SOUTH CENTRAL BANK

A BANK THAT'S ALL YOUR OWN

October 4, 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:

I appreciate the opportunity to discuss how Basel III would impact my Community Bank with unintended consequences. As Basel III was written for the largest banks, and not the community banks which operate and serve in smaller markets, and specialize in serving communities and niches of business, the rules as written will force us to hold additional capital for areas which *do not* hold additional risk to our Bank, our depositors or the government.

South Central Bank, NA is a $230+ Million community bank on the near south side of Chicago which focuses on home improvement lending (for over 40 years) and small business lending (Preferred SBA lender) and has been profitable and well capitalized year after year. We never asked for TARP or were told to ask for it. But these rules could change our capital needs in ways no regulator would intend.

A few examples:

- We have a home improvement portfolio of almost $50 Million in which according to the rules of FHA Title I and our conventional insurance company – which have insured basically all of these loans for years insist we take mortgages on larger loans, but do not want appraisals on the properties as they are consumer loans which are insured for credit default. Many of these loans might have high LTV's, which are never measured. We would have to carry much more capital for a secured loan, than an unsecured loan. Even though the risk is either the same or lower with the mortgage. These loans help improve the housing stock in America, allow for repairs on homes when equity is low, at much lower rates than credit cards. These are good safe loans with good benefits to all

525 W. Roosevelt Road • Chicago, Illinois 60607-4991 • (312) 491-7000 • Fax: (312) 421-6608

www.banksouthcentral.com

involved. Should this credit disappear? Should the secured loans have a significant increase in capital requirements for banks over unsecured debt? The loans are INSURED! This makes no sense.

- Our Bank has been making first mortgage loans and selling them in the secondary market for many years. We have not yet had to buy a loan back from the secondary market. Do we need to keep significant extra capital in case something happens? Again, this makes no sense.

There are many other examples such as security portfolios, ballon mortgages which tend to be renewed, etc. which Basel III will punish us for historically mitigating risk. What is needed for Bank of America and Citibank, does not serve us well.

Please exclude Basel III for community banks. Between the real world markets, increased regulatory costs, QE III, it is very difficult for a conservative bank to operate. This would just be another burden which would reduce credit to people who need it, and increase the cost of operations.

Thank you,

Todd E. Grayson
Executive Vice President
South Central Bank, NA