September 13, 2019

The Honorable Jerome H. Powell  
Chairman  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

The Honorable Jelena McWilliams  
Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, D.C. 20429

The Honorable Joseph M. Otting  
Comptroller of the Currency  
Office of the Comptroller of the Currency  
400 7th Street, S.W.  
Washington, D.C. 20219

Dear Chairman Powell, Chairman McWilliams, and Comptroller Otting:

On May 24, 2018, President Trump signed into law the Economic Growth, Regulatory Relief, and Consumer Protection Act of 20181 (EGRRCPA). EGRRCPA has created a financial regulatory system that ensures safety and soundness while tailoring regulation to match a bank’s overall risk model and size. The new law has the potential to extend the robust economic recovery currently in effect and simultaneously support the continued flow of credit during any future downturn. The federal banking agencies have implemented many key provisions of the law, including Section 201, the “Capital Simplification for Qualifying Community Banks.”

Section 201 of EGRRCPA directs the agencies to set a Community Bank Leverage Ratio (CBLR) between 8 and 10 percent. The CBLR offers relief from overly complex capital rules for qualifying community banks with assets of less than $10 billion that maintain a minimum ratio of tangible equity capital to average total consolidated assets. Banks that exceed the CBLR are deemed “well capitalized” and exempt from complex risk-based capital requirements, including Basel III, which are intended for the largest and most complex financial institutions.

The interagency proposal for the CBLR is currently set for 9 percent, which cuts short the potential to provide available community bank capital relief. Additionally, a 9 percent leverage ratio is well above the current Tier 1 leverage requirement for well-capitalized banks. A CBLR of 8 percent would draw in some 600 additional community banks and support credit and economic development in thousands more communities across the country. Most community bankers believe, based on their past experiences with examinations, that prudential examiners will expect and demand a full percentage point margin or buffer to the CBLR, effectively setting the CBLR closer to 10 percent. That is why we believe a CBLR of 8 percent

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1 Public Law 115-174
would be more than adequate to ensure community banks benefit from capital simplification while retaining enough high-quality equity capital to sustain an economic downturn.

We strongly urge you to use the full measure of discretion afforded by Congress to maximize capital simplification and regulatory relief for the greatest number of community banks consistent with the safety and soundness of our banking system. The impact of your choices will extend to community financial institutions and the millions of businesses and consumers they serve.

Thank you for your attention to this matter.

Sincerely,

Rep. Denver Riggleman

Rep. Frank Lucas

Rep. Bill Posey

Rep. Blaine Luetkemeyer

Rep. Bill Huizenga

Rep. Steve Stivers

Rep. Ann Wagner

Rep. Andy Barr

Rep. Scott Tipton

Rep. Roger Williams
Rep. Tom Emmer

Rep. Barry Loudermilk

Rep. Warren Davidson

Rep. Ted Budd

Rep. David Kustoff

Rep. Anthony Gonzalez

Rep. John Rose

Rep. Lance Gooden

Rep. Peter King