

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

Description:

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From: Peoples Bank, Teresa McLean

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

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

Comments:

NONCONFIDENTIAL // EXTERNAL

Dear Secretary Misback,

I am a community banker with 38 years experience. 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 you for playing a role in the passage of this important bill, and for your efforts in attempting to implement Section 201 to provide much needed regulatory burden relief for community banks.

My bank, Peoples Bank, is located in West Texas. We have 8 offices in 6 cities. Our assets just exceeded \$500 million since the first of the year.

The current risk based capital calculations are complex and not designed for the community bank model. Regardless of the outcome of a final rule, I urge you to revisit the calculation of risk based capital for community banks.

We are very familiar with the calculation of Tier 1 Leverage Ratios and are required to provide this information on our quarterly call report submissions. The proposal of another leverage capital calculation seems to be unnecessary in my opinion, especially since we'll ultimately need to shift between the CBLR and the current risk based capital calculation.

We are especially concerned with the creation of a new Prompt Corrective Action (PCA) Framework, and believe that the current matrix should suffice. Community banks are especially sensitive to the restrictions on funding options, inability to branch or make acquisitions and other problematic issues that are realized with a "less than well capitalized" position. We urge you to reconsider this unnecessary provision.

While determining an appropriate level of capital is challenging at best, we feel an 8% leverage ratio would be more appropriate for a well-rated and well-run community bank, especially with the impending and unwelcome addition of CECL. Regulators have the ability to demand additional capital when necessary.

We appreciate the efforts of the regulators to address this "simplification" of community bank capital requirements and calculations; however, it still remains significantly complex and potentially difficult to implement. Thank you for taking the time to consider the opinion of the community bankers that will be effected. Our bank looks forward to seeing the final rule with these considerations.

Sincerely,

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