January 30, 2026

Federal Deposit Insurance Corporation
Jennifer M. Jones, Deputy Executive Secretary
Attention: Comments/Legal OES RIN 3064-AG17
550 17th Street NW
Washington, DC 20429.

Office of the Comptroller of the Currency
Chief Counsel's Office
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Board of Governors of the Federal Reserve System
Benjamin W. McDonough, Deputy Secretary
20th Street and Constitution Avenue NW
Washington, DC 20551

RE: Regulatory Capital Rule: Revisions to the Community Bank Leverage Ratio Framework (OCC Docket No. OCC-2025-0141; FRB Docket No. R-1876 & RIN 7100-AH08; FDIC RIN 3064-AG17)

To whom it may concern,

The Independent Community Bankers of America ("ICBA")[1] appreciates the opportunity to comment on the notice of proposed rulemaking on amendments the Community Bank Leverage Ratio ("CBLR") issued by the Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and Board of Governors of the Federal Reserve System (collectively, "the Agencies").[2]

ICBA strongly supports this proposal, which would recalibrate the CBLR and adjust the grace

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[1] The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams.
[2] Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Notice of Proposed Rulemaking - Regulatory Capital Rule: Revisions to the Community Bank Leverage Ratio Framework, 90 FR 55048 (Dec. 1, 2025).

period. Setting the CBLR requirement at 8 percent will provide additional room on the balance sheets of community banks that opt into the framework, allowing them to expand lending capacity and power America's Main Street economies. These changes will also allow more community banks the opportunity to opt into the framework and benefit from the regulatory relief of appropriately tailored reporting requirements. ICBA has long advocated for a recalibration of the CBLR in line with this proposal, and urges the Agencies to act quickly to finalize the rulemaking.

Discussion

The proposed rule would lower the CBLR for qualifying depository institutions and depository institution holding companies ("qualifying community banking organizations") from 9 percent to 8 percent. The proposal would also extend the length of time that qualifying community banking organizations can remain in the CBLR framework while not satisfying all of the eligibility criteria from two quarters to four quarters, subject to a limit of eight quarters in any five-year period.

Proposed revisions would increase the number of community banking organizations that could opt into and remain in the CBLR framework, and would support the US economy by expanding lending capacity

ICBA strongly supports recalibrating the CBLR requirement to 8 percent. Congress provided the Agencies with the authority to set the CBLR between 8 and 10 percent, and the proposed rule would appropriately set the CBLR requirement within that range.[3] The proposal would provide necessary tailoring of capital requirements and regulatory relief to community banks while maintaining the safety and soundness of the banking system.

The proposal would significantly benefit the U.S. economy and pose minimal risk, as the capital levels required by the revised CBLR framework would typically remain higher than levels required by the risk-based capital framework. Setting the CBLR at 8 percent unlocks room on community bank balance sheets, allowing them to expand credit availability that supports economic growth and job creation. Community banks play a critical role in the banking system and maintain an outsized role in the provision of credit.[4] Small businesses depend on community banks for access to credit. Community banks hold a larger share of small business loans relative to regional and large banks, and small businesses are most likely

[3] Economic Growth, Regulatory Relief, and Consumer Protection Act § 201, Pub. L. 115-174, 132 Stat. 1296, 1306-07 (2018).
[4] *See, e.g.*, Kansas City Federal Reserve Bank, Community Banking Bulletin: The Critical Role of Community Banks (Aug. 2024), https://www.kansascityfed.org/banking/community-banking-bulletins/the-critical-role-of-community-banks/; Matt Hanauer, Brent Lytle, Chris Summers & Stephanie Ziadeh, Kansas City Federal Reserve Bank, Community Banks' Ongoing Role in the U.S. Economy at 48 (2021), https://www.kansascityfed.org/Economic%20Review/documents/8159/EconomicReviewV106N2HanauerLytleSummersZiadeh.pdf [hereinafter Kansas City Fed Report].

to be approved for most or all of their applications for credit at community banks.[5] Community banks also play a vital role in agricultural lending. They serve as “a major supplier of credit to agricultural producers and businesses, including during times of economic stress when the need for credit is most acute.”[6] The majority of bank farm credit is provided by community banks, accounting for 81 percent of farm real estate debt held by commercial banks and 74 percent of operating debt.[7] Community banks are even more crucial to small dollar farm loans, accounting for almost 90 percent of commercial bank farmland loans with original amounts of $500,000 or less.[8] The proposed revisions to the CBLR framework enable the community banks to continue serving as engines of the American economy.

