

**From:** Lucas White <lwhite@fountaintrust.com>  
**Sent:** Monday, April 08, 2019 8:20 AM  
**To:** Comments  
**Subject:** Regulatory Capital Rule: FDIC RIN 3064-AE91

Dear Chair McWilliams,

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.

My bank has historically had very high capital with a leverage ratio above 12%. We bought another small community bank a couple years ago, which reduced our leverage ratio to 10.5%, but we are close to 12% again. As we look to acquire another bank in the near future, this rule will affect what we will be able to do. We have had discussions about taking our leverage ratio down to 8-8.5% as part of an acquisition, with the expectation we would be back to 10-12% within a few years. If the CBLR is set at 9%, we will need to stay above 9% to be considered well capitalized and avoid all the restrictions that come with not being well capitalized. Please consider setting the CBLR at 8%, so that strong community banks like mine can do what they need to do to survive. We already have to abide by higher standards than the big banks (both moral and financial) and a 9% CBLR will exacerbate the unlevel playing field.

Sincerely,

Lucas White  
President  
The Fountain Trust Company

615 3rd St  
Covington, IN 47932  
[lwhite@fountaintrust.com](mailto:lwhite@fountaintrust.com)