NORTH SHORE BANK

JANUARY 27, 2026

Submitted Electronically

Benjamin Pegg, Technical Expert, Capital Policy
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219
Docket ID OCC-2025-0141

Lars Arnesen
Senior Financial Institution Policy Analyst
Division of Supervision and Regulation
Board of Governors of the Federal Reserve System
Washington, DC 20551
FRB Docket NO. R-1876 and RIN 7100-AH08

Benedetto Bosco, Chief, Capital Policy Section
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
RIN 3064-AG17

Re: Regulatory Capital Rule: Revisions to the Community Bank Leverage Ratio (CBLR)
Eliminating the 25% cap on Mortgage Servicing Rights (MSRs)

Dear Ladies and Gentlemen:

I appreciate the opportunity to comment on the Notice of Proposed Rulemaking issued on December 1, 2025, regarding revisions to the Community Bank Leverage Ratio (CBLR) framework.

North Shore Bank is a $590 million community bank serving customers within approximately a 75-mile radius in Northern Minnesota. We operate under a traditional community banking model focused on retail banking, small business and commercial real estate lending, residential mortgage lending, wealth management, and insurance services. We currently operate under the CBLR framework and strongly support the Agencies' proposal to reduce the CBLR requirement from 9 percent to 8 percent and to extend the grace period for temporary noncompliance.

While our bank remains well capitalized, we have experienced periods where routine balance sheet fluctuations caused us to fall below the current 9 percent CBLR threshold, requiring us to prepare to operate under the more complex Basel III capital framework. These transitions create operational burden and planning uncertainty without a corresponding improvement in safety and soundness. Reducing the CBLR threshold to 8 percent would provide greater capital stability and predictability, allowing management to focus resources on lending, risk management, and serving our communities rather than managing unnecessary regulatory changes.

Importantly, lowering the CBLR to 8 percent would not materially increase risk to the financial system or to the communities we serve. Community banks operating under CBLR maintain simple balance sheets, limited trading activity, and strong supervisory oversight. An 8 percent leverage ratio remains well above historical capital norms for well capitalized banks and continues to provide a substantial buffer against stress. For banks like ours, the benefits of improved capital planning, regulatory simplicity, and the ability to more effectively meet the evolving credit and financial service needs of our communities far outweigh any reasonable incremental risk.

We also support the proposal to extend the grace period for temporary noncompliance from two to four quarters. This additional flexibility would allow community banks to address short-term fluctuations in a measured manner, consistent with sound capital management and the intent of the CBLR framework.

In addition, we encourage the Agencies to eliminate the 25 percent limitation on mortgage servicing assets included in common equity tier 1 capital for banks operating under CBLR. While this limitation is not currently a limiting factor for our institution, it is inconsistent with the purpose of CBLR and contributes to unintended competitive effects by discouraging regulated banks from retaining mortgage servicing. Eliminating the cap would improve policy coherence without increasing risk or altering our institution's risk profile.

Thank you for considering these comments. We appreciate the Agencies' efforts to refine the CBLR framework in a manner that supports strong capital, regulatory simplicity, and the continued vitality of community banking.

Respectfully Submitted,

[redacted]

Kenneth D. Johnson
President/CEO