

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

Description:

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From: Wahoo State Bank, Gregory Hohl

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

Comments:

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Dear Chairman Powell,

As a 4th generation community banker in Wahoo, Nebraska, I am responding to your proposal to establish a community bank leverage ratio ("CBLR") as a way to simplify the capital requirements for community banks. Specifically, the proposal calls for the establishment of a CBLR consistent with Section 201 of the Economic Growth, Regulatory Relief, and Consumer Protection Act that would allow banks and holding companies of less than \$10 billion in assets with a tangible equity-to-assets leverage ratio of greater than 9 percent to opt into a CBLR framework and not be subject to other risk-based and leverage capital requirements.

While I commend the agencies for several parts of the proposal, particularly the ease at which community banks may opt-in and opt-out of the CBLR framework, the proposed CBLR of 9 percent is too high. Establishing the ratio at 8 percent, as allowed by the statute, would calibrate the CBLR closer to current risk-based capital requirements for well-capitalized banks including the common equity tier one ratio of 6.5 percent and the tier one risk-based capital ratio of 8 percent. Furthermore, an 8 percent CBLR would put the ratio closer to the current 5 percent leverage requirement for well-capitalized banks, and would allow approximately 600 more community banks to be eligible to use the new framework.

In addition to establishing the CBLR, the banking agencies should continue their efforts to simplify Basel III to reduce the regulatory burden that community banks experience when complying with risk-based capital requirements.

We have been diligently managing our capital level to be well above the minimum levels established by Basel II & III and regulatory guidelines. This includes keeping our risk profile low and even investing in zero risk weighted investments. We are currently at 8.50% and feel with our low risk profile, this is very adequate and enables our bank to remain independent and meet the needs of our community. Thank you for your favorable consideration of our request.

Sincerely,

Gregory Hohl
Chairman/President
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