FRENCH HILL, AR
CHAIRMAN

MAXINE WATERS, CA
RANKING MEMBER

United States House of Representatives
One Hundred Nineteenth Congress
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

March 28, 2025

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

The Honorable Travis Hill
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

The Honorable Rodney E. Hood
Acting Comptroller
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, D.C. 20219

Dear Chair Powell, Acting Chairman Hill, and Acting Comptroller Hood,

We write regarding various final rules, proposed rules, and guidance that the Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC), and Office of the Comptroller of the Currency (OCC) (collectively, the "Federal banking agencies") issued on an interagency basis in the prior Administration. Too often under the previous Administration, the Federal banking agencies engaged in rulemakings and guidance that went beyond their statutory authorities, failed to consider significant economic consequences for everyday Americans, and injected unnecessary complexity for financial institutions trying to serve their customers.

When financial institutions are given clear expectations and rules that are commensurate to their complexity and risk profiles, the American banking system can thrive. When they are forced to devote ever increasing amounts of time to compliance systems to navigate thousands of pages of new rules, the current trend of bank consolidation will likely continue, reducing competition in the banking sector and the broader economy.

To begin with, the Federal banking agencies finalized a rule on the Community Reinvestment Act (CRA) that should be rescinded or, at the very least, substantially modified to reduce its complexity and regulatory burden.

- On October 24, 2023, the Federal banking agencies issued a joint final rule[1] implementing changes to CRA interagency regulations. The rule's high compliance costs, especially around new data collection requirements, complexity, and incentive structure might lead banks to reduce their lending to low and moderate-income individuals and communities. Modernizing rules to better reflect online and mobile banking is likely necessary, but the final rule is simply too complex to be workable. The final rule also goes well beyond the Federal banking agencies' statutory authorities. Furthermore, the compliance deadline extension from the previous Administration is insufficient to give financial institutions adequate time to comply with this overly complex rule.

Additionally, there are several proposals from the previous Administration that have significant impacts on the American economy that were poorly explored before issuance. These proposals should be withdrawn and reworked from scratch. The Federal banking agencies should issue new proposals that thoroughly explore their costs and benefits, substantially justify any changes as being necessary to improve the banking sector and adequately consider how the rules interact with each other and current regulations to reduce duplicative burdens and unintended consequences.

- On July 27, 2023, the Federal banking agencies issued a joint notice of proposed rulemaking (NPR)[2] to revise the capital requirements applicable to large banking organizations and to banking organizations with significant trading activity (i.e., "Basel III Endgame"). These proposed revisions would lead to a significant increase in capital requirements for banks with over $100 billion, despite repeated assertions from the Federal banking agencies that U.S. banks as a whole are well-capitalized. This will result in reduced global competitiveness for U.S. banks and will negatively impact the cost and availability of credit for American families, farmers, and small businesses. Concerningly, the Federal banking agencies did not thoroughly explore these significant costs in the proposal, devoting a mere 17 out of 1,087 pages to impact and economic analysis. This lack of analysis of the proposal's impact contravenes the requirements for agency rulemakings set forth in the Administrative Procedure Act (APA). Additionally, the proposal would improperly undo the regulatory tailoring that is statutorily required under S. 2155, the Economic Growth, Regulatory Relief, and Consumer Protection Act, homogenizing capital requirements for all banks with over $100 billion despite their varying risk profiles. The Federal banking agencies must go back to the drawing board and re-propose any Basel III Endgame finalization in a manner that does not result in massive capital increases that threaten economic activity.

- On August 29, 2023, the Federal banking agencies voted unanimously to issue an NPR on long-term debt (LTD) requirements for bank holding companies with $100 billion or more

[1] Community Reinvestment Act, 89 Fed. Reg. 6574 (Feb. 1, 2024).
[2] Regulatory Capital Rule: Large Banking Organizations and Banking Organizations With Significant Trading Activity, 88 Fed. Reg. 64028 (Sept. 18, 2023).

in assets[3] that are not already covered by the GSIB External LTD Requirement. This proposal would also contribute to the homogenization of prudential bank regulatory requirements in contravention of S.2155 and raises additional concerns due to its problematic internal banking organization LTD issuance and holding requirement, and its unjustifiably large minimum denomination requirement for LTD securities, which would artificially limit the type of potential purchasers and thereby limit the depth and breadth of market uptake. Finally, the proposal's interactive effects with the Basel III Endgame, other proposed changes to bank prudential regulation, and the existing regulatory framework will not be well understood until other major pieces of proposed regulation are finalized, and so the Federal banking agencies should delay this rulemaking until other major changes to the regulatory framework are in place.

Finally, we ask that your agencies withdraw or substantially revise several guidance documents:

- On October 24, 2023, the Federal banking agencies issued joint final guidance for large banks' management of climate-related financial risks.[4] The Federal banking agencies may not fully appreciate the intricate risks that numerous banks face on their balance sheets, risks that the banks themselves continuously manage. Using the Federal banking agencies' statutory mandate of promoting safety and soundness in the banking system as justification for imposition of climate-related financial risk guidance without explicit authorization by Congress is an improper exercise of agency discretion regarding such a major question. As such, this joint final guidance should be withdrawn.

- On June 6, 2023, the Federal banking agencies issued guidance on managing risks associated with third-party relationships.[5] Although we support the goal of providing financial institutions with greater clarity in managing their third-party relationships, this guidance document does not achieve that objective. The emphasis on banks' sound management of potential risks arising from their third-party relationships throughout the relationship life cycle, while logically valid, was not accompanied with clear and objective expressions by the Federal banking agencies as to what third-party risk management practices would be consistent with the agencies' expectations. The agencies should revise the existing guidance or issue new guidance that provides greater clarity to financial institutions and their third-party vendors.

We appreciate your attention to these matters and look forward to working together to promote a more effective financial regulatory framework.

Sincerely,

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[3] Long-Term Debt Requirements for Large Bank Holding Companies, Certain Intermediate Holding Companies of Foreign Banking Organizations, and Large Insured Depository Institutions, 88 Fed. Reg. 64524 (Sept. 19, 2023).
[4] Principles for Climate-Related Financial Risk Management for Large Financial Institutions, 88 Fed. Reg. 74183 (Oct. 30, 2023).
[5] Interagency Guidance on Third-Party Relationships: Risk Management, 88 Fed. Reg. 37920 (June 9, 2023).

French Hill
Chairman

Andy Barr
Chairman, Subcommittee on Financial Institutions

Bill Huizenga
Vice Chairman

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Member of Congress

John Rose
Member of Congress

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Member of Congress

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Member of Congress

Scott Fitzgerald
Member of Congress

Mike Flood
Member of Congress

Monica De La Cruz
Member of Congress

Tim Moore
Member of Congress

cc: Representative Maxine Waters, Ranking Member, Committee on Financial Services
Kevin Hassett, Director of the National Economic Council