Proposal: 1741(AG 11) Reg Q - Regulatory Capital Rule: Emergency Capital Investment Program

Description:

Comment ID: 138107

From: BOM, Mary Bullock

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Subject: Reg Q; Regulatory Capital Rule: Emergency Capital Investment Program

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Comments:

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I'm the COO/IT Admin at a bank located in rural Louisiana. We serve in many ways in our communities and thrive on being there for those around us. We operate in 5 parishes in Louisiana that are considered as Persistent Poverty Counties (PPC) with the majority of our banking relationships with Low to Moderate Income (LMI) and/or minority communities.
Pursuing the ECIP opportunity would be great for us. It will allow us to reach more customers and non-customers and expand our lending. The Board of Directors approved for us to apply for the maximum amount of funds we can get through the ECIP. But the problem we are having right now is that we are a Subchapter S corporation and the funds we would get would be in the form of Subordinated Debt, not Perpetual Preferred Stock.
CDFI C Corporations have an advantage over S Corps due to the fact that the way the ECIP bill is written now, S Corps have to count any Sub Debt from the Treasury as debt at the holding company, and C Corps don't have to count any ECIP funds as debt. With the Federal Reserve's rules/regulations in regards to Debt to Equity & Double Leverage Ratios, our bank and other Sub S banks would only be able to request ECIP funds in the form of Sub Debt from the Treasury at just a fraction of that we actually qualify for due to the Federal Reserve's rules. The amount we could get of ECIP wouldn't make the impact that we and other S Corps want to make.
Using current Federal Reserve's regulations, we would only be able to receive Sub Debt of approximately 2% of our assets instead of the ECIP rules of up to 15%. This is the difference in us not being able to lend literally multi-millions with us leveraging any Sub Debt 10 to 1.
I ask and strongly encourage for the Treasury to work with the Fed and that any/all ECIP Sub Debt be excluded 100% from the Fed's rules/regulations just as TARP and SBLF were. Secondly, have a maturity date of at least 30 years instead of 15 years for Sub Debt just as Trust Preferred Securities used to be. Even better 40 years, 50 years or perpetual. Make this as permanent capital as possible. The more Sub Debt S Corps can get and the permeant the capital is, the more we can deploy and the more the ECIP will be utilized. And leveraging 10 to 1, these funds would be transformational for the markets we serve
Rural America, minorities and the working poor have been hurt more than others by Covid -19 and these ECIP funds not can, but will be a game changer for CDFI/MDI banks!
Thank you,

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