020.⁵⁶

This sort of volatile growth creates unsustainable bubbles. It permits the excessive buildup of risk, resulting in the failure of individual institutions, instability in community and regional economies, and at its most extreme systemic crises. This harms working people in concrete and material ways. More than 8 million people lost their jobs in the recession following the Global Financial Crisis, and almost 4 million families lost their homes to foreclosure.⁵⁷ At the same time, the US government provided banks with \$2.4 trillion in loans, guarantees, and capital to avoid an economic depression.⁵⁸ According to one estimate, the Global Financial Crisis reduced economic output by seven percentage points, the equivalent of each American losing \$70,000.⁵⁹

Not all the costs of bank failures are quantifiable. Financial calamities also have negative effects on peoples' nonfinancial lives, including their health, safety, and wellbeing. I said the following shortly after the 2023 regional bank failures:

Another important consideration in evaluating the impact of a bank's failure is the resulting implications for its customers and, more broadly, the communities and regional economies in which it operated. I have heard firsthand about the impacts of SVB's failure on its investors, depositors, business customers, and affected communities in Northern California. While it was encouraging that a buyer emerged shortly after SVB's failure, which has facilitated the transition for most of SVB's customers, there have been tangible disruptions to the industries and communities for which SVB served as an important financial intermediary.

As Secretary Yellen has noted, the U.S. economy benefits from our broad and diverse banking system. Banks that serve specific regions and industries can often provide higher-touch and more customized products and services than global systemically important banks. After a regional bank's failure, the demand for these services may remain. While there may be alternative bank and nonbank providers, underwriting and other business processes may take longer and become more cumbersome. At the same time, there may be less innovation in developing novel or customized products. As a result, certain parts of the startup and small business ecosystem may receive less attention and, by extension, capital to grow and expand.

*The substantial value that regional banks provide during normal times means that, conversely, regional bank failures can also impose substantial costs on regional economies.*⁶⁰

⁵⁵ See *id.*, at 1051.

⁵⁶ See *id.*, at 1050. Were it not for the Paycheck Protection Program (or "PPP"), banks' business lending would have declined in 2020. In fact, because smaller banks issued the bulk of PPP loans, large banks' lending did decline during the second and third quarters of 2020. See *id.*

⁵⁷ See Graham Steele, "Bored of Banks" is Not an Option, Fireside Stacks (Aug. 1, 2024), <https://www.firesidestacks.com/p/bored-of-banks-is-not-an-option>.

⁵⁸ See *id.*

⁵⁹ See Steele, *Major Questions' Quiet Crisis*, *supra* note 22, at 317.

⁶⁰ See Steele, Remarks at the Americans for Financial Reform Education Fund, *supra* note 2.

These impacts are not evenly distributed. They fall the hardest on historically marginalized communities, such as Communities of Color.

The point here is that deregulation allows Wall Street to enjoy profits in good times and forces the public to bear the costs of financial crises. The benefits of rules that protect consumers and prevent financial crises clearly outweigh the narrow costs of industry compliance with regulations that protect the public against Wall Street excess.

Conclusion

People intuitively understand when they're being treated fairly by their financial institutions and when they're not. On the campaign trail, President Trump has understood and tapped into the public's outrage towards Wall Street, saying that Wall Street has been "getting away with murder"⁶¹ and supporting measures like reinstating the New Deal era Glass-Steagall Act separating banking from securities trading⁶² and capping interest rates on credit cards at ten percent⁶³. There is a reason that President-elect Trump campaigns as a Wall Street reformer. That's because financial reform is broadly popular, with a clear majority of all voters supporting stronger bank regulation.⁶⁴

A healthy, fair, and inclusive financial sector is good for the economy. Rather than pursuing an extreme deregulatory ideology, this subcommittee should focus on an ambitious policy agenda that will make the financial system more stable and fairer for working people. Unfortunately, if our recent history of deregulation of, and taxpayer support for, Wall Street has revealed anything, it's that Trumpism is truly about helping Wall Street at the expense of Main Street.

⁶¹ Heather Long, *Trump Has Done a Big Flip-flop on Wall Street*, CNN.com (Apr. 26, 2017), <https://money.cnn.com/2017/04/26/investing/donald-trump-wall-street/index.html>.

⁶² See Michael Corkery & Jessica Silver-Greenberg, *Trump and Warren Agree? Maybe, on Plan to Shrink Big Banks*, N.Y. Times (Apr. 6, 2017), <https://www.nytimes.com/2017/04/06/business/dealbook/donald-trump-elizabeth-warren-big-banks.html>.

⁶³ See Angel Au-Yeung, *Trump Floats Long-Shot Proposal for 10% Cap on Credit-Card Rates*, Wall St. J. (Sept. 19, 2024), <https://www.wsj.com/politics/policy/trump-floats-longshot-proposal-for-10-cap-on-credit-card-rates-087a3817>.

⁶⁴ See Steele, *Bored of Banks*, *supra* note 57.

APPENDIX 1

Examples of 2024 Fintech Partner Bank Enforcement Actions

Bank	State	Assets	Date	Violation(s)	Agency
Blue Ridge Bank	VA	\$2.7 billion	Jan. 2024	Anti-money laundering (AML) compliance	OCC
Lineage Bank	TN	\$222 million	Jan. 2024	Third-party risk management	FDIC
Piermont Bank	NY	\$550 million	Feb. 2024	Unsafe & unsound practices	FDIC
Sutton Bank	OH	\$1.6 billion	Feb. 2024	Unsafe & unsound practices & AML compliance	FDIC
Summit National Bank	WY	\$94 million	Mar. 2024	Unsafe & unsound practices	Federal Reserve
Thread Bank	TN	\$768 million	May 2024	Third-party risk management & AML compliance	FDIC
Evolve Bank	AR	\$1.8 billion	June 2024	Unsafe & unsound practices	FDIC

Chairman BARR. The gentleman's time has expired.

We will now turn to member questions. The Chair now recognizes himself for 5 minutes for questioning.

Let me start with Mr. Radcliffe.

The general idea behind regulatory tailoring is that smaller, non-complex financial institutions, community banks, should not be subject to the same level of scrutiny as large, systemically important institutions that engage in riskier behavior.

Mr. Radcliffe, you run a \$1.3 billion community bank in Kentucky. What kinds of products and services do you offer your customers, and how do they differ from those offered by larger banks?

Mr. RADCLIFFE. Thank you, Mr. Chairman. Pleasure to be here. We offer many of the same products as the larger banks, but we are able to tailor them in ways that they cannot.

For example, we offer floor plan financing, where the borrower is a watercraft, marine dealer, and so we have tailored it so they do not make payments in the winter when cash-flow is tight.

Larger banks would probably not be that specific. Being relationship-driven, we can be much more tailored in our products and services.

Chairman BARR. In your testimony, you explained how your firm's liquidity policies were deemed sufficient and acceptable by regulators until the failure of Silicon Valley Bank 6 months later when regulators came back and said those same policies are now insufficient.

What kind of an impact does this approach to regulation have on a business such as yours?

Mr. RADCLIFFE. Significant. Our CFO spent at least 6 hours explaining to one examiner how to balance back to the call report, the liquidity reports. We probably spent a total of 20 hours of staff time, specifically on liquidity. We had a 15-minute discussion on asset quality, and a 1-hour discussion on liquidity.

Chairman BARR. Last Congress, I introduced the Financial Institution Regulatory Tailoring Enhancement Act, which would increase the asset threshold from \$10 billion from \$50 billion for CFPB supervision, interchange transaction fee regulations, Volcker Rule, qualified mortgage requirements, leverage and risk-based capital requirements.

Ms. Flowers and Mrs. Tahyar, would increasing the threshold on these regulations help mega banks, as the Ranking Member suggested, or would it increase the stability of our financial system by providing tailored regulations to community and midsized banks?

Ms. FLOWERS. It would not help the mega banks because those banks would remain subject to all of the rules that you just mentioned, and those rules, in many instances, are designed for the largest and most complex banks. If anything, it would relieve some unnecessary compliance burden on the smaller institutions.

Chairman BARR. Mrs. Tahyar? When you answer this question, would providing additional tailoring and relief for those community, midsize institutions, would that help—would that be pro-competitive in terms of providing a counterweight to those G-SIBs?

Mrs. TAHYAR. That is exactly right, it would be pro-competitive, and it would be a counterweight. It would not—increasing the

thresholds would not help the mega banks one bit, but it would help the midsize and regional banks.

Chairman BARR. I have been told by many community banks in Kentucky and around the country that are approaching that \$10 billion threshold, that is a real impediment to organic growth and the only way that a larger community bank, pushing that \$10 billion threshold, to trip that threshold would be to jump over that in a major way.

Is that smart banking policy, or is there a problem with that?

Mrs. TAHYAR. The cliff effect is real, and it is a problem and it actually happens before. Once you hit \$7-or \$8 billion, then your examination staff wants you to start to prepare, and that makes sense.

You cannot go to 10 billion and one cent, because if you do, you have all the costs of being between 10 and 50, at a lower level of revenues and a lower base of costs.

I think that tailoring should also include a transition period as banks move over, and then they can decide do they want to be organic, or do they want to do it by acquisition?

Chairman BARR. Final question, Mrs. Tahyar. You have very important testimony about the supervisory examination process and how it does not work. Can you tell us whether or not bank exams depend on which examiner you get and why that is a problem?

Mrs. TAHYAR. That is often the case. When you have an examiner switch out, suddenly you have a lot of changes. Examiners on the ground, they are not—the extent to which they are accountable to others is really unclear. So, it is very, very personality-dependent.

Chairman BARR. I think consistency in exams, regardless of who the examiner is, is very, very important.

My time has expired. I now recognize the Ranking Member of the subcommittee, Dr. Foster.

Mr. FOSTER. Thank you, Chairman Barr. I would like to focus my questions on how recent administration actions are actually tilting the playing field against small community banks and in favor of the financial technologies (fintechs) and the large banks.

Mr. Steele, one of President Trump's first actions, acting through Elon Musk and the Department of Government Efficiency (DOGE) group, was to shutter the CFPB. The CFPB is widely popular among Americans of all political affiliations.

It has returned more than \$20 billion to consumers and armed servicemembers harmed by abusive practices and illegal actions by financial firms.

Tomorrow this committee will consider Republican legislation to cut the CFPB's budget by 70 percent, and there are plans to cut as much as 90 percent of the CFPB staff.

Now, as you know, the CFPB was the primary consumer compliance regulator for the biggest banks and Big Tech. While no one is currently supervising big banks or Big Tech with the deleting of the CFPB, no one is supervising them for consumer compliance.

The vast majority of community banks and credit unions with less than \$10 billion of assets continue to be supervised for consumer compliance by their Federal prudential regulator.

Does not this create an unlevel playing field for community banks and credit unions?

Mr. STEEL. Thank you, Congressman. It is a great question, and I think this is an important point, which is the CFPB, the vast majority of what it does—or I guess what it did when it had sufficient supervisory staff—was to look at nonbanks.

Nonbanks have come into certain areas and captured a lot of market share in recent years, and they are the dominant providers of certain kinds of products and services. So, the CFPB examination and supervision staff spent a lot of time looking at nonbanks that prior to the 2008 financial crisis had no—or hardly any—oversight whatsoever for consumer compliance and consumer harms.

Consumers are vulnerable on one side, and small banks that are underneath the threshold are subject to examination and supervision because their primary banking regulator is the one doing that examination supervision.

So, it is a competitive imbalance, and there is harm to consumers.

The CFPB had also issued a rule in the prior administration to oversee tech companies in particular, and Big Tech companies. That was the biggest part of their focus, which obviously Elon Musk has his own Big Tech company which wants to offer financial products and services.

Obviously that has been rolled back by Congress now, but I do want to hone in on something else that you said in your opening statement, which was the election was about lowering costs for consumers and putting money back in their pockets. The President said he was going to cap credit card interest rates at 10 percent.

The CFPB has saved consumers over \$20 billion. Two rules that were just recently repealed by Congress—the overdraft rule and the credit card fee rule—would have saved consumers \$15 billion per year combined.

I know you are going to consider whether you want to cut the CFPB's budget or not, but the CFPB's annual budget is about \$800 million. For those two rules alone, that is almost a 19 times return on investment from the money that CFPB is spending by putting money back in consumers' pockets.

Mr. FOSTER. Thank you, in terms of fintechs, Mr. Radcliffe, are there areas where you have seen encroachment by fintechs on any of what used to be your core businesses?

Mr. RADCLIFFE. Fortunately—of course, I can speak for our bank's experience. In the payment space, we have seen encroachment from, of course, the PayPals and Venmos of the world, but we have sought to partner, through our core provider and other platforms, to try and compete.

Mr. FOSTER. Are you concerned that the fintechs will not be subject to the same consumer compliance regulation that your bank will be?

Mr. RADCLIFFE. Oddly enough, we are examined and held accountable for the fintechs' actions, whenever the exam——

Mr. FOSTER. When you partner?

Mr. RADCLIFFE. Yes.

Mr. FOSTER. But a freestanding fintech can move into your area——

Mr. RADCLIFFE. Right.

Mr. FOSTER [continuing]. without this sort of—and that is the unbalanced playing field that I am really concerned about in terms of—things like mortgages are another area where there has been a huge intrusion in what used to be the bread and butter for ordinary banks.

Now, Mr. Steele, back to the CFPB for a moment. How do you think the CFPB's ability to operate would be affected by a 70 percent budget cut or a 90 percent cut in their staff level?

Instead of expanding oversight into fintechs, is there any hope that they will be able to do anything with respect to fintech competition?

Mr. STEEL. No. I think the reason the judge ordered the temporary restraining order that they did in the district court case was because it is pretty clear. You cut the CFPB by that much, and it is going to be basically nonfunctional. It is not going to be able to handle consumer complaints in the way that it does vigorously. It is not going to do exams and supervision. It cannot do enforcement.

You basically will not—you will have a shell of a CFPB but not a meaningful consumer agency.

Chairman BARR. The time has expired.

The gentleman from Arkansas, Mr. Hill, Chairman Hill, is now recognized for 5 minutes.

Chairman HILL. Thank you, Chairman Barr.

Again, I thank our panel. It is always good to have such a distinguished panel.

Thank you, Mr. Steele, for your service at the Treasury.

Mr. Radcliffe, we are always grateful to have a practitioner before us.

In the years following the passage of Dodd-Frank, there has been significant bipartisan recognition that financial regulation should be based on an institution's size, complexity, and business model, and not just be a one-size-fits-all approach.

That commonsense idea, I think, is what we are about today, and it is in Chairman Barr's agenda. For example, a well-capitalized and well-managed institution under a certain size should be eligible for an extended exam cycle. That is one of our commonsense reforms.

Another example might be the community bank leverage ratio which allows well-capitalized banks under \$10 billion to opt for a more simplified capital framework.

Mrs. Tahyar, you have had such a great career in this arena. You said you toiled in the field. I saw your resume. Thank you for sharing that.

Would you agree that tailoring regulations for well-managed institutions already exist in law, and it is just not being implemented by our supervisors?

Mrs. TAHYAR. Yes, I agree, it does exist in the law from the previous act, but we do not know how it is being implemented by supervisors in practice because of the culture of secrecy.

Based on anecdotal evidence, I think it is being inconsistently implemented.

Chairman HILL. Would you say that there are other types of regulatory relief, besides that exam cycle idea, that might be—should

be availed to well-managed institutions, say, institutions rated 1 or 2 on a composite rating and have a satisfactory Community Reinvestment Act (CRA) rating? What else would you think should be on that list?

Mrs. TAHYAR. I think they should have expedited application processes. Whether it is a new branch, whether it is an acquisition, whether it is an activity that requires approval, I think there should, in general, be a lighter touch in their examinations and a focus on major financial risks rather than qualitative judgments.

Chairman HILL. We talked about, and Chairman Barr referenced it, the idea—and several of you did in your testimony—about exam appeals on outcomes. This has been an issue.

Back in 1994, just after I left the Treasury Department, we passed the Riegle-Neal Act, which institutionalized appeals, which, in my judgment, have failed to be implemented very effectively.

In fact, the FDIC Inspector General, back in July 2023 said, “The appeals process at the FDIC lacked independence, contained inadequate oversight mechanisms, and presented a perceived conflict of interest.”

Mrs. Tahyar, I do not think that is unique to the FDIC. We are trying to get this appeal process right, both for institutions that go through a normal State or Federal exam cycle but also for those institutions that have a resident examiner program.

Can you reflect on the distinctions between those two bank sizes?

Mrs. TAHYAR. Sure. The exam process—the appeals process is clearly broken. I really like the FAIR Act—I think that is the right name—which would create an independent review process through the FFIEC and not have examiners reporting up into the same hierarchy; so, you do not have this judge, jury, and prosecutor issue going on.

Many examiners do a great job; so, appeals should be rare but fair.

Chairman HILL. I think that is right. I hear so frequently, for State nonmember banks, that their State bank commissioners are advocating for them to overrule the FDIC in that example.

Is that something you have seen in your legal practice?

Mrs. TAHYAR. I have, sir. Yes, I have, and when it happens, it is very powerful. I will say to that, when I have seen it, the State Banking Commission is thinking very carefully before it makes such a statement.

Chairman HILL. Sure, because that puts them at suddenly on the wrong side of the negotiating table with their Federal counterpart.

Can you tell the committee, just in the few seconds I have remaining, why did that appeal process that was in the Riegle-Neal Act—this is after the banking crisis of 1991; this is after the savings and loan collapse—why did not that stick? Why did not that work?

Mrs. TAHYAR. I am not sure. I think it basically fell off the agenda, and there were other priorities. Then it was just easy to have an informal process that was not independent.

Chairman HILL. Right, thank you. I do not think it is independent. I do not think it is working, and I yield back, Mr. Chairman.

Chairman BARR. The gentleman yields.

The gentlewoman from California, Ranking Member Waters, is now recognized.

Ms. WATERS. Thank you very much, Mr. Chairman.

Mr. Steele, you discussed some of this in your testimony, but I have been troubled by the President's corrupt cryptocurrency activities while he is supposedly running our country.

Just this morning, The New York Times came out with a scathing investigation into Trump's shady crypto dealings. Apparently, most of his net worth comes from his crypto activities. Let us discuss some of them.

There was the meme coins Trump and his wife launched right before he was sworn in. With Trump's meme coin, thousands of investors lost \$2 billion in the first few weeks while Trump's family and friends racked up at least \$350 million.

Trump recently announced the 220 largest holders of his meme coin would have dinner with him at his members-only golf club in Virginia and then the top 25 largest holders would follow dinner with a tour of the White House.

Following this blatant advertisement about how to buy success, the value of his coin immediately went up 50 percent, earning him and other insiders \$900,000 in trading fees alone in 2 days.

Trump Media also announced a partnership with crypto.com to offer new crypto exchange-funded—traded funds, or ETFs. Davis Polk, who is represented on this panel by Mrs. Tahyar, is the legal adviser on the deal.

While Trump has attacked a number of firms, he has not attacked Davis Polk.

Trump's family business, World Liberty Financial, is also getting into stablecoins. At the same time, he wants to Congress to pass a law that would let him write the rules of the road where he would follow his own stablecoin compared to others, even requiring the government to use his stablecoin in transactions with America.

Mr. Steele, do you think the President's crypto activities are appropriate? If so, what impact would there be on community banks if Congress advances a weak regulatory framework on stablecoins and crypto market structure for Trump to implement? Does this not pose a massive conflict of interest?

Mr. STEEL. Thank you, Congresswoman. You asked me, do I think that this is appropriate? I think that the answer is absolutely not. I think, in any other administration, this would be a scandal.

You mentioned the dinner that he is having for the largest holders of his crypto meme coin.

In the first Trump Administration, we used to talk about the Emoluments Clause and the fact that the President was not supposed to be taking money from outside sources while he was the President.

We just do not talk about that anymore, but that is pretty obviously what is happening here.

I think a second issue that you raised is that he has his own—he wants to issue his own stablecoin as this committee is thinking about and Congress is thinking about stablecoin legislation. I have concerns about that in two respects and frankly with the broader crypto activities that he is doing.

The first is I do not think that there is a financial regulator alive who would take a hard look at any of these businesses being run by the President of the United States, who is their boss, and if some of these administrative law cases go the way that they go, he can fire them at will. So, he has something hanging over the head of these regulators, which is a massive conflict of interest.

That means that, number 1, there can be risks taken that regulators will not get out ahead of. There can be consumer and investor harms that they will not get ahead of that will cost us—taxpayers, consumers—a great deal. It could undermine financial stability and lead to a financial crisis.

The second point that you touched on is this is a massively unlevel playing field. There are other financial institutions, both in the crypto industry but also community banks, other well-regulated financial institutions, that have to follow the law and follow the rules and do not get special dispensations. They do not get regulatory forbearance, and they are not well connected enough to have the heads of these agencies on speed dial.

So, the large well-connected companies get treated one way, and the smaller institutions get treated a different way, and I think all of those are highly problematic.

Ms. WATERS. Thank you very much.

Do you think this is an issue that Members of Congress on both sides of the aisle should be focused on? This is so unusual to see this kind of thing. What do you think?

Mr. STEEL. Yes, absolutely. As I said in my testimony, a number of things deserve greater focus than some of the issues—the bills here today, and this is one of them.

I think, in past eras, I think there would have been a bipartisan outcry. I am not sure why there is none now.

Ms. WATERS. Thank you so very much.

Mr. STEEL. Thank you.

Ms. WATERS. I yield back.

Chairman BARR. The gentleman from Michigan, Mr. Huizenga, is now recognized.

Mr. HUIZENGA. Thank you, Mr. Chairman.

Mrs. Tahyar, your firm was just singled out by the Ranking Member. Do you care to address that at all before we get on with some questions?

Mrs. TAHYAR. Thank you very much, Congressman. I am sorry, but I am not permitted ethically to comment on a current client; so, I would prefer to stay in silence—

Mr. HUIZENGA. Okay.

Mrs. TAHYAR [continuing]. on that issue, but I thank you.

Mr. HUIZENGA. That is fine. Unfortunately, that is a tool that is often used by folks up here. You are contractually bound to not be able to say anything, but they can say whatever they want up here and try to smear people.

I do want to try to set something straight here. Last Congress, I was the Chair of the Oversight and Investigation Subcommittee. I spent a lot of time looking into the bank failures of 2020–2023. At the time, there was a rush to judgment; and apparently with Mr. Steele, there still is a continuation of singling out 2155 as the

culprit here, which we know frankly is the furthest thing from the truth.

The claim that 2155 and tailoring weakened capital and liquidity standards is false. We know that in the case of Silicon Valley Bank, the Fed's—the Fed's—own report says, and I quote, SVB's capital position was not the primary cause of its failure, end quote.

The claim that supervisory tailoring weakened banking oversight is also wrong. The Fed's own review found that examiners identified issues, such as with interest rate risk management, but failed to escalate or enforce timely corrective action on that.

In fact, Barney Frank himself, someone that I would probably struggle to agree that today is Tuesday with normally, said, I quote, I can tell you personally that there is no diminutive—diminution of regulation. In 2018, it did not say no regulation or weak regulation. It said you would not regulate a bank at \$50 billion in assets the same you would not regulate a bank at several trillion dollars. But they retain strong power to regulate, close quote.

These are red herrings and some distractions, so let us stay focused here, and I want to stay focused on that bank supervision.

Mrs. Tahyar, in your testimony, you go into detail about bank supervision, and I appreciate you saying—I wrote this down—the art of supervision is absolutely correct.

It is interesting, running that Oversight Subcommittee, we ran into a lot of really, really good people at the FDIC, and we—and some of those people were very willing to help correct and point out to us as a committee the problems that were going on.

My friend, Mr. Barr, and I had released a report on the toxic workplace at the FDIC, and I would—frankly, I would contend that, if it was not for the Basel III Endgame, Marty Gruenberg would have been canned long before his, quote/unquote, resignation happened, so.

During our investigation, we often found a lot of disconnect between the Board and examiners in the field, and that is why I have introduced reforms such as the FDIC Board Accountability Act.

This bill ensures two changes to the composition of the board: one, a board member who has State bank supervisory experience, which is what Chairman Hill was referring to earlier, and two, secondly, a board member who has demonstrated working in or supervising depository institutions with having less than \$10 billion in total assets.

