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119TH CONGRESS
1ST SESSION

H. R. 478

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 HOUSE OF REPRESENTATIVES

JANUARY 16, 2025

Mr. BARR introduced the following bill; which was referred to the Committee on Financial Services

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Promoting New Bank Formation Act".

SEC. 2. PHASE-IN OF CAPITAL STANDARDS.

The Federal banking agencies shall issue rules that provide for a 3-year phase-in period for a depository institution or depository institution holding company to meet any Federal capital requirements that would otherwise be applicable to the depository institution or depository institution holding company, beginning on—

(1) the date on which the depository institution became an insured depository institution; or

(2) in the case of a depository institution holding company, the date on which the depository institution subsidiary of the depository institution holding company became an insured depository institution.

SEC. 3. CHANGES TO BUSINESS PLANS.

(a) IN GENERAL.—During the 3-year period beginning on the date on which a depository institution became an insured depository institution, the insured depository institution or its depository institution holding company may request to deviate from a business plan that has been approved by the appropriate Federal banking agency by submitting a request to such 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 such request; and

(2) notify the applicant of such decision and, if the agency denies the request—

(A) provide the applicant with the reason for such denial; and

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

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

SEC. 4. RURAL COMMUNITY DEPOSITORY INSTITUTION LEVERAGE RATIO.

(a) IN GENERAL.—During the 3-year period beginning on the date on which a rural depository institution became an insured depository institution, the Community Bank Leverage Ratio for the rural community bank shall be 8 percent.

(b) PHASE-IN AUTHORITY.—The Federal banking agencies shall issue rules to phase-in the Community Bank Leverage Ratio described under subsection (a) with respect to a rural depository institution by setting lower Community Bank Leverage Ratio percentages during the first 2 years of the 3-year period described under subsection (a).

(c) DEFINITIONS.—In this section:

(1) COMMUNITY BANK LEVERAGE RATIO.—The term ''Community Bank Leverage Ratio'' has the meaning given that term under section 201(a) of the Economic Growth, Regulatory Relief, and Consumer Protection Act (12 U.S.C. 5371 note).

(2) RURAL DEPOSITORY INSTITUTION.—The term ''rural depository institution'' means a depository institution—

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

(B) located in a rural area, as defined under section 1026.35(b)(iv)(A) of title 12, Code of Federal Regulations.

SEC. 5. AGRICULTURAL LOAN AUTHORITY FOR FEDERAL SAVINGS ASSOCIATIONS.

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

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

"(V) AGRICULTURAL LOANS.—Secured or unsecured loans for agricultural purposes."; and

(2) in paragraph (2)(A), by striking "business, or agricultural" and inserting "or business".

SEC. 6. STUDY ON DE NOVO INSURED DEPOSITORY INSTITUTIONS.

(a) STUDY.—The Federal banking agencies shall, jointly, carry out a study on—

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

(2) ways to promote more de novo insured depository institutions in areas currently underserved by insured depository institutions.

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

SEC. 7. DEFINITIONS.

In this Act, the terms "appropriate Federal banking agency", "depository institution", "depository institution holding company", "Federal banking agency", and "insured depository institution'' have the meaning given those terms, respectively, under section 3 of the Federal Deposit Insurance Act.

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