119TH CONGRESS 1st Session } HOUSE OF REPRESENTATIVES { REPORT 119–164

FINANCIAL INTEGRITY AND REGULATION MANAGEMENT ACT

JUNE 20, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. HILL of Arkansas, from the Committee on Financial Services, submitted the following

R E P O R T

together with

MINORITY VIEWS

[To accompany H.R. 2702]

The Committee on Financial Services, to whom was referred the bill (H.R. 2702) to curtail the political weaponization of Federal banking agencies by eliminating reputational risk as a component of the supervision of depository institutions, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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59–006

The amendment is as follows:
Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Financial Integrity and Regulation Management Act" or the "FIRM Act".

SEC. 2. FINDINGS.

Congress finds that—

(1) the primary objective of financial regulation and supervision by the Federal banking agencies is to promote safety and soundness of depository institutions;

(2) all federally legal businesses and law-abiding citizens regardless of political ideology should have equal opportunity to obtain financial services and should not face unlawful discrimination in obtaining such services;

(3) financial service providers are private entities entitled to provide services to whichever customers they so choose, provided that those decisions do not violate the law;

(4) financial service providers should strive to ensure that all business decisions are based on factors free from unlawful prejudice or political influence;

(5) the use of reputational risk in supervisory frameworks encourages Federal banking agencies to regulate depository institutions based on the subjective view of negative publicity and provides cover for the agencies to implement their own political agenda unrelated to the safety and soundness of a depository institution;

(6) Federal banking agencies have in fact used reputational risk to limit access of federally legal businesses and law-abiding citizens to financial services in 2018 when the Federal Deposit Insurance Corporation acknowledged that the agency used reputational risk reviews to limit access to financial services by certain industries, commonly known as "Operation Choke Point"; and

(7) reputational risk does not appear in any statute and is an unnecessary and improper use of supervisory authority that does not contribute to the safety and soundness of the financial system.

SEC. 3. DEFINITIONS.

In this Act:

(1) DEPOSITORY INSTITUTION.—The term "depository institution"—

(A) has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and

(B) includes an insured credit union, as such term is defined in section 101 of the Federal Credit Union Act (12 U.S.C. 1752).

(2) FEDERAL BANKING AGENCY.—The term "Federal banking agency"—

(A) has the meaning given the term in section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813); and

(B) includes—

(i) the National Credit Union Administration; and

(ii) the Bureau of Consumer Financial Protection.

(3) FOREIGN TERRORIST ORGANIZATION.—The term "foreign terrorist organization" means a foreign organization that is designated by the Secretary of State in accordance with section 219 of the Immigration and Nationality Act (8 U.S.C. 1189).

(4) REPUTATIONAL RISK.—The term "reputational risk" means the potential that negative publicity or negative public opinion regarding a depository institution's business practices, whether true or not, will cause a decline in confidence in the institution or a decline in the customer base, costly litigation, or revenue reductions or otherwise adversely impact the depository institution. The previous sentence does not apply to negative publicity or negative public opinion regarding an institution's business practices where such practices involve unlawful transactions in connection with state sponsors of terrorism or foreign terrorist organizations.

(5) STATE SPONSORS OF TERRORISM.—The term "state sponsors of terrorism" means a country, the government of which has been determined by the Secretary of State to have repeatedly provided support for acts of international terrorism, for purposes of—

(A) section 1754(c)(1)(A)(i) of the Export Control Reform Act of 2018 (50 U.S.C. 4813(c)(1)(A)(i));

(B) section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. 2371);

(C) section 40(d) of the Arms Export Control Act (22 U.S.C. 2780(d)); or

(D) any other provision of law.

SEC. 4. REMOVAL OF REPUTATIONAL RISK AS A CONSIDERATION IN THE SUPERVISION OF DEPOSITORY INSTITUTIONS.

Each Federal banking agency shall remove from any guidance, rule, examination manual, or similar document established by the agency any reference to reputational risk, or any term substantially similar, regarding the supervision of depository institutions such that reputational risk, or any term substantially similar, is no longer taken into consideration by the Federal banking agency when examining and supervising a depository institution.

SEC. 5. PROHIBITION.

