

October 17, 2012

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

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

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 FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97**

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals¹ 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.

Michael Baker, State Bank of Lizton, strongly urged the bank officers to weigh in on these important proposals and how they will affect our community bank. Basel III was designed to apply to the largest, internationally active banks and not community banks. We did not engage in the highly leveraged activities that severely depleted capital levels of the largest banks and created panic in the financial markets. While as a bank marketer I will always be willing to talk about my bank, in the past few years, I have been forced to defend us as we are being lumped by the media into the same group as these large banks – even though we did not engage in these policies and procedures. These proposals are reinforcing that same mindset.

One thing Michael told us as he took over the reins as president in August was that “Community banking is a way of life we must defend. It’s all about building relationships and every one of them is important.” That has reinforced my thinking as to why I choose to work and promote my community bank. We operate in a practical, common sense approach to managing risk. We don’t operate on a transaction volume with little thought or attention placed on customer relationship. Place the tougher capital standards on the largest banks to better manage the ability to absorb losses. A cookie cutter, one size fits all is not the answer.

Sincerely,

Rhonda Wiles
Vice President, Marketing Director
State Bank of Lizton
P.O. Box 170
Lizton , IN 46149

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*.

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
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RE: **"Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97"**

Please consider excluding community banks from the Basel III requirement and continue the Basel I framework. I thought that Basel III was to be applied to banks that conducted international activity and the larger banks which in turn depleted their capital by participating in highly leveraged activities. The majority of community banks did not participate in the type of activity which created the financial problems. But we have been very instrumental in helping the economy and small business build them back up. Community banks have already been affected by legislation in the last couple of years which have had a drastic effect on their lending activities.

These additional capital requirements and conservation buffer will greatly reduce the ways in which community banks serve their customers. Examples would be mortgage lending and home equity loans. The additional restrictions on this type of lending would be overwhelming in the costs of personnel required to risk weight on loan to value. Although this type of lending is one of our bank's highest lending volume, losses taken on these types of loans have been nil to none. Which I would bet is similar in other community banks.

The regulators are already out there examining all financial institutions on a regular basis besides using financial call report data to monitor the banks between those visits. Credit quality deterioration, capital deterioration etc. are being monitored and should be addressed on a case by case basis rather than a one size fits all effort. Remember, the largest of banks caused the financial meltdown, and I truly believe that if this passes for Basel III there will be less community banks able to keep going and they will be absorbed into the banks that **were and are** the cause of the problems.

I must admit that I have work for two regulatory agencies in the past and a Regional Bank. I chose to move to a community bank eighteen years ago due to how community banks provide quality to their customers and the community they serve. Please do not pass Basel III for community banks.

Sincerely,

Robert H. Julius
Senior Vice President, Risk Management
State Bank of Lizton
206 N. State Street
P.O. Box 170
Lizton, Indiana 46149

October 19, 2012

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

Ladies and Gentlemen:

Re: Basel III Capital Proposals

Thank you for the opportunity to provide comment on the Basel III proposals¹ 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. The complexities of the BASEL III capital standards, as introduced, would be devastating to community banks. The standards would have a chilling effect on the extension of credit, at a time our economy desperately needs the lending activities we provide.

Nebulous and frequent adjustments to capital calculations will result in uncertainty and hesitancy at banks across the country. Since banks will be unwilling to risk violating additional capital requirements, lending activity could slow. Risk weightings, particularly on residential mortgages, will impact the bank in multiple ways, previously unanticipated.

Clearly, the concept of BASEL III capital standards was never intended for banks not systemically concentrated, such as community banks. But make no mistake, community banks all across the US will have their business models changed in ways that will impact access to capital for small business, agricultural, residential, and consumer lending purposes. Therefore, I am requesting the banking regulatory authorities to clearly exempt community banks from BASEL III.

Sincerely,

Michael L. Baker
President
State Bank of Lizton
P. O. Box 170
Lizton, IN 46149

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*.