Mrs. Tahyar, do you see that as being advantageous, and do you care to comment on sort of the FDIC?

Mrs. TAHYAR. I think those are both excellent ideas. I think it is very helpful to have somebody with actual banking experience at the top of the house of any of the agencies.

If I recall correctly, one of those bills would also remove the CFPB from the Board of the FDIC, and I think that is wise because that would create room for more—for somebody with banking experience.

Mr. HUIZENGA. Okay. In my last minute here, Ms. Flowers, you talked about management risks in your testimony, and I am pretty sure it is clear that regulators and examiners did not effectively use the metric when overseeing SVB and Signature Banks—unless you disagree with that? No, you are affirming that.

What would be a better way for examiners to ensure—to ensure that this type of mismanagement is not missed or, frankly, even worse, ignored in the future?

Ms. FLOWERS. I think that what would be really important, as I mentioned in my testimony, is to refocus the exam framework on material financial risks. That could include a standard for what constitutes safety and soundness that is moored in financial risk. I think with Silicon Valley Bank (SVB), we saw that they did not lack examiners. They did not lack examiners with energy and authority and tools but what they did lack was that focus. So, refocusing them so that they are not distracted by process-related governance and management minutiae, I think it would have been better if those examiners had been focused more on giving directives to management specifically focused on things like interest rate risk and liquidity risk rather than—

Chairman BARR. Time of the gentlelady has expired—time of the gentleman has expired.

The gentlewoman from New York, Ms. Velázquez, is now recognized.

Ms. VELÁZQUEZ. Thank you, Mr. Chairman.

Mr. Steele, once again, today's focus on community banks centers on the right subject, but the actions taken by President Trump, his co-President Elon Musk, and the Republicans tells an entirely different story.

Trump's disastrous economic and tariff policy has thrown our markets into turmoil and increased the risk of a recession and you know what? The American people agree with that assessment: Fifty-five percent of Americans disapprove of the President's economic plan, and 66 percent are fearful of a recession.

Moreover, President Trump and those efforts to dismantle the CFPB guts a regulatory agency Americans largely support.

Is it not right, Mr. Steele, that seeking to shut down the CFPB, trying to fire nearly 90 percent of its staff, and significantly reducing its supervision and enforcement work will continue to cost community banks to face an uneven playing field against the G-SIB banks, and now with emergence of Big Tech in our banking system as well?

Mr. STEELE. Thank you, Congresswoman and yes. As I was discussing with the Ranking Member, absolutely. I think a problem here, number 1, is the unlevel playing field this creates because, as I said, the CFPB focuses a lot on nonbanks and the largest banks. With no CFPB to do examinations and supervision, they cannot spot emerging issues there but the smaller banks are going to get—potentially get more attention, not less attention, because that is the only—they will get it from their bank examiner, the banking agency, and not from the CFPB. Huge problem.

The last election, as we have talked about already, was about lowering costs for consumers. Taking the CFPB off the beat, as I said, \$20 billion back in the pockets of consumers as a result of remedial enforcement actions over the CFPB's lifetime; \$15 billion in the rules alone; millions of consumer complaints that will not get addressed.

This is hurting the consumer, not—

Ms. VELÁZQUEZ. Can you explain how the tariffs will hurt not only consumers, but also small businesses, the community banks and credit unions that serve them?

Mr. STEELE. Absolutely. The concerns over the tariffs are you are raising the cost of financial products and services on one hand by eliminating important protections. On the other hand, the tariffs are going to raise the costs of consumer goods on the other; so, the consumer is going to get squeezed from both sides.

That obviously will make it harder for them to make ends meet. I have concerns about the way that then flows through to financial institutions as well as consumers having a harder time paying their bills. They cannot pay their credit card bill or their mortgage. What does that mean for small institutions? That really worries me.

Ms. VELÁZQUEZ. Thank you. The Republicans have also sought to rescind the CFPB's rule on overdraft fees, which will have reduced overdraft fees for big banks to five dollars. While Republicans claim this was done in part to help community banks, more than 97 percent of banks and nearly all credit unions were exempted. Is that not true?

Mr. STEELE. Absolutely.

Ms. VELÁZQUEZ. The majority of banks were also exempted from the CFPB 1071 rule. I just heard a witness making a statement of as to how section 1071 will impact them negatively but section 1071 rule only covers financial institutions that have made 100 commercial loans in 2 consecutive years. Is that not true?

Mr. STEELE. It is.

Ms. VELÁZQUEZ. When Mr. Chopra, Director Chopra, came before our committee and made a statement and gave the assurances to community banks that they heard them, that they took their concerns into account and that most community banks would be exempted from the rule. Is that not the truth?

Mr. STEELE. It is.

Ms. VELÁZQUEZ. Okay. Thank you. I yield back.

Chairman BARR. The gentleman from Texas, Mr. Williams, is now recognized.

Mr. WILLIAMS of Texas. Thank you, Mr. Chair.

In recent years, Federal prudential regulators, like the Federal Reserve, have taken their eyes off the ball and began expanding their regulatory agenda to include things like climate-related financial risk. This decision to implement these practices come from alignment with global organizations like The Network for Greening the Financial System, which is headquartered in Paris, France. Under the Trump Administration, the Federal Reserve has withdrawn from the NGFS, a decision that I applaud. Under the Biden Administration, regulators chose to play politics and assert climate in their agenda and could possibly do so again in the future.

Congress needs to examine the Federal Reserve's role in these international organizations to make sure that they are putting the United States' interests above all else, which is why I am introducing the Federal Reserve Financial Accountability and Transparency Act, which would require the Federal Reserve to report on their expenses and research related to international organizations, like The Network for Greening the Financial System, the Basel

Committee on Banking Supervision, the Bank for International Settlements.

It is important for Congress and the financial systems to have transparency into our regulators' interactions with these organizations and hold them accountable to the American people.

Ms. Flowers, could you elaborate on the lack of transparency into the prudential regulators' engagements with international organizations and how do these agreements put our financial system at risk?

Ms. FLOWERS. Thank you for the question. I think it is really important.

We have very little insight into our Federal banking agencies' participation in committees like the Basel Committee and other of the international bodies you mentioned. Basel Committee, for example, does not release minutes. We do not know what positions are taken by our agencies unless they voluntarily disclose them. We do not get official reports on U.S. views and whether they are advancing positions that are promoting our unique domestic banking system and its structure in those international bodies.

Our own efforts at BPI via Freedom of Information Act (FOIA) requests to obtain materials about the Federal Reserve and the Federal Reserve Bank of New York's deliberations at the Basel Committee specifically concerning the Basel III Endgame were summarily and categorically denied. Even though the Federal Reserve identified hundreds of pages of documents, their own documents related to those deliberations, they claimed exemptions and refused to share them. In spite of the fact that they identified this, they did not provide an explanation of why sharing those documents with the public would not increase transparency around that process.

Mr. WILLIAMS of Texas. Okay. Thank you.

I want to ask Mrs. Tahyar, could you also quickly touch on how this lack of transparency puts our financial system at risk?

Mrs. TAHYAR. I think, when horse trading happens and deals are made in an international forum, I think there is an enormous amount of moral pressure on those who attend those forum and are repeat players to come back and impose it here exactly as had been agreed at the forum. We know, for example, in earlier Basel accords, that community banks were exempted out as a result of discussions that happened here.

Basel is very, very different from 1988. It is too complex. It has become over-engineered, and that is just not something that our banking sector needs.

Mr. WILLIAMS of Texas. When I speak with community leaders back home in my home State of Texas, one concern has remained constant over the past 4 years, and that is the crushing weight of regulatory burdens and one-size-fits-all rules. Under the Biden Administration, the regulatory agenda prioritized partisan policies over sound, commonsense financial regulations with little consideration for the needs of the smallest institutions. From the 1071 small business loan data collection rule to restrictions on overdraft services, community banks have faced mandates that fail to reflect their size, business model, or risk profile, disproportionately hurting them. Community banks have struggled for too long under the

immense weight of compliance costs and burdens, and they are backbones of the economy that help build around them.

Mr. Radcliffe, briefly, on you, how much time, on average, does a community bank spend on regulatory compliance, and how does compliance burdens—affected your ability to serve your community?

Mr. RADCLIFFE. It is a significant line item on our budget. I know I served for over a decade as the bank's compliance officer, and since that time, we have gone from one person in compliance to five people in compliance. Now it accounts for about \$632,000 a year.

Mr. WILLIAMS of Texas. More compliance officers hurt a guy like me that needs to borrow money.

Mr. RADCLIFFE. I am sorry?

Mr. WILLIAMS of Texas. More compliance officers hurt a guy like me that wants to borrow money and—

Mr. RADCLIFFE. Correct.

Mr. WILLIAMS of Texas. Briefly, in closing, Mrs. Tahyar, I want to ask you, can you explain how abandoning regulatory tailoring increases systematic risk and what changes should Congress and regulators prioritize to establish a tailored risk-based framework across the banking system?

Mrs. TAHYAR. I am not sure that Congress needs to do anything, sir, but I do think you need to exercise muscular oversight on the regulatory agencies so that they implement the law that you have already put in place.

Mr. WILLIAMS. Okay. Thank you.

Mr. Chairman, I yield my time back.

Chairman BARR. The gentleman yields.

The gentleman from California, Mr. Sherman, is now recognized.

Mr. SHERMAN. Seems like the regulators are in a pincer movement. On the one hand, they can adopt regulations that are precise and exact, and then they get criticized because, well, it is one size fits all, and they are too complex.

Or they can have regulations that have given them and then judgments have to be made by individual examiners, and then we are going to have a rigid appeals process by which we then second-guess the judgments.

Either we need to have judgments made and sustained, or we need to have regulations so precise that there are very few judgment calls.

The majority have focused on Operation Choke Point, and I very much agree with them. I took a lot of heat from strong liberals who dreamed of a day when gun sellers and payday lenders could not get bank accounts. Today, they can have nightmares about whether Planned Parenthood or ActBlue will get a bank account. The fact is everybody on both sides of the political aisle should be able to get basic banking services, except, as we deal with reputational risk, we should retain the issues of reputational risk for Iran and for foreign terrorist organizations.

When regulation is too tough, then loans are not made, and economic activity suffers. When the regulations are too loose, we see the bank failures of 2008, which the gentleman from Illinois points out and no Republican was here to see, but we got a taste of it, a little taste of it, in 2023. If the regulations are misconfigured,

then we get the economic impairment of very high regulations and the prudential risks of very low regulations.

I am concerned about the cuts to the FDIC, some 1200 employees they are planning to layoff. They have already had 500 take the buyout. They have canned 100 probationary employees.

Mr. Steele, we just do not have any effective auditing of banks. Could anything go wrong?

Mr. STEELE. Thank you, Congressman. It is a great question.

Going back to Congressman Huizenga's points about some of the issues that had been at the FDIC. The problem that the FDIC had, particularly going into the spring of 2023, was not that it had too much staff. It was that it did not have enough staff in the banks examining them, catching some of the risks. They had too much attrition. The workforce was too stale, as we saw; so, they were not able to catch—

Mr. SHERMAN. I will point out, when you have one of these chainsaw approaches to an agency, the good people go on LinkedIn. They have had it and there are a lot of private sector jobs for the best people at the FDIC.

I will point out that, if we are not going to have effective auditing, then we just—one way to deal with that is just to have ridiculously high standards. Then you do not have to be that clear.

I have a question here about the—the G-SIBs will face a surcharge that was put in place 10 years ago as a result of the crisis. The amount of the surcharge is determined by a formula that includes bank size, complexity, et cetera. The G-SIB surcharge capital requirements as a percentage of assets have increased significantly and the way that the Fed calculates the G-SIB surcharge for U.S. banks is double what the EU does.

Ms. Flowers, how does the United States take a different approach on G-SIB surcharge, and does that mean less lending for American businesses?

Ms. FLOWERS. Sure.

I would say that the United States has a bespoke framework that they refer to as Method 2, and they replace the international standards factor for substitutability with a bespoke factor on short-term wholesale funding. That factor was originally meant to represent about 20 percent of the overall score. It has ballooned to at least 40 percent for many banks.

Also, none of the indicators in the G-SIB score are adjusted, again, as we are talking about tailoring in general, for economic growth and inflation. Those things grow as the economy grows.

The Fed promised, in 2015, in its final rule, to revisit that periodically to make those types of adjustments but has yet to do so.

Certainly, when the banks are holding more and more and more capital just because the economy is expanding, that is going to restrict lending.

Mr. SHERMAN. Finally, I say we need to mark to market a held for—especially held for sale securities. I yield back.

Chairman BARR. The gentleman yields.

The gentleman from Georgia, the Vice Chair of the subcommittee, Mr. Loudermilk, is now recognized.

Mr. LOUDERMILK. Thank you, Mr. Chair. I thank all of our witnesses for being here today.

I am actually going to focus my questions around two bills of mine that have been attached to this hearing, the first being the Taking Account of Institutions with Low Operational Risk Act, or TAILOR Act, and the second being Ensuring U.S. Authority Over U.S. Bank Regulators Act.

Now, the TAILOR Act would require regulators to ensure each regulation fits the specific profile of the affected institutions. Ms. Flowers, I would like to start off with you.

As we are speaking about the TAILOR Act, is tailoring regulation based on business models or operational models a sound regulatory approach? Why or why not?

Ms. FLOWERS. Absolutely. Different types of business models present different risk profiles, and you do not want to take, for example, a regulation that is designed for a complexly structured, internationally active bank and apply it to a regional or community bank that has very different activities. So absolutely, you reduce unnecessary compliance burden on the smaller, less complex banks by tailoring the regulations to their specific business profile.

Mr. LOUDERMILK. That has been my understanding, which is why we are coming forward with this, because many of the smaller banks have undue regulatory burdens that are quite costly in compliance.

Is regulatory tailoring based on business models feasible from a regulatory perspective?

Ms. FLOWERS. It is absolutely feasible. I think that it was enshrined in 2155, and the banking agencies have made an effort, including in the 2019 regulations, to set specific categories for what should apply to banks of different sizes; and I think what we have moved away from is the indexing of those categories to inflation and economic growth.

What we have also moved away from—and we saw this with the Basel III rulemaking—is making sure that we are applying the actual substantive rules appropriately. With Basel III, under the Biden Administration, we saw the same rule going to be applied basically all the way down and that was inappropriate. It should have been tailored according to the size and complexity categories in its implementation, and that is what we hope to see.

Mr. LOUDERMILK. I would also like to ask you about the structure of my bill, which has a limited loopback period for regulatory tailoring of 7 years from the bill's enactment. Do you think it is important for regulators to look back further than 7 years when tailoring to capture the whole of post-Dodd-Frank rulemaking, or is 7 adequate?

Ms. FLOWERS. That is a good question. I think that it is not clear to me, off the top of my head, what exactly would fall within the 7-year window and what would be beyond that, so—but I am happy to get back to you with more thoughts on that. I am not sure exactly what is in the window, but it is possible that there could be regulations outside of that window that deserve additional attention.

Mr. LOUDERMILK. Okay. I sure appreciate that.

Mrs. Tahyar, going to focus on the other bill that is being noticed here today, which is the Ensuring U.S. Authority Over U.S. Bank Regulators Act. This bill would require regulators to be more trans-

parent with Congress when engaging with foreign non-governmental organizations (NGOs). Also regarding regulators engaging with foreign NGOs, if international regulatory standards put American financial institutions at a disadvantage against global competitors, should American regulators advocate for changing those standards or just go along with them?

Mrs. TAHYAR. They should obviously be advocating for the U.S. banking sector. In particular, our largest banks play a major role in international finance and also in our national security.

Mr. LOUDERMILK. Okay. Do you think it is important for American regulators to seek congressional buy-in before agreeing to any international regulatory standards?

Mrs. TAHYAR. Yes, I do.

Mr. LOUDERMILK. Okay. Thank you for that.

Should Congress have a more direct role in formulating international bank regulatory requirements like those we spoke about already today in the Basel capital accords?

Mrs. TAHYAR. That is a tricky one. Basel is so technical and so detailed, I am not sure that Congress wants to do anything more than give more specific directions, but a day-to-day role might be difficult.

Mr. LOUDERMILK. Okay. I think regulators ought to do a serious postmortem of the failed Basel III Endgame implementation that was withdrawn about a year ago. In your opinion, what could they have done better?

Mrs. TAHYAR. They could have looked at the data first and then come up with the rules. They could have avoided gold-plating the EU standards, and they could have been more transparent.

Mr. LOUDERMILK. Okay. Thank you.

With that, Mr. Chairman, I yield back.

Chairman BARR. The gentleman yields.

The gentleman from New York, Mr. Meeks, is recognized.

Mr. MEEKS. Thank you, Mr. Chairman.

I am just finding it a little difficult to reconcile the fact that today this committee is discussing reforms to improve accountability in bank supervision and strengthen interagency coordination. Yet, tomorrow, we will be marking up a reconciliation bill that weakens regulatory agencies and undermines regulatory certainty.

In the meantime, the President, who routinely threatens to the independence of the Federal Reserve, abuses the International Emergency Economic Powers Act to impose erratic and potential illegal tariffs on U.S. consumers and pressures banks to scale back hiring practices that have improved investor returns. So, it seems to me that chaos is reining the day and has no bounds. Unfortunately, my colleagues on the other side of the aisle seem unwilling to see the bigger picture. At least, they do not say so in public but here we are, attempting to have a serious adult conversation while the dumpster fire outside this room continues to rage on.

Let me just check with you first, Mr. Steele. The CFPB and its mission, they enjoyed a broad support among American consumers regardless of whether they come from red States or blue States. Would you not say that?

Mr. STEELE. Absolutely.

Mr. MEEKS. The CFPB also has a strong record of returning money to harmed consumers and preventing companies from taking advantage of them. Do you know of any other agency that was put in to do just that?

Mr. STEELE. I cannot think of one.

Mr. MEEKS. Could you then elaborate on how efforts to eliminate the agency conflict with President Trump's campaign to promise to lower costs to protect everyday Americans?

Mr. STEELE. Absolutely. It completely undercuts the promises that he made on the campaign trail. He is, on the one hand, reducing consumer protections that are raising the costs of overdraft fees, credit cards, and who knows what else that the CFPB has taken off the beat. On the other hand, he is actively raising consumer prices through the tariffs as well. So, he is squeezing the consumer from both sides with his trade policies and then with his consumer financial policies.

Mr. MEEKS. I want to talk about—because it is clearly that those policies have a direct impact on the community banks and credit unions. Would not you agree with that?

Mr. STEELE. I would.

Mr. MEEKS. You know what? I found also that President Trump's executive order regarding the CDFI Fund to be particularly alarming. While the administration has attempted to walk back the order, the intent, of course, seems clear. It aligns with many other actions he has taken to roll back progress we have made in making this country more equitable for all, as well as CDFIs have played a crucial and critical role in supporting the underserved community, both urban and rural. Simply, MDIs, for example, represent only 2 percent of all U.S. banks, yet they serve more than 30 percent of Black-owned businesses.

The President cannot override laws passed by Congress. What should we be prepared for, moving forward, regarding his efforts to undermine CDFIs and MDIs more broadly and how can we work together to empower these institutions rather than undercut them?

Mr. STEELE. Absolutely. I think the members of this committee have to be vigilant about attempts to undermine the CDFI Fund and the services it provides to CDFIs and MDIs. The first Trump Administration proposed eliminating the CDFI Fund, and so it was a bit shocking but not surprising to see that in the executive order as an idea. But, as you say, Congressman, CDFIs serve urban and rural communities in blue States and red States. I have heard that a lot—I administered the CDFI Fund when I was at the Treasury Department, and I heard a lot of vociferous support from States, in the Gulf States, Louisiana, Arkansas, and so forth, that realize CDFIs provide essential services.

I would note this—for every dollar the Fund invests in CDFIs, it can then leverage that for \$8 in private sector investments; so it is incredibly efficient. In 2020, you all appropriated almost \$12 billion to the Fund, which the Fund then put out—

Mr. MEEKS. I want to get in one more question.

Mr. STEELE. Yes.

Mr. MEEKS. Because I have been leading the charge in Congress to end tariffs and have authored three different resolutions terminating the ruination day of Canada, Mexico with these fake emer-

gencies that are supposedly authorizing these massive tax increases on the American people. How do you view the potential economic impact?

Mr. FITZGERALD [presiding]. The gentleman's time has expired.

I will now recognize the gentleman from North Carolina, Mr. Moore, for 5 minutes.

Mr. MOORE. Thank you, Mr. Chairman.

To our witnesses here, for too long, banks and credit unions, especially small community institutions, have struggled under a one-size-fits-all regulatory framework. Regulations, I would submit, should be tailored to the size, the complexity, and the risk profile of each institution, not imposed uniformly across the board.

Today, financial institutions, regardless of their size, are forced to navigate complex and costly compliance burdens. Under this system, small businesses and rural communities have lost access to affordable capital and essential banking services, which prompts a couple of questions, first for Ms. Flowers.

What is at stake if we do not return to a tailored, risk-based regulatory approach?

Ms. FLOWERS. What is at stake is economic growth. Banks are fueling economic growth of our country. As I mentioned at the outset, banks of all sizes play an important role in that. When you have undue compliance burdens in particular that are imposed through the supervisory process, even aside from regulatory tailoring, when requirements are being pushed down onto smaller banks that are inappropriate for them, you are increasing the burden without an offsetting benefit.

I think it is important to free those institutions from supervisory expectations that are unmoored from a legal or materiality standard and are just based on reviews of what the biggest, largest peer banks are doing and then pushing those down onto smaller banks.

Mr. MOORE. Supervision must be right size, not dictated by arbitrary thresholds or rigid frameworks disconnected, I guess you would say, from actual risk.

Mr. Radcliffe, would further tailoring of regulations for community-based financial institutions help reverse the trend of bank closure?

Mr. RADCLIFFE. I believe it would, and that is sincerely my hope. That is why I support the TAILOR Act in particular.

Mr. MOORE. Thank you.

During the previous administration, Biden regulators injected political agendas into bank supervision, particularly by pushing climate-related or digital-asset-related risk requirements far beyond what safety and soundness concerns demand. These actions have real-world consequences: less credit for small businesses, fewer mortgage options for families, and reduced innovation into the American economy.

Mr. Tahyar, could you speak to how the politicization of reputational risk has created legal risk for the banks?

Mrs. TAHYAR. I think it has created legal risk for those banks that have either—that have permitted themselves to be persuaded by the regulators that politically exposed persons or other disfavored industries should be cutoff. I think it was said here earlier before. There is a “sauce for the goose/sauce for the gander”

issue around these because we have election cycles. So, today's favored industry could be tomorrow's disfavored industry. My own view is we should take political views out of banking.

Mr. MOORE. Mrs. Tahyar, let me ask you this: Do you think there is a credible objective way to measure reputational risk, or is there—inherently just too subjective to remain part of the supervisory framework?

Mrs. TAHYAR. It is inherently too subjective. It is new. Let us remember how new it is. It did not exist 20 years ago. It does not add anything to existing risk. For example, Bank Secrecy Act, anti-money-laundering, terrorist financing—they are all already covered. I just think that experience has shown that it cannot be objectively supervised or managed.

Mr. MOORE. At the end of the day, we need a Federal financial regulatory system that works for the American people, one that is transparent, accountable, and proportionate.

Mr. Radcliffe, in your experience, what impact would returning to an 18-month exam cycle for well-managed institutions, as proposed in The TRUST Act, have on your operations?

Mr. RADCLIFFE. It would allow us to devote more resources to serving our clients versus serving our regulators because, during exam time, we devote probably at least 10 to 20 staff for at least 2 to 3 weeks dedicated time to exams.

Mr. MOORE. This is a question. I put this one back to you again, Mr. Radcliffe. If you had to estimate anecdotally what you all—what, industrywide—what percentage of the cost of operation are spent to address these new compliance requirements? Do you have an idea, if you had to spitball that right now, what that percentage might be?

Mr. RADCLIFFE. That is really tough to estimate. I know we spend well over half a million a year now. The actual number is probably higher than that. I probably underestimated it. Probably three-quarters of a million.

Mr. MOORE. That has significantly increased since the last administration.

Mr. RADCLIFFE. Yes.

Mr. FITZGERALD. The gentleman's time has expired.

