From: Charles Daily [mailto:cdaily@cfbank1.com]
Sent: Friday, October 12, 2012 2:51 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

October 12, 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[1] 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.

I am president of Community First Bank which is an Illinois chartered bank with FDIC as its primary regulator. Our bank is located in Fairview Heights, Illinois and has total assets of approximately $200 million. As a small community bank, we focus on providing personalized banking services to small businesses and consumers. Our lending is concentrated in 1 to 4 family real estate, small business loans and commercial real estate.

The changes in levels of regulatory capital required by the proposed rules are complex and very evident they will significantly increase our capital requirements. The higher capital requirements will restrict our bank's ability to expand lending thereby **negatively** impact our ability to serve our community. The proposed NPR's will have a dramatic and long-term impact on our bank.

Based on the information, I am very concerned about the risk weighting on 1-4 family balloon loans. The NPR's proposals will at least double our bank's risk weighting on this category of loans. Our bank has historically provided this type of financing to our community. Balloon loans are popular with our customers and are integral with prudent interest rate risk management. Doubling the risk weighting or more on these popular loans will increase our capital requirements thereby restricting lending and increasing the cost of providing this service to our customers.

Additionally, as a subchapter S bank, the possible restrictions on distributions to shareholders are of significant concern. Unlike a C-corp. bank, earnings from an S-corp. bank are taxed to the individual shareholders. Therefore it is imperative that we are always able to distribute an appropriate amount that will cover our shareholders tax liabilities attributed to bank earnings. It would seem that by always allowing these distributions would put us at parity with the C-Corp banks and therefore would be consistent and fair.

Basel III was not originally intended to apply to small banks. Unlike the big nationwide and regional banks, most small banks have limited access to new capital. In addition, one source of capital we presently utilize through trust preferred securities will be phased out thereby further exacerbating the problem. Therefore the proposed rules have a disproportionate burden on small banks. This is unfair particularly since small banks did not cause the last economic collapse and unnecessary since they fared much better throughout the crisis than the big banks. **Therefore, small banks should be excluded from the proposed rules (Basel III) and be allowed to operate under the existing regulatory capital requirements.**

I can be contacted at 618-234-9500 (office) during the day Monday through Friday. My e-mail address is cdaily@cfbank1.com.

Very truly yours

/s/

Charles W daily
President

[1] The proposals are titled: Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions; Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.

Charles W. Daily
President

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