

October 16, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street and Constitution Ave., NW
Washington, D.C. 20551

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, D.C. 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for allowing me to express my comments and concerns about the Basel III proposals and the effect these proposals will have on the Community Bank that employs me and has been vital to my community for 130 years. The Home Loan Savings Bank has built its reputation and success based on personal banking practices, getting to know our customers and their needs, building trust, and letting them know we care and want to help them achieve their financial goals. These goals range from purchasing and financing their first automobile, to financing their college education, financing starter homes as stepping stones to fulfilling their dream of building a new home, and financing small businesses and supporting them as they develop and grow. We are dedicated to serving our community in ways that will not only make a better life for people on a personal level, but for the community as a whole by keeping our economy moving. Community Banks have a crucial role in helping our people achieve their dreams.

The people in our communities are already struggling economically due to job loss and cutbacks. By increasing the capital requirements for small banks like ours, you are essentially crippling the opportunity for our community and its people to continue to progress. This proposal makes it even more difficult for smaller banks to stay competitive and affordable and still yield a profit margin large enough to continue business as it is. It is possible that banks like The Home Loan Savings Bank will have to cut jobs, raise fees and cut products, which is, again, a negative on the community.

Community banks are not responsible for the current economic environment. Passing this proposal as it is drafted will not only impact all community banks, but also our citizens and their families. The provisions of the proposal that may primarily have a negative effect on our community bank are the requirements to allow unrealized gains and losses to flow through to capital, the changes in the risk weighting of 1 to 4 family mortgage loans, changes in the risk weighting of home equity loans and junior liens and the increase in risk weighting of delinquent loans.

My hope is that you strongly consider rethinking the whole Basel III proposal and draft a new proposal that will not be so oppressive to the small community banks. It is difficult at this time to fully ascertain the complete ramifications of the proposal, full impact to our customers and lending practices, costs to implement, data processing system changes and training costs.

Thank you for allowing me to share my concerns with you. If you have any questions, please do not hesitate to call.

Yours very sincerely,

Preston W. Bair
Chief Financial Officer