



MUTUAL ALERT

AMB Efforts to Relieve Capital Requirements Bear Fruit

The Fed and other banking agencies released three updates on March 19, 2026 relating to relieving capital requirements. As you know AMB has, over the last 18 months, devoted the bulk of its resources to obtaining regulatory relief from restrictive capital requirements which are not tailored to mutuals. Over that period, accompanied by our leadership, I met with all the federal agency heads and The Conference of Bank Supervisors staff. In addition, we met with Chairman Hill and Scott and their staff. We corroborated with the ABA and ICBA. That effort began to bear fruit when the OCC approved the first MCC issuance in 40 years by Kentland Federal in May of 2025. Under the leadership of Vice Chair Bowman, we gained momentum, when in October of 2025, the Federal Reserve Board issued various legal interpretations and FAQs on MCCs, which resolved any legal uncertainties for the Issuance of MCCs by MHCs.

These actions were followed by the March comprehensive regulatory proposal for all banks by the three federal banking agencies. For large banks, the proposal finalized Basel III, using a single risk-based capital calculation with improved risk sensitivity for credit, market, and operational risks. By comparison, it doesn't offer as much relief for large banks as the proposal does for community banks and mutuals. However, the difference in the requirement is marginal and unlikely to offer community banks any competitive advantage over large banks.

For smaller banks, the standardized approach lowers capital requirements by about 7.8 percent for banks under \$100 billion. It also removes the mortgage servicing asset deduction from capital and applies a flat 250% risk weight instead. This change is a significant advantage to mutuals that retain servicing. Currently mutuals must deduct all but 25 % of servicing rights from capital. It would be wise to communicate reasons why the 250% risk weight is still too high during the comment period.

The FDIC has proposed lowering the CBLR (Community Bank Leverage Ratio). Chairman Hill's Committee has reported out several bills similar to the FDIC's proposal to lowering of the Community Bank Ratio from 9% to 8%.

Overall capital levels remain well above pre-crisis requirements. This of course gives the agencies an opening to reduce and revise capital requirements without partisan push back. Public comments are due June 18, 2026. All in all, it has been a good year for mutuals as the inclined playing field is significantly leveling out.

On a number housekeeping matters, it has been decided that our telephone meeting will be held quarterly unless circumstances dictate more frequently. A small dues increase is slated to be on the agenda for discussion and action at the next meeting. The meeting will be scheduled for April 20th at 1 PM. An agenda and dial in information will go out the Wednesday before.

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