



WOODSTOCK
INSTITUTE

*Advancing Economic Security
and Community Prosperity*

May 21, 2026

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Board of Governors of the Federal Reserve System
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PublicComments@frb.gov
(via mail and email)

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Jennifer M. Jones, Deputy Executive Secretary
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3064-AG23)
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RE: Regulatory Capital Proposed Rules: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations [OCC Docket ID OCC-2026-0265, RIN 1557-AF52; FRB Docket No. 1887, RIN 7100-AH20; FDIC RIN 3064-AF29];

Regulatory Capital and Standardized Approach for Risk-Weighted Assets [OCC Docket ID OCC-2026-0034; FRB Docket No. R-1888, RIN 7100-AH21; FDIC RIN 3064-AG23]; and

Proposed Agency Information Collection Activities; Comment Request [OMB Nos. 1557-0318 (OCC), 7100-0313 (Board), 3064-0153 (FDIC), 1557-0247 (OCC), 7100-0314 (Board), 3064-0178 (FDIC)].

Banking is built on trust, and that trust is maintained through rigorous oversight. Of the three federal bank regulatory agencies, the Federal Reserve stood out as the one most likely to think pragmatically and push back against politically driven regulatory agendas of the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency towards the responsible goal of balancing risk mitigation with the financial industry's evolution. In the past, this tension has resulted in negotiated outcomes that have traditionally kept the financial system safe, sustainable and trustworthy (most of the time).

It seems that's now at risk. Given recent and expected changes at the Federal Reserve Board of Governors, it is likely that all three agencies will serve as enthusiastic conduits for implementing the Administration's politically motivated deregulatory agenda. This sets the perilous precedent of the Federal Financial Institutions Examination Council (FFIEC) becoming more of a political advocacy body than an independent regulatory council and lays the foundation for future financial crises, all

while marketing it as “regulatory alignment.” This proposal to weaken bank capital standards is excellent evidence of the dangerous retreat from the safeguards necessary to protect low-to-moderate-income (LMI) communities and communities of color from financial instability. With the Federal Reserve supervisory staff cut by over 30 percent, similarly debilitating staff cuts at the other bank regulators and the Consumer Financial Protection Bureau, and capital requirements being slashed through this proposal, the FFIEC is creating a “perfect storm” for the next financial crisis.

Woodstock Institute has a 53-year history of advancing consumer financial protection through research and advocacy. This is not our first rodeo. We have a longer track record of connecting the dots than most of the new “industry friendly” management within the bank regulatory agencies who are pushing a deregulatory agenda under the cover of “modernization.” Woodstock understands the need for regulation to keep pace with innovation and the evolution of the banking industry, but only so long as key safeguards are preserved. This proposal does none of that. Instead, it throws out guardrails that exist precisely because of previous deregulatory mistakes.

Let’s begin with bank capital, which is much more than a line item. Bank capital is the cushion that prevents a financial crisis from becoming a neighborhood catastrophe. This proposal lowers common equity tier 1 capital for the largest banks by almost 5 percent; for globally systemically important banks, that drop is even steeper and comes out to an astounding \$60 billion. History has shown that when large banks are undercapitalized, the resulting “credit crunches” hit LMI communities first and hardest. We find these reductions to be ill-advised and ill-informed.

We are particularly concerned about the reliance on short-term wholesale funding, which has grown from 30% to 40% of assets since 2016. The industry calls this “hot money” for a reason: not because it’s particularly attractive but because it’s prone to runs. Rather than strengthening protections against that volatility, the proposal reduces the impact of this risk on capital scores. When banks gamble with unstable funding models, LMI consumers pay the price through lost access to credit and homeownership opportunities when the market inevitably tightens.

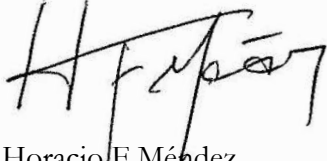
The proposal also includes 2 dozen downward deviations from international Basel III standards. That sentence alone should set off alarms throughout the global banking system. When I worked for a European financial institution, I was told there would never be an American CEO because “you cowboys like to blow up the financial world every decade or so, just for fun.” This proposal validates that statement. By allowing banks to use their own internal models to calculate risk without a standardized floor, we are essentially letting banks grade their own homework. We have seen this play out before with mortgage-backed securities and collateralized debt obligations and it was our communities, not the bank executives, who lost their homes and their wealth as a result. Are the regulatory agencies’ memories so short that they’ve already forgotten the lessons we learned from the 2008 financial crisis?

Finally, the proposed standardized approach is described as a simplification, but it lowers the capital requirements for institutions under \$100 billion by almost 8 percent. The reality is that this is not a targeted plan to support community-based lending. Rather, it is a giveaway that makes the entire financial system more vulnerable.

Woodstock Institute strongly opposes the proposal to “Modernize the Regulatory Capital Framework.” Woodstock advocates for a financial system that is safe, sound and fair. This proposal

moves us in the opposite direction, prioritizing the short-term capital efficiency of the largest banks over the long-term economic security of American families.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. F. Méndez', written over a light gray rectangular background.

Horacio F Méndez
President & Chief Executive Officer
Woodstock Institute