CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

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May 12, 2020

The Honorable Mike Crapo
Chairman
Committee on Banking, Housing, & Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing, & Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Maxine Waters
Chairwoman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Crapo, Chairwoman Waters, Ranking Member Brown, and Ranking Member McHenry:

The Chamber appreciates your leadership in response to the COVID-19 crisis, including the regulatory flexibility and fiscal programs in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. American businesses are enduring unprecedented and unexpected disruption to their operations as they take appropriate steps to protect the health of their employees and customers during the pandemic. Fortunately, the banking sector is in a position of strength and able to meet the credit and liquidity needs of companies that provide employment opportunities across the economy.

The Chamber strongly encourages Congress to amend Section 171 of the Dodd-Frank Act (the "Collins Amendment") so banking organizations may continue to serve the needs of businesses and consumers. Section 171 was intended to ensure that leverage and risk-based capital requirements instituted in response to the Great Recession of 2008 are no less than those already in place when the Dodd-Frank Act was signed into law in 2010. Over the last decade banking organizations have built extremely resilient balance sheets in preparation for the possibility of another recession, but now risk becoming restricted from helping their customers exactly when they need it the most.

Randal Quarles, Member of the Federal Reserve Board of Governors, recently sent a letter to Chairman Crapo suggesting that, "Congress should consider modifying section 171 of the Dodd-Frank Act ("the Collins Amendment") to allow regulators to provide flexibility under Tier 1 leverage requirements as banks respond to increased credit demands." Furthermore, he notes that the ability of banking organizations to accept the significant inflow of deposits may become constrained.[1] Recognizing the possibility of leverage constraints, Congress granted the federal banking agencies temporary flexibility to decrease the community bank leverage ratio to 8 percent in Section 4012 of the CARES Act. During these unprecedented economic conditions, regulators should have the necessary tools to provide flexibility to institutions of all sizes so they may continue supporting the flow of credit to their clients and customers.

We encourage you to engage in a dialogue with the Federal Reserve Board of Governors about how to best provide them the requisite flexibility to permit banking organizations to assist with the challenges of this crisis and America's economic recovery. We appreciate your consideration of our views regarding Section 171 of the Dodd-Frank Act.

Sincerely,

Tom Quaadman

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[1] Letter to Mike Crapo, Chairman, Committee on Banking, Housing, and Urban Affairs (April 22, 2020. Randal K. Quarles, Vice Chair for Supervision, Federal Reserve Board of Governors. https://www.banking.senate.gov/imo/media/doc/Fed%20Response%20to%20Crapo%204.8.20%20Letter.pdf