

January 7, 2022

Vol. XXXIX, No. 2

COMMUNITY BANK LEVERAGE RATIO

The federal banking agencies have issued an interagency statement on the optional community bank leverage ratio framework. The temporary relief measures affecting the framework will expire on December 31, 2021. Beginning on January 1, 2022, the community bank leverage ratio requirement will revert to greater than 9% as established under the 2019 final rule.

The community bank leverage ratio framework includes a two-quarter grace period that allows a qualifying community bank to continue reporting under the framework and be considered “well capitalized” as long as its leverage ratio falls no more than one percentage point below the applicable community bank leverage ratio requirement.

The community bank leverage ratio framework is optional. A qualifying community bank with less than \$10 billion in total consolidated assets as of the report date and that meets other prudential criteria is eligible to opt into the framework.

The interagency statement serves as a reminder that a qualifying community bank that elects the community bank leverage ratio framework will be subject to a community bank leverage ratio requirement of greater than 9% when it submits its March 31, 2022, call report.

Starting on January 1, 2022, a qualifying community bank must report a leverage ratio greater than 8% to use the two-quarter grace period. The grace period allows a qualifying community bank additional time to build capital and manage its balance sheet to either remain in the framework or prepare to comply with the generally applicable risk-based and leverage capital requirements.

The interagency statement clarifies that a community bank would not be viewed negatively within the examination process due solely to its use of the grace period.

The foregoing Compliance Update is for informational purposes only and does not constitute legal advice. As a reminder, the NBA general counsel is the attorney for the Nebraska Bankers Association, not its member banks. The general counsel is available to assist members with finding resources to help answer their questions. However, for specific legal advice about specific situations, members must consult and retain their own attorney.