The proposal would also provide regulatory relief to an expanded pool of community banking organizations. The Agencies estimate that recalibrating the CBLR to 8 percent could allow 475 additional community banking organizations the ability to opt into the framework. This adjustment would allow institutions that opt in to reallocate compliance resources to focus on meeting the needs for banking services and access to credit in their local communities.

ICBA also strongly supports the proposed adjustments to the grace period. Short-term events such as seasonal increases in deposits and agricultural lending cycles can produce temporary dips that do not pose a risk to an institution’s safe and sound operations. Extending and making the grace period more flexible is a welcome improvement to the framework that gives institutions that opt into the CBLR additional time to return to compliance with the eligibility criteria. This reduces the likelihood that institutions will be forced out of the framework and incur the costs of reverting to the more complex risk-based capital framework solely due to short term fluctuations.

For these reasons, ICBA supports the Agencies’ efforts to recalibrate the CBLR framework and urges the Agencies to finalize the proposal to provide needed regulatory relief to a larger number of community banks.

Additional comments

In addition to our comments supporting the proposed rule, ICBA offers the following in response to the request for comment on other factors that the Agencies should consider in calibrating the CBLR framework.

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[5] Federal Reserve Bank of Kansas City, Community Banking Bulletin: Highlight: Community bank focus on small business lending (Oct. 2024), https://www.kansascityfed.org/documents/10524/Community_Banking_Bulletin_Highlight_-_Oct_2024_-_SBL.pdf; Federal Reserve Banks, 2025 Report on Employer Firms – Data Appendix, https://www.fedsmallbusiness.org/reports/survey/2025/2025-report-on-employer-firms.
[6] Kansas City Fed Report at 48.
[7] *Id.* at 52.
[8] *Id.*

Treatment of Mortgage Servicing Assets

ICBA suggests eliminating the mortgage servicing asset ("MSA") cap for community banking organizations that opt into the CBLR framework. MSAs held by community banks are already subject to rigorous supervision through the examination process, making an arbitrary capital cap unnecessary. Community banks provide higher quality, relationship-based servicing compared to the highly commoditized practices of the largest banks and nonbank servicers. Regulators should be encouraging more mortgage servicing within well-regulated community banks rather than imposing constraints that push this activity to less regulated sectors.

The current 25 percent limit on MSAs included in regulatory capital is overly punitive for community banks, including those operating under the CBLR. Mortgage servicing is a scale business, and restricting the amount of MSAs that may count toward capital makes it difficult for smaller institutions to compete effectively or maintain profitable servicing programs, without providing measurable safety and soundness benefits. The existing treatment also runs counter to the original intent of Basel III. The MSA cap was designed for the world's largest and most systemically important banks, not community banks and certainly not the low risk institutions opting into the simplified requirements of the CBLR framework. Applying this large bank standard to smaller, less complex community banks is inconsistent with both regulatory and Congressional intent to limit the impact of Basel III to global systemically important institutions.

For these reasons, the MSA cap should be removed for community banks that opt into the CBLR framework. Eliminating this unnecessary restriction would provide meaningful regulatory relief, support strong and well managed mortgage servicing programs within community banks, and align the CBLR framework with its intended purpose as a simplified capital regime for noncomplex institutions.

Eligibility criteria

In order to be eligible to opt into the CBLR framework, a community bank's off-balance sheet exposures are limited to 25 percent or less of total consolidated assets and trading assets, and liabilities are limited to 5 percent or less of total consolidated assets.

The Agencies should consider revisiting these thresholds – particularly the off-balance sheet exposure limit – as they may limit the usefulness of the CBLR framework and exclude some community banks with low-risk business models that would otherwise qualify. Community banks may engage in modest off-balance-sheet activities for which exposures do not typically reflect high-risk behavior, particularly agricultural loan commitments. Raising the 25 percent off balance sheet exposure limit may better reflect modern community bank business models. Community banks would also benefit from additional clarification regarding what qualifies as an unconditionally cancelable commitment.

Conclusion

ICBA appreciates the opportunity to provide comments supporting this proposal and applauds the Agencies' efforts to appropriately tailor capital and regulatory requirements for community banks. The recalibrated CBLR framework will provide meaningful balance sheet capacity for community banks, supporting greater lending and economic activity in the communities they serve. The updated framework will also allow more banks to have the opportunity to opt in and benefit from streamlined reporting requirements. Should you wish to discuss these positions further, please contact the undersigned at amy.ledig@icba.org or tim.roy@icba.org.

Sincerely,

/s/
Amy Ledig
VP, Capital, Accounting, and Finance Policy

/s/
Timothy Roy
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