No Federal banking agency may engage in any activity concerning or related to the regulation, supervision, or examination of the reputational risk, or any term substantially similar, or the management thereof, of a depository institution, including—

(1) establishing any rule, regulation, requirement, standard, or supervisory expectation concerning or related to the reputational risk, or any term substantially similar, or the management thereof, of a depository institution whether binding or not;

(2) conducting any examination, assessment, data collection, or other supervisory exercise concerning or related to reputational risk, or any term substantially similar, or the management thereof, of a depository institution;

(3) issuing any examination finding, supervisory criticism, or other supervisory or examination communication concerning or related to reputational risk, or any term substantially similar, or the management thereof, of a depository institution;

(4) making any supervisory ratings decision or determination that is based, in whole or in part, on any matter concerning or related to reputational risk, or any term substantially similar, or the management thereof, of a depository institution; and

(5) taking any formal or informal enforcement action that is based, in whole or in part, on any matter concerning or related to reputational risk, or any term substantially similar, or the management thereof, of a depository institution.

SEC. 6. REPORTS.

Not later than 180 days after the date of enactment of this Act, each Federal banking agency shall submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report that—

(1) confirms implementation of this Act; and

(2) describes any changes made to internal policies as a result of this Act.

PURPOSE AND SUMMARY

Introduced on April 8, 2025, by Representative Andy Barr (KY–06), H.R. 2702, the *Financial Integrity and Regulation Management (FIRM) Act*, prohibits the use of “reputational risk” as a factor in the supervision of depository institutions and, by eliminating this subjective and undefined metric, the bill aims to prevent politicization of bank supervision and ensure regulatory focus remains squarely on material risks related to safety and soundness.

BACKGROUND AND NEED FOR LEGISLATION

The central purpose of financial regulation is to protect the safety and soundness of depository institutions—not to advance political or ideological agendas. Yet, federal regulators have increasingly cited “reputational risk,” a term with no statutory definition, to justify supervisory actions against institutions engaged in lawful business activities. This has raised concerns that the supervisory process is being misused to deny financial access based on perceived political unpopularity or social stigma.

The use of reputational risk as a supervisory tool was notably employed under the Obama Administration’s “Operation Choke Point,” an initiative acknowledged by the FDIC in 2018 which discouraged financial institutions from serving entire industries despite those industries' lawful status. This approach undermines the principle of equal access to financial services and allows regulators to exert pressure unrelated to financial performance or regulatory compliance.

H.R. 2702 removes reputational risk from supervisory considerations, reinforcing that regulatory discretion must be grounded in objective, material financial risk, not ideological concerns.

COMMITTEE CONSIDERATION

119TH CONGRESS

On April 8, 2025, Representative Barr introduced H.R. 2702, the *Financial Integrity and Regulation Management (FIRM) Act*, with Representatives Ritchie Torres (D–NY), Lisa McClain (R–MI), Frank Lucas (R–OK), Barry Loudermilk (R–GA), John Rose (R–TN), Ann Wagner (R–MO), Marlin Stutzman (R–IN), William Timmons (R–SC), Scott Fitzgerald (R–WI), Tim Moore (R–NC), Mark Messmer (R–IN), Andy Ogles (R–TN), Troy Downing (R–MT), Pete Sessions (R–TX), Doug LaMalfa (R–CA), and Glenn Grothman (R–WI). Representatives Roger Williams (R–TX), Derek Schmidt (R–KS), and Andrew Garbarino (R–NY) were added subsequently as cosponsors. The bill was referred solely to the Committee on Financial Services. H.R. 2702 was attached to the April 29, 2025, hearing titled "Regulatory Overreach: The Price Tag on American Prosperity."

In addition, Senator Tim Scott (R–SC) introduced S. 875, a companion bill to H.R. 2702, with Senators Mike Crapo (R–ID), Mike Rounds (R–SD), Thom Tillis (R–NC), John Kennedy (R–LA), Bill Hagerty (R–TN), Cynthia Lummis (R–WY), Katie Britt (R–AL), Pete Ricketts (R–NE), Kevin Cramer (R–ND), Bernie Moreno (R–OH), David McCormick (R–PA) and Jim Banks (R–IN) as original cosponsors. On March 13, 2025, the Senate Banking Committee met in executive session to consider S. 875 and advanced the measure without written report.

On May 21, 2025, the Committee on Financial Services met in open session to consider, among others, H.R. 2702. The Committee favorably reported H.R. 2702, as amended, to the House of Representatives.

