



Kentucky Bankers Association

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April 28, 2014

The Honorable Andy Barr
United States House of Representatives
1432 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Barr,

As the President/CEO of the Kentucky Bankers Association, I would like to express the support and appreciation of our member Kentucky banks and thrifts for your sponsorship of H.R. 4167, Restoring Proven Financing of American Employers Act.

We were very concerned when Federal Regulators the Volker Rule amendment released in December 2013 did not allow banks' investments in debt securities issued by CLOs. This created a significant change from existing bank operations. From the perspective of community banks, CLO debt securities are well structured, variable rate, diversified credit assets that allow the smallest as well as larger banks to obtain a risk adjusted, reasonable return in an environment where few exist.

As a result of the housing market crisis and resulting economic and regulatory response, traditional banks have found themselves in an increasingly difficult battle to retain reasonable investments to support the losses resulting from troubled credit. Many banks invested in CLO debt securities, as a thoughtful solution to the equity problems they faced. The investment in CLO debt securities had been accepted as a conservative addition to an existing and balanced investment approach.

Without the passage of HR4167, traditional banks will undoubtedly find themselves in a repeat of the last 5 years—seeking additional, necessary capital where none exists and none is needed. Without the passage of HR 4167, banks will be required to divest their portfolios of performing investments, resulting in a skewed interpretation of safe investment portfolios. If the rule remains as passed, this change is likely to result in harm to customers, shareholders and perhaps even additional bank failures.

We appreciate you support and understanding of reasonable banking regulations. Your efforts, if accepted by Congress will assist our economy and our communities on the road to recovery. Thank you for sponsoring HR 4167. Please contact me directly if you need additional information.

Sincerely,

Ballard W. Cassady, Jr.
President & Chief Executive Officer