Mr. MOORE. I yield. Thank you.

Mr. FITZGERALD. The gentleman yields back.

The gentleman from Georgia, Mr. Scott, is now recognized for 5 minutes.

Mr. SCOTT. Thank you, Chairman.

Mr. Steele, there is now a ripple effect going through the Georgia economy and due to President Trump's tariffs. Now, we have to understand, tariffs are taxes. It is a tax. It is an unfair tax, particularly on our community banks and on our lower income communities and working families and small businesses, driving up the costs of essential items like our food and our—hitting consumers in my district and across this Nation where it hurts the most: in their wallets.

Let me ask you this, Mr. Steele: Higher prices mean less disposable income to cover typical expenses, leaving many struggling families keeping up with their mortgages. Just how are these tariffs, these taxes—let us call them what they are—impacting the

customer base that is served by community banks and our credit unions? How so?

Mr. STEELE. Thank you, Congressman. As you said, it is driving up their costs. Households are getting hit by higher costs when they go to the grocery store, when they want to buy new goods or services. That means they have less ability to take out a loan, to make certain kinds of purchases. Obviously, they could also be impacted if there are layoffs at companies that are affected by tariffs. That could lead to things like delinquencies and/or defaults, some people's credit cards and mortgages—all compounded by the fact we do not have the CFPB anymore to help protect consumers when they get into financial trouble. As I said, it sort of gets them from both sides.

Mr. SCOTT. How can this kind of instability prove catastrophic for community lenders trying to offer stable financing to local businesses and consumers?

Mr. STEELE. On the commercial side, what I really worry about is institutions that focus on manufacturers that are going to get hit by this, by across-the-board tariffs, or the trade war the President has started with Canada, for example, if they are part of the supply chain.

I worry about firms that are focused on the agricultural sector, which we know is going to get hit really hard by this, as I am sure you know, Congressman. I am worried about a general pullback in spending in the—spending and investment in the commercial sector that is then going to, in turn, hurt community financial institutions.

Mr. SCOTT. Let me ask you, why is it dangerous to offer financial and market deregulation as the solution for the instability that has come from President Trump's tariffs?

Mr. STEELE. Well, because we know that better capitalized and stronger institutions can better serve their communities when there are economic downturns. If we weaken those rules, if we weaken institutions at a time when we might be going into a recession, that is only going to make things worse. It is only going to perpetuate it.

The reason why I worry about community institutions in this particular situation especially is large financial institutions, they can go to their trading desk, and they can offset lost revenue by going and making money in these volatile markets. They will make it if it goes up, if it goes down.

I worry about the small institutions that cannot pull back from their communities. I think of—I used to work over in the Senate for a Member from Ohio. I think about a small bank in Mercer County there that served the agriculture and manufacturing base there. They are going to be in that community. They are going to be exposed to it. They cannot go to Wall Street and make profits by trading or something else.

Mr. SCOTT. What is going to happen if we do not straighten this out? This is like a train wreck that is happening. We do not know what is going to happen, the uncertainty of it. How can you really run a country, an economy, with this kind of financing, with such a questionable instrument as tariffs on the world's most powerful economy?

Mr. STEELE. Absolutely. As you said, I think this puts a general cloud of uncertainty that hangs over everything. It decreases spending——

Mr. FITZGERALD. The gentleman's time has expired.

Mr. SCOTT. Thank you, Mr. Chairman.

Mr. FITZGERALD. The gentleman yields back.

I now recognize the gentleman from South Carolina, Mr. Timmons, for 5 minutes.

Mr. TIMMONS. Thank you, Mr. Chairman.

I want to thank the witnesses for being here today.

Last Congress, I consistently opposed the Biden Administration's proposed rule mandating additional long-term debt for financial institutions. The previous administration's one-size-fits-all approach to long-term debt requirements resulted in a range of unintended consequences which could have contributed to broader financial instability with potentially significant ramifications for the American public.

Ms. Flowers, in a recent letter to Federal banking regulators, Republicans on this committee called for the withdrawal of the flawed long-term debt rule proposal. In our letter, we highlighted the rule's lack of appropriate tailoring and its problematic internal banking organization LTD issuance and holding requirements. Do you agree that the long-term debt proposal should be withdrawn?

Ms. FLOWERS. Yes and I think that proposal is a prime example of reverse tailoring where a regulatory requirement that was originally developed for Global Systemically Important Banks was taken and applied in a more problematic way to regional banks, including the piece that you mentioned with the dual issuance requirement. There were many flaws with that proposal, which we opposed. If we are going to return to substantive tailoring where not only are we indexing category, but we are applying the appropriate requirements to each category, that would be a prime example of doing the opposite.

Mr. TIMMONS. Thank you for that.

This is the kind of ivory tower academic approach to policy-making the last administration engaged in, and it lacked any real-world common sense, and that is why we have a new administration. That is why we are going in a different direction. I am going to say I am grateful to President Trump and the Treasury Secretary for halting any long-term debt rulemakings that conflict with the regulatory tailoring approach we are striving to advance.

However, I do remain concerned about the political pendulum that causes regulatory policy to shift dramatically with each new administration.

In your view, Ms. Flowers, what steps can Congress take to ensure that the Biden Administration's long-term debt proposal is permanently set aside regardless of future changes in who controls the White House?

Ms. FLOWERS. As far as permanently setting aside substantive policy, I agree that it is concerning. We want to pursue durable reforms that enshrine the appropriate tailoring of requirements. I think that there is already a law in the books that is often overlooked when agencies are inappropriately applying substantive

rules to smaller banks that were not intended. That is the Administrative Procedures Act.

So, using as, I think, my colleague or my co-witness, Mrs. Tahyar, suggested, the regulatory muscle or—sorry—the congressional muscle around oversight of the agencies to making sure that they comply with the laws that are already on the books for their rulemakings would be a first step because then they have to empirically support and do cost-benefit analysis that is required.

Mr. TIMMONS. Sure. Thank you for that.

One way I have been thinking about regulatory tailoring is through a more risk-based approach, focusing oversight on institutions that present clear concerns rather than burdening those that are well-managed and well-capitalized. As Chairman Hill mentioned earlier in the hearing, it is similar to how health and safety inspections prioritize restaurants with prior violations or higher risk operations, like those serving raw seafood. That same principle is reflected in one of the bills noticed for today's hearing, the SMART Act, which offers targeted regulatory relief to smaller, well-run financial institutions.

Mrs. Tahyar, am I correct that, under current regulations, banks that are well-managed and/or well-capitalized are already eligible for extended exam cycles? I guess, in other words, the concept of tailoring for good actors is already part of our regulatory framework.

Mrs. TAHYAR. It is, but it is not—there is not very much of it, and there ought to be more.

Mr. TIMMONS. What additional forms of regulatory relief should we consider for these institutions beyond what is proposed in the SMART Act?

Mrs. TAHYAR. I think that they should have—they should have expedited processing of applications, particularly what I will call normal way of business as usual applications, like branches. They should have expedited applications for acquisitions. They should not be subject to frivolous letters that then take it up to Washington. Things should stay delegated and I think they should genuinely be encouraged in such a way so that they do not have to have these enormous compliance and risk-management staffs, particularly if they are a simple business model.

Mr. TIMMONS. Sounds like a good plan.

I want to finish with something that is near and dear to my heart, Mr. Rose's Homebuyers Privacy Protection Act. I am currently going through the process of purchasing a home, and I have had to have my credit run twice. Each time I had my credit run, I received at least 200 to 300 phone calls within 36 to 48 hours. It is absolutely insane. I have gotten text messages. My phone already has an inordinate number of phone calls because I give it out to 800,000 constituents, but to then get hundreds and hundreds of phone calls within 24 to 48 hours after they run my credit is just unacceptable, and we need to be able to opt in if people want additional opportunities for—

Mr. FITZGERALD. The gentleman's—

Mr. TIMMONS. Thank you. I yield back.

Mr. FITZGERALD [continuing]. The gentleman's time has expired.

I now recognize the gentleman from Texas, Mr. Green, for 5 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

Mr. Chairman, the great Victor Hugo reminds us that there is nothing so strong as an idea whose time has come; but I would say that there is nothing so wrong as a bad idea whose time has come. For now, some 100 days, we have had to suffer bad ideas: 100 days in, and the President, with the aid and comfort of my colleagues across the aisle, have decapitated the CFPB. It would be more appropriate to call it now the FPB, Financial Protection Bureau. The financial community will receive greater protection than the consumers.

I have evidence of this. We find that, on yesterday, The American Banker published this story. It is styled "Wells Fargo exits another consent order. Is asset cap next?"

It goes on to indicate that Wells Fargo took its latest step out of regulatory purgatory on Monday when the bank said that a 2018 consent order with the Consumer Financial Protection Bureau had been terminated. Wells Fargo had agreed to a 100—pardon me—a \$1 billion penalty. That seems to be in question. There are other banks as well.

One hundred days in, and you did not stop there. You replaced independent regulators with dependent deregulators. There is an effort afoot to remove Chair Powell. The only thing that stands in the way appears to be the stock market.

You did not stop there. You have, within 100 days, made an effort to turn our democracy into a plutocracy with executive orders, ruled by executive orders, with DOGE, a department that is not a department because a President cannot create departments, with DOGE and a man with a chainsaw cutting into various agencies that benefit people greatly by removing personnel that cause the agencies to function efficaciously.

Within 100 days, we have experienced all of these executive orders that are adverse to the best interests of consumers and the American people.

Mr. Steele, you mentioned something about the separation of powers. I am intrigued by what you said because, quite candidly, I do not think rule by executive orders is what the Framers of the Constitution intended. Would you elaborate for just a moment on your commentary, please?

Mr. STEELE. Thank you, Congressman. I would be happy too.

Yes. I mean, the way the President is governing out of the White House, Office of Management and Budget, also the DOGE, as you mentioned, is trying to override the law by executive fiat essentially and it is bad for the public. Trying to shut down the CFPB illegally is bad for consumers but it is also bad for Congress. You all wrote these laws. You enacted them. You passed them and this administration is trying to ignore a lot of these, either through executive orders, saying, "Ignore the Equal Credit Opportunity Act,"

"IEEPA says whatever I say it means." He is really trying to seize the power of this body back for himself and say the law is whatever he says it is.

Mr. GREENE. Thank you.

I will be bringing Articles of Impeachment soon because the President is devolving our democracy into a de facto dictatorship wherein he would be the de facto dictator. We have to take a stand. People need to know where you were when democracy was at risk, when the country that we know was literally being transformed into a country that we do not want to know.

I yield back the balance of my time.

Mr. FITZGERALD. The gentleman yields back.

We now recognize the gentleman from Tennessee, Mr. Rose, for 5 minutes.

Mr. ROSE. Thank you.

I want to thank Chairman Barr and Ranking Member Foster for holding this important hearing and thank you to our witnesses for taking time from your schedule to be with us today.

Chairman Barr—I just want to start off—I know he is not in the room—by thanking him for attaching H.R. 2808, the Homebuyers Privacy Protection Act, to this hearing.

I also want to take this opportunity to publicly thank Democrat colleague—my Democratic colleague, Congressman Ritchie Torres, who has been a steadfast advocate for this important legislation.

The Homebuyers Privacy Protection Act aims to reform the practice of credit reporting agencies selling the contact information for mortgage applicants without the consumers' knowledge or approval. Information that a consumer has recently applied for a mortgage is often called a trigger lead within the industry. I have heard numerous horror stories—not different, really, than my friend,

Mr. Timmons, just recounted—of individuals—of countless individuals who have received hundreds of calls and text messages, just as Congressman Timmons described, at all hours of the day or night as the result of their information being sold without their approval simply because they applied for a mortgage, seeking to become a homeowner.

Even members of this committee, as we know, have told me about their own experiences with this predatory practice. The Homebuyers Privacy Protection Act would put a stop to these unwanted calls and text messages and other contacts except in limited circumstances. The bill had over 90 bipartisan cosponsors in the House last Congress and passed the U.S. Senate by unanimous consent. Think about that. Tells me that there are 100 guys across the—men and women across the way here who get it.

Mr. Chairman, I ask unanimous consent to enter into the record an April 17th letter to the Chairs and Ranking Members of the House Financial Services Committee and the Senate Committee on Banking, Housing, and Urban Affairs, signed by 17 different organizations in support of the Homebuyers Privacy Protection Act.

Mr. FITZGERALD. Without objection.

[The information referred to can be found in the appendix.]

Mr. ROSE. I think it is important to note that I have worked closely with our bipartisan Senate partners to carefully craft the text of this legislation. I also want to highlight that my office also worked closely with the Financial Services Committee staff in this Congress on this text prior to its reintroduction.

It is time for this vital, important piece of legislation to come to the House floor. Looking at the future of this legislation is essential that we—that the text of this bill is not altered in a way that prioritizes the profits of credit reporting agencies over consumers who simply do not want to be bombarded with phone calls and text messages. I look forward to working with my colleagues on the committee and in the House to ensure this bill's passage—swift passage by the full House.

Staying on the topic of mortgage trigger leads, I am pleased that Michael Radcliffe is testifying today as I believe that you will be able to share some valuable insight into the need for trigger lead reform. Mr. Radcliffe, can you discuss why mortgage trigger leads can be so detrimental to both consumers and to their mortgage lenders?

Mr. RADCLIFFE. Yes. It is very topical because, just last week, my next-door neighbor sent me the screenshot of a text he had received. It appeared to be from our bank. It said, "Click here to see more information about your mortgage with CFSB." He thought it was a scam and a phishing attempt, but it was a trigger lead.

My wife and I just purchased a home, and we received a mailbox full of theses mailers and on that, it used our bank's name. The name of the company did not appear. So, it is deceptive.

Mr. ROSE. It absolutely is and I will give props to Congressman Timmons here. He is a Member of Congress and a lawyer and a very smart young man. When you see someone like that having to struggle to read through all of these messages, you describe that you are a very knowledgeable financial services industry professional. I will tell you, from my own experience with these things, no matter how savvy you are, it can be difficult to wade through these things. It is happening, for most people, at one of the highest stress points in their lives. Most people maybe buy a home once or twice in their life.

Then, to be inundated with all these offers, I think it is really oppressive, and I think the American people deserve some relief here. I see that my time is expiring. Thank you, Mr. Radcliffe, and I yield back.

Mr. FITZGERALD. The gentleman yields back.

We now recognize the gentlewoman from Ohio, Mrs. Beatty, for 5 minutes.

Mrs. BEATTY. Thank you, Mr. Chairman and Ranking Member.

Timing is everything, and so, as a follow up to my colleague, Mr. Rosen, I am one of those individuals who signed onto this bill. Let me just say I want to make a quick note about the Homebuyers Privacy Protection Act.

This bill, as you have heard, is about putting consumers back in control of their personal information. Right now, when someone applies for a mortgage, their data can be sold without their knowledge, leading to, certainly, unwanted calls and much confusion.

This bipartisan bill ends that abusive practice while preserving legitimate offers of credit and ensures homebuyers can focus on achieving the dream of home ownership without confusion and affecting their privacy. I am proud to be a cosponsor.

Thank you, Mr. Rosen, for talking about this bill.

Let me now go to you, Mr. Radcliffe, speaking about another bill, my bill, Expanding Opportunities for MDI Act, which previously passed the House by a unanimous voice vote, would codify the Treasury Department's Mentor-Protege Program to encourage partnerships between large banks and community financial institutions, including MDI—glad I am seeing people shake their heads. They are aware of this.

I am proud to have an MDI in my district, the Adelphi Bank, which would benefit from this bill by—codifying this program would also help community financial institutions across the country because their increased capacity, improved their relationship, lending business model, and even become financial agents to Treasury.

Can you discuss how community banks like yours would benefit from my bill and help small financial institutions better serve their constituents in their community?

Mr. RADCLIFFE. I regret I cannot actually speak to your bill in specific, as to how our bank would benefit from it, and we are not a minority depository institution. I would be happy to circle back offline after I review it.

Mrs. BEATTY. Okay. Thank you.

Let me go to you, Mr. Steele. Many of my colleagues on this committee and on both sides of the aisle have long been strong advocates of the CDFI Fund, which, as you probably are aware, President Trump directed to be reduced or eliminated in his March executive order. CDFIs, as you all know, are vital institutions at the frontlines of providing financial services to communities that need it the most, operating in all 50 States and in every congressional district that we have. CDFIs also deliver financial services and products to rural communities, veteran populations, military base communities, minority groups, low-income groups, underserved areas. You get where I am going with this.

While we are here today to discuss the importance of community banking and the need to end regulatory overreach, can you discuss how this disastrous executive order of directing the elimination of CDFIs would hit the smallest financial institutions the hardest?

Mr. STEELE. Absolutely, Congressman. I would be happy too.

The order itself displayed a shocking ignorance about the CDFI Fund itself and the CDFI industry, the idea that there is some profligacy here, and they are doing a lot of nonessential things. The Fund is focused on serving the certified CDFIs and MDIs.

CDFI certification is valuable on one hand because it assures these institutions are really genuinely serving low-and moderate-income communities and that they are mission driven. It means they get access to the financial assistance program. So, they are getting government capital that then can—the third piece is—be leveraged because CDFI certification and government investment is a good housekeeping seal of approval for private capital that these are strong mission driven lenders; they are doing good work in their communities and offering responsible financial products and services. So, it is a way of crowding in this private capital and really reaching the hardest to reach communities.

It is an incredibly efficient and impactful program, and it was, again, shocking and disappointing to see them try to go after it.

Mrs. BEATTY. Thank you.

I have a few seconds left. Let me go back to my first question for everybody, and it can be a yes or no. While, Mr. Radcliffe, you said you would get on offline, would you all agree that there is a benefit, like many of our other banks across the country have done, by having a Mentor-Protege Program? Would you be open to doing that in your institution? We can go right down the line. Yes, or no?

Ms. FLOWERS. I cannot speak on behalf of our member institutions, but it sounds like a very thoughtful idea for——

Mrs. BEATTY. Okay, that is almost yes. Okay.

Mr. RADCLIFFE. On behalf of our institution, yes. We would be very——

Mrs. BEATTY. Okay.

Mrs. TAHYAR. I am at a law firm; so, I am not sure I understand——

Mrs. BEATTY. I get it.

Mrs. TAHYAR. It is probably not for me.

Mrs. BEATTY. Okay.

Mr. STEELE. I would just say really quick, when I was at Treasury, we were very focused on this particular issue, both getting——

Mr. FITZGERALD. The gentleman——

Mr. STEELE [continuing]. deposits but also——

Mrs. BEATTY. I think he is going to tell me my time is up but——

Mr. STEELE [continuing]. and the mentoring program as well.

Mrs. BEATTY. Thank you.

Mr. FITZGERALD. The gentlewoman's time has expired. She yields back.

The gentlewoman from California, Mrs. Kim, is now recognized for 5 minutes.

Mrs. KIM. Thank you, Representative Fitzgerald, for yielding.

I want to thank Chairman Barr and Ranking Member Foster for holding today's hearing.

Thank you, our witnesses, for joining us today.

For the past few years, I have heard firsthand how abusive mortgage trigger leads can create a painful process for a prospective homebuyer. I completely agree that we must take steps to address this issue and provide relief to our homebuyers.

I am concerned, though, that the Homebuyers Privacy Protection Act, which is noticed in today's hearing, goes too far and, as a result, would hurt market competition and consumer choice. I hope that my friend and colleague from Tennessee can work with me to craft a revised bill that strengthens consumer choice, preserves market competition, and still secures homebuyer privacy.

Let me shift gears now. In Orange County, there has only been one bank formed since 2021 and in southern California, only four new banks were formed since 2021. Across California and the country, we are facing a banking crisis because of overburdensome regulations.

Today's hearing is the first of many that would result in legislation that provides banks with regulatory relief and will jumpstart bank formation.

Fewer banks in our communities results in less competition, reduced capital formation, and decreased access to banking.

Mr. Radcliffe, let me ask you a question: When a community loses its banks, what are the wraparound services that are also lost for that community?

Mr. RADCLIFFE. When a small rural community loses a bank, they often are left with only payday lenders or online lenders. They lose the ability to get a relationship with a lender that knows their business, who can tailor the lending to their needs, and they are left with cookie-cutter options.

Mrs. KIM. Yes. Obviously, we are here to provide more access to banking and make sure that we are taking care of our community needs. I wholeheartedly agree that these are services that we cannot afford to lose.

I want to focus now on something Chairman Hill touched on earlier about a functional appeals process. Let me ask you, Mrs. Tahyar, can you speak to the lack of data showing that banks utilize the appeals process and what that low usage may mean?

Mrs. TAHYAR. There are multiple reasons, but I think there is a fear of retaliation by the examination team. Not all examination teams retaliate; let me be clear about that, there is a fear.

There is also a fear that the appeals process might be stopped because of the threat of an enforcement order, and there is also just a sense that the process itself is not independent and is not fair.

I do not think that banks should be appealing every exam finding. I think appeals should be rare, but they should be fair.

Mrs. KIM. Thank you. I also want to make sure that we do not forget about the Basel III Endgame proposal and the damaging impacts that it would have for consumers and banking services.

As written, the Basel III proposal would inhibit U.S. investment by foreign banks. As a result, there would be a reduction in the products and services that are offered to our local communities.

The question to you, Ms. Flowers, is, as agencies begin to look at the Basel III capital framework, would you agree that they should pay attention to the unique aspects of foreign banks as they finalize the framework?

Ms. FLOWERS. Absolutely. They should be looking at the unique aspects of every category of banks and the unique risk profiles but also the structures that they use to provide financial services. There were certainly aspects of the Basel III proposal that would have unfairly impacted foreign banking organizations that are providing services in the way that the operational risk charges were applied to them. That is something they should definitely reconsider.

Mrs. KIM. Thank you very much. That is all I have for today, and I want to yield back the balance of my time.

Mr. FITZGERALD. The gentlewoman yields back.

I now recognize the gentleman from California, Mr. Vargas, for 5 minutes.

Mr. VARGAS. Thank you very much, Mr. Chairman. I appreciate the opportunity, and, again, I want to thank the witnesses here.

For my colleague, I would say that I think—not I think—I know that the International Monetary Fund (IMF) and the U.S. Bureau of Analysis just stated that California now has become the fourth

largest economy in the world, surpassing Japan. Everybody likes to beat up California, but we are doing all right.

I have to tell you this. I do have H.R. 2808 in front of me. It has been spoken of a couple times here. It is sponsored primarily by Mr. Rose, and I think it is a good bill.

I read the bill. I know the bill, but I ask the question—Mr. Steele, I ask you—who would enforce it if it was put into law?

Mr. STEELE. If we have no CFPB, I do not see many enforcement mechanisms for it, so.

Mr. VARGAS. Yes, it is kind of interesting. It is a good bill, but who the hell is going to enforce it? There is nobody at the CFPB. You have a good bill here. Most people say it is good. Someone wants to tweak it; that is fine but who the hell is going to enforce it?

That is the situation. When—Ronald Reagan very famously said during the second debate in 1980 against Jimmy Carter, he goes, “There they go again,” and there they go again.

Once again, deregulation, we see what happens every time. Financial institutions take it too far. Once again, they get reckless. Once again, there is a calamity. Once again, taxpayers have to bail out the banks.

That is why we passed all these laws. Now, I was not here when they passed the laws, but they have worked well. It is interesting; I did not realize that no Republican on this committee was here at the time. That really is a shocking, one, but they do have somewhat of amnesia, because I think, here we go again.

It is just the same thing with the deficit and the debt. If they pass the bill that they want, their big bill, once again, the deficit is going to go up, and the debt is going to increase, and they are going to be shocked—shocked that it happened.

This is shocking that they are shocked. Of course, they are not shocked. They know exactly what is going to happen.

The CFPB, Mr. Steele, once again, the return on investment, over 21, could you comment again on that?

We have commented, but I think it is so important to nail this point because I think it is such a ridiculous cut that they are making. This is the one group that really has returned a lot of money to the public.

Could you comment on that?

Mr. STEELE. Absolutely. Over the lifespan so far, at least according to the CFPB itself, it has returned \$20 billion to consumers. We know that. Massive savings there.

We also know that it deals with consumer complaints. When a consumer feels like they have been cheated, they file a complaint at the Bureau. The Bureau turns back to the institution and says, “What are you going to do to fix this; what is the story here?”

