



June 18, 2026

Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551  
Attention:  
Benjamin W. McDonough  
Secretary  
Docket Nos. 1887, R-1888, 1889  
RINs 7100-AH20, 7100-AH21, 7100-AH22

Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
Attention:  
Robert Meiers  
Regulatory Counsel  
RINs 3064-AF29, 3064-AG23

Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street, SW  
Suite 3E-218  
Washington, DC 20219  
Attention: 1557-0318 and 1557-0247  
Chief Counsel's Office  
Docket IDs OCC-2026-0265, OCC-2026-0034  
RINs 1557-AF52, 1557-AF49

**Re: Regulatory Capital Rule: Category I and II Banking Organizations, Banking Organizations with Significant Trading Activity, and Optional Adoption for Other Banking Organizations, 91 Fed. Reg. 14952 (March 27, 2026); Regulatory Capital Rules: Regulatory Capital and Standardized Approach for Risk-Weighted Assets, 91 Fed. Reg. 15332 (March 27, 2026)**

Ladies and Gentlemen:

We are writing to submit our comments with respect to your Agencies<sup>1</sup> jointly proposed rulemakings to (i) modernize the capital requirements applicable to Category I and II banking organizations and revise the market risk capital framework for banking organizations with significant trading activity (the "Basel III Proposal"), and (ii) modify the standardized approach for risk-weighted assets and the definition of regulatory capital applicable to covered banking organizations more broadly (the "Standardized Approach Proposal," and together with the Basel III Proposal, the "Proposed Rules"). The Equipment Leasing & Finance Association (ELFA) appreciates the opportunity to submit comments on the Proposed Rules.

ELFA represents the \$1.3 trillion equipment finance sector,<sup>2</sup> which plays a vital role in supporting economic growth and innovation across the United States by providing essential capital to businesses of all types and sizes to help them acquire the equipment they need to operate and grow.

<sup>1</sup> We refer to the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, collectively, as the "Agencies."

<sup>2</sup> ELFA, Equipment Finance Industry Horizon Report 2024, <https://www.elfaonline.org/research/industry-overview/horizon-report> (October 2024)

Our over 600 member companies include banks, independent and captive leasing and finance companies, financial services firms, brokers, investment banks, manufacturers, and service providers. ELFA's diverse membership supports virtually every type of equipment financing transaction conducted in the United States. They finance the acquisition of all types of equipment, from construction and agricultural machinery to state-of-the-art medical technology and to the trucks and rail cars that keep goods moving across America. By providing tailored financing solutions, our industry provides capital investment that fuels jobs, manufacturing, innovation, and global competitiveness.

ELFA appreciates the efforts of the Agencies to address certain concerns raised by industry participants during the comment period related to the Agencies' May 2023 proposed rule (May 2023 Proposed Rule). However, we believe that a few issues remain that warrant further modification before the Proposed Rules are adopted in final form. In particular, the Proposed Rules continue to contain provisions that, with respect to certain types of equipment finance and leasing transactions, would increase capital requirements beyond what is warranted by the underlying risk, resulting in increased borrowing costs for businesses relying on equipment finance and leasing.

In reviewing the Proposed Rules and developing our comments, ELFA shares many concerns raised in the letter submitted by the Secured Finance Network (SFNet) relating to substantial impact of the Proposal on the asset-based lending market, due to the significant overlap in our memberships.

ELFA therefore asks the Agencies to give further consideration to the specific requests set forth in this letter and from other industry participants. ELFA stands ready to engage with the Agencies to achieve a final rule that appropriately balances prudential objectives with the continued successful functioning of the equipment leasing and financing market.

## **Key Points and Recommendations Regarding the Proposed Rules**

### **Changes to Credit Conversion Factors for Commitments**

The Proposed Rules introduce changes to the credit conversion factors (CCFs) applicable to off-balance-sheet commitments that will have a significant adverse impact on lenders engaged in equipment leasing and financing activities. Under the current standardized approach, commitments that are not unconditionally cancelable with an original maturity of one year or less receive a 20% CCF, while those with a maturity of more than one year receive a 50% CCF. Unconditionally cancelable commitments currently receive a 0% CCF. The Proposed Rules would impose a uniform 40% CCF for non-unconditionally-cancelable commitments, regardless of maturity, and for Category I and II banking organizations, unconditionally-cancelable commitments would receive a 10% CCF. Also, as with the May 2023 Proposed Rule, the Proposed Rules would require banking organizations to hold capital against the full undrawn commitment amount multiplied by the new, higher CCFs, without any recognition of the borrowing base limitation that effectively constrains the actual exposure.

While ELFA appreciates that the Proposed Rules would simplify the conversion factors applicable to the unused portion of a credit commitment that is not unconditionally cancelable, this approach may increase the cost of short-term credit. For example, for commitments that are not unconditionally cancelable with an original maturity of one year or less, the CCF would increase from 20% to 40%. This increase in the CCF of these shorter-term commitments would result in higher capital charges for banks and increases in the borrowing costs for small business owners acquiring equipment for the operation of their businesses. For this reason, ELFA requests that the Agencies consider a lower CCF for

commitments with a maturity of less than one year. Finally, ELFA requests that the Agencies allow lenders to apply the CCF to the “borrowing base” rather than the amount of commitments as this more accurately reflects the credit exposure.

