October 23, 2012

John R. Korona
President and Chief Executive Officer

Ms. Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
regs.comments@federalreserve.gov
Docket R-1430 and R-1442; RIN No. 7100-AD 87

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219
regs.comments@occ.treas.gov
Docket ID OCC-2012-0008 and OCC-2012-0009; RIN 1557-AD46

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, DC 20429
comments@fdic.gov
RIN 3064-AD95 and RIN 3064-AD96

Re: Basel III Capital Proposals

Dear Sirs and Madam:

Thank you for the opportunity to comment on the recently released Basel III Capital Proposals. Mansfield Bank is a community-based mutual bank in southeastern Massachusetts. We have five banking offices and recently opened a loan production office in Boston. Our total assets are $375MM and we have three main lines of business, commercial lending, residential mortgage lending, and wealth management and non-deposit investment products and insurance. We fund our loans by gathering retail and business deposits in our local communities; we have no brokered CD's and a modest amount of borrowings. We have been successful and profitable through the years, having kept our tier one capital at approximately 10.75%. We have had four residential foreclosures since 1994 and have kept our underwriting standards conservative and prudent over the years. We have been and continue to be a valuable contributor to our communities through our business and retail product offerings, volunteering and charitable contributions.

Community banks are becoming more attuned to risk and are implementing processes to measure and manage this risk. Capital is clearly at the center of any risk analysis and there is no argument that more capital reduces the overall impact of risk. However, the complexity of these Basel III capital requirements appear to be applicable to large money center banks, and largely written to prevent the last financial crisis, which incidentally wasn't prevented by the Basel II standards.

Following are some of the issues of the Basel III requirements that are counterproductive at best to small community banks such as ours.

- Community banks don't have a lot of room in their non-interest expense budget. The complexity of the Basel III requirements alone will cost valuable staff time to meet the requirements, or in a number of cases require

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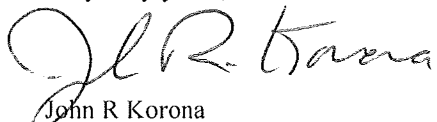
banks to hire outside consultants to assist in gathering the required information and meeting the regulatory requirement.

- In an effort to reduce risk, the unintended consequences of Basel III requirements may be to reduce availability of credit to the people that need it the most, first time home buyers. First time home buyers generally have a small down payment, a short credit history due simply to their age and being at the beginning of their careers, and are most in need of credit. According to Basel III these borrowers represent an increased risk and therefore need more capital coverage, which will curtail the programs, or cause community banks to increase the cost of the program to compensate for the perceived increased risk. Mortgage insurance, which has provided credit protection in the past, would not be available to prevent this increased capital requirement.
- The inclusion of investment portfolio unrealized gains and losses in the calculation of capital will create unnecessary volatility. A community bank that has adequate liquidity and a written liquidity contingency plan is typically prepared for unforeseen events. Including the unrealized gains and losses in the capital calculation could generate a swing of up to 2% or greater in the capital ratio, and could potentially reduce the capital ratio below the minimum level, creating potential regulatory action. In order to lessen capital volatility, community banks are likely to shorten the maturity of their investment portfolios by re-investing cash flows to lower yielding, short duration government securities. Some banks would likely divest themselves of holdings in longer-term municipal debt. In conjunction with the extra non-interest expense to meet Basel III requirements, this would further reduce profitability and capital generation.
- A mutual community bank has limited ways to increase or raise capital. Trust preferred offerings are no longer viable, with earnings the number one way to grow capital. The reduction in earnings due to lower yielding securities and increase in compliance costs makes it more difficult to increase earnings and grow retained earnings. This combined with higher capital requirements could place a number of current adequately capitalized community banks below the minimum required capital level. This would require regulatory action and potentially hamper their ability to compete and provide support for their communities.
- Two major competitors of community banks, credit unions and mortgage companies, are exempt from Basel III. While community banks are not looking for special treatment, we are looking for fair competition. I don't think it is right for regulators to pick and choose which industry will get preference and which will not.

In closing, I want to remind you that the Conference of State Bank Supervisors, the Comptroller of the Currency Thomas Curry, FDIC Director Thomas Hoenig, and 53 U.S. Senators have voiced objections to the implementation of Basel III requirements on community banks. Regarding Basel III, I urge you to treat community banks in the same manner as with Basel II, exempt them.

Very truly yours,



John R Korona
C. Senator Scott Brown
Senator John Kerry
Representative Barney Frank