America’s banks drive the economy

America’s $23.6 trillion banking industry safeguards $19.4 trillion in deposits and extends $12 trillion in loans.

America’s banks serve **251 million retail customers** and **55 million small business customers**.

Close to 5,000 banks serve customers nationwide through more than **80,000 branches and universally-available mobile platforms.**

America’s banks **donate nearly $5 billion to charitable organizations** and **bank employees contribute over 12 million volunteer hours a year** in their communities.

More than 95 percent of ABA members are community banks with under $10 billion in assets, and 75 percent have under $1 billion in assets.

More than 15,000 bankers serve on more than 200 banker-driven ABA committees, councils and working groups to drive our policy and advocacy initiatives.

1333 New Hampshire Ave NW
Washington DC 20036

ABA BLUEPRINT FOR GROWTH

IN 2023 AND BEYOND

The American Bankers Association is the only trade association to represent banks of all sizes and their two million dedicated employees. We help America’s banks serve their customers and strengthen their communities by advocating for policies in Washington that drive a healthy and inclusive economy, support a dynamic and innovative financial services industry, and foster a competitive financial services market. We are the only trade association with a formal alliance with 51 state bankers associations that work tirelessly to ensure banks can continue to meet the needs of their customers in their home states. ABA and its state association partners believe a strong banking industry is foundational to a strong economy. We look forward to partnering with members of Congress to ensure we are delivering on both.

aba.com/WhatWeStandFor

OUR PRIORITIES

Drive a Healthy and Inclusive Economy.

Banks are in the business of investing in their communities. Policymakers can grow the return on those investments by supporting bank efforts to inject needed capital into rural and underserved communities. We call on Congress to:

Access to Credit for the Rural Economy. Sustain and grow rural America by supporting legislation to lower the cost of credit for farmers and ranchers financing agricultural real estate, as well as rural homeowners seeking credit for housing in communities of 2,500 or less.

New Market Tax Credits. Enact the New Market Tax Credit Extension Act, which would make the New Market Tax Credit program permanent. New Market Tax Credits are a vital tool to promote greater economic growth in economically distressed rural, urban and tribal communities by stimulating the private investment needed to grow businesses and create jobs.

Housing Initiatives. Enact the Affordable Housing Credit Improvement Act and the Neighborhood Homes Investment Act, which would enable the construction of an additional two million affordable homes over the next decade and generate equity investments to rehabilitate properties in distressed neighborhoods, respectively.

Support a Dynamic and Innovative Banking Industry.

Bank-led innovations in payments and other core services keep America's banking system safe and state-of-the-art. Policymakers can help maintain a nimble and competitive financial services sector by applying like-kind regulation to like-kind activity and by eliminating regulatory inefficiencies, which disproportionately affect small banks and contribute to banking services migrating outside the regulated industry. We urge Congress and regulators to:

Digital Asset Regulation. Bring stablecoins inside the banking regulatory perimeter, and require equivalent capital, liquidity and consumer protection standards across all stablecoin providers. Ensure banks are not disincentivized relative to nonbank providers and have the regulatory clarity they need to custody digital assets.

Small Business Lending. Extend supervisory authority over nonbank small business lenders and urge the CFPB to streamline its small business lending data collection and reporting rule by requiring only congressionally-mandated data points. The Promoting Fair Lending to Small Businesses Act would ensure equivalent oversight of all small business lenders.

CRA. Apply the Community Reinvestment Act to nonbank lenders and urge banking regulators to simplify the CRA modernization proposal. Doing so would minimize regulatory inefficiencies while also expanding lending to underserved communities and ensuring all financial services providers are prioritizing service low-to-moderate-income borrowers.

Foster a Competitive Financial Services Market.

