Community Spirit
BANK®

April 5, 2019

Via Electronic Submission

Federal Deposit Insurance Corporation
Robert E Feldman
Executive Secretary
Attention: Comments
550 17th Street, NW
Washington DC 20429

Re: Regulatory Capital Rule: Regulatory Capital Rule: FDIC RIN 3064-AE91
Capital Simplification for Qualifying Community Banking Organizations

To Whom It May Concern:

As a community banker, I am responding to your proposal to establish a community bank leverage ratio ("CBLR") as a way to simplify the capital requirements for community banks. Specifically, the proposal calls for the establishment of a CBLR consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act that would allow banks and holding companies of less than $10 billion in assets with a tangible equity-to-assets leverage ratio of greater than 9 percent to opt into a CBLR framework and not be subject to other risk-based and leverage capital requirements. These banks would also be considered "well capitalized" under the banking agencies' Prompt Corrective Action (PCA) framework.

While I commend the agencies for several parts of the proposal, particularly the ease at which community banks may opt-in and opt-out of the CBLR framework, the proposed CBLR of 9 percent is too high. Establishing the ratio at 8 percent, as allowed by the statute, would calibrate the CBLR closer to current risk-based capital requirements for well-capitalized banks including the common equity tier one ratio of 6.5 percent and the tier one risk-based capital ratio of 8 percent. Furthermore, an 8 percent CBLR would put the ratio closer to the current 5 percent leverage requirement for well-capitalized banks, and would allow approximately 600 more community banks to be eligible to use the new framework.

The proposal to establish a new and separate PCA framework within the CBLR framework is not necessary and could result in unintended consequences. There is no need to establish "proxies" under the CBLR framework for adequately capitalized, undercapitalized and significantly undercapitalized PCA thresholds. Such proxies could serve as an unwarranted penalty for banks that elect the CBLR. Instead, a CBLR bank that falls below the CBLR should be given the opportunity to demonstrate that it is well capitalized under the current PCA Framework before being downgraded to adequately capitalized. To do otherwise could result in the CBLR becoming the new, de facto minimum capital requirement for CBLR banks.

In addition to establishing the CBLR, the banking agencies should continue their efforts to simplify Basel III to reduce the regulatory burden that community banks experience when complying with risk-based capital requirements.

Finally, if the agency does stick with the 9% as the new baseline, please allow the ALLL to be a part of this. As you know the ALLL is our first line of defense of loan losses so some if not all of it should be treated as a part of this capital ratio.

Taking our leverage ratio to 9% is burdensome and unnecessary. I firmly believe that the intent of section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act was to provide "relief" for community banks. With this intent, this should be an easy decision for us to make to opt in and choose this community bank leverage ratio, but now, with the threshold proposed to be set at 9% we may have to take a different approach because of the "subjectivity" of individual examiners, fields, districts and state's interpretation of this ratio. For instance, if you set the ratio at 9%, will examiners at the Federal and State level look at this and say well, the minimum is 9 but we want you to have a buffer so we want to see your rate at 10%? This is a real and present risk we must all contemplate. For this reason alone, I implore you to reconsider your decision and establish a CBLR of no less than 8% to allow for the subjectivity and individual examinations that will occur throughout our nation.

I appreciate the opportunity to write this letter to voice Community Spirit Bank's concern with the new ratio and respectfully request that the new CBLR be set at 8% instead of the proposed 9%.

Sincerely,

[redacted]

Brad M. Bolton
President/CEO/Sr Lender
Community Spirit Bank
Red Bay, Alabama
FDIC Certificate #50