From: Glenda Gillette

Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules

Subject: Regs H & Y Regulatory Capital Proposals

Comments:

Jennifer Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th and Constitution Avenue, NW
Washington, DC 2055`

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

Re: Proposals: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy and Transition Provisions, Regulatory Capital Rules, Standardized approach for Risk-weighed Assets, market discipline and disclosure requirements, Regulatory Capital Rules, Market Risk Capital Rule

Ladies and Gentlemen:

I have listed my comments on the Basel III Proposals below:

The proposed risk weight framework under the Basel III Proposal is too complicated and will be an onerous regulatory burden that will penalize community banks and jeopardize the housing recovery. Increasing the risk weights for second liens will penalize community banks who offer these loan products to their customers and deprive customers of many financing options for residential property. Many community banks will either exit the residential loan market entirely or only originate those loans that can be sold to a GSE. Second liens will either become more expensive for borrowers or disappear altogether as banks will choose not to allocate additional capital to these balance sheet exposures. Community banks should be allowed to stay with the current Basel1 risk weight framework for residential loans. Community banks will be forced to make significant software upgrades and incur other operational costs to track mortgage loan to value ratios in order to determine the proper risk weight categories for mortgages.

Community banks should be allowed to continue using the current Basel1 framework for computing their capital requirements. Basel III was designed to apply to the largest, internationally active, banks and not community banks. Community banks did not engage in the highly leverage activities that severely depleted capital levels of the largest banks and created panic in the financial markets. Community banks operate on a relationship based business model that is specifically designed to serve customers in their respective communities on a long-term basis. This model contributes to the success of community banks all over the USAthrough practical, common sense approaches to managing risk.

Thanks you

Glenda K. Gillette