Government oversight of the financial services sector is critical to maintaining a safe and sound banking system, but direct government intervention in banking—whether through price controls, unevenly applied subsidies or direct competition with private companies—distorts the financial services marketplace and can create unintended consequences. Policymakers should:

Credit Unions. Scrutinize whether credit unions are meeting their statutory objective of serving low-to-moderate-income communities in a robust, demonstrable way that justifies their preferential tax treatment over community banks.

CBDC. Resist pressure to pursue a Central Bank Digital Currency, which would establish the Federal Reserve as an advantaged competitor to bank deposits, draining our nation's deposit base and limiting the availability of credit.

Interchange. Oppose price controls on interchange, which merely transfer wealth from bank customers to a handful of large merchants, with minimal benefit to small businesses.

ESG Mandates. Protect banks' freedom to make their own lending, investing and other business decisions. We should not let political agendas—whether from the far right or the far left—get between banks and the communities they serve.

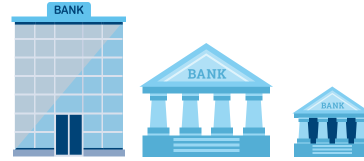
ABA looks forward to collaborating with policymakers on bipartisan initiatives to spur growth and support a robust financial services marketplace.

Learn more at aba.com/WhatWeStandFor

ABA's Partnership With Policymakers for a Strong Banking Industry

American Bankers Association:

The united voice of the nation's **$23.6 trillion banking industry**.



The only trade association that represents banks of *all* sizes and charters — small, midsize, regional and large banks — and their **2.1 million employees**.

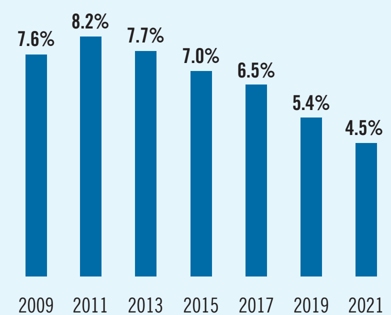
Impact of the Banking Industry:

- Banks help businesses of all sizes grow and invest — **creating jobs** for Americans.
- **94.6% of households** have either a checking or savings account.
- America's banks serve **251 million retail customers** and **55 million small business customers**.
- Banks have driven **the unbanked rate down to a record low** of 4.5% of households in 2021. With **more than 41,000 branches** now offering 350+ low-cost Bank On-certified accounts, ABA will continue working with the Cities for Financial Empowerment Fund to welcome all Americans into the banking system.
- Annually, bank employees **volunteer 12.5 million hours** and **donate $4.8 billion** to charitable organizations.

Steady Progress Reaching the Unbanked

Unbanked Rate

Source: FDIC



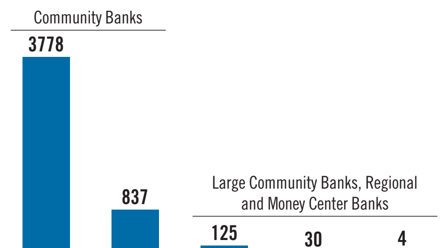
The Vitality of Community Banks:

- Among all banks, 3,778 are community banks with under $1 billion in assets. Another 837 are community banks with asset sizes between $1 billion-$10 billion. Just 159 banks have more than $10 billion in assets.
- The rapid drop in the number of small community banks should concern policymakers. ABA supports policies that permit banks to serve their customers and strengthen their communities.

America Needs Banks of All Sizes

Number of Banks

Source: FDIC



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American Bankers Association®

ABA's Partnership With Policymakers for a Strong Banking Industry

Increasing Employment Access:

- The median-sized bank **employs 50 people**.
- The more than **2 million dedicated bank employees** include far more than tellers. They are experts in everything from cybersecurity and technology to marketing and community development — and many more fields.
- A diverse workforce, banking industry employees earn an annual average of **$121,948 in total compensation and benefits** with **$252.3 billion in total compensation and benefits**.
- Banks also create more jobs by making loans that support businesses of all sizes.
- But banking isn't insulated from headwinds facing other sectors as well. Challenges like recruiting and retaining talent, rapid technological changes and succession planning are just a few of the issues banks need to address.

