



COMMUNITY SAVINGS BANK

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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 proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

I am VP & Cashier of Community Savings Bank, Manchester, Iowa. We are approximately a \$320 million dollar community bank in Northeastern Iowa. We have seven locations, five of which are in smaller rural towns. We serve a heavily agricultural supported area.

Because we serve the rural communities, our Bank and our employees play a VERY active role in the communities we serve. Whether it is working at the town events, supporting our local schools, participating in downtown renovation projects or supporting local economic development, Community Savings Bank is part of the life in the many communities and customers that we serve. CSB encourages all our staff to be active in our communities. We are also very active in mortgage banking. Our staff will be paying escrowed property taxes for our customers in over 30 counties this week.

I am concerned about how the effects of the Basel III will have on our bank and our ability to serve our local communities.

- The proposal includes that unrealized gains and losses from our Available For Sale (AFS) securities would flow through to common equity Tier 1. Since 2008, our Fasb adjustment has went from a negative to a positive, with a total swing of almost \$4 million dollars. That would be more than 10% of our current capital. There is too much inherent fluctuation in the unrealized gains and losses to go directly against capital. We have a conservative portfolio of Treasuries, government- sponsored bonds and municipals, and as noted, the fluctuation can still be significant.
Although we are currently under \$300 million in assets, our assets continue to grow. We currently utilize trust preferred securities to support our slow and steady growth. Phasing out this source of capital especially burdens the community banks in their capital plans. As a privately held bank, our alternatives for capital continue to be reduced.

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It appears that the regulations that were created to guide larger, complex banks continue to be pushed down to smaller community banks. Our access to staffing to address these regulations continues to be a burden for both cost and time. Many of our staff do jobs in different areas and do not have excess time to handle more. Obviously hiring more staff to deal with the regulations properly immediately adds significant dollars to the cost of compliance.

Please consider excluding all smaller, community banks from compliance with this regulation.

Sincerely,

Michelle Carton
VP & Cashier

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