They have saved consumers money that way.

We do not really know how much they prevented from happening that could have been bad, that could put money back into consumers’ pockets, but I did mention those two rules that would have collectively saved consumers \$15 billion a year.

It cost taxpayers—it is coming from the Federal Reserve system, but it costs \$800 million a year; so, a massive return on investment in proportion to the resources that it needs.

Mr. VARGAS. I have to tell you; I think it is exactly when we need it to be the strongest. I said, there they go again, and history is going to repeat itself, but one thing that is unprecedented here, in my opinion, and that is the conflict of interest that we see today.

It was spoken of a little bit today with the meme coin and some of the crypto interests that the President and his family have. This has never been seen before, especially on the scale, in American Government. It is just shocking.

I guess, since everyone expects it out of this administration, to me, it is still shocking. It shocks the conscience that we have this. Who is going to be the cop on the beat here, Mr. Steele?

Mr. STEELE. It is a great question. As I said earlier, I cannot think of a regulatory agency that is going to want to go after crypto or stablecoins if the President and his family are doing it. They are going to be fired. You can bet on that.

I think it is even broader than that. That is the problem with having Elon Musk come into the government and all his business interests as well.

Mr. VARGAS. Yes.

Mr. STEELE. Their agencies could be fired or shuttered.

Mr. VARGAS. The conflict of interest—

Mr. STEELE. We have laws against this.

Mr. VARGAS [continuing]. The conflict of interest is just incredible. The opportunity for graft is unbelievable. Now, I hope that does not happen, but I do not see we are going to police it. With that, again, I am shocked, but I do yield back. Thank you.

Mr. FITZGERALD. The gentleman yields back.

The Chair now recognizes himself for 5 minutes for questioning.

CAMELS is the supervisory framework to standardize how financial institutions, like banks and credit unions, are assessed by regulators for their safety, soundness, and overall health.

However, bank examiners place kind of a disproportionate weight on the, quote/unquote, management component when determining a bank's CAMELS rating, even though the rating often reflects subjective impressions rather than a concrete financial indicator.

Ms. Flowers, how does this overreliance on a subjective assessment of management lead to misaligned supervisory actions?

Ms. FLOWERS. Thank you for that question. I think it is really important. If you are overly focusing your exam framework on the minutia of governance and management issues, which can really run the gamut from IT, vendor management, and a lot of sort of immaterial risks that are very unlikely to impact the safety and soundness of a financial institution, then you are focusing supervisory attention away from the true risks that they should be focused on, like credit risk, liquidity risk, interest rate risk, those types of things.

By focusing a lot of attention on the most subjective and uniquely subjective aspect and component of the CAMELS framework, you redirect supervisory attention away from material financial risk.

Mr. FITZGERALD. If you would shift toward a more objective, kind of transparent criteria, could that improve both the accuracy of the ratings, and I guess the overall safety of the banking system?

Ms. FLOWERS. It would certainly improve the accuracy of the ratings. The CAMELS framework should be a framework that assesses the financial condition and integrity of an institution.

Focusing it away on subjective measures of risk, including the minutia that allow examiners to engage, at best, in sort of a management consulting practice and, at worst, in politicizing risks, takes away from their focus on core issues of safety and soundness.

Mr. FITZGERALD. In your testimony, you described how the management component has been used in practice to kind of measure the level of reputational risk in a bank's lines of businesses.

Can you describe how this reputational risk has been used by Federal regulators to debank entire industries really—sectors, industries—and how the current CAMELS framework and the management component could be changed—or how could it be changed to address this?

Ms. FLOWERS. Reputational risk is sort of a derivative or ancillary to other risks that supervisors are better equipped and have tools to address. Reputational risk is very hard to anticipate. It is very hard to address. As you said, it can be used inappropriately in political ways because it is unmoored from any kind of standard in legality.

It can be used to ding a bank for practices that are, in fact, legal. We have seen this, as folks have been discussing today, targeting certain industries depending on the political milieu.

If we take away the ability to focus on risks that are not tied to financial safety and soundness and refocus our supervisors on material financial risks, then, inevitably, we move away from an amorphous concept that is really just derivative of the risks that are truly important.

Mr. FITZGERALD. Thank you. Over the past decade, we have seen a steady decline in the number of small banks operating in the United States. We have talked about this on the committee many times. A lot of it is the complex and burdensome regulatory environment from Dodd-Frank, to actions by Biden-era regulations.

Mr. Radcliffe, can I just ask you really quickly, could you discuss the consequences that having fewer banks for communities across this country has had an impact and will have an impact, I think, on communities?

Mr. RADCLIFFE. Certainly. In our State alone, we have dropped below a hundred charters now, for State banks, and we will end up with some communities that do not have a bank at all, which is going to limit consumer choice.

I think we will continue to see consolidation due to the regulatory burden and the barriers to entry.

Mr. FITZGERALD. What we have seen is, when there is a single financial institution in a community, oftentimes, if that moves on, closes, it has a direct impact obviously on commerce and the way small businesses function and operate in that community. Is that right?

Mr. RADCLIFFE. Yes. They have to go to other towns to get banking services, so—and you will end up with a banking desert, so.

Mr. FITZGERALD. Very good. Thank you so much. I yield back and now recognize the gentleman from Illinois, Mr. Casten, for 5 minutes.

Mr. CASTEN. Thank you, Mr. Chair.

Mr. Radcliffe, this is sort of a random question for you just in your capacity as a CEO. Scale of zero to 10, how confident are you about the state of the economy a year from now, with 10 being the best?

Mr. RADCLIFFE. I am not an economist by any stretch of the imagination.

Mr. CASTEN. Oh, I am just saying as a CEO, I am curious. Would you—

Mr. RADCLIFFE. But I can speak about our local economy, and our local economy is doing quite well.

Mr. CASTEN. Okay. I asked the question because I think all of you deserve an apology. The topic today is not in the top 50 of the issues that are really stressing the economy right now, but you have been called in here today because my colleagues across the aisle can either choose to praise the naked emperor's clothing or talk about something else, and we got "something else" today.

I ask the question to you because Apollo Capital Management just released a report today saying that CEO confidence has dropped to 5 on a scale to zero to 10. It was 7 just a hundred days ago. It is the steepest drop I can see in the numbers.

Goldman Sachs, while we were sitting here, just released a report saying that the United States will have the highest inflation rate and the lowest economic growth of any developed country in the world in 2025.

I would remind you that we had a booming economy that was the envy of the world—check out the cover *The Economist*—just before Donald Trump was elected, of where we were sitting at that point.

While we were sitting here today, the consumer confidence report came out. We are down 22 points in consumer confidence in the last 3 months. Mark Zandi has pointed out that every time we have fallen by 20 points in 2 months, a recession is guaranteed.

Those are all the things we could be talking about on the Financial Services Committee if we gave a damn about the state of the economy and regulation, but apparently we are not going to do that.

The heck of it is, we have all been back in our districts, and we have all been hearing the same stories. I met with a housing group when I was home who said that they are finding it harder to finance projects because their investors, many of whom are international, are saying that they want a 10 percent additional equity in U.S. investments because of the regulatory risk in the U.S. economy, that they will not take that much debt.

I subsequently met with one of the G-SIBs—not Goldman Sachs, but this is two G-SIBs now—and asked them if they are seeing the same thing across their portfolio, and they said, yes, there is a broad increase in concerns in the international community about being exposed to regulatory risk and went on to express significant concerns that we are sitting in economy where people are running away from equities and are running away from treasuries. That is not supposed to happen.

It is happening because the rest of the world is saying, "Thanks to Donald Trump, I do not want exposure to the U.S. economy."

Ms. Flowers, I do not want to name the other company I met with because I do not know if they want to be—but two G-SIBs—a lot of these—these are all members of yours. Can you speak to what BPI members are saying about the state of the economy right now and whether you are seeing that broader regulatory risk as they think about investing in the United States economy?

Ms. FLOWERS. I also am not an economist, and I think that trade policy and international finance are sort of outside of the remit of our focus. We are focused on the substance of prudential bank regulatory policy, so—

Mr. CASTEN. I am not asking to be controversial. I am not an economist either. When people are running out of equities and running out of treasuries, is that not a massive, five-alarm bell that there is a problem in the U.S. economy?

Ms. FLOWERS. Again, I cannot speak on behalf of my members. It sounds like you have talked to some of them.

Mr. CASTEN. Okay. Mr. Steele, you had mentioned in your opening remarks—and all of these stresses are driven by the tariffs. This is entirely—it is not a self-inflicted wound. It is a Trump-inflicted wound—you had mentioned in your testimony that IEEPA may be illegal. Can you expand on that a little bit?

Mr. STEELE. Sure. What I meant was IEEPA does not explicitly say in the statute the President can impose tariffs under that particular law. It mentions some tools. It is not clear tariffs are one of them. That is number one.

Number two, it is supposed to be used in an emergency. That is when it is supposed to be invoked. It is not clear that a persistent trade deficit, if it was not an emergency 2 or 3 years ago, why is it suddenly an emergency now?

Mr. CASTEN. Okay.

Mr. STEELE. Just on its face, it seems like a misapplication of the law and not for its intended purpose, which was international sanctions in kind of armed conflict.

Mr. CASTEN. I am sorry to cut you off, but I got 30 seconds.

Mr. STEELE. Yes.

Mr. CASTEN. I have a last, really easy question. How long does it take for the Earth to rotate on its axis?

Mr. STEELE. A year.

Mr. CASTEN. Not around the sun. Rotate on its axis.

Mr. STEELE. I do not know.

Mr. CASTEN. A year around the sun—how long before when the sun sets and then the sun comes—

Mr. STEELE. A day, there you go, Okay.

Mr. CASTEN. 24 hours?

Mr. STEELE. Yes, 24 hours, Okay.

Mr. CASTEN. Anybody—any disagreement? Because the House, the Republicans recently passed a rule that said a day is no longer 24 hours so that we cannot actually declare this an emergency. This is not a serious body. It is refusing to address these problems and changing the definition of a day so that we cannot even do oversight.

I yield back.

Mr. NORMAN [presiding]. The gentleman yields back.

The Chair now recognizes myself for 5 minutes for opening questions. I find it interesting; we are getting criticism on Donald Trump's tariffs. I guess running deficits from here on out is the right answer that the Democrats have.

Mr. Steele, I heard your comments on CFPB. That group is one of the most rogue groups I have ever heard of, dealt with, banks complained about them continuously, to be able to be funded and present the Federal budget deficit by just creating a number is not right. Hopefully we are going to be dealing with them.

How does one-size-fit-all regulatory system affect banking services, particularly in the rural areas, that many areas are underserved right now, but banks cannot go there because of different things?

Ms. Flowers, I will start with you.

Ms. FLOWERS. Sure. If you have one-size-fits-all regulations applied to banks of all sizes and complexity, then for the less risky banks that are smaller, you are going to have regulatory burden that does not have an offsetting benefit to the community in their ability to lend.

Mr. NORMAN. Mr. Radcliffe?

Mr. RADCLIFFE. Along those same lines, we devote an inordinate amount of staff, time, and dollars toward the regulatory burden, and it limits our ability to offer products and services.

Mr. NORMAN. Mrs. Tahyar.

Mrs. TAHYAR. Think of two banks. One is 80 percent uninsured deposits. The other is 80 percent insured deposits. It makes no sense to regulate them the same.

Mr. NORMAN. Two different animals, is not it?

Mrs. TAHYAR. Two different animals.

Mr. NORMAN. Mr. Steele?

Mr. STEELE. I actually agree that regulators need to focus more on the risks of particular institutions. My argument would be they do not tailor enough right now because you have basically G-SIBs and everyone else. I actually do not disagree that there could be more tailoring of the rules.

Mr. NORMAN. Thank you.

How is there a credible framework to measure reputational risk in you all's opinion? It has been open sores for a lot of people—or a lot of questions.

Ms. Flowers, I will start with you.

Ms. FLOWERS. How credible is it? I do not think that anything that is unmoored from a legal standard from the laws and from a materiality standard is really credible in terms of not being objective and being just subject to total discretion.

Mr. NORMAN. Mr. Radcliffe?

Mr. RADCLIFFE. It is inherently subjective, and what we crave in all of the CAMELS components are clear guidance and a clear rule book by which to play.

Mrs. TAHYAR. I think experience has shown that it does not add anything to real material financial risk, and it just cannot be objective.

Mr. NORMAN. Mr. Steele?

Mr. STEELE. I think what the public thinks about a financial institution has got to play a role. Banking is about trust, the public

trust, and people trusting their money is safe, and so, there has to be a factor here. I get it is harder than measuring a specifically quantifiable capital requirement in a ratio like that, but how the public views an institution, I think, is incredibly important to the banking industry.

Mr. NORMAN. I want to thank all of you for coming. That is all the questions I have. Unless anyone else has questions, this meeting—oh, the gentleman from Massachusetts, Mr. Lynch, is recognized for 5 minutes.

Mr. LYNCH. Thank you, sir. Thank you, Mr. Chairman.

We have one single Federal agency whose sole mission is to protect American consumers. That is the Consumer Financial Protection Bureau and less than 2 weeks ago, the Trump Administration and Elon Musk illegally fired 90 percent of the employees at that agency.

This included 487 supervisors, leaving about 50 staff to supervise 36,000 banks, credit unions, mortgage lenders, student loan servicers, payday lenders, auto finance companies, debt collectors, money service businesses, and other financial providers across the country.

Notably, the entire office of the military Servicemember Affairs unit, which is dedicated to protecting and empowering military servicemembers, veterans, and their families, was eliminated.

Not long ago, I had a chance to go down to Fort Hood down in Texas: 70,000 of our best and brightest down there, all patriots. If you look outside the base, there is nothing but auto, car dealers, and payday lenders, and they are all hovering around that base, those 70,000 young people.

A lot of young families down there, a lot of our young soldiers, men and women who do not have a lot of sophistication. They are so young, and they are being exploited every single day by people that are trying to give them payday loans that are unconscionably high in interest rates.

Regrettably, those servicemembers and their families are often targeted by those predatory payday lenders, auto lenders, and debt collectors.

Now the office charged with protecting them is gone.

To make matters worse, the CFPB previously employed 210 veterans on their own staff, including 3 who served in the Vietnam war era, and almost all of those have been illegally fired, by President Trump.

According to the Treasury Union's lawsuit, the first wave of reductions-in-force notices appeared to target and impact disabled veterans, and the second wave focused on all veterans in general.

These are men and women who have dedicated their lives to serving their country and then chose to continue protecting American consumers, notably their brothers and sisters in arms, and it is shameful how little regard this administration is showing right now for our veterans, when you couple this with the thousands of layoffs of employees at the Department of Veterans Affairs (VA) that is happening right now and that is—and more are scheduled.

Mr. Steele talks about the consequences that eliminating the CFPB workforce, and especially the military Servicemember Affairs unit, in terms of these young soldiers that are being preyed upon

by some of these payday lenders and also auto dealers that are selling them cars, but they have these onerous and egregious deals to pay back those loans at high interest rates.

Mr. STEELE. Sure. As I mentioned earlier, I used to work for a Member in the Senate from Ohio, and there is Wright-Patterson Air Force Base down in Dayton, in the same way Fort Hood, and it is the same situation there—payday lenders, auto title lenders all right across the street from the base there, waiting for there to be some sort of financial stress or strain on these servicemembers and their families in order to swoop in and try to give them predatory loans.

It is stressful for the families. It causes distraction. It reduces force readiness. Some of them might have to leave the service because they can no longer afford the salary there. They have to go find a job and do something else. It weakens our armed services not to have healthy and robust financial protections for those servicemembers.

Mr. LYNCH. Thank you. One more question. The Trump Administration has just dropped pro-consumer lawsuits and halted enforcement activity against JPMorgan Chase, Wells Fargo, Bank of America, for alleged payment scams on the app Zelle, and another against Capital One for allegedly cheating millions of consumers out of their interest payments.

Earlier this month, my Republican colleagues passed a resolution to rescind a CFPB rule to allow them to supervise Big Tech payment providers. What does that do to the financial landscape for the average consumer?

Mr. STEELE. It basically says there is no protection here. It tells the companies, all bets are off, there is no—there is going to be no one enforcing these laws here, and it leaves consumers at risk.

Mr. LYNCH. Thank you, Mr. Chairman. I yield back.

Mr. NORMAN. The gentleman yields.

The gentleman from Pennsylvania, Mr. Meuser, is now recognized for 5 minutes.

Mr. MEUSER. Thank you, Mr. Chairman. Thank you to our witnesses.

Mrs. Tahyar, just to come out of the gate, what do you think of the comment that was just made by Mr. Steele, those last comment?

Mrs. TAHYAR. I am sorry. You have to remind me what he just said.

Mr. MEUSER. Okay. You know what, let me just dive into, community banks are highly regulated.

Mrs. TAHYAR. Right.

Mr. MEUSER. They have been highly regulated for a long time.

Mrs. TAHYAR. Right.

Mr. MEUSER. They were certainly highly regulated prior to the last 4 years, under the Biden Administration. Do you feel that the Biden Administration somehow came in and added regulations to the community banks that were helpful, and was the CFPB helpful?

Would community banks, if you asked community banks, a thousand of them, to rate the CFPB, under the Biden Administration, on a scale A to F—I know what grade they would give as I have

talked to many. Somewhere in the neighborhood of a D or a D-minus. What are your thoughts on that, Mrs. Tahyar?

Mrs. TAHYAR. Sure. I just remembered, Graham, what you said. I think our advice to clients is that consumer laws still exist. The States will be enforcing, and you will get no argument from me about the protection of the military because I am an Army mom.

When we get to community banks on the Biden Administration, to answer your second question, I think a lot of community banks will tell you that they have not seen the CFPB during the Biden Administration.

They cannot—they may find it hard to grade because the CFPB has not been around. Remember, the—they are only seeing \$10 billion and more. When I say community banks here, it is the larger community banks because the Biden Administration's CFPB was focusing mostly on nonbanks than on banks.

Mr. MEUSER. Mr. Radcliffe, even though perhaps you did not see a CFPB agent, which is a little surprising, you still had to abide by what they were out there regulating.

What are your thoughts on the CFPB as it was under the Biden Administration?

Mr. RADCLIFFE. Yes, one of our challenges, is that, even though we are not subject to their direct supervision, we are a Federal Reserve member bank. We still have to abide by all of the guidance published by the CFPB, which eats up our compliance resources.

Mr. MEUSER. Ms. Flowers or Mr. Radcliffe, has the CFPB been helpful in uncovering fraud? What have they actually been helpful in doing besides what—which is a true story—a CFPB representative went into a local bank and asked how things were going, and were they being properly regulated.

They said, "Well, no, not really, it has been very burdensome. In fact, we had to add 3 new compliance officers." This was a bank about your size and they said, "Well, that is wonderful; we are creating jobs."

Mr. Radcliffe, can you answer that?

Mr. RADCLIFFE. I am sorry. Go back to the original—

Mr. MEUSER. What have they been helpful to you or what burdens have they created?

Mr. RADCLIFFE. Each year of my career, the regulatory burden has gotten greater, and the capital outlay to cover that burden has gotten greater.

Mr. MEUSER. Okay. What about improvements? Have you thought about what you would like to see in the new CFPB?

Mr. RADCLIFFE. Less guidance and less burden would be nice.

Mr. MEUSER. Maybe less ideological guidance and clearer lines of regulations?

Mr. RADCLIFFE. We would like a clear playbook by which to follow the rules.

Mr. MEUSER. Ms. Flowers, what are your thoughts on that?

Ms. FLOWERS. Sure. I think one of the honorable members described the CFPB under Director Chopra as rogue. I think that the volume of guidance, to Mr. Radcliffe's point, that was issued, that was unmoored from legal and regulatory requirements themselves, was astronomical—and we applaud the CFPB review of that guid-

ance to make sure that it is within the laws and regulations that they are empowered to enforce.

The Federal banking agencies outside the CFPB do continue to examine banks over \$10 billion for compliance with consumer laws and regulations. There is a cop on the beat, and in most cases for most banks, more than one because most banks have more than one Federal regulator as well.

We do believe that there is a role for the CFPB in regulation of nonbanks that are engaged in traditional banking activities.

Mr. MEUSER. Right. That is certainly the feedback I receive, that they will have one inspector come in, and they will state that things are in compliance. The next year, they would come in, or even sooner than that, and say something other.

Do you think we are wrong in trying to reform the CFPB? Based upon my 4 years here and the mess or the problems that the community banks, in particular, have with it, I think we are very justified in trying to get things right so they can do the job that it is intended to do, as well as deliver—help community banks, not hinder them. Ms. Flowers, yes or no, do you think that is a good idea?

Ms. FLOWERS. I do think it is a good idea.

Mr. MEUSER. I yield back, Mr. Chairman. Thank you.

Mr. NORMAN. Okay. I would like to thank all of our witnesses for the testimony.

Without objection, all members will have 5 legislative days to submit additional written questions for the witnesses to the Chair. The questions will be forwarded to the witnesses for their responses.

Witnesses, please respond no later than June 4, 2025.

[The information referred to can be found in the appendix.]

The hearing is now adjourned.

[Whereupon, at 12:37 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIALS SUBMITTED FOR THE RECORD

April 17, 2025

The Honorable Tim Scott
Chairman
Committee on Banking, Housing & Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable French Hill
Chairman
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

The Honorable Elizabeth Warren
Ranking Member
Committee on Banking, Housing & Urban Affairs
United States Senate
Washington, D.C. 20510

The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, D.C. 20515

Dear Chairmen Scott and Hill and Ranking Members Warren and Waters:

The undersigned groups, representing a diverse set of housing and financial services stakeholders and advocates, are writing to express our strong support for the reintroduction of the bicameral, bipartisan *Homebuyers Privacy Protection Act* (S. 1467 and H.R. 2808, respectively), as offered by Senators Bill Hagerty (R-TN) and Jack Reed (D-RI) and Representatives John Rose (R-TN) and Ritchie Torres (D-NY). This important consumer protection legislation, if enacted, would curb the abusive use of mortgage credit “triggers leads” in all but a limited set of circumstances. As you know, substantially similar legislation passed the Senate by Unanimous Consent last year. We urge you to support this carefully crafted proposal and to take appropriate steps to advance the two bills through your respective committees as soon as feasible.

Trigger leads occur when a consumer applies for a mortgage (both purchase and refinance loans) and the requisite inquiry to a credit reporting agency (“CRA”) by a lender notifies the CRA that the consumer is interested in home financing. This trigger lead is then sold to data brokers (including other lenders) without the consumer’s knowledge or approval. Consumers may then be contacted (by phone, text, or mail) by the other parties that have purchased the trigger leads.

Under the Fair Credit Reporting Act (FCRA), CRAs are permitted by law to resell consumer information to prospective creditors without the consumer’s permission if the prospective creditor is prepared to make that consumer a “firm offer of credit.” The offer of credit must include a notification to the consumer informing them of the right to “opt out” of receiving future prescreened offers of credit or other solicitations, but these opt-out disclosures are not required in cases of phone solicitations and offers.

Entities that have no relationship with the consumer are buying trigger leads as soon as a customer applies for a mortgage – and then bombarding the applicant with hundreds of confusing calls that seek to lure them away from their chosen lenders. Naturally, consumers often call to complain to the mortgage lender they have chosen, accusing that company of selling their data.

Under current law, the burden is on the consumer to opt-out – for five years beginning five business days after the date the consumer notifies the CRA of that election – and thus negate the ability for the CRAs to sell individual information as a trigger lead.

Six months after the enactment of the bill, trigger leads would be permissible under the FCRA **only in limited circumstances** during a real estate transaction and **only to provide a firm offer of credit**. A CRA would not be able to furnish a trigger lead to a third party unless the third party has certified to the CRA that either: the consumer explicitly consents to such solicitations; it has originated the current residential mortgage loan of the consumer; is the servicer of the current residential mortgage loan of the consumer; or is an insured depository institution or insured credit union and holds a current account for the consumer.

In short, the *Homebuyers Privacy Protection Act* would stop the abusive use of trigger leads – while narrowly preserving them for legitimate, transparent, and accountable uses. We urge you to support this bipartisan solution for consumers and promptly advance this commonsense proposal through your respective committees. We look forward to our continued work together on this important issue.

