Highlight: Community Bank Leverage Ratio (CBLR) election has remained stable as Vice Chair Bowman discusses potential changes

by: Kris Perry

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Community banking organizations (CBOs) eligible for the CBLR would increase if potential adjustments materialize.

- The CBLR framework became available to CBOs[1] on January 1, 2020, as part of the Economic Growth, Regulatory Relief, and Consumer Protection Act. The framework offers CBOs an exemption from filing risk-based capital ratios should they meet certain criteria.[2]
- Thirty-five percent of CBOs elected to utilize the framework at its inception. The level has since fluctuated and slightly increased to 40 percent as of June 30, 2025. CBLR filers not meeting each of the criteria at a quarterly filing are granted a two-quarter grace period to restore compliance or revert to filing risk-based capital ratios. About 80 percent of the time when a CBO enters the grace period, it is because its tier 1 leverage ratio is below the minimum requirement, but above the grace period floor.
- Federal Reserve Vice Chair for Supervision Michelle Bowman recently discussed potentially reducing the framework's minimum Tier 1 leverage ratio threshold to 8 percent in an early August 2025 speech. If reduced, the estimated percentage of CBOs eligible to elect the framework would increase from 83 percent to 95 percent as of June 30, 2025.

Questions or comments? Please contact KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org

Endnotes

[1] Community banking organizations are defined as having less than $10 billion in total assets.

[2] See respective capital rules in Code of Federal Regulations, Title 12.

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