

From: Dawn Bridges <dawn.bridges@fnbcc.com>
Sent: Monday, April 08, 2019 3:44 PM
To: Comments
Subject: Regulatory Capital Rule: FDIC RIN 3064-AE91

Dear Chair McWilliams,

April 8, 2019

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. Basel III was intended for large, complex banks so as to prevent a repeat of the recent financial crisis. The small, less complex community banks were not the cause of the financial crisis and should have never been subjected to Basel III regulations. First National Bank of Coffee County is currently a \$200,000,000 community bank with three offices. Each quarter we expend 5-10 man hours to accurately calculate the Basel III risk based capital ratios. To say that this is unnecessarily burdensome and costly for our bank is an understatement. Therefore, I am in complete support of the effort to reduce this burden on our bank and other community banks like ours. However, to require that we maintain a higher leverage ratio than what the big banks have to maintain in order to avoid Basel III requirements is not only unfair but also prejudiced. I ask that you take action to amend the proposal by lowering the CBLR to 8 percent and level the playing field for community banks which are so vital to our nation's economy.

Thank you for your time and consideration of this matter.

Sincerely,

Dawn W. Bridges

VP/CFO

First National Bank of Coffee County

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