Congress of the United States
Washington, DC 20515

November 14, 2023

The Honorable Michael S. Barr
Vice Chairman for Supervision
Board of Governor of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC, 20552

The Honorable Martin Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Michale Hsu
Acting Comptroller of the Currency
The OCC
400 7th Street, SW
Washington, DC 20219

Dear Vice Chair Barr, Chairman Gruenberg, and Acting Director Hsu, Director Chopra,

We are writing to express our concerns over pending rulemakings governing products and services offered to customers of financial services firms. Over the last three years, the prudential banking regulators (the Board of Governors of the Federal Reserve, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation), along with the Consumer Financial Protection Bureau, (collectively "Agencies") have pursued rulemaking activity with far-reaching unintended consequences with no end in sight[1]. It is critical that these proposals and actions are not seen in a vacuum and the full scope of their total impact on financial institutions be assessed. It is vital that we mitigate any harm to consumers' access to credit and negative effects on our financial markets.

The collective impact of the Biden's Administration's financial regulatory rulemaking is staggering. The recently released Basel III rule is more than 1,000 pages long. Furthermore, nowhere in these proposals do the Agencies provide any indication that they have considered the aggregate effect of these various proposals on the ability of financial institutions to serve their customers and to support economic growth.

In February, the Bureau proposed a rule on a banks' ability to offer products and services in the communities they serve, including low-and-moderate income ("LMI") areas. There is no evidence that the Agencies have weighed the possible effect of substantially lowering the safe harbor for credit card late fees. Additionally, the Agencies must assess the impact of any late fee rule on banks' new Community Reinvestment Act ("CRA") obligations, as well as the combined effect of increased capital requirements on small businesses' access to capital included in the Basel III Endgame proposal released by the Federal Reserve.

[1] https://www.americanbanker.com/news/banks-flying-blind-without-cumulative-data-on-regulatory-proposals

Additionally, the Basel proposal will profoundly affect banks' business strategies, including how they structure and operate their CRA programs. For example, the proposed capital rules would reduce incentives to engage in mortgage lending, which is central to the CRA programs of many banks.[2] Under the capital proposal, regulators would apply risk weights that could negatively impact mortgage loans. Many banks offer low down payment mortgages as a means of meeting the credit needs of LMI families. If history repeats itself, the new capital rules could push mortgage lending away from traditional sources, similar to what happened after the Dodd-Frank Act was signed into law.

Lastly, the Basel proposal would increase both cost and access to capital for small businesses and the consumers they serve. Coupled with continued rising interest rates and a tighter lending environment, small businesses will continue to see their access to capital squeezed. Raising capital requirements for banks across the country and changing the risk weights for these small businesses will not only deter lending to Main Street but could stifle new lending.

These are just a few of the many instances where the current slate of regulators has failed to grasp the implications one rule has across the banking ecosystem. Given the enormity of the impact that these proposals could have on the availability of credit to consumers, it is imperative that the Agencies immediately pause all rulemakings until the collective impact of these policy shifts can be assessed. We ask that you immediately engage in a multi-agency, comprehensive cost-benefit analysis to better understand the interaction of all these proposals and their potential aggregate impact on consumers. Only then, should the Agencies reopen any proposals, or reissue for comment any final rules.

Addressing these concerns is essential to ensure that every consumer has access to needed financial products and services, especially given the economic challenges facing hard working Americans. We appreciate your attention to this important matter.

Sincerely,

Bill Huizenga
Member of Congress

Daniel Meuser
Member of Congress

Alex Mooney
Member of Congress

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[2] https://nhc.org/wp-content/uploads/2023/07/Housing-Groups-Letter-re-Bank-Capital-7.25.23.pdf; *see also* Laurie Under the Current CRA Rules, Banks Earn Most of Their CRA Credit through Community Development and Single-Family Mortgage Lending | Urban Institute.