



## AMERICANS *for* TAX REFORM

June 17, 2020

**The Honorable Kevin Cramer**  
United States Senate  
400 Russell Senate Office Building  
Washington, DC 20510

**The Honorable Jerry Moran**  
United States Senate  
521 Dirksen Senate Office Building  
Washington, DC 20510

**The Honorable Tom Cotton**  
United States Senate  
326 Russell Senate Office Building  
Washington, DC 20510

**The Honorable Thom Tillis**  
United States Senate  
113 Dirksen Senate Office Building  
Washington, DC 20510

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Dear Senators Cramer, Cotton, Moran, & Tillis:

During the COVID-19 healthcare emergency, small banks have stepped up to serve their communities affected by the closure of Main Street businesses. As small businesses transition to re-opening their doors, ensuring businesses continue to have access to capital remains critical, which is why **I write in support of your legislation, the Community Bank Regulatory Relief Act, [S. 3502](#)** will help to reduce regulatory barriers that that have forced banks to hold capital on the sidelines during the emergency.

The COVID-19 emergency has hurt lenders and borrowers across the country, and left community banks in an exceedingly difficult position. Small banks serve as an important resource for hard working Americans, their businesses and their dedicated employee. Community banks have and their employees have served on the front lines of the health emergency to handle the retail transactions of their customers and the demand for small business loans and deserve aid during a time of overwhelming economic uncertainty.

S. 3502 will amend two regulatory requirements and help safeguard small banks trying to survive in a tumultuous economic climate. Your legislation will reduce their leverage ratio from 9% to 8% to help community banks meet the increased demand from borrowers. The community bank leverage ratio serves as a benchmark that allows a qualifying bank to be considered “well capitalized” for prompt corrective action purposes.

Your legislation will also afford community banks extra time to comply with the Current Expected Credit Loss accounting standards. CECL requires banks to make [predictions](#) about the future for important reporting purposes at a time of increased uncertainty. Compliance costs operate as economies of scale, with costs increasing as the amount of assets decreases. One [study](#) found that banks with less than \$100 million in assets reported mean compliance costs at nearly 10% of noninterest expense – while large banks reported costs around 5%. Regulatory relief therefore has the most impact on and is most needed for community banks. S. 3502 will provide community banks until 2024 to implement the accounting standards and continue to meet the needs of their customers.

Now, especially, community banks should be able to focus resources on where they’re needed most – assisting customers with their financial needs. The Community Bank Regulatory Relief Act provides important relief for our Main Street institutions and why I support S. 3502.

Sincerely,

Grover G. Norquist  
President, Americans for Tax Reform