Sincerely,

American Bankers Association
 America's Credit Unions
 Broker Action Coalition
 Center for Responsible Lending
 Community Home Lenders of America
 CONSUMER ACTION
 Consumer Federation of America
 Housing Policy Council
 Independent Community Bankers of America
 Leading Builders of America
 Mortgage Bankers Association
 National Association of Home Builders
 National Association of Mortgage Brokers
 NATIONAL ASSOCIATION OF REALTORS®
 National Consumer Law Center (on behalf of its low-income clients)
 National Housing Conference
 USPIRG

cc: All Members, Senate Committee on Banking, Housing & Urban Affairs
 All Members, House Committee on Financial Services



Dan Smith, President and CEO

Consumer Data Industry Association
1156 15TH ST., NW, Suite 1250
Washington, D.C. 20005-4905

CDIAONLINE.ORG

April 28, 2025

The Honorable Andy Barr
United States House of Representatives
Washington, D.C. 20515

Dear Representative Barr:

CDIA, representing the consumer data reporting industry, is writing to share concerns regarding *the Homebuyers Privacy Protection Act*. We believe the legislation may decrease competition and strengthen the dominance of the largest mortgage lenders, while attempting to address the issue of unwanted mortgage solicitations. CDIA recommends focusing on those responsible for problematic practices, rather than introducing broad restrictions that may impact competition particularly for smaller mortgage lenders. We support targeted measures to address unsolicited calls and ensure consumers have opportunities to seek lower rates.

Mortgage trigger leads are prescreened consumer reports for offers of credit authorized under Sections 604(c) and (e) and Section 615(d) of the Fair Credit and Reporting Act (FCRA). Trigger leads promote competition by notifying mortgage lenders that a qualified consumer is actively shopping for a mortgage, allowing lenders to make competing firm offers which may include better rates or terms. The current high-interest environment has slowed demand for mortgage products, resulting in more lenders pursuing fewer borrowers, sometimes aggressively, resulting in unwanted and burdensome phone calls for some consumers.

It is important to clarify that credit reporting agencies do not sell mortgage trigger leads indiscriminately. The FCRA requires lenders receiving mortgage trigger leads to make the consumer a "firm offer of credit," as defined by FCRA, based on the consumers' credit worthiness. Written solicitations including such an offer based on a mortgage trigger lead must also include notices of the consumer's rights, including the right to opt out of receiving such offers. The Telephone Consumer Protection Act (TCPA) already prohibits deceptive practices, requires callers to identify themselves, call only during permitted hours, and honor the FTC's do-not-call registry. Enforcement of these existing laws would address most consumer concerns.

Any new legislation should target abusive and illegal marketing practices and the bad actors responsible for excessive outreach; instead the Homebuyers Privacy Protection Act restricts competition by limiting access to trigger leads to only those with an existing relationship with the consumer. This would give a distinct advantage to incumbent lenders – typically the largest originators and servicers – while effectively shutting out smaller lenders and brokers who rely



Dan Smith, President and CEO

on leads to offer competing loan products. Limiting choice in this way risks locking borrowers into loans that may not be in their best financial interest and could have a disparate impact on first-time homebuyers and consumers with thin or limited credit histories.

Competition in the mortgage market drives better outcomes for consumers by encouraging lenders to offer lower interest rates, reduced fees, and more favorable loan terms. In a concentrated mortgage environment dominated by a small number of firms, eliminating tools like trigger leads – one of the few avenues smaller lenders have to reach consumers – would only further entrench dominant players, reducing consumer choice and driving up costs.

There are more balanced and effective ways to address concerns about consumer privacy and unwanted outreach. CDIA has proposed reforms – including limitations on outbound calls and ensuring consumer notification of their rights. These proposals would directly address consumer frustration without undermining market competition. We continue to believe that a collaborative, targeted approach focused on conduct, not competition, is the most effective and consumer-friendly path forward.

We appreciate your attention to this important issue and look forward to working with you to strengthen the legislation, so it more effectively targets bad actors without limiting competition for the dominant players.

Sincerely,

A handwritten signature in dark ink that reads "Dan Smith". The signature is written in a cursive, flowing style.

Dan Smith
President & CEO
Consumer Data Industry Association

May 13, 2025

The Honorable French Hill
Chair, House Financial Services Committee
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chair Hill,

Attached are my responses to the Questions for the Record submitted following the hearing held by the House Financial Services Subcommittee on Financial Institutions and Monetary Policy held on April 29, 2025 titled "Regulatory Overreach: The Price Tag on American Prosperity."

Waters Question #1

- a. White

Waters Question #2

- b. Woman

Sincerely,

A handwritten signature in cursive script, appearing to read "Sarah Flowers".

Sarah Flowers
Senior Vice President, Senior Associate General Counsel



P.O. Box 467
Benton, KY 42025
PH 270-527-4600
www.yourlifeyourbank.com

May 9, 2025

Ranking Member Maxine Waters
House Financial Services Committee, Subcommittee on Financial Institutions
2129 Rayburn House Office Building
Washington, DC 20515

Re: April 29th hearing titled "*Regulatory Overreach: The Price Tag on American Prosperity*"

Ranking Member Waters:

Thank you for your follow-up questions from the above referenced hearing. Please see below for my responses:

1. Which of the following options best describes your self-identified race?
 - a. White or Caucasian
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

Answer: I identify as White/Caucasian.

2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

Answer: I identify as a Man.

Please feel free to contact me should you have any further questions.

Regards,

J. Michael Radcliffe | Chairman & Chief Executive Officer

Office (270) 527-6071 | Mobile (270) 493-0156
221 West 5th Street
Benton, KY 42025
www.yourlifeyourbank.com

FRENCH HILL, AR
CHAIRMAN



MAXINE WATERS, CA
RANKING MEMBER

United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2124 Rayburn House Office Building
Washington, DC 20515

Questions for the Record
Subcommittee on Financial Institutions Hearing, entitled “Regulatory Overreach: The
Price Tag on American Prosperity”
April 29, 2025

Ranking Member Waters:

1. Which of the following options best describes your self-identified race? (You may choose more than one.)
 - a. White or Caucasian
 - b. Black or African American
 - c. Hispanic/Latinx
 - d. Asian
 - e. Middle Eastern/North African
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

2. Which of the following options best describes your gender identity?
 - a. Woman
 - b. Man
 - c. Non-binary
 - d. Transgender Man
 - e. Transgender Woman
 - f. Choose not to answer
 - g. Prefer to self-describe (please specify)

Answers:

1. Which of the following options best describes your self-identified race? (You may choose more than one.):

a. White or Caucasian

2. Which of the following options best describes your gender identity?

b. Man

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require the Federal financial institutions regulatory agencies to take risk profiles and business models of institutions into account when taking regulatory actions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. LOUDERMILK introduced the following bill; which was referred to the Committee on _____

A BILL

To require the Federal financial institutions regulatory agencies to take risk profiles and business models of institutions into account when taking regulatory actions, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Taking Account of In-
5 stitutions with Low Operation Risk Act of 2025” or the
6 “TAILOR Act of 2025”.

1 **SEC. 2. TAILORING REGULATION TO BUSINESS MODEL AND**
2 **RISK.**

3 (a) DEFINITIONS.—In this section—

4 (1) the term “Federal financial institutions reg-
5 ulatory agency” means the Office of the Comptroller
6 of the Currency, the Board of Governors of the Fed-
7 eral Reserve System, the Federal Deposit Insurance
8 Corporation, the National Credit Union Administra-
9 tion, and the Bureau of Consumer Financial Protec-
10 tion; and

11 (2) the term “regulatory action”—

12 (A) means any proposed, interim, or final
13 rule or regulation; and

14 (B) does not include any action taken by
15 a Federal financial institutions regulatory agen-
16 cy that is solely applicable to an individual in-
17 stitution, including an enforcement action or
18 order.

19 (b) CONSIDERATION AND TAILORING.—For any reg-
20 ulatory action occurring after the date of enactment of
21 this Act, each Federal financial institutions regulatory
22 agency shall—

23 (1) take into consideration the risk profile and
24 business models of each type of institution or class
25 of institutions subject to the regulatory action; and

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1 (2) tailor the regulatory action applicable to an
2 institution, or type of institution, in a manner that
3 limits the regulatory impact, including cost, human
4 resource allocation, and other burdens, on the insti-
5 tution or type of institution as is appropriate for the
6 risk profile and business model involved.

7 (c) FACTORS TO CONSIDER.—In carrying out the re-
8 quirements of subsection (b), each Federal financial insti-
9 tutions regulatory agency shall consider—

10 (1) the aggregate impact of all applicable regu-
11 latory action on the ability of institutions to flexibly
12 serve their customers and local markets on and after
13 the date of enactment of this Act;

14 (2) the potential impact that efforts to imple-
15 ment the regulatory action and third-party service
16 provider actions may work to undercut efforts to tai-
17 lor the regulatory action described in subsection
18 (b)(2); and

19 (3) the statutory provision authorizing the reg-
20 ulatory action, the congressional intent with respect
21 to the statutory provision, and the underlying policy
22 objectives of the regulatory action.

23 (d) NOTICE OF PROPOSED AND FINAL RULE-
24 MAKING.—Each Federal financial institutions regulatory
25 agency shall disclose and document in every notice of pro-

1 posed rulemaking and in any final rulemaking for a regu-
2 latory action how the agency has applied subsections (b)
3 and (c).

4 (e) REPORTS TO CONGRESS.—

5 (1) INDIVIDUAL AGENCY REPORTS.—Not later
6 than 1 year after the date of enactment of this Act
7 and annually thereafter, each Federal financial insti-
8 tutions regulatory agency shall submit to the Com-
9 mittee on Banking, Housing, and Urban Affairs of
10 the Senate and the Committee on Financial Services
11 of the House of Representatives a report on the spe-
12 cific actions taken to tailor the regulatory actions of
13 the Federal financial institutions regulatory agency
14 pursuant to the requirements of this section.

15 (f) LIMITED LOOK-BACK APPLICATION.—

16 (1) IN GENERAL.—Each Federal financial insti-
17 tutions regulatory agency shall—

18 (A) conduct a review of all regulations
19 issued in final form pursuant to statutes en-
20 acted during the period beginning on the date
21 that is 7 years before the date on which this
22 Act is introduced in the Senate and ending on
23 the date of enactment of this Act; and

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5

1 (B) apply the requirements of this section
2 to the regulations described in subparagraph
3 (A).

4 (2) REVISION.—Any regulation revised under
5 paragraph (1) shall be revised not later than 3 years
6 after the date of enactment of this Act.

7 **SEC. 3. SHORT-FORM CALL REPORTS FOR ALL BANKS ELI-**
8 **GIBLE FOR THE COMMUNITY BANK LEVER-**
9 **AGE RATIO.**

10 The appropriate Federal banking agencies, as defined
11 in section 3 of the Federal Deposit Insurance Act (12
12 U.S.C. 1813), shall promulgate regulations establishing a
13 reduced reporting requirement for all banks eligible for the
14 Community Bank Leverage Ratio, as defined in section
15 201(a) of the Economic Growth, Regulatory Relief, and
16 Consumer Protection Act (12 U.S.C. 5371 note), when
17 making the first and third report of condition of a year
18 as required by section 7(a) of the Federal Deposit Insur-
19 ance Act (12 U.S.C. 1817(a)).

20 **SEC. 4. REPORT TO CONGRESS ON MODERNIZATION OF SU-**
21 **PERVISION.**

22 Not later than 18 months after the date of enactment
23 of this Act, the appropriate Federal banking agencies, as
24 defined in section 3 of the Federal Deposit Insurance Act
25 (12 U.S.C. 1813), in consultation with State bank super-

1 visors, shall submit to the Committee on Banking, Hous-
2 ing, and Urban Affairs of the Senate and the Committee
3 on Financial Services of the House of Representatives a
4 report on the modernization of bank supervision, including
5 the following factors:

- 6 (1) Changing bank business models.
- 7 (2) Examiner workforce and training.
- 8 (3) The structure of supervisory activities with-
9 in banking agencies.
- 10 (4) Improving bank-supervisor communication
11 and collaboration.
- 12 (5) The use of supervisory technology.
- 13 (6) Supervisory factors uniquely applicable to
14 community banks.
- 15 (7) Changes in statutes necessary to achieve
16 more effective supervision.

119TH CONGRESS
1ST SESSION

H. R. 2702

To curtail the political weaponization of Federal banking agencies by eliminating reputational risk as a component of the supervision of depository institutions.

IN THE HOUSE OF REPRESENTATIVES

APRIL 8, 2025

Mr. BARR (for himself, Mr. TORRES of New York, Mrs. MCCLAIN, Mr. LUCAS, Mr. LOUDERMILK, Mr. ROSE, Mrs. WAGNER, Mr. STUTZMAN, Mr. TIMMONS, Mr. FITZGERALD, Mr. MOORE of North Carolina, Mr. MESSMER, Mr. OGLES, Mr. DOWNING, Mr. SESSIONS, Mr. LAMALFA, and Mr. GROTHMAN) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To curtail the political weaponization of Federal banking agencies by eliminating reputational risk as a component of the supervision of depository institutions.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Financial Integrity and
5 Regulation Management Act” or the “FIRM Act”.

6 **SEC. 2. FINDINGS; PURPOSES.**

7 (a) FINDINGS.—Congress finds that—

1 (1) the primary objective of financial regulation
2 and supervision by the Federal banking agencies is
3 to promote safety and soundness of depository insti-
4 tutions;

5 (2) all federally legal businesses and law-abid-
6 ing citizens regardless of political ideology should
7 have equal opportunity to obtain financial services
8 and should not face unlawful discrimination in ob-
9 taining such services;

10 (3) financial service providers are private enti-
11 ties entitled to provide services to whichever cus-
12 tomers they so choose, provided that those decisions
13 do not violate the law;

14 (4) financial service providers should strive to
15 ensure that all business decisions are based on fac-
16 tors free from unlawful prejudice or political influ-
17 ence;

18 (5) the use of reputational risk in supervisory
19 frameworks encourages Federal banking agencies to
20 regulate depository institutions based on the subjec-
21 tive view of negative publicity and provides cover for
22 the agencies to implement their own political agenda
23 unrelated to the safety and soundness of a deposi-
24 tory institution;

1 (6) Federal banking agencies have in fact used
2 reputational risk to limit access of federally legal
3 businesses and law-abiding citizens to financial serv-
4 ices in 2018 when the Federal Deposit Insurance
5 Corporation acknowledged that the agency used
6 reputational risk reviews to limit access to financial
7 services by certain industries, commonly known as
8 “Operation Choke Point”; and

9 (7) reputational risk does not appear in any
10 statute and is an unnecessary and improper use of
11 supervisory authority that does not contribute to the
12 safety and soundness of the financial system.

13 **SEC. 3. DEFINITIONS.**

14 In this Act:

15 (1) DEPOSITORY INSTITUTION.—The term “de-
16 pository institution”—

17 (A) has the meaning given the term in sec-
18 tion 3 of the Federal Deposit Insurance Act (12
19 U.S.C. 1813); and

20 (B) includes an insured credit union.

21 (2) FEDERAL BANKING AGENCY.—The term
22 “Federal banking agency”—

23 (A) has the meaning given the term in sec-
24 tion 3 of the Federal Deposit Insurance Act (12
25 U.S.C. 1813); and

1 (B) includes—

2 (i) the National Credit Union Admin-
3 istration; and

4 (ii) the Bureau of Consumer Financial
5 Protection.

6 (3) INSURED CREDIT UNION.—The term “in-
7 sured credit union” has the meaning given the term
8 in section 101 of the Federal Credit Union Act (12
9 U.S.C. 1752).

10 (4) REPUTATIONAL RISK.—The term
11 “reputational risk” means the potential that nega-
12 tive publicity or negative public opinion regarding an
13 institution’s business practices, whether true or not,
14 will cause a decline in confidence in the institution
15 or a decline in the customer base, costly litigation,
16 or revenue reductions or otherwise adversely impact
17 the depository institution.

18 **SEC. 4. REMOVAL OF REPUTATIONAL RISK AS A CONSIDER-**
19 **ATION IN THE SUPERVISION OF DEPOSITORY**
20 **INSTITUTIONS.**

21 Each Federal banking agency shall remove from any
22 guidance, rule, examination manual, or similar document
23 established by the agency any reference to reputational
24 risk, or any term substantially similar, regarding the su-
25 pervision of depository institutions such that reputational

1 risk, or any term substantially similar, is no longer taken
2 into consideration by the Federal banking agency when
3 examining and supervising a depository institution.

4 **SEC. 5. PROHIBITION.**

5 No Federal banking agency may engage in any activ-
6 ity concerning or related to the regulation, supervision, or
7 examination, of the reputational risk, or any term sub-
8 stantially similar, or the management thereof, of a deposi-
9 tory institution, including—

10 (1) establishing any rule, regulation, require-
11 ment, standard, or supervisory expectation con-
12 cerning or related to the reputational risk, or any
13 term substantially similar, or the management there-
14 of, of a depository institution whether binding or
15 not;

16 (2) conducting any examination, assessment,
17 data collection, or other supervisory exercise con-
18 cerning or related to reputational risk, or any term
19 substantially similar, or the management thereof, of
20 a depository institution;

21 (3) issuing any examination finding, supervisory
22 criticism, or other supervisory or examination com-
23 munication concerning or related to reputational
24 risk, or any term substantially similar, or the man-
25 agement thereof, of a depository institution;

1 (4) making any supervisory ratings decision or
2 determination that is based, in whole or in part, on
3 any matter concerning or related to reputational
4 risk, or any term substantially similar, or the man-
5 agement thereof, of a depository institution; and

6 (5) taking any formal or informal enforcement
7 action that is based, in whole or in part, on any
8 matter concerning or related to reputational risk, or
9 any term substantially similar, or the management
10 thereof, of a depository institution.

11 **SEC. 6. REPORTS.**

12 Not later than 180 days after the date of enactment
13 of this Act, each Federal banking agency shall submit to
14 the Committee on Banking, Housing, and Urban Affairs
15 of the Senate and the Committee on Financial Services
16 of the House of Representatives a report that—

- 17 (1) confirms implementation of this Act; and
18 (2) describes any changes made to internal poli-
19 cies as a result of this Act.

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[118H4642]

.....
 (Original Signature of Member)

119TH CONGRESS
 1ST SESSION

H. R. _____

To require transparency from the Federal financial regulators with respect to international meetings, negotiations, and agreements, and for other purposes.

 IN THE HOUSE OF REPRESENTATIVES

Mr. FLOOD introduced the following bill; which was referred to the Committee on _____

A BILL

To require transparency from the Federal financial regulators with respect to international meetings, negotiations, and agreements, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “International Regu-
 5 latory Transparency and Accountability Act”.

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1 **SEC. 2. TRANSPARENCY FOR INTERNATIONAL MEETINGS,**
2 **NEGOTIATIONS, AND AGREEMENTS.**

3 (a) NOTIFICATION OF INTERNATIONAL NEGOTIA-
4 TIONS.—Each Federal financial regulator shall, prior to
5 entering into any international negotiation (other than an
6 enforcement cooperation agreement), provide written noti-
7 fication to Congress and the public containing information
8 on the purpose, scope, and anticipated impact of the nego-
9 tiations.

10 (b) REPORTING ON FORMULATION OF AMERICAN PO-
11 SITIONS.—Each Federal financial regulator shall report to
12 Congress on the formulation of American positions regard-
13 ing matters before international regulatory bodies, includ-
14 ing the rationale, objectives, and potential impacts of the
15 proposed positions.

16 (c) TRANSPARENCY FOR AGREEMENTS IN CONNEC-
17 TION WITH COVERED INTERNATIONAL FINANCIAL ORGA-
18 NIZATIONS.—

19 (1) SUMMARIES OF MEETINGS.—Each Federal
20 financial regulator that participates in a meeting of
21 a covered international financial organization, or
22 that meets with the staff of a covered international
23 financial organization, shall post a summary of the
24 meeting, including information on the topics dis-
25 cussed and the key outcomes of the meetings, on the
26 homepage of the Federal financial regulator.

1 (2) PUBLIC COMMENT PERIOD.—A Federal fi-
2 nancial regulator may not enter into an international
3 agreement in connection with a meeting of a covered
4 international financial organization unless the Fed-
5 eral financial regulator first notifies the public of the
6 proposed agreement and provides for a public com-
7 ment period of 60 days or more.

8 (3) PUBLICATION OF FINAL AGREEMENTS.—
9 Each Federal financial regulator that enters into an
10 international agreement described under paragraph
11 (1) shall make the text of the agreement available to
12 the public.

13 (d) CONGRESSIONAL BRIEFINGS.—Each Federal fi-
14 nancial regulator shall provide periodic briefings to mem-
15 bers of Congress on the status and progress of inter-
16 national regulatory negotiations.

17 (e) DEFINITIONS.—In this section:

18 (1) COVERED INTERNATIONAL FINANCIAL OR-
19 GANIZATION.—The term “covered international fi-
20 nancial organization” means the Financial Stability
21 Board, the Basel Committee on Banking Super-
22 vision, the International Organization of Securities
23 Commissions, and the International Association of
24 Insurance Supervisors.

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1 (2) FEDERAL FINANCIAL REGULATOR.—The
2 term “Federal financial regulator” means the Board
3 of Governors of the Federal Reserve System, the
4 Bureau of Consumer Financial Protection, the Of-
5 fice of the Comptroller of the Currency, the Federal
6 Deposit Insurance Corporation, the National Credit
7 Union Administration, the Department of State, the
8 Department of the Treasury (including the Federal
9 Insurance Office), and the Securities and Exchange
10 Commission.

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To provide for additional requirements when Federal banking agencies undertake rulemakings that implement policies of non-governmental international organizations, to require Federal banking agencies to report on certain covered international organizations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. LOUDERMILK introduced the following bill; which was referred to the Committee on _____

A BILL

To provide for additional requirements when Federal banking agencies undertake rulemakings that implement policies of non-governmental international organizations, to require Federal banking agencies to report on certain covered international organizations, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Ensuring U.S. Author-
5 ity over U.S. Banking Regulations Act”.

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1 **SEC. 2. REQUIREMENTS IN CONNECTION WITH**
2 **RULEMAKINGS IMPLEMENTING POLICIES OF**
3 **NON-GOVERNMENTAL INTERNATIONAL OR-**
4 **GANIZATIONS.**

5 (a) BOARD OF GOVERNORS OF THE FEDERAL RE-
6 SERVE SYSTEM.—Section 10 of the Federal Reserve Act
7 (12 U.S.C. 247b) is amended by inserting before para-
8 graph (12) the following:

9 “(11) REQUIREMENTS IN CONNECTION WITH
10 RULEMAKINGS IMPLEMENTING POLICIES OF NON-
11 GOVERNMENTAL INTERNATIONAL ORGANIZATIONS.—

12 “(A) IN GENERAL.—The Board of Gov-
13 ernors of the Federal Reserve System may not
14 propose or finalize a major covered rule unless,
15 not later than 120 days before issuing such a
16 proposed or final rule, the Board of Governors
17 provides the Committee on Financial Services
18 of the House of Representatives and the Com-
19 mittee on Banking, Housing, and Urban Affairs
20 of the Senate with notice, testimony, and a de-
21 tailed economic analysis with respect to the pro-
22 posed or final rule, including projections of eco-
23 nomic costs, sectoral effects, and effects on the
24 availability of credit, the gross domestic prod-
25 uct, and employment.

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1 “(B) MAJOR COVERED RULE DEFINED.—

2 In this paragraph, the term ‘major covered rule’
3 means a rule—

4 “(i) that the Board of Governors de-
5 termines would have an effect, in the ag-
6 gregate, on the economy of the United
7 States of \$10,000,000,000 or more during
8 the 10-year period beginning on the date
9 the rule takes effect; and

10 “(ii) that is intended to align or con-
11 form with a recommendation from a non-
12 governmental international organization
13 (including the Financial Stability Board,
14 the Bank for International Settlements,
15 the Network of Central Banks and Super-
16 visors for Greening the Financial System,
17 and the Basel Committee on Banking Su-
18 pervision).”.

