

From: Darla Rooke <droke@junctionnational.com>
Sent: Thursday, April 04, 2019 2:08 PM
To: Comments
Subject: OCC: Docket ID OCC-2018-0040; Federal Reserve: Docket No. R-1638; FDIC: RIN 3064-AE91

Dear Executive Secretary Feldman,

Junction National Bank is a locally owned, community bank with average consolidated assets of \$60,116,000.00 as of the end of 2018 and tier one leverage capital of 10.47%. The board of directors at Junction National are conservative in nature and have operated in this manner since the bank was chartered in 1935. Capital has always been considered strong and has sustained organic growth.

The bank was thrilled when section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act ("AGRRCPA") called for an establishment of a Community Bank Leverage Ratio ("CBLR") of not less than 8 percent and not more than 10 percent for banks and holding companies with less than \$10 billion in assets. This requirement was to simplify the very complex capital requirements and reporting framework for eligible community banks. However, it appears the proposal would unnecessarily create another capital definition and implement unfavorable Prompt Corrective Action (PCA) capital standards for community banks desiring to take advantage of this much needed relief.

For simplification, the CBLR definition should mirror the current tier one leverage ratio definition. Community banks are already familiar with this calculation and the reporting of such on schedule RC-R on the quarterly Consolidated Reports of Condition and Income. Community banks and their respective board of directors should not be confused by adding yet another capital definition into the mix.

The proposal states a qualifying community bank's CBLR must be greater than 9 percent in order to be eligible to opt into a CBLR framework. Efforts to establish a framework for a CBLR are appreciated; however, the proposed CBLR of 9 percent is too high, especially when coupled with the new and unwarranted PCA requirements. Consideration should be given to lowering the CBLR threshold to 8 percent, the minimum required, and forgoing the establishment of separate PCA thresholds for those electing the CBLR.

A threshold of 8 percent would be more in line with current risk-based capital requirements and existing PCA categories for well-capitalized banks: 5 percent tier one leverage capital, 6.5 percent common equity tier one capital, 8 percent tier one risk-based capital and 10% total capital. As of December 2018, our bank's tier 1 leverage ratio was 10.47% and common equity tier one capital ratio was 31.52%. Despite excellent capital ratios, if the proposal is approved in its current state, Junction National Bank will more than likely not opt-in as there's little room for anticipated growth.

With this said, the establishment of a separate PCA is not necessary and will undoubtedly be the leading factor that banks, such as ours, will opt-out of the proposed CBLR framework. Community banks that opt-in, will be considered less than well capitalized if they fail to maintain greater than a 9 percent CBLR. If a bank falls below the minimum CBLR, and the bank exhibits all characteristics of a well-capitalized bank under the current PCA thresholds, the bank should not be punished and immediately downgraded to adequately capitalized. Most community banks will not want to jeopardize their well-capitalized designation while large institutions continue to receive the benefit of more favorable PCA thresholds under existing capital standards. This will be yet another "unintended consequence" for community banks.

Thank you for the opportunity to comment on the proposed CBLR framework and for your efforts taken to date. While your intentions are honorable, we believe further consideration should be given to simplify the proposal and provide meaningful relief for community banks.

Sincerely,

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