

After the US elections in November 2014, Congress [passed two amendments](#) to provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) – the so-called “swaps push-out rule” and the “Collins Amendment”. As a result, and leading up to the 114th Congress, there seemed to be growing momentum and an opening for regulatory relief for community institutions. However, after the Senate Committee on Banking, Housing, and Urban Affairs held its first two hearings on the issue this month, it has become clear that the path for regulatory relief for regional and community banks remains uncertain. Indeed, battle lines are being drawn across party lines and community institutions will need to be prepared to rebut challenges to the legitimacy of their need for regulatory relief. Moreover, efforts on this issue will need to expand from ongoing outreach by trade associations to broader educational and advocacy involvement by the community institutions with their home-state Members of Congress.

The Senate Committee on Banking, Housing, and Urban Affairs held two hearings last week titled “Regulatory Relief for Community Banks and Credit Unions.” The hearings focused on the regulatory environment for small- and medium- sized banks. Senator Richard Shelby (R-AL), who took over the chairmanship of the Committee in January and is expected to increase the Committee’s examination of large banks while providing appropriate relief for small banks, stated that “while there are some who continue to argue that current law is beyond reproach, there are many on both sides of the aisle that believe improvements can and should be made.”

In contrast, Senator Elizabeth Warren (D-MA) used the hearings as an opportunity to probe the witnesses, including American Bankers Association (ABA) representative Daniel Blanton, about the success of regional and community banks after the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). According to Senator Warren, the profitability of community banks signals that “they’re doing better than ever after the regulations went into effect.” Senator Warren suggested that Congress should be “very skeptical” of regulatory relief bills that are “pushed by ABA lobbyists for the big banks.” Her views are echoed by organizations such as Better Markets and Americans for Financial Reform (AFR). Indeed, AFR has stated that legislation supported by regional banks would be a “major deregulatory change” and the President of Better Markets has said, of a JP Morgan study on the impact of the Dodd-Frank Act on community banks, “[it] is a perfect example of how Wall Street’s dangerous too-big-to-fail banks hide behind the rhetoric of ‘helping community banks’ to push their de-regulatory agenda.”

These statements, along with growing backlash against “Wall Street” versus “Main Street” in Congress, threaten the bipartisan efforts to advance regulatory relief for regional banks, which began in 2014. Representative Blaine Luetkemeyer (R-MO) will soon be re-introducing legislation that would direct the Financial Stability Oversight Council (FSOC) to decide whether banks should comply with the Dodd-Frank regulations based on five factors, including size and global activity. The legislation was introduced initially in 2014 as H.R. 4060, with 81 co-sponsors, 20 of whom were Democrats. Similarly, Senators Pat Toomey (R-PA) and Joe Donnelly (D-IN) introduced legislation in 2014 that would raise the asset-size threshold for financial institutions subject to Consumer Financial Protection Bureau (CFPB) oversight from \$10 billion to \$50 billion (S. 2732). It remains to be seen whether these efforts will continue to receive support from Democrats.

As staunch supporters of the Dodd-Frank Act begin to question whether regulations negatively impact community institutions, there is an increasing need for better education and data regarding the costs and burdens of regulation for regional and community banks. And, without more active and visible advocacy involvement by the regional and community banks themselves, any regulatory relief initiatives may be compromised. Such direct education and advocacy can transcend the high level political dialogue that some are trying to instill in the ongoing debates about how to improve the Dodd-Frank Act to be more effective and efficient.

For additional information regarding the impact of Dodd-Frank Act regulations on regional and community banks and to understand how our Squire Patton Boggs Public Policy Group can assist in advancing your interests in Congress, please contact one of the individuals listed in this publication.

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