From: Aaron Cooke <Aaron.Cooke@heartland.bank>
Sent: Tuesday, April 09, 2019 1:46 PM
To: Comments
Subject: Regulatory Capital Rule: FDIC RIN 3064-AE91

Dear Chair McWilliams,

I wanted to take the opportunity provided by the comment period to express our thoughts regarding the joint agency Notice of Proposed Rulemaking titled Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Organizations.

As a community banking institution, Heartland Bank appreciates the effort to reduce the regulatory compliance burden on community banks associated with the current Basel III regulatory capital ratios. To that end, the proposed Community Bank Leverage Ratio (CBLR) is a welcome improvement in that it would considerably simplify the reporting process while still ensuring that capital adequacy standards are being upheld.

We feel that many of the qualifications for the opting in to the CBLR measurement framework as proposed, such as being a community bank with less than $10 billion in total assets and having a limited amount of certain assets and off-balance sheet exposures are appropriate and should allow many community banks to qualify for the proposed relief. However, we believe that in order to be truly effective as an alternative measurement, the requirement for community banks to have a leverage ratio greater than 9 percent should instead be set at 8 percent as allowed under the Economic Growth, Regulatory Relief and Consumer Protection Act. The reason for this is the 9 percent level is considerably higher than the corresponding measurement for well-capitalized banks under the current rules which is a tier 1 leverage ratio of 5 percent plus a risk adjustment. Therefore, opting in to a system with a 9 percent leverage ratio would amount to a penalty of requiring a community bank to hold increased levels of capital in order to gain the benefits of the simplified calculation. An 8 percent leverage ratio would serve to help level the playing field between the two systems of measurement while still ensuring capital standards are being upheld among community banks.

In conclusion, Heartland Bank hopes that the threshold for the CBLR will be set at 8 percent so that the goal of reducing the burden on community banks of complex capital calculations can be achieved.

Thank you,
Aaron Cooke
VP/Controller
Heartland Bank

Sincerely,

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