LouisianaBankers
ASSOCIATION

September 25, 2017

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW.
Washington, DC 20551
Docket NO. R-1571, RIN 7100-AE 83

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW.
Washington, DC 20429
RIN 3064-AE 63

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW., Suite 3E-218
Washington, DC 20219
Docket ID OCC-2017-0012

Re: Regulatory Capital Rules: Retention of Certain Existing Transition Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules

Dear Ladies and Gentlemen:

I am writing on behalf of the Louisiana Bankers Association to express our support for the agencies' proposed rulemaking to immediately pause the Basel III transition rules that apply to banks with total consolidated assets of under $250 billion with regard to the treatment of mortgage servicing assets, certain deferred tax assets, investments in other unconsolidated financial institutions, and minority interests. LBA also supports efforts by the agencies to simplify the current regulatory capital framework for community banks in order to align regulatory capital standards with the tried and true straightforward lending models that have allowed community banks to drive economic growth in their local communities.

LBA requests that the prudential banking regulators meet their objective of simplifying Basel III for community banks by exempting all financial institutions with total consolidated assets of $50 billion or less from all provisions of Basel III, allowing them to revert to the regulatory capital framework of Basel I. The provisions of Basel III should never have been considered for community banks, and should be limited to the largest, internationally active, interconnected banks that have the size and complexity to

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put our strong financial system at risk.

This proposed regulatory pause sends a strong message that the prudential bank regulators are serious about providing regulatory relief to community banks who have been overwhelmed by new capital regulations. Community banks have struggled to adapt to a capital standard that penalizes quality assets like mortgage servicing rights and removes capital markets liquidity for trust preferred securities (TruPS) held as investments. In many cases, community banks have invested in these financial assets for many years, and they have performed well for the banks without any problems.

Restricting the ability of community banks to hold mortgage servicing assets results in them being retained by less regulated entities that may not provide the same level of care and diligence needed when maintaining a relationship with a borrower or other stakeholder. Equally important, mortgage servicing rights retained by community banks act as a natural hedge against rising interest rates and bring stability to earnings and asset valuations when interest rates rise rapidly.

Thank you for your consideration of our comments. If you need additional information or have any questions, please contact me at gendron@lba.org.

Sincerely,

[redacted]

Joe Gendron
Director of Government Relations