



Alerts

Good News for Community Banks – Legislation Enacted Which Doubles Threshold for Small Bank Holding Company Policy Statement

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Corporate / Financial Institutions Alert

On December 18th, President Obama signed legislation directing the Federal Reserve (Fed) to propose revisions to the small bank holding company policy to provide that the policy shall apply to bank holding companies and savings and loan holding companies with consolidated assets of less than \$1 billion. The current limit is \$500 million. The legislation directs the Fed to propose the revisions within six months of enactment of the legislation.

The Fed policy statement allows small bank holding companies to use more debt than larger banks. This policy helps smaller community banks to make acquisitions as such entities often find it easier to borrow funds than to raise funds in a private placement or a public offering.

The capital adequacy rules apply to small bank holding company subsidiaries but not to the parent company. Thus, each bank owned by a small bank holding company must be well capitalized.

The policy statement was enacted in 1980 and set a limit of \$150 million, which the Fed raised to \$500 million in 2006. Congress had to approve the proposed increase because a provision in the Dodd-Frank Act took away from the Fed the power to raise the limit.

For further information on this issue, please contact [Tim Sullivan](#), [Michael D. Morehead](#) or your regular [Hinshaw attorney](#).

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