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Agencies Finalize Changes to the Community Bank Leverage Ratio Framework*

On April 23, 2026, the OCC, FDIC, and FRB (collectively, the “Agencies”) issued a final rule amending the community bank leverage ratio (CBLR) framework (the “2026 CBLR Final Rule”) which provides significant relief to community banks qualifying for the CBLR framework in terms of meeting the Agencies’ capital requirements. 91 FR 22973.

The Agencies implemented regulatory capital requirements on institutions that impose risk-based and leverage capital requirements for banking organizations and modified methodologies for calculating risk-weighted assets. An institution is generally expected to maintain capital commensurate with the level and nature of all risks to which the institution is exposed and consistent with the specific requirements imposed by the Agencies.

Under Section 201 of the 2018 Regulatory Relief Act, the Agencies, in consultation with state banking agencies, established an optional CBLR of no less than eight percent or more than 10 percent for “qualifying community banks.” A “qualifying community bank” is defined under Section 201 of the 2018 Regulatory Relief Act as an insured depository institution or depository institution holding company with total consolidated assets of less than \$10 billion. On November 13, 2019, the Agencies published a final rule in the Federal Register (“2019 CBLR Final Rule”) to establish a CBLR framework for qualifying community banks at greater than nine percent of tangible equity to total assets, striking a middle ground between the statutory requirement. 84 FR 61776. The 2019 CBLR Final Rule defined the CBLR as the ratio of the Tier 1 capital of a qualifying community bank to its average total consolidated assets, as reported on its most recent call report.

Under the 2019 CBLR Final Rule a qualifying community banking organization that made an election to use the CBLR framework would be considered to have met the minimum capital requirements under the Agencies capital rules, the capital ratio requirements for the well-capitalized capital category, and any other capital or leverage requirements to which the qualifying community banking organization is subject, if it had a leverage ratio greater than nine percent.

* Janet Bonnefin has retired from the firm.

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On December 1, 2025, the Agencies issued a proposed rule to amend the CBLR framework (the “Proposed Rule”). Among other things, the Proposed Rule would have lowered the CBLR from nine to eight percent for qualifying community banks that elect to use the CBLR framework. On April 23, 2026, the Agencies issued the 2026 CBLR Final Rule which adopts the changes set forth in the Proposed Rule without substantive changes. Thus, the 2026 CBLR Final Rule makes the following changes to the CBLR framework:

- Lowers the CBLR requirement from nine percent to eight percent (which provides more flexibility for community banks to opt into the CBLR framework and allows more banks to qualify for the framework);
- Extends the grace period from two consecutive quarters to four consecutive quarters (which provides additional time for community banks to either satisfy the definition of a qualifying community banking organization under the CBLR framework or achieve compliance with risk-based capital requirements); and
- Limits a community bank to using the grace period for a maximum of eight quarters in the previous five years or 20-quarter period.

The 2026 Final Rule becomes effective on July 1, 2026, and can be found on the FDIC’s website at <https://www.fdic.gov/news/press-releases/2026/agencies-finalize-changes-community-bank-leverage-ratio>.

For more information about the 2026 Final Rule, contact Joel Cook at **JCook@ABLAWYERS.COM** or John Davis at **JDavis@ABLAWYERS.COM**.