Oct 16, 2012

To Whom May Concern:

Please exempt Community Banks from Basel III. Base III will deplete community banks capital and will hurt our relationship with our community customers. This will also deprive customers from many of our products for residential loans. Additional software upgrade to track mortgage loan-to-value ratio and proper risk weight, will cost the banks. When interest rates rise, securities fair value will fall causing AOCI to decline, which will then affect the capital for the community banks.

Please allow Community Banks to stay with Basel 1.

Sandra Kennedy, VP
First National Bank
Cloverdale, IN. 46120

From: Emily D. Wright <emily@fnb-bank.com>
Sent: Tuesday, October 16, 2012 1:47 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

To Whom It May Concern,

Please exclude Community Banks from Basel III. Basel III will surely damage our relationship with our customers because, due to increases in risk weights, we will no longer be able to offer certain financing options for residential property. This will penalize Community Banks and jeopardize the housing recovery. Community Banks should be allowed to stay with Basel I risk weight framework for residential loans. Otherwise, our bank will be forced to make significant software upgrades to track mortgage loan-to-value ratios in order to determine the proper risk weight categories for mortgages.

Community Banks should also be allowed to use Basel I framework for computing their capital requirements. Community banks operate on a relationship-based business model that is specifically designed to serve customers in their respective communities on a long-term basis. This model contributes to the success of Community Banks through practical approaches to managing risk. The largest banks operate purely on transaction volume and do not rely so much on customer relationship, as Community Banks do. The difference in banking models demonstrates the need to place tougher capital standards exclusively on the largest banks to better manage the ability to absorb losses.

These are only some of the ways that Community banks like ours will suffer if required to follow Basel III Guidelines. Please allow Community Banks to stay with Basel I.

Emily Wright
First National Bank
P.O. Box 248
302 S Main Street
Cloverdale, IN 46120

From: Glenda Gillette <glendag@fnb-bank.com>
Sent: Tuesday, October 16, 2012 4:12 PM
To: Comments
Subject: "Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97"

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Jennifer J Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

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

Re: Proposals: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy and Transition Provisions, Regulatory Capital Rules, Standardized approach for Risk-weighed Assets, market discipline and disclosure requirements, Regulatory Capital Rules, Market Risk Capital Rule

Ladies and Gentlemen:

I have listed my comments on the Basel III Proposals below:

The proposed risk weight framework under the Basel III Proposal is too complicated and will be an onerous regulatory burden that will penalize community banks and jeopardize the housing recovery. Increasing the risk weights for second liens will penalize community banks who offer these loan products to their customers and deprive customers of many financing options for residential property. Many community banks will either exit the residential loan market entirely or only originate those loans that can be sold to a GSE. Second liens will either become more expensive for borrowers or disappear altogether as banks will choose not to allocate additional capital to these balance sheet exposures. Community banks should be allowed to stay with the current Basel 1 risk weight framework for residential loans. Community banks will be forced to make significant software upgrades and incur other operational costs to track mortgage loan to value ratios in order to determine the proper risk weight categories for mortgages.

Community banks should be allowed to continue using the current Basel 1 framework for computing their capital requirements. Basel III was designed to apply to the largest, internationally active, banks and not community banks. Community banks did not engage in the highly leverage activities that severely depleted capital levels of the largest banks and created panic in the financial markets. Community banks operate on a relationship based business model that is specifically designed to serve customers in their respective communities on a long-term basis. This model contributes to the success of community banks all over the USA through practical, common sense approaches to managing risk.

Thanks you

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