OKLAHOMA BANKERS ASSOCIATION

ROGER M. BEVERAGE
PRESIDENT & CEO

We make bankers better!

December 26, 2017

Honorable Martin Gruenberg Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
RE: RIN 3064-AE59

Honorable Janet Yellin, Chair
Board of Governors, Federal Reserve System
20th & C Street NW
Washington, D.C. 20219
RE: No. R-1576; RIN 7100 AE-74

Honorable Joseph Otting
Comptroller of the Currency
400 7th Street, S.W.
Washington, D.C. 20219

RE: **OCC - Docket ID OCC-2017-0018**

RE: **SIMPLIFICATION TO THE CAPITAL RULE PURSUANT TO EGRPRA REQUIREMENTS**

FDIC – RIN 3064-AE59
OCC – DOCKET ID OCC-2017-0018
FEDERAL RESERVE – DOCKET NO. R-1576; RIN 7100 AE-74

Good Morning:

This letter is submitted by the Oklahoma Bankers Association on behalf of its member banks. We join with the American Bankers Association in offering recommendations for some clarifying changes that, we believe, will be of particular importance to smaller traditional banks.

Our state is made up of many smaller communities that are served by somewhat smaller, locally owned traditional community banks. Nevertheless, when taken together the industry holds about $1.4 billion in total assets.

OBA-member banks employ more than 24,000 Oklahomans. Although the number of charters in our state continue to shrink at a rapid pace, there are 208 Oklahoma-based charters with nearly 1,400 locations in the state. Of that number, 81 banks are less than $100 million in assets. 29 of those charters are less than $50 million. Finally, there are approximately 143 traditional community banks in our state doing business as Sub Chapter “S” corporations, which constitutes 68 percent of all Oklahoma banks.

Bankers in Oklahoma are extremely supportive efforts to improve and simplify the capital rules in place under the current regulatory process. Our Association joins with the ABA, ICBA and the other state bankers associations that have voiced their concerns about the NPR that was published in the *Federal Register* on Friday, October 27, 2017.

We concur with the ABA's recommendation that the agencies should ". . . strike a better balance between risk-sensitivity and . . . simplicity." We join with the ABA's specific recommendations as follows:

- Exclude ADC loans not secured by real estate from the definition of HVADC;
- Maintain the 15 percent contributed capital exemption criterion in the proposed definition, but subject to some modifications.
  - Use the "cost" value, not the "as completed" value when determining whether a given loan is exempt from the HVADC rules;
  - Make it clear that any appreciation in land value should count toward the 15 percent contributed capital amount, subject to a seasoning of five years; and
  - Mandatory restrictions on withdrawing contributed capital in excess of the 15 percent provision not apply – because to do so is a disincentive for borrowers to contribute capital in excess of that 15 percent.
- Make it clear that the "primarily finances or refinances test" be assessed at the loan's inception.

Without being too redundant, we believe that the current proposal is not "simple" and does not clarify how banks should consider risk-weights for capital purposes. We firmly believe that, as drafted, the proposal will not simplify the regulatory capital requirements, but it will expand the number of loans subjected to this "new" requirement.

Moreover, we think the proposal will increase bank costs and risk exposure, which is not good for bank customers. One of its flaws once again is that it assumes all banks are the same, with the same product and service offerings, to the same people. They are not. This is a major factor that has for too long simply been ignored.

One size ***does not*** fit all banks, particularly smaller traditional banks such as those in the central part of the country.

But what's more important is the impact this proposal will have on consumers. Recent history tells us that this language will result in offering comparatively fewer ADC loans, and that result will have a very negative impact on borrowers and the state's economy. The grandfather provisions are helpful, but otherwise the language will do nothing to help borrowers going forward. And this result cannot be avoided simply by lowering the percentage risk-weight to the new loans.

Thank you for the opportunity to submit these comments – submitted in an attempt to avoid redundancies, but still make the point that Oklahoma bankers believe the original proposal should be revised in accordance with the ABA's recommendations set forth above.

Sincerely,

[redacted]