



JEFFREY E. SMITH
Chairman of the Board

September 26, 2012

Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Basel III FDIC RIN 3064-AD96, and RIN 3064-D97

Ladies and Gentlemen:

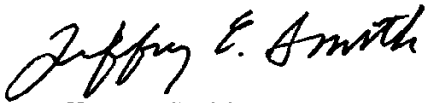
I recently sent a letter to Senator Sherrod Brown's legislative aid, Mr. Graham Steele, regarding a follow up to a meeting, at his request that he and I had on August 27th. I expressed to him our concern regarding Basel III and its impact on community banks. It would appear that since our meeting, there is more and more concern about the negative effects on community banks; not only in Ohio, but also throughout the United States. Perhaps the most salient example is the comment FDIC director Thomas Hoenig made at the *American Banker* regulatory symposium, "I believe the Committee should agree to delay implementation and revisit the proposal. Absent that, the United States should not implement Basel III, but reject the Basel approach to capital and go back to the basics." Mr. Hoenig is certainly qualified to diagnose regulatory overkill.

During our meeting in Gallipolis with Mr. Steele, I shared with him the successful home mortgage program one of our residential mortgage bankers recommended to this FDIC insured, state chartered community bank for first time home owners. That program, which began in January 2000, is called "Rent Buster". Since the program began, Ohio Valley Bank has generated nearly 200 mortgage loans to first time home buyers who do not have a down payment and have never owned a home. These loans are insured by no federal or state agency and the entire risk of loss is borne by this community bank in southern Ohio, which is located in, what many might call, the depths of Appalachia. Of the nearly 200 mortgages whose originations totaled more than \$14,000,000, 109 are still active representing more than \$7,000,000 in outstanding balances. The total loss borne by this institution alone in the 12 years of the program is a scant \$223,000 from only 7 foreclosures. Basel III would consider these loans high risk and would increase the risk weight on these single family, owner occupied, residential mortgages from 50% to as much as 200%, a regulatory edict that would probably kill this successful program. These loans are not secured by "McMansions"; but by modest residences occupied by owner families who would probably still be renting today had an Ohio community banker not proposed a modest plan for first time home buyers.

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Ladies and Gentlemen, Ohio's banking industry has weathered the "great recession" well; please, let us do what we do best by agreeing with FDIC director Hoenig as well as Senators Toomey and Warner to evaluate the impact of Basel III on the scores of community banks in Ohio and this nation.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey E. Smith". The signature is written in a cursive style with a large, prominent initial "J".

Jeffrey E. Smith
Chairman of the Board

JES:chj