From: Roger Guerin
Sent: Wednesday, September 06, 2017 8:32 AM
To: Comments
Subject: RIN 3064-AE 63

Dear Chairman Gruenberg,

FEDERAL DEPOSIT INSURANCE CORPORATION
12 CFR Part 324
RIN 3064-AE 63

Sanford Institution for Savings is a community bank (the only independent bank headquartered in central and western York County Maine) that maintains strong levels of high quality capital. We commend and heartily endorse the banking agencies for their recent proposal to extend the existing Basel III transition provisions regarding the treatment of mortgage servicing assets, certain deferred tax assets, investments in the capital instruments of unconsolidated financial institutions, and minority interests. This proposal would effectively pause the phase-in of the regulatory capital deductions and risk weights regarding these items. I welcome the proposed regulatory pause. It sends a strong message that the prudential bank regulators are serious about providing regulatory relief to community banks who have been overwhelmed by new capital regulations that were originally designed for the largest too-big-to-fail megabanks that have the size and complexity to put our strong financial system at risk.

The following is an example of the negative impact of Basel III on community banking and the local communities we serve. Sanford Institution for Savings believes in the best of customer service. Up until several years ago our bank never sold a mortgage loan because we wanted the best in customer service for our customers. Due to interest rate risk, we started selling mortgages, but maintained servicing to again control and maintain the highest quality service for our customers. If implemented, Basel III capital changes will force the bank to sell its mortgage servicing. Mortgage customers will no longer be able to deal directly with the bank on their sold mortgage. In addition, we anticipate staff reduction due to the sale of mortgage servicing. Sanford Institution for Savings is one of the largest employer in rural central/western York County Maine. The impact on the loss of good paying jobs is detrimental to our local economy.

We also have huge concerns on the continuing increasing regulatory burdens on community banks and our ability to remain independent. The loss of community banks would be so detrimental to a rural state such as Maine.

I wholeheartedly support the proposal to suspend the final transition deduction phase-in set to take effect on January 1, 2018. Additionally, I support efforts by the agencies to simplify the current regulatory capital framework for community banks in order to align regulatory capital standards with the tried and true straightforward lending models that have allowed community banks to drive economic growth in their local communities. The best way to accomplish this objective is to allow community banks to revert back to the Basel I capital framework that was in place prior to the advent of Basel III. If regulators are unwilling to do this, they should strongly consider significantly raising the current cap on MSAs, DTAs, or non-significant investments in other financial institutions so that community banks will not be penalized for holding these assets.

In many cases, community banks have invested in these financial assets for many years, and they have performed well for the banks without any problems. Restricting the ability of community banks to hold mortgage servicing assets results in them being retained by less regulated entities that may not provide the same level of care and diligence needed when maintaining a relationship with a borrower or other stakeholder. Equally important, mortgage servicing rights retained by community banks act as a natural hedge against rising interest rates and bring stability to earnings and asset valuations when interest rates rise rapidly.

Again, thank you for your attention to the current struggles faced by community banks as they navigate burdensome capital regulations meant for much larger banks that engage in more complex activities.

Sincerely,

Roger Guerin
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