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Fairness for Community Job Creators Act Introduced to Fix Harmful Volcker Rule Provision

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Washington, Jan 8 -

Financial Institutions and Consumer Credit Subcommittee Chairman Shelley Moore Capito (R-WV) and Financial Services Committee Chairman Jeb Hensarling (R-TX) today introduced the Fairness for Community Job Creators Act, legislation that fixes a provision in the Volcker Rule that harms community banks.

The Fairness for Community Job Creators Act, [H.R. 3819](#), will provide certainty and clarity about the impact of the Volcker Rule's inclusion of certain types of collateralized debt obligations.

"This targeted legislation prevents community banks from being forced to take considerable losses on investments they intend to hold to maturity. Avoiding these arbitrary losses will allow local financial institutions to continue to recover and help nurture the small businesses in their communities," Chairwoman Capito said.

Chairman Hensarling said, "For more than three years, those who support the Dodd-Frank Act assured community banks they would not be harmed by the Volcker regulations. Then, in the dark of night, suddenly Washington regulators at the last minute changed the rules and included these products in the Volcker regulations with no time for public comment or review. That's unfair and it will do nothing but undermine the ability of small businesses that create jobs and other bank customers to receive loans from their financial institutions."

BACKGROUND:

On Dec. 10, 2013 the final Volcker Rule was approved by Washington regulators. While most community and regional banks are not engaged in activities covered by the Volcker Rule, many made investments in the past in the debt tranches of collateralized debt obligations (CDOs) backed by trust preferred securities (TruPS) in order to have access to additional forms of capital.

Without providing a meaningful opportunity for impacted banks to comment, Washington regulators decided to include TruPS CDOs as part of the final rule. Community banks which would otherwise hold TruPS CDOs to maturity would have to mark them as available for sale, negatively impacting their balance sheets and reducing the amount of credit that could be extended

to small and large businesses. Some have also expressed concern that the inclusion of these assets could result in some banks being subject to prompt corrective action or other supervisory or enforcement actions when they divest their holding of these securities.

On Dec. 18, Chairman Hensarling and Financial Institutions Chairman Capito sent a [letter](#) to the regulators expressing concern with the treatment of TruPS CDOs under the Volcker Rule.

The bill clarifies that the Volcker Rule will not require banking institutions to divest their ownership in TruPS CDOs that were issued before the date of the final Volcker Rule – Dec. 10, 2013.

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