October 12, 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 Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals[1] that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

We are a $270 million bank located in the Midwest. Our bank is not publically traded but does have 450 shareholders. The potential impact of Basel III is concerning to us and ultimately to our customers, community and our nearly 100 employees. As we have gone through the wave of new laws and regulations that were meant for the large, complex banks; we have found our bank dramatically affected by the unintended consequences of these changes. This proposal has the potential to once again have a significant impact on smaller community banks like us.

Why should you care about smaller community banks? Smaller community banks provide services to small businesses that are not likely to be services if banks like ours disappeared. We are the lifeblood of small business, which in turn drives our local economy. In addition there are several factors in the proposal that may cause smaller banks to slow or drop their home loan activities. Raising risk ratios on primary and secondary mortgage's, ones in which we oftentimes personally know the borrowers, will have unintended consequences. First, many banks may exit

[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.*

these lines of business due to the strains placed on capital levels. This comes at a time in which we need to do everything we can to help these borrowers. At the very least, banks will be forced to increase rates to compensate for the additional capital that would be required. This burden will invariably prolong the housing issues we are currently experiencing in our country today.

Capital should not be an immediate issue for our bank, but the complex rules that result from this proposal invariably will. Another level of complex rules and compliance for many banks who oftentimes do not and have not participated in many of the activities that led to the financial crisis. Community banks were already heavily regulated and examined before the crisis. Where will it stop?

As an alternative, all national regulators currently have the ability to monitor and enforce capital levels. That has been clearly evident during the current recession. That system has worked well for many years. At our size it makes more sense to have a regulator that is more familiar with our banks discussing and evaluating the appropriate levels than some global formula designed for money center banks.

We clearly understand the importance of capital. It is the lifeblood of our existence. But what is happening in a large European or Wall Street bank is significantly different than what is happening on Main Street in Waterloo Iowa. Applying global rules to our institutions will hurt the drivers of our economy which is small businesses. The timing of this effort could not be worse. There will be unintended consequences that will stymie the already fragile recovery we are experiencing. As you review the proposed rules we encourage you to acutely evaluate the necessity for this at the community bank level and seriously consider the unintended consequences.

Sincerely,

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