October 25, 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 issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. As a customer, shareholder, and member of Board of Directors of Peoples Bank based in Indianola, Iowa I have some concerns regarding the Basel III Capital Proposals.

First, I am grateful that regulators have taken a stand to improve the banking environment for consumers with the idea of reducing risk to banks still considered "Too Big To Fail" because as is painfully obvious in hindsight those banks were the cause of many of the economic problems that the country has not yet worked its' way out of. However, small community banks were not part of that problem. To now impose the same strict requirements on community banks is counter-productive. Just like my bank, community banks across the country serve the consumers in our cities and towns person to person. We know our customers. To impose the strict regulations that will potentially eliminate small banks from making loans will impair growth in our communities. Prospective homeowners will be unable to get loans from a local bank, it will become more difficult for small businesses to expand, as well as new businesses to get the starter loans they need. Community banks are the backbone of rural America. We serve customers the big banks don't want.

Incorporating AOCI as Part of Regulatory Capital is also an unfair burden on community banks. At my bank, for instance, if interest rates increased by 300 basis points, my bank's bond portfolio would show a paper loss of $3,076,820. This would mean

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[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.*

that my bank's tier one ratio would drop by 29% (from 9.1% to 6.43). If rates went up that much of course lending rates would also increase, and the same problem would cause our capital to be reduced again.

Capital Conservation Buffers will be difficult for a small bank like mine to operate under. Our bank does not have ready access to capital markets like large banks do.

The proposed risk weight framework under Basel III is too complicated and will be a regulatory burden that will penalize community banks and jeopardize the housing recovery in our communities.

Thank you very much for the opportunity to comment.

Sincerely,

Greg Johansen

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