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December 9, 2021

The Honorable Tracey Mann
United States House of Representatives
Washington, D.C. 20515

Dear Representative Mann:

On behalf of community banks across the country, with more than 50,000 locations, I write to thank you for introducing the Community Bank Relief Act (H.R. 6145). Temporary relief from the 9 percent community bank leverage ratio (CBLR), created by the 2020 Coronavirus Aid, Relief, and Economic Security Act, has provided a source of stability for community banks as they focused on meeting the needs of customers struggling to cope with the pandemic. However, the CBLR is scheduled to revert to 9 percent at year-end 2021. Your legislation, which would allow the Federal banking agencies to select a CBLR between 8 and 8.5 percent to be in effect through 2024, is urgently needed to stave off a contraction in lending in support of local communities.

CBLR relief was a much-needed accommodation for bank balance sheets that had grown rapidly in a matter of months due to surge in deposits into both consumer and business accounts. However, we continue to be concerned about deposit growth at community banks as a result of ongoing COVID relief measures for households and businesses. Deposit runoff is not an exact science, as it depends on customers' management of their personal or business finances, but deposits may not soon decline to levels that bring regulatory capital ratios back in line with historical, pre-pandemic levels.

Without the relief provided by your legislation, community banks will be forced to curtail their small business lending in 2022 to comply with the higher 9 percent CBLR. Cash and cash-equivalent balances at community banks have more than doubled from approximately \$352 billion to approximately \$749 billion between year-end 2019 and September 30, 2021. Community banks have been flooded with more deposits than they can put to productive use in funding loans, and this has driven down their leverage ratios.

Federal, state, and local government stimulus programs have played a prominent role in contributing to such increases as small businesses and households preserve a significant portion of the funds they have received. Community banks that adopt the CBLR should not be penalized during periods of increased government stimulus payments.

The Nation's Voice for Community Banks.®

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The extended CBLR relief provided by your legislation will allow community banks to continue serving their communities and their small business customers at the current level. This is simply the wrong time to allow a CBLR increase to go into effect.

Thank you again for introducing the Community Bank Relief Act. We look forward to working with you to advance it into law.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO

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