

Statement by Acting Chairman Travis Hill

Proposal to Modify the Community Bank Leverage Ratio Framework

November 25, 2025

I have long been a strong proponent of the Community Bank Leverage Ratio (CBLR) concept, dating back to its original inception when I was a staffer on the Senate Banking Committee working on the legislation establishing it.¹

The CBLR is intended to provide a simple measure of capital adequacy for qualifying community banking organizations. The CBLR rule removes the requirements for calculating and reporting risk-based capital ratios for banks that opt into the framework, thereby providing meaningful regulatory relief for those that opt in. At the same time, the CBLR is set well above the minimum tier 1 leverage ratio to ensure that banks that opt in continue to maintain strong capital levels.

Today, approximately 40 percent of banks with less than \$10 billion in assets have opted in to the CBLR framework. Although this is a meaningful number of institutions, it is considerably less than we expected during both the legislative and rulemaking processes a few years ago.

Today's proposal is intended to encourage broader adoption of the CBLR framework. The proposal would lower the CBLR requirement from 9 percent to 8 percent and extend the current two-quarter grace period to four quarters. These modifications would increase the number of community banking organizations that qualify to use the framework and would allow more time for those that fall out of compliance with the CBLR framework to either return to full compliance or transition to risk-based capital requirements. The proposal would also include a limitation on the amount of time a bank would be able to use the longer grace period, which would help ensure the grace period is not abused.

The U.S. economy and communities across the nation benefit tremendously from the presence of local community banks. Today's action is one of many to promote the long-term viability of the community bank model while continuing to ensure that banks maintain adequate levels of capital and operate in a safe and sound manner.

I would like to thank FDIC staff, along with the Federal Reserve and OCC staff, for their work on this proposal and look forward to receiving comments.

¹ See Public Law 115-174, 132 Stat. 1296, 1306-07 (2018) (codified at 12 U.S.C. 5371 note).