19 (b) OFFICE OF THE COMPTROLLER OF THE CUR-
20 RENCY.—Section 324 of the Revised Statutes of the
21 United States (12 U.S.C. 1) is amended by adding at the
22 end the following:

23 “(c) REQUIREMENTS IN CONNECTION WITH
24 RULEMAKINGS IMPLEMENTING POLICIES OF NON-GOV-
25 ERNMENTAL INTERNATIONAL ORGANIZATIONS.—

1 “(1) IN GENERAL.—The Comptroller of the
2 Currency may not propose or finalize a major cov-
3 ered rule unless, not later than 120 days before
4 issuing such a proposed or final rule, the Comp-
5 troller of the Currency provides the Committee on
6 Financial Services of the House of Representatives
7 and the Committee on Banking, Housing, and
8 Urban Affairs of the Senate with notice, testimony,
9 and a detailed economic analysis with respect to the
10 proposed or final rule, including projections of eco-
11 nomic costs, sectoral effects, and effects on the
12 availability of credit, the gross domestic product,
13 and employment.

14 “(2) MAJOR COVERED RULE DEFINED.—In this
15 subsection, the term ‘major covered rule’ means a
16 rule—

17 “(A) that the Comptroller of the Currency
18 determines would have an effect, in the aggre-
19 gate, on the economy of the United States of
20 \$10,000,000,000 or more during the 10-year
21 period beginning on the date the rule takes ef-
22 fect; and

23 “(B) that is intended to align or conform
24 with a recommendation from a non-govern-
25 mental international organization (including the

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1 Financial Stability Board, the Bank for Inter-
2 national Settlements, the Network of Central
3 Banks and Supervisors for Greening the Finan-
4 cial System, and the Basel Committee on Bank-
5 ing Supervision).”.

6 (c) FEDERAL DEPOSIT INSURANCE CORPORATION.—
7 Section 2 of the Federal Deposit Insurance Act (12 U.S.C.
8 1812) is amended by inserting after subsection (f) the fol-
9 lowing:

10 “(g) REQUIREMENTS IN CONNECTION WITH
11 RULEMAKINGS IMPLEMENTING POLICIES OF NON-GOV-
12 ERNMENTAL INTERNATIONAL ORGANIZATIONS.—

13 “(1) IN GENERAL.—The Board of Directors of
14 the Corporation may not propose or finalize a major
15 covered rule unless, not later than 120 days before
16 issuing such a proposed or final rule, the Board of
17 Directors provides the Committee on Financial Serv-
18 ices of the House of Representatives and the Com-
19 mittee on Banking, Housing, and Urban Affairs of
20 the Senate with notice, testimony, and a detailed
21 economic analysis with respect to the proposed or
22 final rule, including projections of economic costs,
23 sectoral effects, and effects on the availability of
24 credit, the gross domestic product, and employment.

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1 “(2) MAJOR COVERED RULE DEFINED.—In this
2 subsection, the term ‘major covered rule’ means a
3 rule—

4 “(A) that the Board of Directors deter-
5 mines would have an effect, in the aggregate,
6 on the economy of the United States of
7 \$10,000,000,000 or more during the 10-year
8 period beginning on the date the rule takes ef-
9 fect; and

10 “(B) that is intended to align or conform
11 with a recommendation from a non-govern-
12 mental international organization (including the
13 Financial Stability Board, the Bank for Inter-
14 national Settlements, the Network of Central
15 Banks and Supervisors for Greening the Finan-
16 cial System, and the Basel Committee on Bank-
17 ing Supervision).”.

18 (d) NATIONAL CREDIT UNION ADMINISTRATION.—
19 Section 102 of the Federal Credit Union Act (12 U.S.C.
20 1752a) is amended by adding at the end the following:

21 “(g) REQUIREMENTS IN CONNECTION WITH
22 RULEMAKINGS IMPLEMENTING POLICIES OF NON-GOV-
23 ERNMENTAL INTERNATIONAL ORGANIZATIONS.—

24 “(1) IN GENERAL.—The Board may not pro-
25 pose or finalize a major covered rule unless, not

1 later than 120 days before issuing such a proposed
2 or final rule, the Board provides the Committee on
3 Financial Services of the House of Representatives
4 and the Committee on Banking, Housing, and
5 Urban Affairs of the Senate with notice, testimony,
6 and a detailed economic analysis with respect to the
7 proposed or final rule, including projections of eco-
8 nomic costs, sectoral effects, and effects on the
9 availability of credit, the gross domestic product,
10 and employment.

11 “(2) MAJOR COVERED RULE DEFINED.—In this
12 subsection, the term ‘major covered rule’ means a
13 rule—

14 “(A) that the Board determines would
15 have an effect, in the aggregate, on the econ-
16 omy of the United States of \$10,000,000,000
17 or more during the 10-year period beginning on
18 the date the rule takes effect; and

19 “(B) that is intended to align or conform
20 with a recommendation from a non-govern-
21 mental international organization (including the
22 Financial Stability Board, the Bank for Inter-
23 national Settlements, the Network of Central
24 Banks and Supervisors for Greening the Finan-

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1 cial System, and the Basel Committee on Bank-
2 ing Supervision).”.

3 (e) FEDERAL HOUSING FINANCE ADMINISTRA-
4 TION.—Section 1311 of the Housing and Community De-
5 velopment Act of 1992 (12 U.S.C. 4511) is amended by
6 adding at the end the following:

7 “(d) REQUIREMENTS IN CONNECTION WITH
8 RULEMAKINGS IMPLEMENTING POLICIES OF NON-GOV-
9 ERNMENTAL INTERNATIONAL ORGANIZATIONS.—

10 “(1) IN GENERAL.—The Director may not pro-
11 pose or finalize a major covered rule unless, not
12 later than 120 days before issuing such a proposed
13 or final rule, the Director provides the Committee on
14 Financial Services of the House of Representatives
15 and the Committee on Banking, Housing, and
16 Urban Affairs of the Senate with notice, testimony,
17 and a detailed economic analysis with respect to the
18 proposed or final rule, including projections of eco-
19 nomic costs, sectoral effects, and effects on the
20 availability of credit, the gross domestic product,
21 and employment.

22 “(2) MAJOR COVERED RULE DEFINED.—In this
23 subsection, the term ‘major covered rule’ means a
24 rule—

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1 “(A) that the Director determines would
2 have an effect, in the aggregate, on the econ-
3 omy of the United States of \$10,000,000,000
4 or more during the 10-year period beginning on
5 the date the rule takes effect; and

6 “(B) that is intended to align or conform
7 with a recommendation from a non-govern-
8 mental international organization (including the
9 Financial Stability Board, the Bank for Inter-
10 national Settlements, the Network of Central
11 Banks and Supervisors for Greening the Finan-
12 cial System, and the Basel Committee on Bank-
13 ing Supervision).”.

14 **SEC. 3. REPORT ON CERTAIN CLIMATE-RELATED INTER-**
15 **ACTIONS WITH COVERED INTERNATIONAL**
16 **ORGANIZATIONS.**

17 (a) IN GENERAL.—A Federal banking regulator may
18 not meet with or otherwise engage with a covered inter-
19 national organization on the topic of climate-related finan-
20 cial risk during a calendar year unless the Federal bank-
21 ing regulator has issued a report to the Committee on Fi-
22 nancial Services of the House of Representatives and the
23 Committee on Banking, Housing, and Urban Affairs of
24 the Senate containing, for the previous calendar year—

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1 (1) a complete description of the activities of
2 the covered international organization in which the
3 Federal banking regulator participates (including
4 any task force, committee, or other organizational
5 unit thereof); and

6 (2) a detailed accounting of the governmental
7 and non-governmental funding sources of the cov-
8 ered international organization (including any task
9 force, committee, or other organizational unit there-
10 of).

11 (b) DEFINITIONS.—In this section:

12 (1) COVERED INTERNATIONAL ORGANIZA-
13 TION.—The term “covered international organiza-
14 tion” means the Financial Stability Board, the Net-
15 work of Central Banks and Supervisors for Greening
16 the Financial System, and the Basel Committee on
17 Banking Supervision.

18 (2) FEDERAL BANKING REGULATOR.—The
19 term “Federal banking regulator” means the Board
20 of Governors of the Federal Reserve System, the
21 Federal Deposit Insurance Corporation, the Federal
22 Housing Finance Agency, the National Credit Union
23 Administration, and the Office of the Comptroller of
24 the Currency.

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R. _____**

To protect the sovereignty of the United States and strengthen Congress's oversight of the activities of the Federal financial agencies by improving accountability and transparency with respect to the effect of membership and participation in covered international organizations on the statutes, regulations, and guidance applicable to companies in the United States, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. BARR introduced the following bill; which was referred to the Committee
on _____

A BILL

To protect the sovereignty of the United States and strengthen Congress's oversight of the activities of the Federal financial agencies by improving accountability and transparency with respect to the effect of membership and participation in covered international organizations on the statutes, regulations, and guidance applicable to companies in the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Congressional Banking
3 Regulation Priorities and Accountability Act of 2025”.

4 **SEC. 2. MEMBERSHIP AND PARTICIPATION IN COVERED**
5 **INTERNATIONAL ORGANIZATIONS.**

6 (a) CONGRESSIONAL NOTICE AND CONSULTATION.—

7 (1) IN GENERAL.—A Federal financial agency
8 may not join, become a member or observer of, or
9 otherwise participate in, any covered international
10 organization that the agency was not a member or
11 observer of, or participant in, before the date of en-
12 actment of this Act, unless the agency—

13 (A) submits a notice to the appropriate
14 congressional committees; and

15 (B) notifies the covered international orga-
16 nization that the agency is subject to—

17 (i) this Act; and

18 (ii) subchapter II of chapter 5 of title
19 5, United States Code, and chapter 7 of
20 such title (commonly known as the “Ad-
21 ministrative Procedure Act”).

22 (2) NOTICE CONTENTS.—A notice described
23 under paragraph (1) shall be in writing and con-
24 tain—

25 (A) an overview of the covered inter-
26 national organization;

1 (B) the charter of the covered international
2 organization;

3 (C) a list of current members and observ-
4 ers of the covered international organization;

5 (D) the work that the covered international
6 organization engages in and how that work re-
7 lates to the statutory mandates and responsibil-
8 ities of the Federal financial agency;

9 (E) the objectives that the Federal finan-
10 cial agency intends to pursue in conformity with
11 the covered international organization's objec-
12 tives;

13 (F) the expectations that the covered inter-
14 national organization has with respect to the
15 members and observers of the covered inter-
16 national organization;

17 (G) commitments required for membership
18 in the covered international organization;

19 (H) identification of funding sources for
20 the covered international organization's oper-
21 ating expenses;

22 (I) the role that the Federal financial
23 agency will play in, and the extent of the Fed-
24 eral financial agency's participation in, the cov-
25 ered international organization; and

1 (J) such other information as may be re-
2 quested by the appropriate congressional com-
3 mittees.

4 (b) DELAY FOR CONGRESSIONAL CONSIDERATION;
5 EFFECT OF JOINT RESOLUTION OF DISAPPROVAL.—With
6 respect to an action described in a notice submitted under
7 subsection (a) in connection with a covered international
8 organization—

9 (1) the Federal financial agency may not take
10 such action until the end of the 60-day period begin-
11 ning on the date the notice was submitted; and

12 (2) if a joint resolution of disapproval described
13 under subsection (c) with respect to the notice is en-
14 acted before the end of the 60-day period described
15 under paragraph (1), the Federal financial agency
16 may not take such action.

17 (c) JOINT RESOLUTION OF DISAPPROVAL.—

18 (1) JOINT RESOLUTION OF DISAPPROVAL.—In
19 this subsection, the term “joint resolution of dis-
20 approval” means only a joint resolution introduced
21 during the 60-day period described under subsection

22 (b)—

23 (A) the title of which is as follows: “A joint
24 resolution disapproving a Federal financial

1 agency's participation in a covered international
2 organization.”; and

3 (B) the sole matter after the resolving
4 clause of which is the following: “Congress dis-
5 approves of the participation of _____
6 with _____, as described in the notice
7 submitted to the appropriate congressional com-
8 mittees on _____, and the agency may
9 not so participate.”, with the first blank space
10 being filled with the appropriate name of the
11 Federal financial agency submitting the notice,
12 the second blank space being filled with the
13 name of the applicable covered international or-
14 ganization, and the third blank space being
15 filled with the date on which the notice under
16 subsection (a) was submitted to the appropriate
17 congressional committees.

18 (2) FLOOR CONSIDERATION IN HOUSE OF REP-
19 RESENTATIVES.—If a committee of the House of
20 Representatives to which a joint resolution of dis-
21 approval has been referred has not reported the joint
22 resolution within 10 calendar days after the date of
23 referral, that committee shall be discharged from
24 further consideration of the joint resolution.

25 (3) CONSIDERATION IN THE SENATE.—

1 (A) COMMITTEE REFERRAL.—A joint reso-
2 lution of disapproval introduced in the Senate
3 shall be referred to the Committee on Banking,
4 Housing, and Urban Affairs.

5 (B) REPORTING AND DISCHARGE.—If the
6 committee to which a joint resolution of dis-
7 approval was referred has not reported the joint
8 resolution within 10 calendar days after the
9 date of referral of the joint resolution, that
10 committee shall be discharged from further con-
11 sideration of the joint resolution and the joint
12 resolution shall be placed on the appropriate
13 calendar.

14 (C) PROCEEDING TO CONSIDERATION.—
15 Notwithstanding Rule XXII of the Standing
16 Rules of the Senate, it is in order at any time
17 after the Committee on Banking, Housing, and
18 Urban Affairs reports a joint resolution of dis-
19 approval to the Senate or has been discharged
20 from consideration of such a joint resolution
21 (even though a previous motion to the same ef-
22 fect has been disagreed to) to move to proceed
23 to the consideration of the joint resolution, and
24 all points of order against the joint resolution
25 (and against consideration of the joint resolu-

1 tion) are waived. The motion to proceed is not
 2 debatable. The motion is not subject to a mo-
 3 tion to postpone. A motion to reconsider the
 4 vote by which the motion is agreed to or dis-
 5 agreed to shall not be in order.

6 (D) RULINGS OF THE CHAIR ON PROCE-
 7 DURE.—Appeals from the decisions of the Chair
 8 relating to the application of the rules of the
 9 Senate, as the case may be, to the procedure re-
 10 lating to a joint resolution of disapproval shall
 11 be decided without debate.

12 (E) CONSIDERATION OF VETO MES-
 13 SAGES.—Debate in the Senate of any veto mes-
 14 sage with respect to a joint resolution of dis-
 15 approval, including all debatable motions and
 16 appeals in connection with the joint resolution,
 17 shall be limited to 10 hours, to be equally di-
 18 vided between, and controlled by, the majority
 19 leader and the minority leader or their des-
 20 ignees.

21 (4) RULES RELATING TO SENATE AND HOUSE
 22 OF REPRESENTATIVES.—

23 (A) TREATMENT OF SENATE JOINT RESO-
 24 LUTION IN HOUSE.—In the House of Rep-
 25 resentatives, the following procedures shall

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1 apply to a joint resolution of disapproval re-
2 ceived from the Senate (unless the House has
3 already passed a joint resolution relating to the
4 same proposed action):

5 (i) The joint resolution shall be re-
6 ferred to the Committee on Financial Serv-
7 ices.

8 (ii) If a committee to which a joint
9 resolution has been referred has not re-
10 ported the joint resolution within 2 cal-
11 endar days after the date of referral, that
12 committee shall be discharged from further
13 consideration of the joint resolution.

14 (iii) Beginning on the third legislative
15 day after each committee to which a joint
16 resolution has been referred reports the
17 joint resolution to the House or has been
18 discharged from further consideration
19 thereof, it shall be in order to move to pro-
20 ceed to consider the joint resolution in the
21 House. All points of order against the mo-
22 tion are waived. Such a motion shall not be
23 in order after the House has disposed of a
24 motion to proceed on the joint resolution.
25 The previous question shall be considered

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1 as ordered on the motion to its adoption
 2 without intervening motion. The motion
 3 shall not be debatable. A motion to recon-
 4 sider the vote by which the motion is dis-
 5 posed of shall not be in order.

6 (iv) The joint resolution shall be con-
 7 sidered as read. All points of order against
 8 the joint resolution and against its consid-
 9 eration are waived. The previous question
 10 shall be considered as ordered on the joint
 11 resolution to final passage without inter-
 12 vening motion except 2 hours of debate
 13 equally divided and controlled by the spon-
 14 sor of the joint resolution (or a designee)
 15 and an opponent. A motion to reconsider
 16 the vote on passage of the joint resolution
 17 shall not be in order.

18 (B) TREATMENT OF HOUSE JOINT RESO-
 19 LUTION IN SENATE.—

20 (i) If, before the passage by the Sen-
 21 ate of a joint resolution of disapproval, the
 22 Senate receives an identical joint resolution
 23 from the House of Representatives, the fol-
 24 lowing procedures shall apply:

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1 (I) That joint resolution shall not
2 be referred to a committee.

3 (II) With respect to that joint
4 resolution—

5 (aa) the procedure in the
6 Senate shall be the same as if no
7 joint resolution had been received
8 from the House of Representa-
9 tives; but

10 (bb) the vote on passage
11 shall be on the joint resolution
12 from the House of Representa-
13 tives.

14 (ii) If, following passage of a joint
15 resolution of disapproval in the Senate, the
16 Senate receives an identical joint resolution
17 from the House of Representatives, that
18 joint resolution shall be placed on the ap-
19 propriate Senate calendar.

20 (iii) If a joint resolution of dis-
21 approval is received from the House, and
22 no companion joint resolution has been in-
23 troduced in the Senate, the Senate proce-
24 dures under this subsection shall apply to
25 the House joint resolution.

1 (5) RULES OF HOUSE OF REPRESENTATIVES
2 AND SENATE.—This subsection is enacted by Con-
3 gress—

4 (A) as an exercise of the rulemaking power
5 of the Senate and the House of Representa-
6 tives, respectively, and as such is deemed a part
7 of the rules of each House, respectively, and su-
8 persedes other rules only to the extent that it
9 is inconsistent with such rules; and

10 (B) with full recognition of the constitu-
11 tional right of either House to change the rules
12 (so far as relating to the procedure of that
13 House) at any time, in the same manner, and
14 to the same extent as in the case of any other
15 rule of that House.

16 (d) ONGOING REPORTING.—Each Federal financial
17 agency that becomes a member or observer of, or other-
18 wise participates in, a covered international organization
19 after the date of enactment of this Act shall, every 2 years
20 while the Federal financial agency continues to be a mem-
21 ber or observer of, or participant in, the covered inter-
22 national organization, issue a statement to the appropriate
23 congressional committees that—

1 (1) contains a justification for the Federal fi-
2 nancial agency's continued membership, observer
3 status, or participation; and

4 (2) includes—

5 (A) a description of the covered inter-
6 national organization's objectives;

7 (B) any objectives that have been pursued
8 by the Federal financial agency in conformity
9 with the covered international organization's ob-
10 jectives;

11 (C) an explanation of whether the Federal
12 financial agency's objectives within the covered
13 international organization have been met;

14 (D) an explanation of whether there have
15 been changes in the Federal financial agency's
16 objectives for such ongoing and continued mem-
17 bership, observer status, or participation in the
18 covered international organization; and

19 (E) any objectives that have been pursued
20 by the Federal financial agency in conformity
21 with the international organization's objectives.

22 (e) CALCULATION OF TIME PERIODS.—

23 (1) IN GENERAL.—In this section, for purposes
24 of calculating a period of time, the term “day” does
25 not include days either House of Congress is ad-

1 journed for more than 3 days during a session of
2 Congress.

3 (2) EXCEPTION.—Paragraph (1) shall not
4 apply to any reference to a “calendar day” or a
5 “legislative day”.

6 **SEC. 3. DEVELOPMENT AND IMPLEMENTATION OF NEW**
7 **INTERNATIONAL POLICIES, STANDARDS, AND**
8 **RECOMMENDATIONS.**

9 (a) CONGRESSIONAL NOTICE AND CONSULTATION
10 DURING DEVELOPMENT.—

11 (1) IN GENERAL.—A Federal financial agency
12 may not negotiate, participate, or otherwise delib-
13 erate, sign, vote for, agree to, finalize, or otherwise
14 conclude any new policies, standards, or rec-
15 ommendations that are being developed by a covered
16 international organization unless the agency submits
17 a notice to the appropriate congressional committees
18 at least 90 days before taking such action.

19 (2) NOTICE CONTENTS.—A notice described
20 under paragraph (1) shall be in writing and con-
21 tain—

22 (A) a summary of the issues to be dis-
23 cussed, including the policies, standards, or rec-
24 ommendations that the Federal financial agency
25 intends to negotiate, participate, or otherwise

1 deliberate, sign, vote for, agree to, finalize, or
2 otherwise conclude;

3 (B) a summary of the proposed new poli-
4 cies, standards or recommendations;

5 (C) a draft of the proposed new policies,
6 standards, or recommendations, if appropriate;

7 (D) a plan for how the Federal financial
8 agency will promote U.S. economic growth, fi-
9 nancial stability, and the competitiveness of the
10 U.S. financial system during any negotiation,
11 participation, or deliberation; and

12 (E) a full statement of the schedule and
13 objectives of the negotiations, discussions, or
14 deliberations.

15 (b) ONGOING REQUIREMENTS DURING DEVELOP-
16 MENT.—With respect to negotiations, discussions or delib-
17 erations on any new policies, standards, or recommenda-
18 tions described under subsection (a), the Federal financial
19 agency shall—

20 (1) inform the appropriate congressional com-
21 mittees quarterly on the developments affecting such
22 policies, standards, or recommendations;

23 (2) notify the appropriate congressional com-
24 mittees of new Federal policy, guidance, or regula-

1 tions that may be proposed to implement the new
2 policies, standards, or recommendations;

3 (3) upon request, meet with the appropriate
4 congressional committees to discuss the status of the
5 negotiations, discussions or deliberations; and

6 (4) upon request, provide the appropriate con-
7 gressional committees with access to documents re-
8 lating to the negotiations, discussions or delibera-
9 tions, including classified materials or materials that
10 otherwise contain confidential information in a se-
11 cured environment.

12 (c) CONGRESSIONAL NOTICE ON FINALIZED POLI-
13 CIES, STANDARDS, OR RECOMMENDATIONS.—A Federal
14 financial agency may not act to finalize a policy, standard,
15 or recommendation described under subsection (a) by a
16 covered international organization unless the Federal fi-
17 nancial agency submits a notice to the appropriate con-
18 gressional committees containing—

19 (1) the text of the policies, standards, or rec-
20 ommendations, including any implementing material,
21 annex, appendix, side letter, or similar document en-
22 tered into contemporaneously and in conjunction
23 with the underlying standard or recommendation;

24 (2) a description of any amendments to Federal
25 statute, regulation, or guidance, or change to super-

1 visory practices, the Federal financial agency antici-
2 pates are necessary to implement the new policies,
3 standards, or recommendations; and

4 (3) a justification, with quantitative and analyt-
5 ical support, setting forth how the policies, stand-
6 ards, or recommendations serve the interests of the
7 United States financial system and commerce.

8 (d) REQUIREMENTS ON IMPLEMENTING POLICIES,
9 STANDARDS, AND RECOMMENDATIONS.—A Federal finan-
10 cial agency may not issue any policy change, rule, or guid-
11 ance intended to implement any policies, standards, or rec-
12 ommendations developed by a covered international orga-
13 nization unless the Federal financial agency—

14 (1) notifies the appropriate congressional com-
15 mittees;

16 (2) provides the appropriate congressional com-
17 mittees (and publishes publicly) a justification, with
18 quantitative and analytical support, for why the poli-
19 cies, standards, or recommendations developed by
20 the covered international organization are suitable
21 for the national security, financial stability, eco-
22 nomic, and other interests of the United States; and

23 (3) provides the appropriate congressional com-
24 mittees (and publishes publicly)—

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1 (A) an analysis, including a detailed cost-
2 benefit analysis, of the implementation of the
3 policy change, rule, or guidance; and

4 (B) a justification for why the expected
5 costs of such implementation are at least offset
6 by the expected benefits related to economic,
7 national security, financial stability, or other
8 national interests.

