

# FIRST FEDERAL BANK, DAVID BREWER

## Proposal and Comment Information

**Title:** CBLR - Regulatory Capital Rule: Revisions to the Community Bank Leverage Ratio Framework, R-1876

**Comment ID:** FR-2025-0067-01-C11

## Subject

FRB Docket R-1876 First Federal Bank Comments CBLR

## Submitter Information

**Organization Name:** First Federal Bank

**Organization Type:** Organization

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**Submitted Date:** 01/28/2026

**From:** [Kyle Karcheski](#)  
**To:** [PublicComments](#)  
**Cc:** [David Brewer](#)  
**Subject:** FRB Docket R-1876 First Federal Bank Comments CBLR  
**Date:** Wednesday, January 28, 2026 3:29:55 PM  
**Attachments:** [FFB CBLR Ratio OCC.pdf](#)

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Hello, First Federal Bank, based out of Lake City, Florida, would like to submit comments about proposed changes to the CBLR ratio. Thank you

***Kyle Karcheski, CFA***

Asset Liability Officer



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### **Submitted Electronically**

Office of the Comptroller of the Currency  
400 7th Street SW, Suite 3E-218  
Washington, DC 20219  
OCC-2025-0141

Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW  
Washington, DC 20551  
FRB Docket No. R-1876 and RIN 71 00-AH08

Federal Deposit Insurance Corporation  
550 17th Street NW  
Washington, DC 20429  
FDIC RIN 3064-AG 17

**Date:** January 20, 2026

**Re:** Adjustments to the Community Bank Leverage Ratio and Elimination of the 25% cap with MSA

Ladies And Gentlemen:

We are addressing the NPR opened on 12/1/2025 regarding the revisions to the CBLR Framework. We adamantly support the proposed lowering threshold from 9% to 8% and extending the grace period from two quarters to four quarters. In addition, we strongly urge the elimination of the 25% cap on Mortgage Servicing Assets(MSA's) cap from CBLR.

**The cap makes it difficult to scale an economically competitive servicing operation**

Running an internal mortgage servicing operation requires significant hurdles including hiring competent specialized personnel and investing in technology platforms. By limiting the amount of servicing assets a small scale community bank can hold, the institution may never get the scale required to support their servicing operations.

### **Migration of MSA's to Non-Bank Entities**

Since the onset of Basel III, the overly punitive treatment of MSA's has shifted the share of home mortgages served by non-banks from 12% in 2012 to 61% in 2025. The non-bank entities are not as regulated(if at all), lack liquidity requirements banks are subject to, and are



increasingly starting to become outside the USA. This does not make the financial system more stable for the American borrower.

### **Benefits of Bank Retained Servicing**

When community banks are allowed to retain most of their customer base, it's easier to form a long-term, more personalized relationship with the borrower. The bank gets to utilize the escrow deposits which helps backstop even more credit for reinvestment in the community in which they serve. In addition, the annuity income suits the type of cash flow a community bank needs for stability.

### **MSA's are Already Self Regulating Through Examination**

There already exists a rigorous oversight safety and soundness examination process that covers MSA's. Examiners have it in their authority to force the banking entity to sell, write down, or hedge MSA's given a specific risk profile. Banks will more than likely utilize third party valuation providers to provide reliable value and risk metrics for risk mitigation. In addition, the agencies' own 2016 report to congress on MSA's supported the removal of the prohibitive MSA cap. The report indicated that MSA's did not pose any serious risk to the Deposit Insurance Fund. The agencies concluded the removal of the cap could be removed without adverse effects to the fund. This underpins the safety of mortgage servicing, especially when given the resources to properly manage both from a risk and operational perspective.

### **Elimination of the Cap Stays Consistent with Congressional and Regulatory Intent**

The cap was born back with Basel III, which was intended only for large banks, but US regulators imposed them on all banks regardless of size. The one size fits all framework does not fit correctly within the risk profile of a community bank. On a more base level EGRRCPA's thrust was to simplify rules for community banks hit by regulatory burdens not relevant to their risks, yet this cap on MSA's still persists and still unnecessarily burdening community lending institutions. Basel III is not congruent with CBLR or congressional intent.

**Conclusion:**

The cap imposed by Basel III and one size fits all thrust has made it near impossible for community banking institutions to scale and serve their community. The result has been a migration of mortgage servicing rights to intuitions with far less regulation and a commoditization of the American borrower. Homeownership is the American Dream, and moreso a safe and sound community around them. CBLR banks are the perfect partner for lending and servicing to achieve that dream. Don't disconnect capital from its community, regulators can fix this mistake. Thank you for your time.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "DB".

David Brewer  
Chief Financial Officer