



October 22, 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 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”).

Integrity Bank is a \$650 million community bank in located in central Pennsylvania. The bank was founded in 2003 and has consistently been a high-performing bank. Integrity is focused on serving our communities with excellent deposit and loan products for consumers and small businesses. The central Pennsylvania market has suffered some with the current economic environment, but Integrity Bank has continued to lend in our market, helping our communities continue to grow by providing the necessary capital to fund the small businesses.

The recently approved proposals include requirements to increase risk-weighting of certain assets. Integrity Bank provides a significant number of mortgages for the development of housing communities in our market. This proposal threatens to significantly reduce or even drive our bank away from this important business segment. This new proposal places a higher risk weighting on assets that in our experience are less risky than other loan types. In addition, having to individually risk weight assets will be an administrative nightmare. Given the size of our portfolio, we will possibly need to add 2 full time individuals to complete the assignment and maintenance of these risk weightings. This proposal will have a negative effect on a majority of the loans we provide for our communities.

Another requirement of the proposal is to increase risk weightings on delinquent loans. Integrity is fortunate to have very low delinquencies, but given the uncertain economic environment, that could change at any time in the future. All banks are required to set aside reserves to be maintained at an adequate level to absorb all anticipated losses in the portfolio. By increasing the amount of capital required to be held on past due loans, we are being required to hold capital two times on the same assets. The risk relating to problem loans should continue to be managed through the adequate maintenance of the allowance for loan losses.

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Additionally, current rules only permit banks to include 1.25% of the allowance to risk weighted assets in its calculation of Tier II capital. This limitation is contradicts the fundamentals of maintaining an adequate allowance. Banks are required to maintain the allowance at a level to support potential losses, but are then penalized if the adequate amount exceeds 1.25% of risk weighted assets.

The proposal as written will negatively impact most community banks. The proposals will force Integrity Bank to stop lending on products we have always provided. Community banks offer vital products and services to our neighbors and without the support of community banks, consumers and small businesses will suffer tremendously. Please consider exempting community banks from these rules so we can continue to support the growth and development of our communities and local economies.

Sincerely,



Laurel L. Leitzel
Executive Vice President/CFO