

November 7, 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 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 the Chairman of the Board of a small community bank in Mayville, Michigan - Mayville State Bank. This small community is primarily a bedroom community, made up mostly of commuters that work in neighboring cities. Because there is little commercial business in this area, the large majority of our loan portfolio is made up of residential mortgages. In addition, because we are such a small bank (approximately 89,000,000 total assets), it is very difficult for our bank to sell its loans, so we retain most every loan we make. In order to manage the risk associated with a large mortgage portfolio, we have for many, many years made loans on a 5-year balloon term. We have always used the 5-year balloon as a way to be able to adjust the rate rather than to call the loan.

The new Basel III proposals could have a devastating impact upon our small little bank. Not only is it likely to be a significant drain on our staff to comply with this regulation, but it has the potential of drastically impacting our recognized capital position.

Our bank is the only bank in this town of approximately 800 people. The bank is a vital part of this small community – in terms of employment, leadership, community support, and obviously financial services. I feel this proposal could have the impact of furthering

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.*

the chances that small banks like ours will no longer be able to survive. Please consider this proposals impact and exempt the community banks that are providing such a valuable benefit to so many small communities throughout our country.

Thank You,

Brad S. Sullivan
Mayville State Bank Chairman of the Board
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