### **New Definition of “Commitment” in Proposed Rule**

The current capital rule defines a commitment as any legally binding arrangement that obligates a banking organization to extend credit or to purchase assets. The Proposed Rules revise the definition of commitment to clarify that any contractual arrangement under which a banking organization and an obligor agree to the terms applicable to one or more future extensions of credit, purchases of assets, or issuances of credit substitutes by the banking organization is a commitment, whether or not the arrangement is unconditionally cancelable. In response to questions from commenters on the May 2023 Proposed Rule, the Agencies proposed changes to the definition of commitment to cover “advised credit lines and uncommitted lines.” While ELFA understands the intent of these changes, this expanded definition of “commitment” could have unintended consequences which could adversely affect those engaged in equipment lending and leasing activities. For example, the broader definition of commitment would capture additional bank credit facilities and subject those facilities to higher capital charges. This would increase the borrowing costs for small business owners acquiring equipment for the operation of their businesses.

ELFA requests that the Agencies revert to the prior definition to avoid the unintended consequences from this expanded definition. To the extent that the Agencies decide to adopt an expanded definition of commitment, ELFA requests that the definition be clarified to exclude truly discretionary lending arrangements, where the lender is not obligated to extend credit and the terms remain subject to the lender's sole approval at the time of each advance. Absent such clarification, the definition will have unintended consequences by capturing arrangements beyond the targeted “advised credit lines and uncommitted lines.”

### **Failure to Recognize Value of Non-Financial Collateral**

Both the May 2023 Proposed Rule and the Proposed Rules fail to recognize the risk-mitigating value of nonfinancial collateral, such as receivables, inventory, and marketable equipment, in determining capital requirements. While the Basel Committee generally permits banks that use internal models to recognize the risk mitigating effects of receivables, specified commercial and residential real estate, and other physical collateral, where they meet the minimum requirements, the Agencies are eliminating internal models. Therefore, the Basel Committee recognition of the risk-mitigating value is not recognized by the Proposed Rule.

The Proposed Rules and the May 2023 Proposed Rule recognize only a limited category of “financial collateral” for credit risk mitigation purposes and fail to account for the value of highly liquid nonfinancial collateral such as receivables, inventory, and marketable equipment. While the Proposed Rules improve the treatment of financial collateral under the standardized approach, these improvements do not extend to the nonfinancial collateral relied upon by banks in the equipment leasing and financing area.

As a result, the Proposed Rules' failure to recognize nonfinancial collateral means that, from a capital perspective, high-quality asset-based loans fully secured by readily marketable collateral will continue to be treated the same as loans that are not subject to the same stringent collateral requirements, and even the same as unsecured commercial loans. This treatment is not reflective of the risk-mitigating

value of nonfinancial collateral as evidenced by the long-term performance of loans secured by nonfinancial collateral, such as receivables, inventory, and marketable equipment.<sup>2</sup>

ELFA's research and CapEx Finance Index<sup>3</sup> have demonstrated that aging receivables and charge-offs on non-financial collateral-based loans are consistently low, showing that under current capital rules, banks have internal controls in place to properly assess asset classes and balance their portfolios.

While ELFA recognizes the difference between financial and nonfinancial collateral, and the potential difficulty in assigning value to the various types of nonfinancial collateral securing commercial loans, this remains an important issue for our members and is necessary to ensure that the risk-based capital charges in the final rule reflect the actual risks of the underlying credit exposures. Therefore, ELFA urges the Agencies to address this issue in the final rule by recognizing the value of certain nonfinancial collateral, such as receivables, inventory, and marketable equipment, in determining capital requirements. This concern is shared and was also highlighted by SFNet in its submitted comments. If this type of determination requires gathering of additional data from the industry, the Agencies should expressly commit to assessing official data gathering in the final rule and address this issue and the findings once the review of the data is completed.

## Conclusion

Thank you again for your commitment to modernizing capital framework through these new Proposed Rules. ELFA appreciates the Agencies taking our letter into consideration and we look forward to working with you as you finalize this rulemaking. Please contact Allyson Gale, Vice President of Federal Government Affairs, at [agale@elfaonline.org](mailto:agale@elfaonline.org) with any questions.

Sincerely,



Susan Sullivan Kinney  
Senior Vice President, Policy & Government Affairs  
Equipment Leasing & Finance Association

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<sup>2</sup> ELFA, Vertical Market Outlook Series (<https://www.elfaonline.org/research/vertical-markets>)

<sup>3</sup> ELFA, CapEx Finance Index: April 2026, (<https://www.elfaonline.org/research/capex-finance-index/elfa-capex-finance-index-april-2026>)