RELATED HEARINGS

Pursuant to clause 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearing was used to develop H.R. 2702:

The Subcommittee on Financial Institutions of the Financial Services Committee held a hearing on April 29, 2025, entitled "Regulatory Overreach: The Price Tag on American Prosperity." A discussion draft version of the bill was considered in this hearing. The following witnesses testified: Ms. Sarah Christine Flowers, Senior Vice President, Senior Associate General Counsel, Bank Policy Institute; Mr. J. Michael Radcliffe, Chairman and Chief Executive Officer, Community Financial Services Bank (Benton, KY); Ms. Margaret E. Tahyar, Partner, Head of Financial Institutions Group, Davis Polk & Wardwell LLP; The Honorable Graham Steele, Academic Fellow, Rock Center for Corporate Governance, Stanford Law School.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include for each record vote on a motion to report the measure or matter and on any amendments offered to the measure or matter the total number of votes for and against and the names of the Members voting for and against.

On May 21, 2025, the Committee ordered H.R. 2702, as amended, to be reported favorably to the House by a recorded vote of 33 yeas and 19 nays, a quorum being present. (Record Vote No. FC–124).

The Committee considered the following amendments to H.R. 2702:

- Representative Barr offered an amendment in the nature of a substitute, which made minor edits and technical changes. This amendment was adopted by a voice vote.
- Representative Brad Sherman (D–CA) offered an amendment (No. 5), designated SHERMA_044. This amendment clarifies that protections against reputational risk do not apply to negative publicity or public opinion related to an institution's involvement in unlawful transactions with state sponsors of terrorism or foreign terrorist organizations. This amendment was agreed to by a voice vote.

Committee on Financial Services

Markup 4	*Bill:*	**H.R. 2702**	
May 21, 2025	*Measure:*	**H.R. 2702 (as amended)**	
	Amdt.		
Record Vote No.	*Motion:*	**to report favorably**	
FC-124	*Disposition:*		**AGREED TO (33-19)**

Member	Yea	Nay	Not Voting	Member	Yea	Nay	Not Voting
Chairman Hill	X			Ranking Member Waters		X	
Mr. Lucas	X			Ms. Velázquez		X	
Mr. Sessions	X			Mr. Sherman	X		
Mr. Huizenga	X			Mr. Meeks		X	
Mrs. Wagner	X			Mr. Scott		X	
Mr. Barr	X			Mr. Lynch		X	
Mr. Williams (TX)	X			Mr. Green (TX)		X	
Mr. Emmer			X	Mr. Cleaver		X	
Mr. Loudermilk	X			Mr. Himes			X
Mr. Davidson	X			Mr. Foster		X	
Mr. Rose	X			Mrs. Beatty		X	
Mr. Steil	X			Mr. Vargas		X	
Mr. Timmons	X			Mr. Gottheimer	X		
Mr. Stutzman	X			Mr. Gonzalez		X	
Mr. Norman	X			Mr. Casten		X	
Mr. Meuser	X			Ms. Pressley		X	
Mrs. Kim	X			Ms. Tlaib		X	
Mr. Donalds	X			Mr. Torres (NY)	X		
Mr. Garbarino	X			Ms. Garcia (TX)		X	
Mr. Fitzgerald	X			Ms. Williams of GA		X	
Mr. Flood	X			Ms. Pettersen		X	
Mr. Lawler	X			Mr. Fields		X	
Ms. De La Cruz	X			Ms. Bynum	X		
Mr. Ogles	X			Mr. Liccardo		X	
Mr. Nunn	X						
Mrs. McClain	X						
Ms. Salazar	X						
Mr. Downing	X						
Mr. Haridopolos	X						
Mr. Moore (NC)	X						
	29	**0**	**1**		**4**	**19**	**1**

	Yeas	Nays	Not Voting
Committee Totals:	**33**	**19**	**2**

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal H.R. 2702 is to prohibit the use of "reputational risk" as a factor in the supervision of depository institutions and, by eliminating this subjective and undefined metric, the bill aims to prevent politicization of bank supervision and ensure regulatory focus remains squarely on material risks related to safety and soundness.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 2702. The Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office. However, pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee will adopt as its own the cost estimate by the Director of the Congressional Budget Office once it has been prepared.

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, a cost estimate was not made available to the Committee in time for the filing of this report. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

UNFUNDED MANDATES STATEMENT

The Committee has requested but not received from the Director of the Congressional Budget Office an estimate of the Federal mandates pursuant to section 423 of the *Unfunded Mandates Reform Act*. The Committee will adopt the estimate once it has been prepared by the Director.

EARMARK STATEMENT

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the resolution and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

FEDERAL ADVISORY COMMITTEE ACT STATEMENT

No advisory committees within the meaning of section 5(b) of the *Federal Advisory Committee Act* were created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the *Congressional Accountability Act*.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

Section 1 provides the short title is the "*Financial Integrity and Regulation Management Act*" or the "*FIRM Act*."