High Customer Satisfaction:

- According to a recent ABA/Morning Consult survey, **95% of bank customers rate their bank's customer service as excellent, very good or good**.
- **87% of bank customers are either very satisfied or satisfied with their bank.**
- **95% of customers characterize their overall access to banking services as excellent, very good or good** given the growth of digital and online tools and traditional branches and ATMs.
- **84% of customers agree** that innovation and technology improvements by banks make it **easier for all Americans to have access to financial services**.

Security of Banking Services:

- **89% of bank customers agree that their bank takes proactive steps to protect them from fraud and scams**, and 77% agree that banks do so more than other businesses or industries.
- **$22.3 billion** in attempted deposit account fraud is **stopped annually by banks.**

Access to Credit for our Rural Economy (ACRE) Act

Ed Elfmann | eelfmann@aba.com | 202-641-0386 March 2023

Issue Update

The Access to Credit for our Rural Economy Act, also known as ACRE, will help sustain and grow rural America by making it easier for farmers, ranchers and rural homeowners to access low-cost credit.

ACRE will:

- Lower the cost of making a loan backed by agricultural real estate, thereby increasing community bank participation in the rural real-estate market.
- Enhance competition between lenders for agricultural and rural housing loans, lowering the cost of credit for rural borrowers.
- Help expand access to local credit in rural America by enabling more community banks to make agricultural real estate and rural home loans.

ACRE excludes from gross income the interest received by a qualified lender on loans secured by farm real estate, aquaculture facilities, and home mortgage loans in rural communities of no more than 2,500 people. This tax exemption for interest-income on agricultural loans has been an effective tool to support rural lending by government-sponsored enterprises, and ACRE would simply expand that tax treatment to all federally-insured banks, thereby increasing loan supply and decreasing costs for borrowers.

ACRE would save rural borrowers approximately $400 million in interest on real estate loans in 2023. ACRE offers a simple and targeted solution to help farmers, ranchers and rural homeowners without creating new government payments or programs. At the end of the day, it’s about increasing competition and generating growth in rural communities efficiently and organically.

Why It Matters

Inflation and supply-chain disruptions are driving up the cost of running America’s farms and ranches, forcing farmers to rely more heavily on credit. At the same time, rising interest rates are squeezing profitability for farmers and putting homeownership out of reach for many rural Americans. ACRE would allow Congress to help sustain and support rural America by quickly bringing more lenders into the rural real-estate market, creating a more competitive interest rate environment for rural borrowers.

Recommended Action Items

Co-sponsor ACRE. Helping farmers, ranchers and rural homeowners gain easier access to competitive, low-cost credit is a bipartisan priority. Demonstrate your support for this important effort by co-sponsoring the legislation.

Hold Hearings on ACRE. The House Agriculture and Ways and Means committees and the Senate Agriculture and Finance committees have jurisdiction over this legislation. We urge these panels to hold hearings on the value of ACRE to farmers, ranchers and rural homeowners.

Cannabis Banking

Sabrina Bergen | sbergen@aba.com | 202-663-5030 February 2023

Issue Update

Thirty-seven states have legalized cannabis for medical or adult-use. Federal law (namely, the Controlled Substances Act (21 U.S.C. §801 et seq.)), still considers it an illegal drug and prohibits its use for any purpose. For banks, that means that all proceeds generated by a cannabis-related business operating in compliance with state law are unlawful, and that any attempt to conduct a financial transaction with that money (including simply accepting a deposit), is considered money-laundering. All banks, whether state or federally chartered, are subject to federal anti-money laundering laws.

In fact, the consequences extend beyond cannabis growers and shops to any person or business that derives revenue from a cannabis firm – including real estate owners, security firms, utilities and other vendors. Despite years of non-enforcement by the Department of Justice and attempts by financial regulators to advise banks on best practices to identify and report cannabis money, the federal law has not changed. That means banks remain in the untenable position of violating federal law or refusing financial services to a legal sector of their local economies.

