Modified Community Bank Leverage Ratio

Alert
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By Bob Monroe

On April 6, 2020, the Federal Deposit Insurance Corporation (FDIC), Board of Governors of the Federal Reserve System, and Office of the Comptroller of the Currency issued two interim final rules that make changes to the community bank leverage ratio (CBLR) and implement Section 4012 of the Coronavirus Aid, Relief, and Economic Security Act.

The CBLR framework is an optional framework that is designed to reduce burden by removing the requirements for calculating and reporting risk-based capital ratios for qualifying community banking organizations that opt into the framework. The framework provides a simple measure of capital adequacy for qualifying community banking organizations, consistent with section 201 of the Economic Growth, Regulatory Relief and Consumer Protection Act. In September 2019, qualifying community banking organizations that elected to use the CBLR framework and that maintained a leverage ratio of greater than 9% were considered to have satisfied the risk-based and leverage capital requirements in the generally applicable capital rule. In addition, these institutions were considered to have met the well-capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act.

The CBLR framework can be utilized by banks with assets under $10 billion. The interim final rules change the CBLR to 8% for 2020, 8.5% in 2021, and back to 9% in 2022. This change should enable banks to loan money in these troubling times.

For more information on the new rules, please contact Bob Monroe, Robert Flowers, McGregor Johnson, Mike Lochmann, Adam Maier, Erin Naeger, Katie Rizzo, Nate Van Emon or the Stinson LLP contact with whom you regularly work.

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