Section 2. Findings; Purposes

Section 2 provides that Congress finds:

- the primary objective of financial regulation and supervision by the Federal banking agencies is to promote safety and soundness of depository institutions;
- all federally legal businesses and law-abiding citizens regardless of political ideology should have equal opportunity to obtain financial services and should not face unlawful discrimination in obtaining such services;
- financial service providers are private entities entitled to provide services to whichever customers they so choose, provided that those decisions do not violate the law;
- financial service providers should strive to ensure that all business decisions are based on factors free from unlawful prejudice or political influence;
- the use of reputational risk in supervisory frameworks encourages Federal banking agencies to regulate depository institutions based on the subjective view of negative publicity and provides cover for the agencies to implement their own political agenda unrelated to the safety and soundness of a depository institution;
- Federal banking agencies have in fact used reputational risk to limit access of federally legal businesses and law-abiding citizens to financial services in 2018 when the Federal Deposit Insurance Corporation acknowledged that the agency used reputational risk reviews to limit access to financial services by certain industries, commonly known as "Operation Choke Point"; and

- reputational risk does not appear in any statute and is an unnecessary and improper use of supervisory authority that does not contribute to the safety and soundness of the financial system.

Section 3. Definitions

Section 3 defines depository institution, Federal banking agency, and reputational risk.

Section 4. Removal of reputational risk as a consideration in the supervision of depository institutions

Section 4 requires Federal banking agencies to remove from any guidance, rule, examination manual, or similar document any reference to reputational risk or a substantially similar term.

Section 5. Prohibition

Section 5 prohibits Federal banking agencies from engaging in any activity related to reputational risk, including through rulemaking, examinations, supervision determinations, or enforcement.

Section 6. Reports

Section 6 requires each Federal banking agency to submit a report to the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Financial Services confirming implementation of the requirements in this bill and describing all changes no later than 180 days after enactment.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 2702 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report required under clause 3(e) of rule XIII of the House of Representatives.

MINORITY VIEWS

This sweeping bill, instead of focusing on debanking as the House has done in years past with legislation to prevent regulators from misusing reputational risk to discouraging banks to close certain types of accounts, would completely eliminate reputational risk as a component of the supervision of depository institutions. This would, for the first time, prevent regulators from considering certain types of risk, in this case reputational risk, when promoting safety and soundness of banks.

Banking is a business that relies on trust. Since the 1990s, bank regulators have recognized that a bank's reputation, among many other kinds of risks they must manage, can impact if not undermine its safety and soundness. The quick erosion of customer trust due to reputational damage is one of the most common causes of bank runs and insolvency. Two years ago, concerns about Silicon Valley Bank (SVB) quickly spread over social media, fueling the fastest bank run in U.S. history when in one day, $42 billion in deposits were withdrawn. By the next morning, customers had requested $100 billion more in withdrawals, forcing regulators to close the bank.[1] Signature Bank also experienced a quick bank run the same weekend, which also happened to occur a few days after another crypto-focused bank, Silvergate Bank, announced they would voluntarily liquidate and close their bank. In a post-mortem report, FDIC's Inspector General found that Signature Bank faced reputational risks for several years, known in the marketplace as a bank focused on digital assets, and faced related pressures when other crypto-related businesses failed, like FTX, along with SVB's and Silvergate Bank's closure.[2]

Reputational risk has been cited by bank regulators and researchers relating to money laundering and lax Bank Secrecy Act compliance, for example, with respect to Riggs Bank in the early 2000s. Riggs Bank's reputation took multiple hits after they were investigated for several money laundering scandals, including one relating to former Chilean dictator Augusto Pinochet and unwittingly allowing the September 11th hijackers to transfer money due to lax AML/BSA controls.[3] The bank nearly failed before PNC Bank acquired it. Furthermore, reputational risk has been cited relating to large banks, like Wells Fargo, that repeatedly broke the

[1] Reuters, *Speed of US bank failures to play starring role in Fed, FDIC post-mortems* (Apr. 27, 2023); Federal Reserve Bank of St. Louis, *Understanding the Speed and Size of Bank Runs in Historical Comparison* (May 26, 2023).

[2] FDIC OIG, *Material Loss Review of Signature Bank of New York* (Oct. 2023). Also see Federal Reserve Bank of Chicago, *Rushing to Judgment and the Banking Crisis of 2023* (Mar. 2025); and American Banker, *Crypto and VC firms led to SVB's failure, researchers say* (Mar. 10, 2025).