Why It Matters

Leaving the cannabis industry unbanked is not a viable option. Cannabis businesses, which are legally permitted under state law, are forced to handle increasingly large amounts of cash because of their exclusion from the banking system. Cash-intensive businesses are difficult to monitor for compliance with tax laws or irregular financial activity and are themselves ripe targets for violent crime. These businesses will be safer and better regulated if they are permitted to use the banking system, which would increase the transparency and accountability of the industry and better protect our communities. Additionally, the federal prohibition on banking is likely to exacerbate barriers to entry for minority-owned cannabis businesses with unequal access to capital, and contribute to inequities in this rapidly growing industry.

Recommended Action Items

Only Congress can resolve the divide between state and federal law. Without a change in federal law, neither the federal banking agencies nor state governments can remove the legal restrictions on providing banking services to cannabis-related businesses.

Urge Congress to move quickly to enact the Secure and Fair Enforcement (SAFE) Banking Act, which passed the House multiple times with broad bipartisan support last year. The bill would:

- Allow banks to serve cannabis-related businesses in states where the activity is legal;
- Specify that handling proceeds from cannabis-related businesses' legitimate transactions is not money laundering and does not violate any provision of federal law; and
- Require federal banking regulators to provide explicit, clear, and uniform expectations regarding the treatment of all cannabis-related accounts.

CFPB’s Proposed Changes to Credit Card Late Fees

ABA Card Policy Council | cardpolicycouncil1@aba.com February 2023

Issue Update

The Consumer Financial Protection Bureau (CFPB) recently released a Notice of Proposed Rulemaking outlining major regulatory changes around credit card late fees, including a reduction in the late fee safe harbor amount.

Regulation Z, which implements the Truth in Lending Act (TILA), requires that late fees charged on credit cards be “reasonable and proportional” to the cost of late payments. The current regulation, developed by the Federal Reserve following a robust rulemaking process, specifies a safe harbor late fee amount below which issuers need not justify these fees to regulators through the “reasonable and proportional” analysis. As of 2022, issuers may charge late fees up to $30 for a first-time violation and $41 for subsequent violations within the following six billing cycles, adjusted annually for inflation. The current safe harbor allows issuers to set late fees at a level that incentivizes on-time payments without overburdening consumers.

In February 2023, the CFPB proposed a rule that would reduce the late fee safe harbor amount to **$8**, meaning that issuers must complete a costly analysis to justify late fees as “reasonable and proportional” if they charge fees above $8. This amount would *not* be adjusted for inflation. Further, the rule would cap late fees at 25% of an account’s monthly minimum payment. Such an action would harm both consumers and issuers, particularly small banks and credit unions.

ABA strongly opposes the CFPB’s proposed late fee changes, which would harm both consumers and issuers.

Why It Matters

The current late fee regulation encourages cardholders to pay credit card bills on time, allows issuers to recoup a substantial portion of the costs associated with delinquent payments, and provides regulatory certainty to the market. Changes to this regulatory structure are unnecessary and costly to both cardholders and issuers.

When set properly, late fees promote timely payments and good financial habits among consumers. However, lower fees are much less effective. A late fee of $8 would not serve as a sufficient incentive for most cardholders to pay on time.[1] Under the CFPB proposal, more consumers will likely pay credit card bills late, leading to negative credit score impacts and related effects: **higher interest rates and lower access to other forms of credit, including mortgages and car loans.**

Issuers use late fees to help cover the costs of delinquent payments. Without sufficient fee revenue, issuers would be forced to raise APRs and even reduce credit access for some consumers; this would likely primarily affect younger cardholders and those with low FICO scores.[2] Some small banks and credit unions could be forced out of the market entirely.

