

Communities First Act—Real Solutions

Call it a down payment on doable measures for Congress to bolster community banks and Main Street America. Consider it a reflection of ICBA's leadership in advocating real solutions on Capitol Hill and remaining a constructive and influential participant in the policymaking process in Washington.

The Communities First Act (CFA) of 2011 (H.R. 1697), introduced last month by House Financial Services Committee member Blaine Luetkemeyer (R-Mo.), represents a comprehensive package of highly targeted regulatory- and tax-relief measures. Like its earlier version that ICBA helped lawmakers fashion in 2006–2007, the legislation is chock full of practical, nitty-gritty measures that make a real difference for community banks. They're very much worth reviewing.

Among its regulatory-relief provisions, the CFA would:

- allow highly rated, well-capitalized banks with assets of \$10 billion or less to file a short-form call report in two nonsequential quarters of each year;
- increase the Sarbanes-Oxley internal attestation level exemption for depository institutions from \$75 million to \$1 billion in market capitalization;
- only require annual privacy notices to customers unless a bank changes its information sharing policies;
- require the federal government to reimburse costs for banks with \$10 billion in asset or less that produce documents for law enforcement or investigative purposes;
- create a five-year rolling average of real estate loan appraisals for classifying loans during a downturn;
- direct the Federal Reserve to double its threshold to \$1 billion in consolidated assets for bank holding companies that are eligible for simplified capital requirements; and
- require the SEC to increase the threshold number of bank shareholders that trigger SEC registration from 500 to 2,000, and require the SEC to conduct a cost-benefit analysis before approving any accounting change.

To provide sensible tax relief, in addition to several meaningful refinements to the Wall Street Reform Act promoted by ICBA, the CFA would ...

- allow community banks to amortize losses on commercial real estate loans and other real estate owned over 10 years for regulatory capital purposes;
- extend the five-year net-operating-loss carryback provision, which would help community banks that suffered losses during the economic downturn.
- double the shareholder limit for Subchapter S corporations to 200;
- allow the use of preferred stock for Subchapter S corporation banks and allow IRA shareholders to invest in S corporation banks; and
- permit banks and bank holding companies under \$10 billion in assets to elect a limited liability company tax status, without a transition cost.

These are just highlights, of course. Details in any legislation matter substantially, right down to the commas and semicolons. But it's worth learning about all of the CFA's provisions. Each is carefully designed to assist the greatest number of community banks as possible. Becoming familiar with all of them will help you rally to support them.

Demonstrated by the success of its earlier version, the Communities First Act shows that ICBA, with our state and regional association allies, can initiate creative, consequential policy solutions that significantly benefit the nation's community banks and Main Street America.

Visit ICBA's online grassroots advocacy center at www.cbconnect.com for more information on the Communities First Act.