

Proposal: 1638 (AF29) Reg Q - Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking

Description:

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Comment ID: 133733

From: First State Bank, Steve Holt

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Subject: R-1638; Reg Q - Regulatory Capital Rule: Capital Simplification for Qualifying Community Banking Org

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Comments:

NONCONFIDENTIAL // EXTERNAL

Dear Secretary Misback,

Please consider my comments on your proposal to establish a "community bank leverage ratio" (CBLR) to implement Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act ("EGRRCPA"). I applaud both Congress for passage of this important bill, and for your efforts in attempting to implement Section 201 to provide very important regulatory burden relief for community banks.

First State Bank is located in Chico, Texas. The bank is 123 years old. We serve the small communities of Chico, Bridgeport, Runaway Bay, and Paradise, Texas. The bank is \$180 million in assets. Our Tier 1 leverage is 12.25% and Tier 1 risk based capital ratio is 18.79%.

The current risk based capital calculations are complex at best, and were not designed for a community bank. Because of the complexity of the calculations, we must purchase additional software that will help us perform the calculations each quarter. We do not use these ratios to manage the bank, they are only used to "check the box" for regulation. My bank is highly capitalized because I think it is prudent management. I strongly urge you to revisit the calculation of risk based capital for community banks.

I realize it is challenging to determine an appropriate level of capital. It appears to me that an 8% leverage ratio, especially with the impending and unwelcome addition of CECL forthcoming, is appropriate for well-rated and well-run community banks. Regulators should and always will have the ability to demand additional capital when necessary.

I very much appreciate the efforts of the regulators to address this "simplification" of community bank capital requirements and calculations, it still remains significantly complex and potentially difficult to implement. I will look forward to the final rule and will anticipate regulatory burden relief.

Sincerely,

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