[3] See OCC, *Comptroller Hawke Directs Review of Agency's Handling Of Bank Secrecy Act Compliance at Riggs Bank N.A.* (Jun. 3, 2004); WSJ, *Riggs Bank Is Sued Over 9/11 Attacks* (Sep. 13, 2004); DOJ, *Riggs Bank Enters Guilty Plea and Will Pay $16 Million Fine for Criminal Failure to Report Numerous Suspicious Transactions* (Jan. 27, 2005); and

law and harmed millions of consumers.[4] Another example is Credit Suisse, who was investigated for a number of issues, including an executive spying scandal, a data leak of customer information, and exposure to the default of the Archegos Capital Management fund as well as the Greensill Capital fund. The bank nearly failed before it was acquired by UBS.[5]

Critics argue reputational risk concerns may have contributed to bank's closing accounts and otherwise debanking certain industries, as was alleged during the Obama-era "Operation Chokepoint,"[6] though some argue those concerns were overstated,[7] similar to more recent accusations that the Biden Administration engaged in an "Operation Chokepoint 2.0" that encouraged banks to debank crypto firms.[8] However, this sweeping proposal would, for the first time, direct Federal regulators to completely ignore any kind of risk a bank must manage, in this case reputational risk. This seems to be an overreaction that may have unintended consequences. Trump's regulators are already administratively taking this step, so codifying these reforms into law are arguably premature until there is time to see if completely ignoring reputational risks poses safety and soundness risks for banks, as we've seen in the examples noted above.

Moreover, there are more narrow policy solutions that have enjoyed broad bipartisan support that could be pursued. For example, in the aftermath of "Operation Chokepoint," former Rep. Blaine Luetkemeyer (R–MO) reached a compromise with Ranking Member Waters to prohibit regulators from ordering or discouraging banks from serving customers based on reputational risk, and to otherwise provide a notice with a legal justification in other situations where accounts are closed.[9] The House overwhelmingly passed this compromise by a vote of 395–2, and this legislation was later added to the SAFE Banking Act to grant cannabis-related businesses access to the banking system, which repeatedly passed the House with broad bipartisan support.[10]

Ranking Member Waters also introduced a bill to combat payment scams last year that would also clarify that Electronic Fund Transfer Act's (EFTA) error resolution duties apply to institutions when they freeze or close an account in most cases, ensuring consumers receive an explanation in such situations.[11] Former Senate Banking Committee Chairman Sherrod Brown introduced a bill that would expand existing anti-discrimination provisions that only apply to lending to prevent any financial institution from discriminating on the basis of race, color, religion, national origin, or sex (including sexual orientation and gender identity) in providing any

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[4] Brian Tayan (Stanford University), *The Wells Fargo Cross-Selling Scandal* (Feb. 6, 2019).
[5] Vanguard, *Risk oversight failure at Credit Suisse* (May 2023).
[6] Politico, *Justice Department to end Obama-era 'Operation Choke Point'* (Aug. 17, 2017).
[7] For example, see Drury D. Stevenson, *Operation Choke Point: Myths and Reality* (Dec. 2, 2022).
[8] See FSC hearing, *Operation Choke Point 2.0: The Biden Administration's Efforts to Put Crypto in the Crosshairs* (Feb. 6, 2025); in particular, see Testimony from *Shayna Olesiuk*, Director of Banking Policy, Better Markets.
[9] *HR 2706 (115th Cong.)*, the Financial Institution Customer Protection Act.
[10] Cannabis Business Times, *SAFE Banking Act: How We Got Here, What's Next For SAFER* (Sep. 25, 2023).
[11] FSC, *Ranking Member Waters, Senator Blumenthal, and Senator Warren Introduce "Protecting Consumers from Payment Scams Act"* (Aug. 2, 2024).

financial product or service, including offering a checking account.[12]

The CFPB took steps under former Director Rohit Chopra to combat debanking as well, including by proposing a rule that would bar financial companies from fining, suing, or debanking consumers based on their comments, reviews, or political or religious views,[13] but Acting Director Russell Vought recently withdrew this proposed rule.[14] The CFPB also issued a larger participant rule to allow it to supervise big tech payment platforms, in part to ensure the companies were not unlawfully freezing or debanking customer accounts,[15] but Republicans rescinded that rule through a Congressional Review Act resolution.[16]

