Oregon Pacific Bank

We're In Good Company

October 5, 2012

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

We are a rural community bank in Oregon. In the town where our main office is located and 61% of our loan customers reside, there are branches of one national, one regional, and one other community bank as well as one regional savings institution. We are the only financial institution with loan officers who live in this community and are available fulltime to assist local business owners with their lending needs. We also offer in-house real estate mortgage non-conforming loans that our local residents could not otherwise obtain. We are important to this community and the other rural communities we serve and strive to remain independent to continue the quality of services that only a community-centered bank can provide.

We just completed a capital raise in which it took more than two years to raise nearly $2.4 million (as required by a Written Agreement). Only one purchaser was an institutional investor. Implementation of the capital conservation buffers for community banks will be difficult to achieve under the proposal. As we now know from our experience, community banks do not have ready access to capital that the larger banks have through the capital markets and the only way for small banks to increase capital is through the accumulation of retained earnings over time. Due to the current ultra low interest rate environment, profitability has evaporated hampering capital growth at this time.

The proposed risk weight framework under Basel III is too complicated and requires a myriad of onerous record keeping. Small community banks are burdened by the additional regulatory burdens brought about by the Dodd Frank Act as well as other always changing regs. Our staffs are thinly stretched and the expenses weigh heavily on our diminishing revenues.

For the reasons mentioned above, as well as others not mentioned, community banks, at least those with less than $1B in assets, should be allowed to stay with the current Basel I rules.

Sincerely,

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EVP and CFO
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