



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

February 12, 2016

H.R. 3791

A bill to raise the consolidated assets threshold under the small bank holding company policy statement, and for other purposes

As ordered reported by the House Committee on Financial Services on December 9, 2015

H.R. 3791 would require the Federal Reserve to expand its policy statement on the allowable debt levels of certain small bank holding companies (usually when their ownership is being transferred). Currently the policy statement applies to bank holding companies with less than \$1 billion in total consolidated assets. Under the bill, it would apply to bank holding companies with less than \$5 billion in such assets.

Generally, banks with higher debt levels are riskier and their defaults are more likely to incur direct spending costs through the Deposit Insurance Fund (DIF), which is administered by the Federal Deposit Insurance Corporation (FDIC). However, the Federal Reserve may choose not to apply the policy statement on allowable debt levels to any bank holding company, regardless of asset size, if appropriate supervision of the holding company requires such an action. CBO expects that the Federal Reserve would not allow bank holding companies to take on additional debt under this policy if that debt would jeopardize the solvency of the bank holding company and significantly increase the likelihood of failure. Further, because the Federal Reserve already supervises those small bank holding companies, CBO expects that any changes to its administrative costs would be insignificant. Administrative costs to the Federal Reserve are recorded in the budget as a change in revenues.

Because enacting H.R. 3791 could affect direct spending and revenues, pay-as-you-go procedures apply. However, CBO estimates that the net effects would be insignificant for each year. CBO estimates that enacting H.R. 3791 would not increase net direct spending or on-budget deficits by \$5 billion in any of the four consecutive 10-year periods beginning in 2027.

H.R. 3791 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

The CBO staff contacts for this estimate are Sarah Puro (for the FDIC) and Nathaniel Frenz (for the Federal Reserve). The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.