COMMUNITY BANK
OF FLORIDA

MEMBER FDIC

September 28, 2012

Robert E. Feldman, Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, N.W. Room MB-6028
Washington, DC 20429

RE: Basel III

Dear Mr. Feldman:

Please know of our objection to applying Basel III to community banks.

Brief details of our basis for objections are enclosed, embedded in a letter to you from our Chief Executive Officer.

America has a unique and successful banking system to ensure economic prosperity.

Keep it that way!

Sincerely,

Lisa Greer
First Vice President/Loans

Encl.

COMMUNITY BANK
OF FLORIDA

MEMBER FDIC

September 28, 2012

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue N.W.
Washington, D.C. 20551

Dear Chairman Bernarke:

RE: Proposed Basel III – RIN 3064-AD95/AD96

We are writing to share our concerns about the proposed implementation of Basel III.

The requirements under proposed Basel III have been structured to address the increasing complexities of the largest banks which are internationally active and have complex balance sheets. Neither of these characteristics exists in Community Bank of Florida nor in the super majority of community banks, especially those of $1 billion or less in assets. The balance sheets of community banks, such as ours, in general are local in nature, and based on generic deposit and loan relationships.

There are numerous "enormously complicated" proposed rules within Basel III which would place an onerous burden on community banks below $1 billion, with a negligible return if any, on investment to the public.

We have chosen to comment only on a few of the sections which are most concerning to us.

Inclusion of Accumulated Other Comprehensive Income in Regulatory Capital

Basel III proposes to change the definition of common equity by including "Accumulated Other Comprehensive Income" as a part of Common Equity. This inclusion will result in increased volatility of the capital component. As the economy improves, this component of capital will decrease and result in added pressure on the capital ratios. This will force extremely defensive strategies on community banks, resulting in short term mitigation fluctuation in capital. The result being decreased margins and decreased internal generation of capital. Our company would absolutely be vulnerable to this proposal.

Capital Conservation Buffer

The proposed Capital Conversation Buffer would add additional need for external capital sources. Community Bank does not have easy access to capital markets, as they have historically depended on accumulation of profits to capital as retained earnings. The current low interest rate environment is putting additional pressure on community banks for generation of internal capital and should be exempt for the proposed Conservation Buffer.

New Risk Weighting

The proposed change in risk weights, for computation of capital ratios, is far too complicated, when applied to the normal community bank balance sheet.

These changes, for example, will limit the options for certain types of residential loans which our bank has done since inception. Located in an agrarian/suburban area, the value of the land often exceeds the value of the structure, thus, compounding the problem and limiting the options available to the customer and correspondingly reduce residential loan generation, a negative impact to the economic recovery. This proposal will perhaps ultimately push our company away from all but the most conventional and low risk forms of mortgage loans. The proposed "buffer rules" will also have a "major negative impact" on commercial mortgages as the extra pressures on capital and the cost of Risk Retention will both tend to be passed on to borrowers by lenders which will "raise borrower's costs and lower real estate values." A continued risk weighting of each loan for the life of the loan will be complicated and of questionable value in evaluating a bank's performance. The proposed regulations increases the risk weighting on home equity and second lien loans which we have found to be a valuable product to consumers and the increased risk weighting would deter the making of such loans.

Summary

The current Basel capital rules have protected no one; not the banks, nor the public. Why does anyone believe the addition of more complexity helps the process of measurement and clarification of information?

BASEL is an International Standardized Capital Rule trying to make one size fit all, even when economic models of different countries are opposites.

The timing of the proposal is horrendous. Have the policy makers or the regulators evaluated the costs and benefits to the American banking industry or the American Public?

"ONE SIZE" does not fit all, and "Basel III continues an experiment that has lasted too long" as FDIC Director Thomas Hoenig has stated.

We respectfully oppose the implementation of Basel III as currently proposed.

Sincerely,

Robert L. Epling
President

RLE:lb

cc: FDIC Acting Chairman Martin J. Gruenberg
Federal Deposit Insurance Corporation
550 17th Street, N.W. Room MB-6028
Washington, DC 20429

FDIC Director Thomas M. Hoenig
Federal Deposit Insurance Corporation
550 17th Street, N.W. Room MB-6000
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OCC Comptroller Tom Curry
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