

December 8, 2021

The Honorable Tracey Mann
522 Cannon House Office Building
United States House of Representatives
Washington, DC 20515

Dear Congressman Mann:

The American Bankers Association¹ and the undersigned state bankers associations write to express our support for the enactment of H.R. 6145, which will direct the Federal banking agencies to fix the Community Bank Leverage Ratio (CBLR) at a level between 8.0% and 8.5% between January 1, 2022 and December 31, 2024. We believe that this relief is essential to community banks' ability to sustain the vital support that they provide to the consumers and businesses they serve.

Since the beginning of the COVID-19 pandemic in early 2020, the banking industry has been at the forefront of pandemic response, supporting customers and communities as they coped with unprecedented challenges to public health, maintenance of employment and stable housing, and continuity of economic activity. Central to these efforts, community banks originated more than 4.2 million loans worth \$318.5 billion under the Small Business Administration's "Paycheck Protection Program" (PPP), helping to keep small businesses open and to preserve jobs in nearly every sector. In addition, banks provided a safe haven for customers' cash as they strengthened their liquidity in the face of uncertainty.

All of these developments have put banks, particularly community banks' leverage ratios² under significant strain. Because of their response to these extraordinary challenges, community banks have seen their balance sheets grow significantly and unexpectedly, both from PPP lending and from increased deposits as customers built large liquidity reserves in the face of the pandemic.

Recognizing that community banks' pandemic balance-sheet growth was largely unrelated to increased risk, the three Federal banking agencies (the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation) implemented Section 4012 of the Coronavirus Aid, Relief, and Economic Security Act, providing temporary relief under the CBLR.³ Because Congress and the banking agencies could not have foreseen the course of the pandemic or the U.S. economy's efforts to cope with it, this temporary relief, which expires at the end of 2021, will be inadequate. Unless additional

¹ The American Bankers Association is the voice of the nation's \$22.8 trillion banking industry, which is composed of small, regional and large banks that together employ more than 2 million people, safeguard nearly \$19 trillion in deposits and extend nearly \$11 trillion in loans.

² A leverage ratio is essentially the ratio of regulator-defined capital to total assets.

³ <https://www.federalregister.gov/documents/2020/04/23/2020-07448/regulatory-capital-rule-transition-for-the-community-bank-leverage-ratio-framework>.

relief is provided as your legislation calls for, community banks will be unnecessarily hampered in serving their communities because of higher capital demands not triggered by any increased risk.

H.R. 6145 provides a sensible, temporary solution without undue risk to the financial system or to the communities in which these banks operate. We look forward to working with you to enact this essential response to serious and unintended regulatory consequences.

Sincerely,

American Bankers Association
Alabama Bankers Association
Alaska Bankers Association
Arizona Bankers Association
Arkansas Bankers Association
California Bankers Association
Colorado Bankers Association
Connecticut Bankers Association
Delaware Bankers Association
Florida Bankers Association
Georgia Bankers Association
Hawaii Bankers Association
Idaho Bankers Association
Illinois Bankers Association
Indiana Bankers Association
Iowa Bankers Association
Kansas Bankers Association
Kentucky Bankers Association
Louisiana Bankers Association
Maine Bankers Association
Maryland Bankers Association
Massachusetts Bankers Association
Michigan Bankers Association
Minnesota Bankers Association
Mississippi Bankers Association
Missouri Bankers Association
Montana Bankers Association
Nebraska Bankers Association
Nevada Bankers Association
New Hampshire Bankers Association
New Jersey Bankers Association
New Mexico Bankers Association
New York Bankers Association
North Carolina Bankers Association

North Dakota Bankers Association
Ohio Bankers League
Oklahoma Bankers Association
Oregon Bankers Association
Pennsylvania Bankers Association
Puerto Rico Bankers Association
Rhode Island Bankers Association
South Carolina Bankers Association
South Dakota Bankers Association
Tennessee Bankers Association
Texas Bankers Association
Utah Bankers Association
Vermont Bankers Association
Virginia Bankers Association
Washington Bankers Association
West Virginia Bankers Association
Wisconsin Bankers Association
Wyoming Bankers Association

cc: Members of the United States House of Representatives