Recommended Action Items

In response to the recently released NPRM, Congress should:

- Conduct oversight of the CFPB’s current actions on this issue.
- Write letters to the CFPB asking them to reconsider adjusting the safe harbor.

[1] Analysis conducted by Argus Advisory, a TransUnion company.
[2] Analysis conducted by Argus Advisory, a TransUnion company.

Credit Unions

Robert Flock | rflock@aba.com | 202-663-7552 January 2023

Issue Update

The credit union industry is segmented into two parts. At the top, approximately 400 credit unions with assets above $1 billion comprise 7% of the industry, yet constitute 75% of its tax benefit. By buying banks, targeting the affluent, and serving commercial clients, these institutions are not fulfilling their congressionally mandated mission of focusing on financial inclusion and service to consumers of "small means." These large credit unions have evolved while their tax status has been preserved to the detriment of taxpayers.

The intent behind the credit union tax exemption no longer aligns with industry practices, especially as its regulator provides new powers that move credit unions, particularly large ones, away from their mission.

Why it Matters To Your Community

Serving LMI Communities. Credit unions claim they do not need a legislative mandate to serve their communities; however, the data suggest otherwise. Large credit unions with more than $500 million in assets have in excess of 10,000 branches throughout the U.S., but only 6% are in low-income communities. Community Reinvestment Act (CRA) requirements have historically not applied to credit unions as their field of membership limitations ensured they were focused on the specific groups they were chartered to serve. Although NCUA-approved field of membership expansions have since granted credit unions access to entire regions of the country, the CRA exemption remains. This incongruity deprives low- and moderate-income communities of investment and financial services.

Eroding Tax Base. As large credit unions continue to expand their business lines and fields of membership via bank acquisitions, state and local governments lose tax revenue as tax-paying banks are replaced by tax-exempt credit unions. Although credit unions portray these expansions as beneficial, low- and moderate-income communities could actually end up with fewer financial services options as their local community banks are wiped out by tax-subsidized competition.

Recommended Action Items

- **Tell Congress to Reconsider Credit Unions' Tax Status.** Congress should examine whether large credit unions still warrant preferential tax treatment over community banks.

- **Urge Congress to Require Metrics Around Credit Union Service to LMI Communities.** Congress should scrutinize whether credit unions are meeting their statutory objective of serving low and moderate-income communities in a robust, demonstrable way.

- **Strengthen Oversight of Credit Union Combination Transactions with Non-Credit Unions.** Congress should enhance its oversight of NCUA as it relates to credit union purchases of banks.

Debit and Credit Card Interchange/Durbin Amendment

ABA Card Policy Council | cardpolicycouncil1@aba.com January 2023

Issue Update

Large merchants are asking Congress and the Federal Reserve to reduce the revenue that banks earn from card transactions and to shift merchant fraud costs onto banks of all sizes.

The Durbin Amendment (Durbin), passed as part of Dodd-Frank, requires **all banks** to provide merchants with two unaffiliated debit networks in certain situations and it caps interchange on debit card transactions for banks > $10b. A decade ago, the Federal Reserve wrote Regulation II ("eye-eye"), implementing the law for *in-person* transactions. In May 2021, the Fed proposed expanding Regulation II to mandate that all banks offer two unaffiliated networks for riskier *online* debit transactions and accept new types of fraud-prone transactions. ABA and over 1,500 community financial institutions asked the Fed to withdraw the proposed changes to Regulation II. This proposal was finalized in late 2022, giving banks only 8 months to comply (on July 1, 2023) and ABA is asking the Fed to extend the compliance date into mid-decade.

In late 2022, Sen. Roger Marshall, Sen. Dick Durbin, Rep. Lance Gooden, and now-Sen. Peter Welch introduced The Credit Card Competition Act of 2022 (CCCA), proposing a federal mandate requiring banks with > $100b in assets to offer merchants multiple credit card processing networks. The practical impacts of this mandate on the largest issuers would fall on smaller issuers as well, likely making community bank credit card issuance uneconomical. Credit card rewards programs would also be significantly diminished. Retailer profits are at record highs, and big retailers benefit most from Durbin.

