

United States Senate

WASHINGTON, DC 20510

April 5, 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:

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES) Act was signed into law and contained a provision that required bank agencies to lower the Community Bank Leverage Ratio (CBLR) to 8 percent for 2020. On April 6, the banking agencies temporarily lowered the CBLR, issuing two interim final rules to set the CBLR at 8 percent through the end of 2020. We write today to urge the banking agencies to use their existing authority to modify this transition period so that the CBLR level will remain at 8 percent for the remainder of 2021. This modification would support the flow of credit in the communities served by community banks and promote economic activity and employment as pandemic restrictions are lifted in the coming months.

The Small Business Administration's Paycheck Protection Program (PPP) and other pandemic relief programs have played an invaluable role in sustaining jobs and preventing the most adverse economic scenario. Community banks have been avid participants in the PPP. Based on SBA data, community banks serviced about 57 percent of all PPP applicants and provided approximately 59 percent of all PPP loans; however, we must not ignore the impact of PPP lending on community bank capital.

Due to PPP lending, in addition to three rounds of Economic Impact Payments and other forms of government assistance, community banks 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. PPP has been extended until May 31, 2021, prolonging the strain on community bank capital levels. We are concerned that without a modification to the transition period, these banks may need to curtail their lending in order to comply with the higher CBLR level. The over 200 community banks which have made more than \$7.4 billion in PPP loans will be particularly affected by the higher CBLR.

We recognize the critical work the banking agencies are doing to mitigate the impact that the pandemic has had on community banks. Nevertheless, we remain concerned that a premature increase in the CBLR would compromise the value of the other accommodations. We strongly urge 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.

Thank you for your consideration.

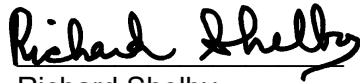
Sincerely,



Mike Crapo
U.S. Senator



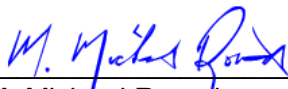
Pat Toomey
U.S. Senator



Richard Shelby
U.S. Senator



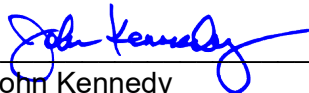
Tim Scott
U.S. Senator



M. Michael Rounds
U.S. Senator



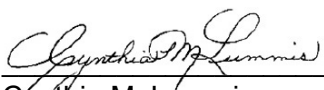
Thom Tillis
U.S. Senator



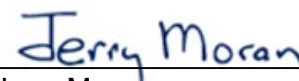
John Kennedy
U.S. Senator



Bill Hagerty
U.S. Senator



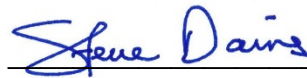
Cynthia M. Lummis
U.S. Senator



Jerry Moran
U.S. Senator



Kevin Cramer
U.S. Senator



Steve Daines
U.S. Senator