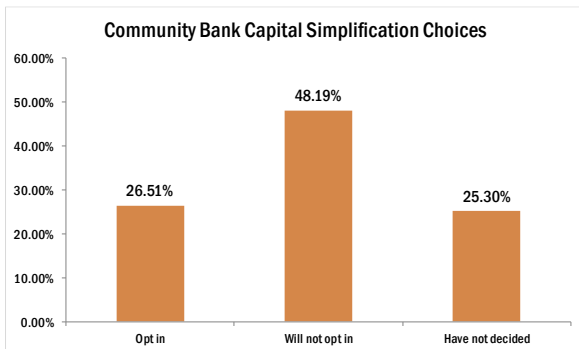


## Over 48% of Community Banks Polled Choose Not To Opt Into Capital Simplification Alternative

Preliminary results are in; almost 2:1 community banks indicate they will not opt into the Community Bank Simplification Alternative. Twenty-five percent of survey participants were undecided.



Under the [final rule](#), depository institutions and depository institution holding companies that have less than \$10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to tier 1 capital divided by average total consolidated assets) of greater than 9 percent, will be eligible to opt into the community bank leverage ratio framework (qualifying community banking organizations). Qualifying community banking organizations that elect to use the community bank leverage ratio framework and that maintain a leverage ratio of greater than 9 percent will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the agencies' capital rules (generally applicable rule) and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of section 38 of the Federal Deposit Insurance Act.

During the week of December 9th over 85 community banks with between \$100M and \$5B in assets participated in a brief survey designed to gauge the percentage of community banks that are planning to "Opt-in" or "Not Opt-in" to the new simplified capital compliance alternative.

### SUMMARY OF FINDINGS

To gain additional insights regarding decision-making considerations, the following tables reflect distribution of decisions tied to charter type, asset size, and corporate structure.

### SELECTION BY CHARTER TYPE

Charter Type	Opt In	Not Opt In	Undecided
State Chartered Non-Fed	30.56%	50%	19.44%
State Chartered Fed-Member Banks	23.33%	50%	26.67%
OCC Banks	23.53%	41.18%	35.29%

### SELECTION BY ASSET SIZE

Asset Size	Opt In	Not Opt In	Undecided
\$0-\$500M	40%	40%	20%
\$500M-\$1B	14.29%	57.14%	28.57%
\$1B-\$5B	13.64%	54.55%	31.82%

### SELECTION BY CORPORATE STRUCTURE

Corporate Structure	Opt In	Not Opt In	Undecided
C Corporation	25.49%	47.06%	27.45%
Subchapter S Corp	31.03%	48.28%	20.69%

### COMMENTS REGARDING OPTING IN

The following comments reflect a set of common themes expressed by survey participants regarding their reason(s) to opt-into the simplified capital alternative.

- Cost savings preparing schedule RC-R of Call Report.
- Reduced complexity; one ratio to manage; reduced time to complete RC-R of call report.
- We are very well capitalized and the additional flexibility and reduced reporting requirements make it appealing.
- Our internal leverage ratio minimum is 9%, so opting in will save us time. Also, we can always opt out if the need arises.
- We have very strong capital and we don't find much use in the risk based capital framework.
- Presumptive easing of disclosure data, particularly as to HVCRE and buffer.
- Efficiency.

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### In This Issue

Over 48% of Community Banks Polled Choose Not To Opt Into Capital Simplification Alternative 1-2



CORPORATE OFFICE  
584 Wald  
Irvine, CA 92618

QUESTIONS? Or COMMENTS?

TOLL (877) 367-8236  
TEL (949) 502-6860  
info@cb-resource.com

www.cb-resource.com

Continued on Page 2

*Continued from Page 1*

### COMMENTS REGARDING NOT OPTING IN

The following comments reflect a set of common themes expressed by survey participants regarding their reason(s) not to opt-into the simplified capital alternative.

- Typically run near 9% so would be onerous to remove risk based models and then have to replace if growth led to falling below for several quarters.
- The requirement to commit that much capital in order to save a few hours preparing the Call Report seems like a very bad trade-off.
- Concern that M&A activity and resulting regulatory capital dilution below 9% would prevent us from enjoying the benefits in the mid term. Maybe just continuing what we already are doing is fine.
- Don't see the value.
- The framework for calculating the leverage ratio is already automated into our call report software, and this change would save very little time.
- May opt in later after next exam. Also like the idea of knowing the various ratios.
- No perceivable benefit to opting in since ratios will continue to need to be calculated anyway.
- Thought the reward of not calculating RBC was not enough to justify a 9% capital.
- We run with lower capital than 9%.
- Completing the RC-R schedule is not that difficult, and our management and board do not want to limit our ability to use excess capital. We strive for a leverage ratio closer to 8%.

### OTHER GENERAL COMMENTS REGARDING THE NEW RULE

The following comments reflect a set of common themes expressed as additional comments regarding the new rule.

- The 9% level is too high and the regulators should know this. It would

only be appropriate if the simplified capital rule was based on "risk-based assets," but it is not. As such we will have to continue under the ridiculous Basel III accords, which by the way are based more on risk-based assets and were devised for large banks, not community banks. Typical of regulations and regulators, most of whom have never managed a bank or even work in one.

- For our institution, it does not provide that much simplification. The calculation is not that difficult and we use those ratios in bank policies and would most likely continue to calculate the ratios for that reason.
- We have gotten an inkling that the regulators may STILL expect more capital than 9% depending upon their risk assessment of the bank. We are concerned that selecting this option will be more restrictive than appears on the surface. Our preliminary conversations with examiners have been less than comforting.
- We think the RBC calc has some merit and like to follow it and it's trends/levels.
- Our models and systems are in place to run risk based capital for concentrations, capital, and several other ratios we measure our risk on. Don't see the advantage to removing these from our models and reworking them. Too much work at this point to remove thus will continue to report and run models with risk based capital calculations.
- 9% level is too high for our bank, which could, if it wished, effectively operate at the 8% to 8.50% level long term and maintain an appropriate capital cushion.
- If Well Capitalized is at 8% why set the Community Leverage Ratio at 9%.
- The CLBR was a waste of time. Bank examiners have already indicated they will want to see the Bank's total risk-based capital ratio even if we opt in. This was clearly more of a public relations rule than one that actually benefits community banks.
- Still trying to decide due our simple balance sheet structure if there is really any change/advantage for adopting the standard.
- Good idea but I think the threshold should have been lowered to at least 8.00% since the current leverage ratio threshold is 5.00% (that would have provided an adequate 300 bps cushion).

## What We Do

We ensure that our community bank clients' business and risk priorities are in sync. We accomplish this by seamlessly integrating Strategic, Capital and ERM inputs, throughputs and outputs.

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Questions?

Call (877) 367-8236