Former Treasury Assistant Secretary for Financial Institutions, Graham Steele, testified before the Committee earlier this year, outlining several concerns with this bill's approach, as well as the HUMPS Act (previously named the CAMELS Rating Modernization Act) that is described further below in this memo. Mr. Steele testified, "The FIRM Act curtails the use of reputational risk in bank supervision and the CAMELS Rating Modernization Act directs agencies to review and revise the CAMELS rating system to use a "transparent methodology that is limited to . . . objective criteria" limiting the role played by factors such as an institution's management. Reputational risk is just one factor in examination and supervision and is very rarely the sole basis upon which an agency would expect a bank to correct its behavior. It is most commonly used in relation to consumer compliance and deterring banks from engaging in predatory practices, compliance with anti-money laundering requirements and preventing banks from doing business with entities engaged in illicit activities, and the risks of environmental damage as a result of agricultural or oil & gas lending. A bank's managerial character and capacity has long been a foundational basis for evaluating whether a bank is worthy of receiving a charter or federal deposit insurance. Sound management and reputational considerations are fundamental part of the banking business. These factors may not be precisely quantifiable in the way a bank's capital ratio can be calculated, but we have seen time and again that public perception and confidence and sound management affect the stability of banks and the entire banking system—from the failure of Riggs Bank in the 2000s, to the Global Financial Crisis, to the failures of SVB, Signature Bank, and Credit Suisse in 2023. The irony is that these bills cannot make the underlying risks go away. Instead, they just require banking agencies to ignore reality and experience."[17]

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[12] *S. 4619 (117th)*, the "Fair Access to Financial Services Act."

[13] CFPB, *CFPB Proposes Rule to Ban Contract Clauses that Strip Away Fundamental Freedoms* (Jan. 13, 2025).

[14] Federal Register, *Prohibited Terms and Conditions in Agreements for Consumer Financial Products or Services (Regulation AA); Withdrawal of Proposed Rule* (May 15, 2025).

[15] CFPB, *CFPB Finalizes Rule on Federal Oversight of Popular Digital Payment Apps to Protect Personal Data, Reduce Fraud, and Stop Illegal "Debanking"* (Nov. 21, 2024).

[16] FSC, *Waters Slams Republican "Big Tech Payment Scams Act" on House Floor: "We See This Bill for What It Is: A Thank-You Gift to Elon Musk and the Other Big Tech Billionaires Who Came to Trump's Rescue During the 2024 Election* (Apr. 9, 2025).

[17] *Testimony* of The Honorable Graham Steele, former Treasury Assistant Secretary for Financial Institutions before FSC hearing entitled, "*Regulatory Overreach: The Price Tag on American Prosperity*" (Apr. 29, 2025).

During the debate, Republicans adopted an amendment offered by Rep. Brad Sherman (D–CA) to exempt reputational risk concerns related to terrorist financing, which improved the bill. However, there are many other types of issues that this bill could interfere banking regulators work to promote safety and soundness with, including involving other forms of anti- money laundering, banks that repeatedly violate Federal laws and regulations to the detriment of millions of consumers, climate-related risks, and more.

The Senate Banking Committee passed a similar bill earlier this year on a party-line vote with Senate Democrats unanimously opposing the bill. Moreover, a number of groups opposed the bill, including Americans for Financial Reform (AFR), California Consumer Protection Attorneys' Association, Center for Responsible Lending (CRL), Chevedden Corporate Governance, Consumer Action, Consumer Federation of America, Consumer Reports, Florida for Good, Impact Fund, Interfaith Center on Corporate Responsibility, Maine People's Alliance, National Association of Consumer Advocates, National Community Reinvestment Coalition (NCRC), National Consumer Law Center, on behalf of its low-income clients (NCLC), National Consumers League, Natural Investments Oregon Consumer League, Private Equity Stakeholder Project, Public Citizen, Public Justice Center, Rise Economy, South Carolina Appleseed Legal Justice Center, The People's Justice Council, Transparency Task Force, and Womxn From The Mountain.[18]

For these reasons, we oppose H.R. 2702.

Sincerely,

MAXINE WATERS,
Ranking Member.
NYDIA M. VELÁZQUEZ,
STEPHEN F. LYNCH,
AL GREEN,
EMANUEL CLEAVER, II,
BILL FOSTER,
JOYCE BEATTY,
JUAN VARGAS,
RASHIDA TLAIB,
SYLVIA R. GARCIA,
NIKEMA WILLIAMS,
Members of Congress.

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[18] See AFR et al, Letter to Senate Banking Committee re FIRM Act (Mar. 13, 2025).