

118TH CONGRESS
2D SESSION

S. 3937

To require the appropriate Federal banking agencies to establish a 3-year phase-in period for de novo financial institutions to comply with Federal capital standards, to provide relief for de novo rural community banks, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MARCH 14, 2024

Mrs. HYDE-SMITH introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To require the appropriate Federal banking agencies to establish a 3-year phase-in period for de novo financial institutions to comply with Federal capital standards, to provide relief for de novo rural community banks, 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 “Promoting Access to
5 Capital in Underbanked Communities Act”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds the following:

1 (1) Trends in bank closures and consolidation
2 have left many communities without access to bank-
3 ing services and disproportionately impact under-
4 served rural and urban communities.

5 (2) De novo bank formation has slowed signifi-
6 cantly following the financial crisis.

7 (3) A November 2019 report by the Federal
8 Reserve System found that 44 counties in the
9 United States were “deeply affected” by trends in
10 bank closures and consolidation, meaning that the
11 counties had fewer than 10 branches in 2012 and
12 lost not less than 50 percent of them by 2017.

13 (4) 89 percent of the deeply affected counties
14 described in paragraph (3) were rural.

15 (5) Rural counties deeply affected by branch
16 closures had higher poverty rates, lower median in-
17 come, and a higher share of their population were
18 African-American compared to all rural commu-
19 nities.

20 **SEC. 3. DEFINITIONS.**

21 In this Act:

22 (1) APPROPRIATE FEDERAL BANKING AGENCY;
23 DEPOSITORY INSTITUTION; DEPOSITORY INSTITU-
24 TION HOLDING COMPANY.—The terms “appropriate
25 Federal banking agency”, “depository institution”,

1 and “depository institution holding company” have
 2 the meanings given those terms in section 3 of the
 3 Federal Deposit Insurance Act (12 U.S.C. 1813).

4 (2) COMMUNITY BANK LEVERAGE RATIO.—The
 5 term “Community Bank Leverage Ratio” has the
 6 meaning given that term under section 201(a) of the
 7 Economic Growth, Regulatory Relief, and Consumer
 8 Protection Act (12 U.S.C. 5371 note).

9 (3) FINANCIAL INSTITUTION.—The term “fi-
 10 nancial institution” means a depository institution
 11 or depository institution holding company.

12 (4) RURAL COMMUNITY BANK.—The term
 13 “rural community bank” means a financial institu-
 14 tion—

15 (A) with total consolidated assets of less
 16 than \$10,000,000,000; and

17 (B) located in a rural area, as defined in
 18 section 1026.35(b)(2)(iv)(A) of title 12, Code of
 19 Federal Regulations, or any successor regula-
 20 tion.

21 **SEC. 4. PHASE-IN OF CAPITAL STANDARDS.**

22 The appropriate Federal banking agencies shall issue
 23 rules that provide for a 3-year phase-in period for a finan-
 24 cial institution to meet any Federal capital requirements
 25 that would otherwise be applicable to the financial institu-

tion, where the 3-year period begins on the date on which the deposit insurance that the financial institution has obtained from the Federal Deposit Insurance Corporation becomes effective.

SEC. 5. CHANGES TO BUSINESS PLANS.

(a) IN GENERAL.—During the 3-year period beginning on the date on which the deposit insurance that the financial institution has obtained from the Federal Deposit Insurance Corporation becomes effective, a financial institution may request to deviate from a business plan that has been approved by the appropriate Federal banking agency by submitting a request to the agency pursuant to this section.

(b) REVIEW OF CHANGES.—An appropriate Federal banking agency shall, not later than the end of the 30-day period beginning on the receipt of a request under subsection (a)—

(1) approve, conditionally approve, or deny the request; and

(2) notify the financial institution of the decision and, if the agency denies the request—

(A) provide the financial institution with the reason for the denial; and

1 (B) suggest changes to the request that, if
2 adopted, would allow the agency to approve the
3 request.

4 (c) RESULT OF FAILURE TO ACT.—If an appropriate
5 Federal banking agency fails to approve or deny a request
6 within the 30-day period required under subsection (b),
7 the request shall be deemed to be approved.

8 **SEC. 6. RURAL COMMUNITY BANK LEVERAGE RATIO.**

9 (a) IN GENERAL.—During the 3-year period begin-
10 ning on the date on which the deposit insurance that a
11 rural community bank has obtained from the Federal De-
12 posit Insurance Corporation becomes effective, the Com-
13 munity Bank Leverage Ratio for the rural community
14 bank shall be 8 percent.

15 (b) PHASE-IN AUTHORITY.—The Federal banking
16 agencies shall issue rules to phase-in the Community Bank
17 Leverage Ratio described in subsection (a) with respect
18 to a rural community bank by setting lower Community
19 Bank Leverage Ratio percentages during the first 2 years
20 of the 3-year period described in subsection (a).

21 **SEC. 7. AGRICULTURAL LOAN AUTHORITY FOR FEDERAL**
22 **SAVINGS ASSOCIATIONS.**

23 Section 5(c) of the Home Owners' Loan Act (12
24 U.S.C. 1464(c)) is amended—

1 (1) in paragraph (1), by adding at the end the
 2 following:

3 “(V) AGRICULTURAL LOANS.—Secured or
 4 unsecured loans for agricultural purposes.”; and

5 (2) in paragraph (2)(A), by striking “business,
 6 or agricultural” and inserting “or business”.

7 **SEC. 8. STUDY ON DE NOVO FINANCIAL INSTITUTIONS.**

8 (a) STUDY.—The appropriate Federal banking agen-
 9 cies shall, jointly, carry out a study on—

10 (1) the principal causes for the low number of
 11 de novo financial institutions in the 10-year period
 12 ending on the date of enactment of this Act; and

13 (2) ways to promote more de novo financial in-
 14 stitutions in areas currently underserved by financial
 15 institutions.

16 (b) REPORT TO CONGRESS.—Not later than the end
 17 of the 1-year period beginning on the date of enactment
 18 of this Act, the appropriate Federal banking agencies
 19 shall, jointly, issue a report to Congress containing all
 20 findings and determinations made in carrying out the
 21 study required under subsection (a).

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