9 **SEC. 4. PUBLIC REPORTS ON PARTICIPATION IN COVERED**
10 **INTERNATIONAL ORGANIZATIONS.**

11 Not later than March 31 of each year, each Federal
12 financial agency shall publish a public report and provide
13 testimony to the appropriate congressional committees on
14 the activities of the agency with each covered international
15 organization that the Federal financial agency joined, was
16 a member or observer of, engaged with, or otherwise par-
17 ticipated in during the preceding year.

18 **SEC. 5. APPLICATION TO FEDERAL RESERVE BANKS.**

19 This Act shall apply to each Federal reserve bank to
20 the same extent as this Act applies to a Federal financial
21 agency, except that any action that a Federal reserve bank
22 would be required to take under this Act shall be taken
23 by the Board of Governors of the Federal Reserve System,
24 on behalf of the Federal reserve bank.

1 **SEC. 6. DEFINITIONS.**

2 In this Act:

3 (1) APPROPRIATE CONGRESSIONAL COMMIT-
4 TEES.—The term “appropriate congressional com-
5 mittees” means the Committee on Financial Services
6 of the House of Representatives and the Committee
7 on Banking, Housing, and Urban Affairs of the Sen-
8 ate.

9 (2) FEDERAL FINANCIAL AGENCY.—The term
10 “Federal financial agency” means—

11 (A) the Board of Governors of the Federal
12 Reserve System;

13 (B) the Bureau of Consumer Financial
14 Protection;

15 (C) the Federal Deposit Insurance Cor-
16 poration;

17 (D) the National Credit Union Administra-
18 tion;

19 (E) the Office of the Comptroller of the
20 Currency;

21 (F) the Federal Housing Finance Agency;

22 (G) the Federal Insurance Office; and

23 (H) the Securities and Exchange Commis-
24 sion.

25 (3) COVERED INTERNATIONAL ORGANIZA-
26 TION.—

1 (A) IN GENERAL.—The term “covered
2 international organization” means any associa-
3 tion or union of nations through or by which
4 two or more foreign governments engage in
5 some aspect of their conduct of international af-
6 fairs, including—

7 (i) the Bank for International Settle-
8 ments;

9 (ii) the Basel Committee on Banking
10 Supervision;

11 (iii) the Committee on Payments and
12 Market Infrastructures;

13 (iv) the Council of Securities Regu-
14 lators of the Americas;

15 (v) the Financial Stability Board;

16 (vi) the Global Financial Innovation
17 Network;

18 (vii) the IFRS Foundation Monitoring
19 Board;

20 (viii) the International Association of
21 Deposit Insurers;

22 (ix) the International Association of
23 Insurance Supervisors;

24 (x) the International Organization of
25 Securities Commissions;

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- 1 (xi) the Monitoring Group;
- 2 (xii) the Network of Central Banks
- 3 and Supervisors for Greening the Financial
- 4 System;
- 5 (xiii) the Organization for Economic
- 6 Cooperation and Development; and
- 7 (xiv) any committee, subcommittee,
- 8 working group, task force, or other subunit
- 9 of an organization described under clause
- 10 (i) through (xiii).
- 11 (B) EXCEPTION.—The term “covered
- 12 international organization” does not include—
- 13 (i) international financial institutions,
- 14 as defined in section 1701(c)(2) of the
- 15 International Financial Institutions Act
- 16 (22 U.S.C. 262r(c)(2)); or
- 17 (ii) any international organization
- 18 with respect to which a Federal financial
- 19 agency participates pursuant to a treaty to
- 20 which the United States is a party.

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[118H4601]

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 (Original Signature of Member)

119TH CONGRESS
 1ST SESSION

H. R. _____

To require Federal banking agencies to report on interactions with non-governmental international organizations, and for other purposes.

 IN THE HOUSE OF REPRESENTATIVES

Mr. BARR introduced the following bill; which was referred to the Committee
 on _____

A BILL

To require Federal banking agencies to report on interactions with non-governmental international organizations, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Banking Regulator
 5 International Reporting Act”.

1 **SEC. 2. REPORTING ON INTERACTIONS WITH NON-GOVERN-**
2 **MENTAL INTERNATIONAL ORGANIZATIONS.**

3 (a) BOARD OF GOVERNORS OF THE FEDERAL RE-
4 SERVE SYSTEM.—Section 10 of the Federal Reserve Act
5 (12 U.S.C. 247b) is amended by inserting before para-
6 graph (12) the following:

7 “(11) REPORTING ON INTERACTIONS WITH
8 NON-GOVERNMENTAL INTERNATIONAL ORGANIZA-
9 TIONS.—With respect to interactions between the
10 Board of Governors of the Federal Reserve System
11 and a non-governmental international organization
12 (including the Financial Stability Board, the Bank
13 for International Settlements, the Network of Cen-
14 tral Banks and Supervisors for Greening the Finan-
15 cial System, and the Basel Committee on Banking
16 Supervision), the Board of Governors shall—

17 “(A) keep a complete record of all such
18 interactions, including minutes of all meetings
19 and any recommendations made during such
20 interaction for international standardization
21 with respect to open-market policies and oper-
22 ations, discount lending and operations (includ-
23 ing collateral policies), or supervisory policies
24 and operations; and

25 “(B) issue an annual report to the Com-
26 mittee on Financial Services of the House of

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1 Representatives and the Committee on Bank-
2 ing, Housing, and Urban Affairs of the Senate
3 containing—

4 “(i) all of the information recorded
5 pursuant to subparagraph (A) with respect
6 to the previous year; and

7 “(ii) with respect to each non-govern-
8 mental international organization with
9 which the Board of Governors had an
10 interaction in the previous year, a descrip-
11 tion of the funding sources of the non-gov-
12 ernmental international organization.”.

13 (b) OFFICE OF THE COMPTROLLER OF THE CUR-
14 RENCY.—Section 324 of the Revised Statutes of the
15 United States (12 U.S.C. 1) is amended by adding at the
16 end the following:

17 “(c) REPORTING ON INTERACTIONS WITH NON-GOV-
18 ERNMENTAL INTERNATIONAL ORGANIZATIONS.—With re-
19 spect to interactions between the Office of the Comptroller
20 of the Currency and a non-governmental international or-
21 ganization (including the Financial Stability Board, the
22 Bank for International Settlements, the Network of Cen-
23 tral Banks and Supervisors for Greening the Financial
24 System, and the Basel Committee on Banking Super-
25 vision), the Comptroller of the Currency shall—

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1 “(1) keep a complete record of all such inter-
2 actions, including minutes of all meetings and any
3 recommendations made during such interaction for
4 international standardization with respect to open-
5 market policies and operations, discount lending and
6 operations (including collateral policies), or super-
7 visory policies and operations; and

8 “(2) issue an annual report to the Committee
9 on Financial Services of the House of Representa-
10 tives and the Committee on Banking, Housing, and
11 Urban Affairs of the Senate containing—

12 “(A) all of the information recorded pursu-
13 ant to paragraph (1) with respect to the pre-
14 vious year; and

15 “(B) with respect to each non-govern-
16 mental international organization with which
17 the Office of the Comptroller of the Currency
18 had an interaction in the previous year, a de-
19 scription of the funding sources of the non-gov-
20 ernmental international organization.”.

21 (c) FEDERAL DEPOSIT INSURANCE CORPORATION.—
22 Section 2 of the Federal Deposit Insurance Act (12 U.S.C.
23 1812) is amended by inserting after subsection (f) the fol-
24 lowing:

1 “(g) REPORTING ON INTERACTIONS WITH NON-GOV-
2 ERNMENTAL INTERNATIONAL ORGANIZATIONS.—With re-
3 spect to interactions between the Federal Deposit Insur-
4 ance Corporation and a non-governmental international
5 organization (including the Financial Stability Board, the
6 Bank for International Settlements, the Network of Cen-
7 tral Banks and Supervisors for Greening the Financial
8 System, and the Basel Committee on Banking Super-
9 vision), the Board of Directors of the Corporation shall—

10 “(1) keep a complete record of all such inter-
11 actions, including minutes of all meetings and any
12 recommendations made during such interaction for
13 international standardization with respect to open-
14 market policies and operations, discount lending and
15 operations (including collateral policies), or super-
16 visory policies and operations; and

17 “(2) issue an annual report to the Committee
18 on Financial Services of the House of Representa-
19 tives and the Committee on Banking, Housing, and
20 Urban Affairs of the Senate containing—

21 “(A) all of the information recorded pursu-
22 ant to paragraph (1) with respect to the pre-
23 vious year; and

24 “(B) with respect to each non-govern-
25 mental international organization with which

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1 the Corporation had an interaction in the pre-
2 vious year, a description of the funding sources
3 of the non-governmental international organiza-
4 tion.”.

5 (d) NATIONAL CREDIT UNION ADMINISTRATION.—
6 Section 102 of the Federal Credit Union Act (12 U.S.C.
7 1752a) is amended by adding at the end the following:

8 “(g) REPORTING ON INTERACTIONS WITH NON-GOV-
9 ERNMENTAL INTERNATIONAL ORGANIZATIONS.—With re-
10 spect to interactions between the Administration and a
11 non-governmental international organization (including
12 the Financial Stability Board, the Bank for International
13 Settlements, the Network of Central Banks and Super-
14 visors for Greening the Financial System, and the Basel
15 Committee on Banking Supervision), the Board shall—

16 “(1) keep a complete record of all such inter-
17 actions, including minutes of all meetings and any
18 recommendations made during such interaction for
19 international standardization with respect to open-
20 market policies and operations, discount lending and
21 operations (including collateral policies), or super-
22 visory policies and operations; and

23 “(2) issue an annual report to the Committee
24 on Financial Services of the House of Representa-

1 tives and the Committee on Banking, Housing, and
2 Urban Affairs of the Senate containing—

3 “(A) all of the information recorded pursu-
4 ant to paragraph (1) with respect to the pre-
5 vious year; and

6 “(B) with respect to each non-govern-
7 mental international organization with which
8 the Administration had an interaction in the
9 previous year, a description of the funding
10 sources of the non-governmental international
11 organization.”.

12 (e) FEDERAL HOUSING FINANCE ADMINISTRA-
13 TION.—Section 1311 of the Housing and Community De-
14 velopment Act of 1992 (12 U.S.C. 4511) is amended by
15 adding at the end the following:

16 “(d) REPORTING ON INTERACTIONS WITH NON-GOV-
17 ERNMENTAL INTERNATIONAL ORGANIZATIONS.—With re-
18 spect to interactions between the Federal Housing Fi-
19 nance Agency and a non-governmental international orga-
20 nization (including the Financial Stability Board, the
21 Bank for International Settlements, the Network of Cen-
22 tral Banks and Supervisors for Greening the Financial
23 System, and the Basel Committee on Banking Super-
24 vision), the Director shall—

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1 “(1) keep a complete record of all such inter-
2 actions, including minutes of all meetings and any
3 recommendations made during such interaction for
4 international standardization with respect to open-
5 market policies and operations, discount lending and
6 operations (including collateral policies), or super-
7 visory policies and operations; and

8 “(2) issue an annual report to the Committee
9 on Financial Services of the House of Representa-
10 tives and the Committee on Banking, Housing, and
11 Urban Affairs of the Senate containing—

12 “(A) all of the information recorded pursu-
13 ant to paragraph (1) with respect to the pre-
14 vious year; and

15 “(B) with respect to each non-govern-
16 mental international organization with which
17 the Federal Housing Finance Agency had an
18 interaction in the previous year, a description of
19 the funding sources of the non-governmental
20 international organization.”.

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[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To require a guidance clarity statement on certain financial agency guidance,
and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To require a guidance clarity statement on certain financial
agency guidance, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Guidance Clarity Act
5 of 2025”.

6 **SEC. 2. GUIDANCE CLARITY STATEMENT REQUIRED.**

7 (a) IN GENERAL.—The head of each financial agency
8 shall include a guidance clarity statement as described in

1 subsection (b) on any guidance issued by that financial
2 agency on and after the date of the enactment of this Act.

3 (b) GUIDANCE CLARITY STATEMENT.—A guidance
4 clarity statement required under subsection (a) shall be
5 displayed prominently on the first page of the document
6 and shall include the following: “This guidance does not
7 have the force and effect of law and therefore does not
8 establish any rights or obligations for any person and is
9 not binding on the agency or the public. If this guidance
10 suggests how regulated entities may comply with applica-
11 ble statutes or regulations, noncompliance with this guid-
12 ance does not conclusively establish a violation of applica-
13 ble law.”.

14 (c) DEFINITIONS.—In this section:

15 (1) FINANCIAL AGENCY.—The term “financial
16 agency” means the following:

17 (A) The Bureau of Consumer Financial
18 Protection.

19 (B) The Department of Housing and
20 Urban Development.

21 (C) The Department of the Treasury.

22 (D) The Federal Deposit Insurance Cor-
23 poration.

24 (E) The Federal Housing Finance Agency.

1 (F) The Board of Governors of the Federal
2 Reserve System.

3 (G) The National Credit Union Adminis-
4 tration.

5 (H) The Office of the Comptroller of the
6 Currency.

7 (I) The Securities and Exchange Commis-
8 sion.

9 (2) GUIDANCE.—The term “guidance” means a
10 financial agency statement of general applicability,
11 intended to have a future effect on the behavior of
12 regulated parties, that sets forth a policy on a statu-
13 tory, regulatory, or technical issue, or an interpreta-
14 tion of a statute or regulation, but does not in-
15 clude—

16 (A) a rule promulgated pursuant to notice
17 and comment under section 553 of title 5,
18 United States Code;

19 (B) a rule exempt from rulemaking re-
20 quirements under section 553(a) of title 5,
21 United States Code;

22 (C) a rule of financial agency organization,
23 procedure, or practice;

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1 (D) a decision of a financial agency adju-
2 dication under section 554 of title 5, United
3 States Code, or any similar statutory provision;

4 (E) internal guidance directed to the
5 issuing financial agency or other agency that is
6 not intended to have a substantial future effect
7 on the behavior of regulated parties; or

8 (F) internal executive branch legal advice
9 or legal opinions addressed to executive branch
10 officials.

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[118H1409]

.....
 (Original Signature of Member)

119TH CONGRESS
 1ST SESSION

H. R. _____

To amend the Federal Deposit Insurance Act to revise the membership requirements for the Board of Directors of the Federal Deposit Insurance Corporation, and for other purposes.

 IN THE HOUSE OF REPRESENTATIVES

Mr. HUIZENGA introduced the following bill; which was referred to the
 Committee on _____

A BILL

To amend the Federal Deposit Insurance Act to revise the membership requirements for the Board of Directors of the Federal Deposit Insurance Corporation, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “FDIC Board Account-
 5 ability Act”.

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1 SEC. 2. FDIC BOARD OF DIRECTORS.

2 Section 2 of the Federal Deposit Insurance Act (12
3 U.S.C. 1812) is amended—

4 (1) in subsection (a)—

5 (A) in paragraph (1)—

6 (i) in subparagraph (A), by adding
7 “and” at the end; and

8 (ii) by striking subparagraphs (B) and
9 (C) and inserting the following:

10 “(B) 4 of whom shall be appointed by the
11 President, by and with the advice and consent
12 of the Senate, from among individuals who are
13 citizens of the United States, 1 of whom shall
14 have State bank supervisory experience, and
15 separately 1 of whom shall have demonstrated
16 primary experience working in or supervising
17 depository institutions having less than
18 \$10,000,000,000 in total assets.”; and

19 (B) by adding at the end the following:

20 “(3) NON-VOTING STATUS OF THE DIRECTOR
21 OF THE BUREAU OF CONSUMER FINANCIAL PROTEC-
22 TION.—The Director of the Bureau of Consumer Fi-
23 nancial Protection shall serve as a non-voting ob-
24 server to the Board of Directors of the Corpora-
25 tion.”;

26 (2) in subsection (c)—

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- 1 (A) in paragraph (1), by adding at the end
2 the following: “No individual may be appointed
3 as a member for more than two terms.”; and
4 (B) by adding at the end the following:
5 “(4) MAXIMUM LENGTH OF SERVICE.—Not-
6 withstanding any other provision of this Act, no per-
7 son shall serve as a member for more than twelve
8 years in total.”;
9 (3) in subsection (d)(2)—
10 (A) by striking “Consumer Financial Pro-
11 tection Bureau” each place such term appears
12 and inserting “Bureau of Consumer Financial
13 Protection”; and
14 (B) by inserting “or observer, as the case
15 may be,” after “member”; and
16 (4) in subsection (f)(2), by striking “or of the
17 Consumer Financial Protection Bureau”.

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[118H8591]

.....
 (Original Signature of Member)

119TH CONGRESS
 1ST SESSION

H. R. _____

To amend the Federal Reserve Act to add requirements to the annual report of the Board of Governors of the Federal Reserve System, and for other purposes.

 IN THE HOUSE OF REPRESENTATIVES

Mr. WILLIAMS of Texas introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Federal Reserve Act to add requirements to the annual report of the Board of Governors of the Federal Reserve System, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Federal Reserve Fi-
 5 nancial Accountability and Transparency Act”.

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1 **SEC. 2. REPORTING REQUIREMENTS WITH RESPECT TO**
2 **THE ANNUAL REPORT OF THE BOARD OF**
3 **GOVERNORS OF THE FEDERAL RESERVE SYS-**
4 **TEM.**

5 (a) IN GENERAL.—The 7th undesignated paragraph
6 of section 10 of the Federal Reserve Act (12 U.S.C. 247)
7 is amended—

8 (1) by striking “The Board” and inserting the
9 following:

10 “(7) ANNUAL REPORT.—

11 “(A) IN GENERAL.—The Board”; and

12 (2) by adding at the end the following:

13 “(B) REPORT REQUIREMENTS.—The re-
14 port required under subparagraph (A) shall in-
15 clude the following:

16 “(i) Annual expenditures and full-time
17 equivalent employees for each Federal re-
18 serve bank with respect to each of the fol-
19 lowing categories:

20 “(I) Supervision activities of fi-
21 nancial institutions.

22 “(II) Legal functions.

23 “(III) Operations of the Federal
24 reserve bank, including currency serv-
25 ices, automated clearing house serv-

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1 ices, check clearing services, and
2 wholesale payment services.

3 “(IV) Financial stability and
4 open market operations.

5 “(V) Administrative functions,
6 including human resources, account-
7 ing, and information technology.

8 “(VI) Economic research.

9 “(VII) Any engagement with
10 international cooperative bodies, in-
11 cluding the Bank for International
12 Settlements, the Basel Committee on
13 Banking Supervision, and the Net-
14 work for Greening the Financial Sys-
15 tem.

16 “(ii) The 3 most important areas of
17 research, as measured by annual expendi-
18 tures and full-time equivalent employees,
19 for the Board of Governors of the Federal
20 Reserve System and for each Federal re-
21 serve bank.

22 “(iii) The annual expenditures in the
23 previous year dedicated to each rule, guid-
24 ance, and policy statement that was pro-
25 posed or finalized.”.

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1 (b) EFFECTIVE DATE.—The amendments made by
2 this Act shall take effect on the date that is 2 years after
3 the date of the enactment of this Act.

[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R. _____**To enhance the reporting and testimony requirements for Federal banking
agencies.

IN THE HOUSE OF REPRESENTATIVESMs. DE LA CRUZ introduced the following bill; which was referred to the
Committee on _____

A BILLTo enhance the reporting and testimony requirements for
Federal banking agencies.1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*3 **SECTION 1. SHORT TITLE.**4 This Act may be cited as the “Banking Regulator Ac-
5 countability Act”.6 **SEC. 2. REPORTS AND TESTIMONY TO CONGRESS ON SU-**
7 **PERVISION.**8 (a) TESTIMONY AND REPORTS TO CONGRESS ON
9 FEDERAL RESERVE SYSTEM SUPERVISION.—Section 2B

1 of the Federal Reserve Act (12 U.S.C. 225b) is amended
2 by adding at the end the following:

3 “(d) SEMI-ANNUAL TESTIMONY AND REPORT TO
4 CONGRESS ON SUPERVISION.—

5 “(1) IN GENERAL.—The Vice Chairman for Su-
6 pervision shall submit a semi-annual report to the
7 Committee on Banking, Housing, and Urban Affairs
8 of the Senate and the Committee on Financial Serv-
9 ices of the House of Representatives regarding the
10 efforts, activities, objectives, and plans of the Board
11 with respect to the conduct of supervision and regu-
12 lation of depository institution holding companies
13 and other financial firms supervised by the Board.

14 “(2) MINIMUM CONTENTS.—At a minimum,
15 each report under paragraph (1) shall include—

16 “(A) conditions of financial firms, includ-
17 ing examination or inspection ratings, on an ag-
18 gregate basis by firm asset size;

19 “(B) granular data on outstanding mate-
20 rial supervisory determinations by type of deter-
21 mination, including the types of risks covered,
22 on an aggregate basis by firm asset size;

23 “(C) changes in the number and types of
24 outstanding material supervisory determinations
25 over the previous 5 years;

1 “(D) aggregate data on the ratings of fi-
2 nancial firms over the previous 3 years;

3 “(E) the number of informal and formal
4 enforcement actions, by type of enforcement
5 order and showing changes in the last 3 years,
6 against supervised financial firms on an aggre-
7 gate basis by firm asset size; and

8 “(F) a description of the organization of
9 the supervisory functions of the Board with re-
10 spect to financial firms, including information
11 on roles, responsibilities, accountability, and tal-
12 ent management.

13 “(3) CONFIDENTIAL REPORT.—Concurrent with
14 each report under paragraph (1), the Vice Chairman
15 for Supervision shall submit a confidential report to
16 the chair and ranking member of each committee de-
17 scribed under paragraph (1) identifying—

18 “(A) each supervised financial firm with
19 less than satisfactory examination or inspection
20 ratings; and

21 “(B) each supervised financial firm with
22 an active formal or informal enforcement ac-
23 tion, and the status of each provision of each
24 enforcement action.”.

1 (b) TESTIMONY AND REPORTS TO CONGRESS ON
2 FEDERAL DEPOSIT INSURANCE CORPORATION SUPER-
3 VISION.—Section 17 of the Federal Deposit Insurance Act
4 (12 U.S.C. 1827) is amended by adding at the end the
5 following:

6 “(h) SEMI-ANNUAL TESTIMONY AND REPORT TO
7 CONGRESS ON SUPERVISION.—

8 “(1) APPEARANCES BEFORE CONGRESS.—The
9 Chairman of the Corporation shall appear before the
10 Committee on Banking, Housing, and Urban Affairs
11 of the Senate and the Committee on Financial Serv-
12 ices of the House of Representatives at semi-annual
13 hearings regarding the efforts, activities, objectives,
14 and plans of the Corporation with respect to the
15 conduct of supervision and regulation of depository
16 institutions supervised by the Corporation.

17 “(2) REPORT TO CONGRESS.—

18 “(A) IN GENERAL.—The Chairman of the
19 Corporation shall transmit to the Committee on
20 Banking, Housing, and Urban Affairs of the
21 Senate and the Committee on Financial Serv-
22 ices of the House of Representatives semi-an-
23 nual reports regarding the efforts, activities, ob-
24 jectives, and plans of the Corporation with re-
25 spect to the conduct of supervision and regula-

1 tion of depository institutions supervised by the
2 Corporation.

3 “(B) MINIMUM CONTENTS.—At a min-
4 imum, each report under subparagraph (A)
5 shall include—

6 “(i) conditions of depository institu-
7 tions, including examination or inspection
8 ratings, on an aggregate basis by institu-
9 tion asset size;

10 “(ii) granular data on outstanding
11 material supervisory determinations by
12 type of determination, including the types
13 of risks covered, on an aggregate basis by
14 institution asset size;

15 “(iii) changes in the number and
16 types of outstanding material supervisory
17 determinations over the previous 5 years;

18 “(iv) aggregate data on the ratings of
19 depository institutions over the previous 3
20 years;

21 “(v) the number of informal and for-
22 mal enforcement actions, by type of en-
23 forcement order and showing changes in
24 the last 3 years, against supervised deposi-

1 tory institutions on an aggregate basis by
2 institution asset size; and

3 “(vi) a description of the organization
4 of the supervisory functions of the Cor-
5 poration with respect to depository institu-
6 tions, including information on roles, re-
7 sponsibilities, accountability, and talent
8 management.