ABA supports repealing the Durbin and Regulation II and opposes expanding Regulation II or Durbin to include credit cards.

Why It Matters

Recently, debit card revenue has fallen fastest at banks below $10b in assets, due to Durbin's routing mandate. Interchange from debit cards is a key source of revenue to offset the cost of offering checking accounts and rewards programs. While debit cards and underlying deposit accounts are often viewed as distinct products by consumers and policymakers, they are tightly connected.

Durbin was a $42 billion wealth transfer from bank consumers to a handful of large merchants, with minimal benefit to small businesses. Big merchants want to free-ride on the investments of banks, eliminating this fairly earned bank revenue while shifting fraud costs onto issuers and consumers.

While merchants highlight "competition" in their arguments, they would balk if forced to carry a competitor's product or lower the markup they charge for products. Retailers frame their arguments around claims of "monopolistic" *card networks* -- they do this to appear to avoid advocating against community financial institutions. The U.S. Supreme Court disagrees, recently ruling that the card market is highly competitive.

Recommended Action Items

Congress should:

- Oppose any reintroduction of the Credit Card Competition Act,
- Consider repealing the Durbin Amendment and restoring a fair and free market for debit cards,
- Conduct oversight of the Federal Reserve's current rulemaking relating to Regulation II,
- Write letters to the Fed asking them to extend the effective date of their new debit card rule.

American Bankers Association

Financial Institutions and Environmental, Social & Governance Issues

Joseph Pigg | JPigg@aba.com | 202-663-5480 January 2023

Issue Update

Driven by attention from regulators, investors, customers and employees, there is increasing debate around Environmental, Social and Governance ("ESG" or often referred to as "sustainability") in Washington, DC and in Statehouses throughout the country. While ESG has not been specifically defined, and can include many activities, bank-driven ESG programs can be an important part of how a bank meets the needs of the communities it serves, and the expectations of its customers and employees. However, in recent years, policymakers have considered, and in some cases enacted, policies that would in effect impose ESG-related requirements on banks under the guise of safety and soundness. In other cases, policymakers have tried to effectively prohibit banks from considering ESG factors.

Why It Matters

As policymakers focus on ESG issues, the potential arises for inappropriate governmental intervention into banks' business decisions and board governance. While not the only example, the most prevalent and pressing have been efforts to force financial institutions to bank or not bank a lawful company or industry.

It is appropriate for prudential banking regulators to consider how banks identify, monitor and manage financial risk. However, it is inappropriate to use bank supervision or regulation to regulate other industries indirectly – especially to discourage lending and investment or to compel it.

Preserving the ability of each bank to make its own decisions regarding ESG initiatives and priorities based on business and market considerations will preserve the ability of all banks to meet the unique needs of the communities they serve.

Recommended Action Items

- Oppose policymaker efforts to use banks, whether through direct requirements or through safety and soundness, disclosure or other measures, to effectively regulate or reallocate capital to or away from specific industries.
    - Regulation perceived to be taken on one side of the political spectrum will likely be countered by an opposite reaction by others. Customers are harmed when banks are put in the middle of this debate.
    - Competition is at the foundation of a functioning free market. Prohibiting financial institutions from exercising discretion in their evaluation of risk in customer relationships is not only unnecessary in a competitive marketplace, it sets a dangerous precedent of government intervention into private business decisions.
    - Banks should be free to lend to, invest in, and generally do business with any entity or activity that is legal, without government interference. Likewise, banks should not be compelled to do business with an entity, except in the case of fair lending or anti-discrimination requirements. Allowing banks to make their own business decisions has helped foster the deepest and most resilient banking system in the world, and we should not undermine that.