MECHANICS BANK

Proposal and Comment Information

Title: Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-weighted Assets, R-1888

Comment ID: FR-2026-0008-01-C217

Submitter Information

Organization Name: Mechanics Bank

Organization Type: Company

Submitted Date: 06/18/2026

Please refer to the attached letter from Mechanics Bank.

June 18, 2026

Jennifer M. Jones, Deputy Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429
RIN 3064-AG23
(comments@FDIC.gov)

Benjamin W. McDonough, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551
Docket No. R–1888; RIN 7100–AH21
(submitted via federalreserve.gov/apps/proposals/)

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street, SW, Suite 3E-218
Washington, DC 20219
Docket ID OCC–2026–0034
(submitted via regulations.gov)

Re: Regulatory Capital Rules—Standardized Approach for Risk-Weighted Assets

Dear All:

Mechanics Bank appreciates the opportunity to comment on the agencies' proposed revisions to the standardized approach for credit risk. Our comments focus on a narrow issue within the proposal that is important to many of our customers – the treatment of loans secured by the cash surrender value ("CSV") of life insurance policies. More specifically, our comments relate to the proposed 90 percent risk weighting for exposures not otherwise specified (Question 12) and the treatment of cash-like collateral arrangements under the definition of financial collateral (Question 27).

CSV-secured loans address a critical need as a source of liquidity for life insurance policyholders. They are typically used by our customers as a low-cost alternative to an unsecured loan or policy surrender. Assigning a high residual risk weighting may increase the cost or reduce the availability of these products relative to less customer-friendly alternatives. A more calibrated capital treatment would better reflect the underlying risk while ensuring continued access to this important form of secured lending.

We believe that assigning CSV-secured loans a 20 percent risk weighting more accurately reflects their actual risk characteristics. CSV-secured loans differ meaningfully from unsecured or general consumer lending exposures. When properly structured, these loans are supported by:

- a legally enforceable collateral assignment;
- a contractual and determinable source of repayment; and
- a claim tied to a regulated insurance company, rather than solely to borrower repayment capacity.

As a result, expected loss depends less on borrower performance and more on the value and enforceability of the underlying policy. The current capital framework recognizes that certain forms of collateral—such as cash and high-quality securities—can materially reduce risk. In those cases, the framework permits risk-weight substitution or reduced risk weights. CSV-secured lending operates in a similar way.

In our view, the proposed 90 percent risk weight does not appropriately reflect the risk characteristics of CSV-secured loans. A 20% risk weighting would be in the best interests of our customers.

We appreciate the agencies' consideration and would be pleased to discuss these comments further.

Respectfully submitted,

MECHANICS BANK