From: Jack Griggs <griggsj@acu.edu>
Sent: Tuesday, April 09, 2019 6:36 PM
To: Comments; regs.comments@federalreserve.gov; regs.comments@occ.treas.gov
Subject: RIN 3064-AE91; Docket ID OCC-2018-0040; Docket No. R-1638
Attachments: senate-cblr-040519.pdf

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429
Via Email: comments@FDIC.gov

Ann E. Misback, Secretary Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW Washington, DC 20551
Via Email: regs.comments@federalreserve.gov

Legislative and Regulatory Activities Division Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218 Washington, DC 20219
Via Email: regs.comments@occ.treas.gov

Re: RIN 3064-AE91; Docket ID OCC-2018-0040; Docket No. R-1638

Ladies and Gentlemen:

I could not agree more with the attached letter of Senators Moran and Crapo.

I am chairman of Texas Heritage Bank (total assets or $150 million) and a founding director of Liberty Capital Bank (total assets of a little less than $300 million).

Frankly, the boards of both of our two banks have discussed what course of action we will follow if the approved standard is 9% vs 8%. At 9% we will ignore the new standard and stick with the current rules. At 8% we will move to the new rules. From my 45 years of experience in community banking, I am confident that in-the-field examiners will not allow a community bank to have insufficient capital without sounding the alarm loud and clear to the bank's directors that the bank needs more capital.

The paucity of de novo banks over the past 10 years speaks strongly to the unattractiveness of the return-on-equity bank shareholders are receiving due to the high equity-to-assets community banks are being asked to maintain and because of the high cost of bank regulation. Banks have historically high levels of equity today, not out of desire, but, because of the verbal persuasion of bank examiners and the desire of community bankers to avoid examiner criticism. That's the true from the field.

Thank you for considering my comments. I will be pleased to add additional color to my remarks if you desire to give me a call [redacted]

Sincerely,

Jack Griggs

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Jack Griggs
[redacted]

United States Senate
WASHINGTON, DC 20510

April 5, 2019

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave, NW
Washington, DC 20551

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Joseph M. Otting
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Dear Chairman Powell, Chairman McWilliams, and Comptroller Otting:

A key goal of the Economic Growth Regulatory Relief and Consumer Protection Act of 2018 (S. 2155) was to provide qualifying community banks relief from the complexities and burdens of the Basel III risk-based capital requirements while ensuring they continue to maintain a high quality and quantity of capital.

As you know, the interagency proposal for the Community Bank Leverage Ratio (CBLR) allows certain community banks with less than $10 billion in total assets to elect to use the simpler CBLR framework, instead of the current complex capital regime, if its CBLR is above 9 percent. Section 201 of S. 2155 allows the Federal banking agencies to set the CBLR, which is the ratio of tangible equity capital to average total consolidated assets, as low as 8 percent.

The proposed 9 percent CBLR is well above the current Tier 1 leverage requirement for well-capitalized banks. The purpose of the CBLR was to simplify the capital regime for community banks while ensuring community banks maintain enough capital to weather a downturn. Accordingly, we encourage the Federal banking agencies to use the discretion provided them by Congress to set the CLBR at 8 percent, which would result in banks receiving relief under the CBLR while maintaining significant capital. This approach would be consistent with law and continue to set a high bar for the amount and quality of equity capital held by community banks.

We also understand the proposal would incorporate a new Prompt Corrective Action (PCA) framework based on CBLR. The operational restrictions imposed on institutions that fall into less-than-well-capitalized categories have significant negative effects on community banks. Therefore, if the Federal banking agencies decide to proceed with the framework for handling less-than-well-capitalized institutions as proposed instead of opting for an alternative approach, we urge you to ensure that the PCA framework is structured in a manner that would not unintentionally deter community banks from utilizing the CBLR framework and to provide community banks with more clarity about how the new PCA framework would work.

Thank you in advance for your consideration and we look forward to working with your respective agencies to finalize a CBLR that truly incentivizes community banks to adopt the framework established in Section 201 of S. 2155.

Sincerely,

[redacted]

Jerry Moran
United States Senator

[redacted]

Mike Crapo
United States Senator