From: Robert M. Marin <rmarin@pattersonstatebank.com>
Sent: Friday, September 21, 2012 3:04 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

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

Dear Mr. Feldman:

My family began our community bank business when my great grandfather and his partner bought the assets of the Union Bank and began Patterson State Bank under state charter in 1925. We are now a $215 million community bank. We have three offices all located in St. Mary Parish, on the central coast of Louisiana. I am the fourth generation of my family to continue in this enterprise, and I have been on our board of directors since 2000. I'm writing today on behalf of Patterson State Bank and our holding company, Patterson Bancshares, Inc. The proposed rules to implement Basel III capital standards would impose undue regulatory burdens on us and other community banks without materially reducing the industry's risk profile – a profile dominated by the nation's largest financial institutions. By exempting financial institutions with total assets of less than $1 billion in assets from the Basel III NPR, the FDIC would exclude 6,586 (91%) of the nation's 7,246 FDIC insured institutions (as of June 30, 2012) while still applying the heightened capital standards to 90% ($12.6 trillion) of the industry's total assets. From a risk management standpoint, addressing 90% of the industry's asset exposure while placing more regulations on only 10% of the institutions seems a logical and effective choice.

We have always competed well in our local market. However, this is becoming increasingly difficult. Community banks are struggling to keep up with the costly regulatory burden in the present banking environment. Large banks have the ability to absorb these compliance costs more efficiently. Even under existing capital rules, there has been a disconnect between the capital levels required of community banks and what the large banks have been required to keep. Regulatory requirements for small banks have always been higher, and adopting this new proposal will only further tilt the playing field toward the biggest banks. Basel III will not eliminate the "too big to fail" advantage that the nation's largest banks have over community banks.

Basel III will result in further consolidation in the industry, meaning less competition and consumer choice. The ultimate losers in that situation are always consumers, small businesses and local government entities, who will face higher borrowing costs and the diminished availability of both credit and bank services. The proposed changes to risk weightings, especially in the mortgage loan category, are excessive for community banks, and will further dampen activity in an already challenging market. Basel III will result in a significant curtailment in mortgage lending among community banks, especially for loans held in portfolio.

We appreciate the continuing efforts of the Federal Reserve and other regulatory agencies to ensure a safe, sound and fair competitive environment for all of America's financial institutions. We urge the FDIC to delay implementation of the NPRs and look for a simple, more effective solution. Please consider appling Basel III to the 10% of all institutions over $1 billion, and let existing regulatory practices continue to work for the other 90%.

Sincerely,

Robert M. Marin
Senior Vice President
Patterson State Bank
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