

That's My Bank!



September 13, 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

Dear Sir:

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.

I am deeply concerned with the affect the Basel III proposals will have on community banks like mine. Basel III was never intended to apply to small banks, which were not the cause of the current financial crisis. This proposal goes well beyond regulatory overreach. There is no doubt that these arbitrary and burdensome requirements will further suppress economic growth, and will likely cause many banks in small towns across the country to sell, consolidate, or be acquired. Options available to individuals and small businesses for obtaining loans and other critical banking services will be reduced - services which are critical to sustained economic expansion.

Main street banks will be particularly damaged by this proposal, at a time when businesses of all types are already struggling. How is the banking industry supposed to aid businesses when we are being strangled by the never-ending list of new regulations, most of which provide no benefit to our customers whatsoever?

The sheer volume and complexity of the current regulatory environment is smothering the ability of community banks to survive. Regulatory change of the past few years has already produced negative results on banks' earnings, and thereby their capital levels. While large banks may have the resources to better withstand this onslaught, that is not the case with community banks.

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*.

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The proposed change to include mark-to-market valuations of available for sale securities in regulatory capital will create extreme fluctuations in many banks' capital requirements, based solely on speculative events that, in most cases, will never occur. As a result, many banks will likely no longer be able to utilize their portfolios to maintain acceptable liquidity positions. For those that do retain the available for sale categorization, the resulting capital requirements will further damage banks' ability to stimulate the economy by tying up funds that could be loaned out to the community. Community banks' lending limits will also be adversely affected by these potential wild swings in capital requirements.

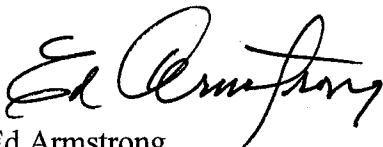
Also, increasing the risk weighting on certain categories of loans is piling on unnecessary additional requirements with no substantial justification. Banks like mine have always maintained more than adequate balances in the ALLL, based on sound, rational analysis. This method has proved, in the vast majority of banks, to be sufficient.

While our bank does not service loans for others, the proposed changes in requirements on mortgage servicing assets discourages another business opportunity for banks that may wish to engage in loan servicing, to replace fee income stripped by other regulations such as those affecting overdrafts and interchange income.

These restrictive capital requirements should not be implemented in any form. Individual banks that warrant additional capital levels should be reviewed on a case-by-case basis, based upon specific conditions that exist at that individual bank. Any attempt to apply this one-size-fits-all proposal to the banking industry will be disastrous for the economy and further erode the ability of banks to serve our customers and thereby improve our economy. Is this the intention of this proposal? I certainly hope not.

These unintended consequences will do nothing to turnaround a struggling economy. This proposed regulation will do much more harm than good, and I sincerely hope that you will listen to the comments that are coming from community banks like mine. There is no doubt that nothing positive will come to the banking industry from this proposal.

Sincerely,

A handwritten signature in cursive script that reads "Ed Armstrong".

Ed Armstrong
Director

Four Corners Community Bank