THE Village Bank™
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Local and proud of it.

October 22, 2012

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

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

Dear Sirs and Madam:

Thank you for the opportunity to comment on the Basel III proposals that were recently approved by the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Office of the Comptroller of the Currency.

The Village Bank is a $735 million state-chartered mutual bank established in 1910. We currently have seven branches, a loan center and a customer care center located in Newton and Wayland. As a mutual bank, we are committed only to our customers and to our communities. This principle guides everything that we do, now and in the future. As a result of our commitment, our institution has played an important role in building a better community over the past 100+ years. We have weathered both good and adverse economic times over our history, all the while remaining a reliable resource for those we serve.

The Village Bank takes great pride in the fact that it has been the bank of choice for generations of local families and helped countless local businesses grow and prosper. We have always reached out to support those organizations in our communities whose goal is to improve, enhance and enrich life for our families and for our neighbors. We have and always will manage our institution with this responsibility of stewardship and we have and always will remain champions of the community banking industry.

It is within this context that I write to express concern over several aspects of the proposals that will negatively impact not only our institution, but our fellow community banks as well.

- **Increases in Regulatory Capital**

The Village Bank has and will continue to hold capital above the minimum required levels. We are supportive of increases to capital requirements; however, to impose capital level increases based on exceptionally more complex risk weighting rules to all institutions regardless of size, complexity and risk profile appears arbitrary. The requirements will be burdensome to our institution that has and continues to maintain a conservative balance sheet that poses little risk, if any, to the global economy. In addition, our regulators already have the authority to impose bank-specific capital requirements through the existing corrective action process. Further, through the examination process our regulators have a far greater knowledge of the local economic conditions that we operate in as well as the bank's specific management philosophy, balance sheet composition and risk profile on which to base their regulatory decisions.

- **Limitation on Inclusion of Allowance for Loan and Lease Losses in Regulatory Capital**

Setting a limit on the amount of our institution's Allowance for Loan and Lease Losses (ALLL) that is included in capital is counter to our conservative and prudent management of our reserves. Our bank should be encouraged to build reserves, particularly during healthy economic times, not discouraged and restricted by a limit.

- **Substantial Increase in the Risk Weighted Amount for Residential Mortgages**

The proposed rules for the risk weighting of residential mortgages rely heavily on loan-to-value measures. As a portfolio lender, these changes will increase our capital costs. In addition, since the rules apply to all mortgage loans currently on our books, we will incur additional costs in internal and external resources to reexamine each existing file to determine the appropriate risk weight category in order to comply with the increased regulatory burden.

- **Risk Weighting of Past Due Exposures**

Proposing to increase the risk weighting on delinquent loans is redundant as they are already accounted for in our institution's ALLL analysis. The reserve levels we maintain for these loans are reviewed not only by our regulators, but also by our internal and external auditors to determine their adequacy. Given the extensive review of these loans within the current ALLL framework, increasing the risk weighting of past due assets is unnecessary.

In closing, The Village Bank believes that each of the proposals discussed above will impose a greater regulatory burden and will require us to incur increased costs to comply. This will have a dramatic negative impact on our ability, and that of all community banks, to carry out our mission to serve our customers and our communities.

Thank you again for the opportunity to comment and your consideration is greatly appreciated.

Respectfully,

Kenneth C. Brennan
President & CEO