February 12, 2021

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

The Honorable Randal K. Quarles
Vice Chair for Supervision
Federal Reserve Board of Governors
20th Street and Constitution Ave, NW
Washington, DC 20551

The Honorable Blake Paulson
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Re: Community Bank Leverage Ratio

Dear Chairman McWilliams, Acting Comptroller Paulson and Vice Chairman Quarles:

The Independent Community Bankers of America ("ICBA")[1] commends the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board and the Office of the Comptroller of the Currency (the "Banking Agencies") for their efforts to mitigate the strain placed on community banks as a result of the global COVID-19 pandemic. For instance, the Banking Agencies' interim final rule issued last December to allow banking organizations with under $10 billion in assets to use asset data as of December 31, 2019 to determine the applicability of various regulatory asset thresholds greatly assisted community banks that participated in the Small Business Administration Paycheck Protection Program (PPP). Similarly, the assistance provided to community banks through revised impairment guidance for the recognition of credit losses will also assist banks this year as they seek to enter into modification arrangements with borrowers who are facing financial difficulty. The Banking Agencies' commitment to work with community banks as they navigate these uncertain times is greatly valued.

[1] The Independent Community Bankers of America® creates and promotes an environment where community banks flourish. With more than 52,000 locations nationwide, community banks constitute 99 percent of all banks, employ more than 760,000 Americans and are the only physical banking presence in one in five U.S. counties. Holding more than $4.9 trillion in assets, $3.9 trillion in deposits, and $3.4 trillion in loans to consumers, small businesses and the agricultural community, community banks channel local deposits into the Main Streets and neighborhoods they serve, spurring job creation, fostering innovation and fueling their customers' dreams in communities throughout America. For more information, visit ICBA's website at www.icba.org.

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As you know, in response to the mandate in the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the Banking Agencies lowered the community bank leverage ratio (CBLR) to 8 percent for 2020. Concurrently with implementing the mandate of the CARES Act, they issued an interim final rule that provides a transition period for raising the CBLR to 8.5 percent in 2021 and 9 percent in 2022. **ICBA strongly urges the Banking Agencies to modify this transition period so that the CBLR level will remain at 8 percent for the remainder of 2021. Community banks need this regulatory relief to serve their communities since the pandemic continues to have a significant adverse impact on so many families and small businesses.**

Furthermore, the SBA PPP has been extended until March 31, 2021 and may be extended further under legislation now being considered in Congress. Based on SBA data, community banks serviced approximately 57 percent of all PPP applicants and provided approximately 59 percent of all PPP loans. Because of their outsized role as PPP lenders and because of the stimulus dollars resulting from the CARES Act Economic Impact Payments and other forms of government assistance, ICBA members have experienced an average 20 percent growth in assets and 15 percent growth in deposits that will continue through 2021.

These increases in deposits and assets are impacting community bank capital levels and in particular, their leverage ratios. Approximately a third of community banks are using the CBLR and without this regulatory relief, they may need to curtail their lending in order to comply with the new CBLR level which will have an adverse impact on PPP lending and overall small business lending in general. This will particularly affect over 200 individual community banks which have made more than $7.4 billion in PPP loans.

Again, ICBA appreciates the work the Banking Agencies are doing to mitigate the impact that the pandemic has had on community banks. However, ICBA strongly urges the Banking Agencies to extend the 8 percent CBLR through December 31, 2021 so that community banks can continue serving their communities during this pandemic and continue to play an important role as PPP lenders.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

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