From: Blunden, Craig
To: Regs.Comments
Subject: Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010
Date: Monday, October 22, 2012 5:52:07 PM

October 22, 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, S.W.
Mail Stop 2-3
Washington, D.C. 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:

This letter will provide comments on the Basel III Proposals approved by the Federal Reserve Bank, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation.

I can always support setting proper capital requirements for banks in the United States based on the risks to their balance sheets. However, I do not understand why community banks in our country should be forced to follow regulations developed for large international financial institutions. The community bank model in this country is unique and works very well for our communities.

Our Savings Bank was founded in 1956 in Riverside, California as a Savings and Loan, providing home loans and single family residence construction loans in our local communities. As you may know, we are located in the Inland Empire region of southern California, which has been through and still has major economic problems. Many mid-sized and small banks have failed around us, and a few continue to have serious problems. Our firm is doing well today, mainly because of our mortgage banking business. Many of our competitors in this business line have failed or disappeared in our area. We have added 236 employees in the last 18 months, and added new loan officers as well. We are dedicated to the communities we serve and are a leader in improving where we do business. Our

Charitable Foundation has given $158,000 in the last 2 years from donations from the Bank and we are involved in many volunteer organizations.

As I look at the proposal, a number of areas are of concern:

Increased risk weighting for residential mortgages –

> The new capital proposals relative to the risk weighting of home loans are higher than other loan types that would be considered much riskier. This will lower the number of loans we will make for our customers.
>
> The complexity of assigning risk weightings to individual loans will be difficult for us to handle. Regulations continue to increase our expenses with no end in sight today.

Requirement to hold capital for credit enhancing representations and warranties on 1-4 family residential loans which have been sold into the secondary market –

> Our bank has sold over $8 billion in loans over the last 5 years, providing credit to the communities we serve when others would not or could not. This proposal would require significantly higher capital, so much so, that we will have to stop mortgage banking and this will remove all community banks from this business line. Who will be left? Only the major banks like Wells Fargo, which already has 1/3 of this business in the U.S.

Change in risk weighting for home equity and second lien loans –

> The consequences of this issue will be to limit the consumer’s ability to access home equity to deal with a child’s college education expense, a medical emergency, the loss of a job, the desire to start a business, and other sound reasons to use home equity. It makes little sense that an unsecured loan to a consumer carries a 100% risk weight, while one backed by home equity would have a risk weight of 150% or 200%.

There are many other issues that are problems for me in the proposal, which brings me to this main point. You should withdraw this proposal at this time. Regulatory burden for community banks will continue to get worse with the continued implementation of Dodd-Frank. Why would you add to this increased regulation with Basel III? This will cause a very significant decline in the number of community banks in this country because of regulatory burden and required returns to stock holders. This will increase the “Too Big To Fail” problem. Community banks should not suffer significantly more adverse effects from these proposed regulations than big banks. Regulators should be trying to help our community banks strengthen our local economies.

Sincerely,

Craig G. Blunden
Chairman
Chief Executive Officer
Provident Savings Bank, FSB

CB:ap

cc: Barbara Boxer, U.S. Senate
Dianne Feinstein, U.S. Senate
Ken Calvert, U.S. Congress
Mary Bono Mack, U.S. Congress