Proposal: 1741(AG 11) Reg Q - Regulatory Capital Rule: Emergency Capital Investment Program

Description:

Comment ID: 138106

From: BOM Bank, John Brittain

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Subject: Reg Q; Regulatory Capital Rule: Emergency Capital Investment Program

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Comments:

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Dear sir or madam
I'm a director of a CDFI bank located in rural Louisiana. I'm the past Chairman of the Louisiana Bankers Association, I currently am serving in my 20th year as a director of our community bank and our bank has been in business since 1903. The staff and I serve on numerous non-profits in our markets and I have a passion for community banking, small business, minority and female inclusion. My bank operates in 5 parishes in Louisiana that are considered as Persistent Poverty Counties (PPC) with the majority of our banking relationships with Low to Moderate Income (LMI) and/or minority communities.

Our Board of Directors, Senior Management and I are very excited about the ECIP. It will allow us to ramp up lending and to reach even more customers and non-customers and hopefully help bring in more of the unbanked and underbanked.

Yesterday our Board of Directors approved for us to apply for the maximum amount of funds we can get thru the ECIP. But the problem we are having right now is that we are a Subchapter S corporation and the funds we would get would be in the form of Subordinated Debt, not Perpetual Preferred Stock.

CDFI C Corporations have an advantage over S Corps due to the fact that as S Corps the way the ECIP bill is written now S Corps have to count any Sub Debt from the Treasury as debt at the holding company, C Corps don't have to count any ECIP funds as debt. With the Federal Reserve's rules/regulations in regards to Debt to Equity & Double Leverage Ratios, my bank and other Sub S banks would only be able to request ECIP funds in the form of Sub Debt from the Treasury at just a fraction of that we actually qualify for due to the Federal Reserve's rules. The amount we could get of ECIP wouldn't make the impact that we and other S Corps want to make.

Using current Federal Reserve's regulations, we would only be able to receive Sub Debt of approximately 2% of our assets instead of the ECIP rules of up to 15%. This is the difference in us not being able to lend literally multi-millions with us leveraging any Sub Debt 10 to 1.

I ask and strongly strongly encourage for the Treasury to work with the Fed and that any/all ECIP Sub Debt be excluded 100% from the Fed's rules/regulations just as TARP and SBLF were. Secondly, have a maturity date of at least 30 years instead of 15 years for Sub Debt just as Trust Preferred Securities used to be. Even better 40 years, 50 years or perpetual. Make this as permanent capital as possible. The more Sub Debt S Corps can get and the permanent the capital is, the more we can deploy and the more the ECIP will be utilized. And leveraging 10 to 1, these funds would be transformational for the markets we serve!

Rural America, minorities and the working poor have been hurt more than others by Covid -19 and these ECIP funds not can, but will be a game changer for CDFI/MDI banks!

Thank you for your time and I again implore you to work with the Fed on these topics. I'd love to have a conversation with anyone who would be willing to listen to me.

With kindest regards,

John Brittain
Director
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