

113TH CONGRESS
2^D SESSION

H. R. 5786

To amend certain banking statutes to exempt community banks from certain regulatory requirements, to include a community bank representative in the membership of the Board of Governors of the Federal Reserve System, to create a process for a county to be designated as a rural area, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 3, 2014

Mr. LANKFORD (for himself and Mr. WELCH) introduced the following bill;
which was referred to the Committee on Financial Services

A BILL

To amend certain banking statutes to exempt community banks from certain regulatory requirements, to include a community bank representative in the membership of the Board of Governors of the Federal Reserve System, to create a process for a county to be designated as a rural area, 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 “Small Financial Insti-
5 tutions Regulatory Relief Act of 2014”.

1 **SEC. 2. CERTAIN LOANS INCLUDED AS QUALIFIED MORT-**
2 **GAGES.**

3 Section 129C(b)(2) of the Truth in Lending Act (15
4 U.S.C. 1639c(b)(2)) is amended by adding at the end the
5 following:

6 “(F) LOANS HELD ON PORTFOLIO.—The
7 term ‘qualified mortgage’ includes a residential
8 mortgage loan made by a creditor having less
9 than \$10,000,000,000 in total assets, so long as
10 such loan is originated and retained in portfolio
11 of the creditor for the duration of the loan
12 term.”.

13 **SEC. 3. EXEMPTION FROM ESCROW REQUIREMENTS FOR**
14 **LOANS HELD BY SMALL CREDITORS.**

15 Section 129D(c) of the Truth in Lending Act (15
16 U.S.C. 1639d(c)) is amended—

17 (1) by redesignating paragraphs (1), (2), (3),
18 and (4) as subparagraphs (A), (B), (C), and (D)
19 and moving such subparagraphs 2 ems to the right;

20 (2) striking “The Board” and inserting the fol-
21 lowing:

22 “(1) IN GENERAL.—The Bureau”; and

23 (3) by adding at the end the following:

24 “(2) TREATMENT OF LOANS HELD BY SMALLER
25 CREDITORS.—The Bureau shall, by regulation, exempt
26 from the requirements of subsection (a) any loan secured

1 by a first lien on a consumer's principle dwelling, if such
2 loan is held by a creditor with assets of less than
3 \$10,000,000,000.”.

4 **SEC. 4. INCREASE IN SMALL SERVICER EXEMPTION.**

5 Section 6 of the Real Estate Settlement Procedures
6 Act of 1974 (12 U.S.C. 2605) is amended by adding at
7 the end the following:

8 “(n) **SMALL SERVICER EXEMPTION.**—The Bureau
9 shall, by regulation, provide exemptions to, or adjustments
10 for, the provisions of this section for servicers that service
11 10,000 or fewer mortgage loans, in order to reduce regu-
12 latory burdens while appropriately balancing consumer
13 protections.”.

14 **SEC. 5. EXCEPTION TO ANNUAL PRIVACY NOTICE REQUIRE-**
15 **MENT UNDER THE GRAMM-LEACH-BLILEY**
16 **ACT.**

17 Section 503 of the Gramm-Leach-Bliley Act (15
18 U.S.C. 6803) is amended by adding at the end the fol-
19 lowing:

20 “(f) **EXCEPTION TO ANNUAL NOTICE REQUIRE-**
21 **MENT.**—A financial institution that—

22 “(1) provides nonpublic personal information
23 only in accordance with the provisions of subsection
24 (b)(2) or (e) of section 502 or regulations prescribed
25 under section 504(b), and

1 “(2) has not changed its policies and practices
2 with regard to disclosing nonpublic personal infor-
3 mation from the policies and practices that were dis-
4 closed in the most recent disclosure sent to con-
5 sumers in accordance with this subsection,
6 shall not be required to provide an annual disclosure under
7 this subsection until such time as the financial institution
8 fails to comply with any criteria described in paragraph
9 (1) or (2).”.

10 **SEC. 6. CHANGES REQUIRED TO SMALL BANK HOLDING**
11 **COMPANY POLICY STATEMENT ON ASSESS-**
12 **MENT OF FINANCIAL AND MANAGERIAL FAC-**
13 **TORS.**

14 (a) SMALL BANK HOLDING COMPANY POLICY
15 STATEMENT ON ASSESSMENT OF FINANCIAL AND MANA-
16 GERAL FACTORS.—

17 (1) IN GENERAL.—Before the end of the 6-
18 month period beginning on the date of the enact-
19 ment of this Act, the Board of Governors of the
20 Federal Reserve System shall publish in the Federal
21 Register proposed revisions to the Small Bank Hold-
22 ing Company Policy Statement on Assessment of Fi-
23 nancial and Managerial Factors (12 C.F.R. part
24 225—appendix C) that provide that the policy shall
25 apply to a bank holding company which has pro

1 forma consolidated assets of less than
2 \$5,000,000,000 and that—

3 (A) is not engaged in any nonbanking ac-
4 tivities involving significant leverage; and

5 (B) does not have a significant amount of
6 outstanding debt that is held by the general
7 public.