9 “(C) CONFIDENTIAL REPORT.—Concurrent
10 with each report under subparagraph (A), the
11 Chairman of the Corporation shall submit a
12 confidential report to the chair and ranking
13 member of each committee described under sub-
14 paragraph (A) identifying—

15 “(i) each supervised depository insti-
16 tution with less than satisfactory examina-
17 tion or inspection ratings; and

18 “(ii) each supervised depository insti-
19 tution with an active formal or informal
20 enforcement action, and the status of each
21 provision of each enforcement action.”.

22 (c) TESTIMONY AND REPORTS TO CONGRESS ON
23 COMPTROLLER OF THE CURRENCY SUPERVISION.—The
24 second section 333 of the Revised Statutes of the United

1 States (12 U.S.C. 14; relating to the annual report) is
2 amended—

3 (1) by striking “The Comptroller” and inserting
4 the following:

5 “(a) ANNUAL REPORT.—The Comptroller”; and

6 (2) by adding at the end the following:

7 “(b) SEMI-ANNUAL TESTIMONY AND REPORT TO
8 CONGRESS ON SUPERVISION.—

9 “(1) APPEARANCES BEFORE CONGRESS.—The
10 Comptroller of the Currency shall appear before the
11 Committee on Banking, Housing, and Urban Affairs
12 of the Senate and the Committee on Financial Serv-
13 ices of the House of Representatives at semi-annual
14 hearings regarding the efforts, activities, objectives,
15 and plans of the Office of the Comptroller of the
16 Currency with respect to the conduct of supervision
17 and regulation of national banks and other financial
18 firms supervised by the Office of the Comptroller of
19 the Currency.

20 “(2) REPORT TO CONGRESS.—

21 “(A) IN GENERAL.—The Comptroller of
22 the Currency shall transmit to the Committee
23 on Banking, Housing, and Urban Affairs of the
24 Senate and the Committee on Financial Serv-
25 ices of the House of Representatives semi-an-

1 nual reports regarding the efforts, activities, ob-
2 jectives, and plans of the Office of the Comp-
3 troller of the Currency with respect to the con-
4 duct of supervision and regulation of national
5 banks and other financial firms supervised by
6 the Office of the Comptroller of the Currency.

7 “(B) MINIMUM CONTENTS.—At a min-
8 imum, each report under subparagraph (A)
9 shall include—

10 “(i) conditions of national banks and
11 other financial firms, including examina-
12 tion or inspection ratings, on an aggregate
13 basis by asset size;

14 “(ii) granular data on outstanding
15 material supervisory determinations by
16 type of determination, including the types
17 of risks covered, on an aggregate basis by
18 asset size;

19 “(iii) changes in the number and
20 types of outstanding material supervisory
21 determinations over the previous 5 years;

22 “(iv) aggregate data on the ratings of
23 national banks and other financial firms
24 over the previous 3 years;

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1 “(v) the number of informal and for-
2 mal enforcement actions, by type of en-
3 forcement order and showing changes in
4 the last 3 years, against supervised na-
5 tional banks and other financial firms on
6 an aggregate basis by firm asset size; and

7 “(vi) a description of the organization
8 of the supervisory functions of the Office
9 of the Comptroller of the Currency with re-
10 spect to national banks and other financial
11 firms, including information on roles, re-
12 sponsibilities, accountability, and talent
13 management.

14 “(C) CONFIDENTIAL REPORT.—Concurrent
15 with each report under subparagraph (A), the
16 Comptroller of the Currency shall submit a con-
17 fidential report to the chair and ranking mem-
18 ber of each committee described under subpara-
19 graph (A) identifying—

20 “(i) each supervised national bank or
21 other financial firms with less than satis-
22 factory examination or inspection ratings;
23 and

24 “(ii) each supervised national bank or
25 other financial firms with an active formal

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1 or informal enforcement action, and the
2 status of each provision of each enforce-
3 ment action.”.

4 (d) TESTIMONY AND REPORTS TO CONGRESS ON NA-
5 TIONAL CREDIT UNION ADMINISTRATION SUPER-
6 VISION.—Section 102 of the Federal Credit Union Act (12
7 U.S.C. 1752a) is amended by adding at the end the fol-
8 lowing:

9 “(g) SEMI-ANNUAL TESTIMONY AND REPORT TO
10 CONGRESS ON SUPERVISION.—

11 “(1) APPEARANCES BEFORE CONGRESS.—The
12 Chairman of the Board shall appear before the Com-
13 mittee on Banking, Housing, and Urban Affairs of
14 the Senate and the Committee on Financial Services
15 of the House of Representatives at semi-annual
16 hearings regarding the efforts, activities, objectives,
17 and plans of the Administration with respect to the
18 conduct of supervision and regulation of credit
19 unions supervised by the Administration.

20 “(2) REPORT TO CONGRESS.—

21 “(A) IN GENERAL.—The Chairman of the
22 Board shall transmit to the Committee on
23 Banking, Housing, and Urban Affairs of the
24 Senate and the Committee on Financial Serv-
25 ices of the House of Representatives semi-an-

1 nual reports regarding the efforts, activities, ob-
2 jectives, and plans of the Administration with
3 respect to the conduct of supervision and regu-
4 lation of credit unions supervised by the Admin-
5 istration.

6 “(B) MINIMUM CONTENTS.—At a min-
7 imum, each report under subparagraph (A)
8 shall include—

9 “(i) conditions of credit unions, in-
10 cluding examination or inspection ratings,
11 on an aggregate basis by credit union asset
12 size;

13 “(ii) granular data on outstanding
14 material supervisory determinations by
15 type of determination, including the types
16 of risks covered, on an aggregate basis by
17 credit union asset size;

18 “(iii) changes in the number and
19 types of outstanding material supervisory
20 determinations over the previous 5 years;

21 “(iv) aggregate data on the ratings of
22 credit unions over the previous 3 years;

23 “(v) the number of informal and for-
24 mal enforcement actions, by type of en-
25 forcement order and showing changes in

1 the last 3 years, against supervised credit
2 unions on an aggregate basis by credit
3 union asset size; and

4 “(vi) a description of the organization
5 of the supervisory functions of the Board
6 with respect to credit unions, including in-
7 formation on roles, responsibilities, ac-
8 countability, and talent management.

9 “(C) CONFIDENTIAL REPORT.—Concurrent
10 with each report under subparagraph (A), the
11 Chairman of the Board shall submit a confiden-
12 tial report to the chair and ranking member of
13 each committee described under subparagraph
14 (A) identifying—

15 “(i) each supervised credit union with
16 less than satisfactory examination or in-
17 spection ratings; and

18 “(ii) each supervised credit union with
19 an active formal or informal enforcement
20 action, and the status of each provision of
21 each enforcement action.”.

119TH CONGRESS
1ST SESSION

H. R. 2808

To amend the Fair Credit Reporting Act to prevent consumer reporting agencies from furnishing consumer reports under certain circumstances, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 10, 2025

Mr. ROSE (for himself, Mr. TORRES of New York, Mr. GARBARINO, Mr. NUNN of Iowa, Mr. AMODEI of Nevada, Mr. AMO, Mr. NEGUSE, Ms. NORTON, Mr. OGLES, Mr. STEIL, Mr. WITTMAN, Mr. LUCAS, Mr. JOHNSON of South Dakota, Mr. TIMMONS, Mr. BERGMAN, Ms. BROWNLEY, Mr. SUOZZI, Mr. MOOLENAAR, Mr. CLEAVER, Mrs. BICE, Mr. FIELDS, Mr. SMITH of Nebraska, Mr. SCOTT FRANKLIN of Florida, Mr. KUSTOFF, Mr. KELLY of Mississippi, Ms. PETERSEN, Mr. GUEST, and Mr. FITZPATRICK) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To amend the Fair Credit Reporting Act to prevent consumer reporting agencies from furnishing consumer reports under certain circumstances, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Homebuyers Privacy
5 Protection Act”.

1 **SEC. 2. TREATMENT OF PRESCREENING REPORT RE-**
2 **QUESTS.**

3 Section 604(c) of the Fair Credit Reporting Act (15
4 U.S.C. 1681b(c)) is amended by adding at the end the
5 following:

6 “(4) TREATMENT OF PRESCREENING REPORT
7 REQUESTS.—

8 “(A) DEFINITIONS.—In this paragraph:

9 “(i) CREDIT UNION.—The term ‘cred-
10 it union’ means a Federal credit union or
11 a State credit union, as those terms are
12 defined in section 101 of the Federal Cred-
13 it Union Act (12 U.S.C. 1752).

14 “(ii) INSURED DEPOSITORY INSTITU-
15 TION.—The term ‘insured depository insti-
16 tution’ has the meaning given the term in
17 section 3 of the Federal Deposit Insurance
18 Act (12 U.S.C. 1813(c)).

19 “(iii) RESIDENTIAL MORTGAGE
20 LOAN.—The term ‘residential mortgage
21 loan’ has the meaning given the term in
22 section 1503 of the S.A.F.E. Mortgage Li-
23 censing Act of 2008 (12 U.S.C. 5102).

24 “(iv) SERVICER.—The term ‘servicer’
25 has the meaning given the term in section

1 6(i) of the Real Estate Settlement Proce-
2 dures Act of 1974 (12 U.S.C. 2605(i)).

3 “(B) LIMITATION.—If a person requests a
4 consumer report from a consumer reporting
5 agency in connection with a credit transaction
6 involving a residential mortgage loan, that
7 agency may not, based in whole or in part on
8 that request, furnish a consumer report to an-
9 other person under this subsection unless—

10 “(i) the transaction consists of a firm
11 offer of credit or insurance; and

12 “(ii) that other person—

13 “(I) has submitted documenta-
14 tion to that agency certifying that
15 such other person has, pursuant to
16 paragraph (1)(A), the authorization of
17 the consumer to whom the consumer
18 report relates; or

19 “(II)(aa) has originated a cur-
20 rent residential mortgage loan of the
21 consumer to whom the consumer re-
22 port relates;

23 “(bb) is the servicer of a current
24 residential mortgage loan of the con-

1 sumer to whom the consumer report
2 relates; or

3 “(cc)(AA) is an insured deposi-
4 tory institution or credit union; and

5 “(BB) holds a current account
6 for the consumer to whom the con-
7 sumer report relates.”.

8 **SEC. 3. EFFECTIVE DATE.**

9 This Act, and the amendments made by this Act,
10 shall take effect on the date that is 180 days after the
11 date of enactment of this Act.

○

119TH CONGRESS
1ST SESSION

H. R. 1181

To prohibit payment card networks and covered entities from requiring the use of or assigning merchant category codes that distinguish a firearms retailer from general-merchandise retailer or sporting-goods retailer, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 11, 2025

Mr. MOORE of West Virginia (for himself, Mr. BARR, Mr. HUDSON, Mr. BEAN of Florida, Mr. CLINE, Mr. PERRY, Ms. VAN DUYNE, Mr. GUTHRIE, Mr. COLLINS, Mr. FINSTAD, Mr. MOORE of Alabama, Mr. WEBSTER of Florida, Mr. GUEST, Mr. RULLI, Mr. WILLIAMS of Texas, Mr. HIGGINS of Louisiana, Mr. BOST, Ms. TENNEY, Mr. SCHMIDT, Mr. MOORE of North Carolina, Mr. NEWHOUSE, Mr. COMER, Mr. WOMACK, Mr. ROSE, Mr. YAKYM, Mr. GILL of Texas, and Mr. RUTHERFORD) introduced the following bill; which was referred to the Committee on Financial Services

A BILL

To prohibit payment card networks and covered entities from requiring the use of or assigning merchant category codes that distinguish a firearms retailer from general-merchandise retailer or sporting-goods retailer, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Protecting Privacy in
3 Purchases Act”.

4 **SEC. 2. DISTINGUISHING FIREARMS SALES.**

5 (a) **PROHIBITIONS RELATING TO MERCHANT CAT-**
6 **EGORY CODES.—**

7 (1) **PAYMENT CARD NETWORKS.—**A payment
8 card network may not require a firearms retailer to
9 use, nor require a covered entity to assign, a mer-
10 chant category code that distinguishes such firearms
11 retailer from a general-merchandise retailer or a
12 sporting-goods retailer.

13 (2) **COVERED ENTITIES.—**A covered entity or
14 its agent may not assign to a firearms retailer any
15 merchant category code that distinguishes from a
16 general-merchandise retailer or a sporting-goods re-
17 tailer.

18 (b) **ENFORCEMENT.—**

19 (1) **IN GENERAL.—**The Attorney General shall
20 enforce this section and shall, not later than 90 days
21 after the date of the enactment of this section, es-
22 tablish a process for individuals, including firearms
23 retailers, to submit complaints relating to alleged
24 violations of this section.

1 (2) INVESTIGATION.—The Attorney General
2 shall investigate each complaint received through the
3 processes established under paragraph (1).

4 (3) WRITTEN NOTICE.—If the Attorney General
5 determines after conducting an investigation that a
6 payment card network or covered entity has violated
7 this section, the Attorney General shall send a writ-
8 ten notice of such violation to such payment card
9 network or covered entity that requires the payment
10 card network or covered entity to remedy the viola-
11 tion not later than 30 days after the date on which
12 the payment card network or covered entity receives
13 such notice.

14 (4) INJUNCTION.—

15 (A) IN GENERAL.—If a payment card net-
16 work or covered entity does not remedy a viola-
17 tion within 30 days of receiving a written notice
18 under paragraph (3), the Attorney General may
19 bring an action in Federal court to enjoin the
20 violating behavior.

21 (B) NO PRIVATE RIGHT OF ACTION.—This
22 Act does not create a private right of action.

23 (c) PREEMPTION.—Any law of a State or local gov-
24 ernment regulating merchant category codes for firearm
25 retailers is hereby preempted.

1 (d) REPORT.—The Attorney General shall, each year,
2 submit a report to the Congress that—

3 (1) identifies the number of investigations un-
4 dertaken by the Attorney General under this section;

5 (2) includes a summary of such cases and their
6 disposition; and

7 (3) provides any available data and analysis re-
8 garding the effectiveness of this Act.

9 (e) DEFINITIONS.—In this Act:

10 (1) AMMUNITION.—The term “ammunition”
11 has the meaning given the term in section
12 921(a)(17)(A) of title 18, United States Code.

13 (2) COVERED ENTITY.—The term “covered en-
14 tity” means any entity that—

15 (A) establishes a relationship with a mer-
16 chant for the purposes of processing credit,
17 debit, or prepaid transactions; or

18 (B) establishes a relationship with an enti-
19 ty that establishes a relationship with a mer-
20 chant for the purposes of processing credit,
21 debit, or prepaid transactions.

22 (3) FIREARM.—The term “firearm” has the
23 meaning given the term in section 921(a)(3), (5),
24 (7), (16), (29), (30), of title 18, United States Code.

1 (4) FIREARMS RETAILER.—The term “firearms
2 retailer” means a person or entity engaged in the
3 lawful business of selling or trading firearms or am-
4 munition to be used in firearms.

5 (5) MERCHANT CATEGORY CODE.—The term
6 “merchant category code” means a multi-digit code,
7 issued by the International Organization for Stand-
8 ardization, for the purposes of enabling the classi-
9 fication of merchants into specific categories based
10 on the type of business, trade or services supplied.

11 (6) PAYMENT CARD NETWORK.—The term
12 “payment card network” means an entity that di-
13 rectly or through a licensed member, processor, or
14 agent provides proprietary services, infrastructure,
15 or software, or hardware that route information
16 used to authorize, clear and settle credit card and
17 debit card transactions.

○

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[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R. _____**

To amend the Federal Financial Institutions Examination Council Act of 1978 to require the Federal financial institutions regulatory agencies to update the CAMELS Rating System, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Federal Financial Institutions Examination Council Act of 1978 to require the Federal financial institutions regulatory agencies to update the CAMELS Rating System, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “CAMELS Rating Mod-
5 ernization Act of 2025”.

6 SEC. 2. FINDINGS.

7 Congress finds that—

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1 (1) CAMELS ratings (Capital adequacy, Asset
2 quality, Management, Earnings, Liquidity, and Sen-
3 sitivity to market risk) are a critical tool for evalu-
4 ating the safety and soundness of financial institu-
5 tions, and the basis for determining significant regu-
6 latory matters such as the evaluation for mergers
7 and acquisitions and a bank's deposit insurance pre-
8 miums;

9 (2) the CAMELS rating system relies heavily
10 on examiner judgment, which can lead to subjective
11 and inconsistent ratings across similar institutions;

12 (3) establishing clear, objective measures for
13 each CAMELS component and their relative
14 weighting in determining composite ratings will pro-
15 mote fairness, consistency, and accountability in su-
16 pervisory assessments; and

17 (4) examination and supervision, as well as the
18 CAMELS rating system, should focus on a financial
19 institution's core financial condition or solvency.

20 **SEC. 3. AMENDMENTS TO THE CAMELS RATING SYSTEM.**

21 The Federal Financial Institutions Examination
22 Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended
23 by adding at the end the following:

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1 **“SEC. 1012. AMENDMENTS TO THE CAMELS RATING SYS-**
2 **TEM.**

3 “(a) IN GENERAL.—The Council shall make rec-
4 ommendations to amend the Uniform Financial Institu-
5 tions Rating System, and the CAMELS components there-
6 under, to—

7 “(1) establish clear, objective, and quantifiable
8 criteria for assessing each CAMELS component;

9 “(2) revise the weighting of each CAMELS
10 component to more accurately reflect the financial
11 condition and risk profile of the financial institutions
12 being rated;

13 “(3) either—

14 “(A) eliminate the management component
15 of the CAMELS rating system; or

16 “(B) revise the management component of
17 the CAMELS rating system to limit the assess-
18 ment under such component to objective meas-
19 ures of the governance and controls used to
20 manage an institution’s risk profile; and

21 “(4) ensure that composite ratings are deter-
22 mined based on a transparent methodology that is
23 limited to the objective criteria established for each
24 CAMELS component.

25 “(b) RULEMAKING.—Not later than 12 months after
26 the date of enactment of this section, the Federal financial

1 institutions regulatory agencies shall, jointly, issue rules
2 to carry out the recommendations described under sub-
3 section (a).

4 “(c) PUBLIC COMMENT PERIOD.—In issuing the
5 rules required under subsection (b), the Federal financial
6 institutions regulatory agencies shall—

7 “(1) publish a notice of proposed rulemaking
8 with respect to such rules; and

9 “(2) provide for a public comment period of not
10 less than 60 days.

11 “(d) TREATMENT OF MANAGEMENT COMPONENT.—
12 For purposes of section 2(o)(9)(A)(ii) of the Bank Hold-
13 ing Company Act of 1956 (12 U.S.C. 1841(o)(9)(A)(ii)),
14 the management component of the CAMELS rating sys-
15 tem is not a ‘rating for management’.

16 “(e) RULE OF CONSTRUCTION.—Nothing in this sec-
17 tion may be construed to limit the authority of the Federal
18 financial institutions regulatory agencies to take super-
19 visory or enforcement actions as necessary to ensure the
20 safety and soundness of financial institutions.”.

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[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To amend the Federal Deposit Insurance Act to permit Federal banking agencies to examine qualifying insured depository institutions with under \$10 billion in total assets not less than once during each 18-month period, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To amend the Federal Deposit Insurance Act to permit Federal banking agencies to examine qualifying insured depository institutions with under \$10 billion in total assets not less than once during each 18-month period, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Tailored Regulatory
5 Updates for Supervisory Testing Act of 2025” or the
6 “TRUST Act of 2025”.

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1 **SEC. 2. MODIFICATION OF EXAMINATION CYCLE THRESH-**
2 **OLDS FOR WELL-MANAGED INSTITUTIONS.**

3 Section 10(d) of the Federal Deposit Insurance Act
4 (12 U.S.C. 1820(d)) is amended—

5 (1) in paragraph (4)(A), by striking
6 “\$3,000,000,000” and inserting “\$10,000,000,000”;
7 and

8 (2) in paragraph (10), by striking
9 “\$3,000,000,000” and inserting “\$10,000,000,000”.

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[DISCUSSION DRAFT]119TH CONGRESS
1ST SESSION**H. R.** _____

To reduce the regulatory burden on certain well managed and well capitalized
financial institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. _____ introduced the following bill; which was referred to the
Committee on _____

A BILL

To reduce the regulatory burden on certain well managed
and well capitalized financial institutions, and for other
purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Supervisory Modifica-
5 tions for Appropriate Risk-based Testing Act of 2025” or
6 the “SMART Act of 2025”.

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1 **SEC. 2. EXAMINATION RELIEF FOR CERTAIN WELL MAN-**
2 **AGED AND WELL CAPITALIZED FINANCIAL IN-**
3 **STITUTIONS.**

4 The Federal Financial Institutions Examination
5 Council Act of 1978 (12 U.S.C. 3301 et seq.) is amended
6 by adding at the end the following:

7 **“SEC. 1012. EXAMINATION RELIEF FOR CERTAIN WELL**
8 **MANAGED AND WELL CAPITALIZED FINAN-**
9 **CIAL INSTITUTIONS.**

10 “(a) IN GENERAL.—The following shall apply to a
11 well managed and well capitalized financial institution
12 with \$10,000,000,000 or less in consolidated assets:

13 “(1) ALTERNATING LIMITED-SCOPE EXAMINA-
14 TIONS.—After the financial institutions receives a
15 full-scope, on-site examination from a Federal finan-
16 cial institutions regulatory agency, the next exam-
17 ination of the financial institution by such Federal
18 financial institutions regulatory agency shall be a
19 limited-scope examination, as determined by the
20 Federal financial institutions regulatory agency.

21 “(2) COMBINED EXAMINATIONS.—If the finan-
22 cial institution is otherwise subject to separate safe-
23 ty and soundness examinations and consumer com-
24 pliance examinations, the Federal financial institu-
25 tions regulatory agency shall combine such examina-
26 tions and carry them out at the same time.

1 “(b) RULEMAKING.—Not later than 12 months after
2 the date of enactment of this section, the Federal financial
3 institutions regulatory agencies shall issue rules to carry
4 out subsection (a), including, with respect to a financial
5 institution described under subsection (a), to—

6 “(1) establish procedures for the limited-scope
7 examinations described under subsection (a)(1);

8 “(2) establish procedures for reviewing financial
9 institutions that—

10 “(A) experience material changes in finan-
11 cial condition or operational risk profile between
12 scheduled examinations;

13 “(B) have failed to comply with Federal or
14 State banking laws and regulations; or

15 “(C) have taken such other actions as the
16 Federal financial institutions regulatory agency
17 determines to be relevant;

18 “(3) balance the goals of streamlining the ex-
19 amination cycle for individual financial institutions
20 and reducing unnecessary regulatory burden while
21 maintaining sufficient oversight to ensure the con-
22 tinued safety and soundness of the financial institu-
23 tions and compliance with all applicable laws and
24 regulations.

1 “(c) RULE OF CONSTRUCTION.—Nothing in this sec-
2 tion may be construed to limit the authority of a Federal
3 financial institutions regulatory agency to conduct off-site
4 monitoring, targeted reviews, or additional examinations
5 of a financial institution if deemed necessary to ensure
6 safety and soundness or compliance with applicable laws.

7 “(d) DEFINITIONS.—In this section:

8 “(1) CONSUMER COMPLIANCE EXAMINATION.—
9 The term ‘consumer compliance examination’ means
10 an examination to assess compliance with the re-
11 quirements of Federal consumer financial law (as
12 such term is defined in section 1002 of the Con-
13 sumer Financial Protection Act of 2010).

14 “(2) WELL CAPITALIZED.—The term ‘well cap-
15 italized’—

16 “(A) with respect to a financial institution
17 other than a credit union, has the meaning
18 given that term in section 38(b) of the Federal
19 Deposit Insurance Act (12 U.S.C. 1831o(b));
20 and

21 “(B) with respect to a credit union, has
22 the meaning given that term in section 216(c)
23 of the Federal Credit Union Act (12 U.S.C.
24 1790d(c)).

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1 “(3) WELL MANAGED.—With respect to a fi-
2 nancial institution, the term ‘well managed’ means
3 the financial institution received, in connection with
4 the institution’s most recent examination—

5 “(A) a composite rating of 1 or 2 under
6 the Uniform Financial Institutions Rating Sys-
7 tem (or an equivalent rating under an equiva-
8 lent rating system); and

9 “(B) at least a rating of 2 for manage-
10 ment, if such a rating is given.”.