8 (2) ADJUSTMENT OF AMOUNT.—The Board of
9 Governors of the Federal Reserve System shall an-
10 nually adjust the dollar amount referred to in para-
11 graph (1) in the Small Bank Holding Company Pol-
12 icy Statement on Assessment of Financial and Man-
13 agerial Factors by an amount equal to the percent-
14 age increase, for the most recent year, in total assets
15 held by all insured depository institutions, as deter-
16 mined by the Board.

17 (b) INCREASE IN DEBT-TO-EQUITY RATIO OF SMALL
18 BANK HOLDING COMPANY.—Before the end of the 6-
19 month period beginning on the date of the enactment of
20 this Act, the Board of Governors of the Federal Reserve
21 System shall publish in the Federal Register proposed re-
22 visions to the Small Bank Holding Company Policy State-
23 ment on Assessment of Financial and Managerial Factors
24 (12 C.F.R. part 225—appendix C) such that the debt-to-
25 equity ratio allowable for a small bank holding company

1 in order to remain eligible to pay a corporate dividend and
2 to remain eligible for expedited processing procedures
3 under Regulation Y of the Board of Governors of the Fed-
4 eral Reserve System would increase from 1:1 to 3:1.

5 **SEC. 7. MEMBERSHIP OF BOARD OF GOVERNORS OF THE**
6 **FEDERAL RESERVE SYSTEM.**

7 (a) INCLUSION OF A PERSON WITH COMMUNITY
8 BANK EXPERIENCE.—The first undesignated paragraph
9 of section 10 of the Federal Reserve Act (12 U.S.C. 241)
10 is amended by inserting after the second sentence the fol-
11 lowing: “The Board shall at all times have as a member
12 at least 1 person with demonstrated experience working
13 in or supervising community banks having less than
14 \$10,000,000,000 in total assets”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall take effect on the date of enactment
17 of this Act and apply to appointments made on and after
18 that effective date, excluding any nomination pending in
19 the Senate on that date.

20 **SEC. 8. DESIGNATION OF RURAL AREA.**

21 (a) APPLICATION.—Not later than 90 days after the
22 date of the enactment of this Act, the Bureau of Consumer
23 Financial Protection shall establish an application process
24 under which a person who lives or does business in a State
25 may, with respect to an area identified by the person in

1 such State that has not been designated by the Bureau
2 as a rural area for purposes of a Federal consumer finan-
3 cial law (as defined under section 1002 of the Consumer
4 Financial Protection Act of 2010), apply for such area to
5 be so designated.

6 (b) EVALUATION CRITERIA.—When evaluating an
7 application submitted under subsection (a), the Bureau
8 shall take into consideration the following factors:

9 (1) Criteria used by the Director of the Bureau
10 of the Census for classifying geographical areas as
11 rural or urban.

12 (2) Criteria used by the Director of the Office
13 of Management and Budget to designate counties as
14 metropolitan or micropolitan or neither.

15 (3) Criteria used by the Secretary of Agri-
16 culture to determine property eligibility for rural de-
17 velopment programs.

18 (4) The Department of Agriculture rural-urban
19 commuting area codes.

20 (5) A written opinion provided by the State's
21 bank supervisor, as defined under section 3(r) of the
22 Federal Deposit Insurance Act (12 U.S.C. 1813(r)).

23 (6) Population density.

24 (c) PUBLIC COMMENT PERIOD.—

1 (1) IN GENERAL.—Not later than 60 days after
2 receiving an application submitted under subsection
3 (a), the Bureau shall—

4 (A) publish such application in the Federal
5 Register; and

6 (B) make such application available for
7 public comment for not fewer than 90 days.

8 (2) LIMITATION ON ADDITIONAL APPLICA-
9 TIONS.—Nothing in this section shall be construed
10 to require the Bureau, during the public comment
11 period with respect to an application submitted
12 under subsection (a), to accept an additional appli-
13 cation with respect to the area that is the subject of
14 the initial application.

15 (d) DECISION ON DESIGNATION.—Not later than 90
16 days after the end of the public comment period under
17 subsection (c)(1) for an application, the Bureau shall—

18 (1) grant or deny such application, in whole or
19 in part; and

20 (2) publish such grant or denial in the Federal
21 Register, along with an explanation of what factors
22 the Bureau relied on in making such determination.

23 (e) SUBSEQUENT APPLICATIONS.—A decision by the
24 Bureau under subsection (d) to deny an application for
25 an area to be designated as a rural area shall not preclude

1 the Bureau from accepting a subsequent application sub-
2 mitted under subsection (a) for such area to be so des-
3 ignated, so long as such subsequent application is made
4 after the end of the 90-day period beginning on the date
5 that the Bureau denies the application under subsection
6 (d).

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