



October 17, 2012

Ms. Jennifer J. Johnson

Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Office of the Comptroller of the Currency

250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219

Mr. Robert E. Feldman

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

Re: Proposed Regulatory Capital Rules: Regulatory Capital, Implementation of BASEL III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action (R-1442, Docket ID OCC-2012-0008, RIN 1557-AD46, RIN 3064-AD95)
Proposed Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements (R-1442, Docket ID OCC-2012-0009, RIN 1557-AD46, RIN 3064-AD96)

Ladies and Gentlemen,

Thank you for the opportunity to submit comments on the above-referenced notices of proposed rulemaking (NPRs). The NPRs were released on June 12, 2012 by the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), (together, the "Agencies").



I have served as a director of Carolina Financial Corporation for over 12 years, since its inception. Carolina Financial Corporation is the sole shareholder of CresCom Bank, an approximate \$900 million community bank operating along the coast of South Carolina. CresCom Bank wholly owns Crescent Mortgage Company, which is a wholesale lender with annual volumes of \$1.5 to \$2 billion in conforming mortgage loans. As community bankers, our bank is actively involved in our communities and provide banking services to numerous small businesses and individuals of all means in our communities. In addition, we provide housing financing opportunities to thousands of borrowers annually. CresCom Bank has a very strong capital position and hope to continue growing.

We always favor strong capital rules for our banking system; however, the NPRs go far beyond safe and sound banking and create confusion, complexity and many unintended consequences. As directors, we have discussed with management the far reaching effects and potential impacts of the proposed NPRs. I believe that these changes will significantly impact banking, our nation's economy and capacity to lend to small and growing businesses in our communities. As a small businessperson, I rely on community banks to provide funding for my businesses. My businesses employs over two hundred people in our communities across the Carolinas.

Further, these rules should only apply to those financial institutions that create a significant risk for the banking system and national economy. To apply complex capital rules to community financial institutions goes far beyond the scope of what is necessary. Community banks provide significant small business and home lending to individuals, who are not served by these large institutions, and these NPRs will cause lasting significant negative consequences to our nation's economy.

As a director of Carolina Financial Corporation, I fully support the Agencies' effort to improve the quality and quantity of regulatory capital and to build additional capacity into the banking system to absorb losses in times of economic stress, I believe that the adoption of the NPRs would impact Carolina Financial Corporation in the following ways:

1. Significantly impact our abilities to provide, residential 1 – 4 family lending.
2. Significantly impact our abilities to hold Mortgage Servicing Assets, increase residential lending rates and will concentrate the holding of this important asset in the hands of unregulated institutions.
3. Significantly impact our ability to provide second lien financing.
4. Significantly impact our ability to provide safe and sound development lending in our communities.
5. Reduce our available capital for lending in general.
6. Have significant adverse impacts to the housing industry.
7. Have significant adverse impacts to the U. S. economy as a whole.
8. Adversely impact the lending to higher risk low to moderate income borrowers.
9. The AOCI provision will introduce significant volatility to regulatory capital resulting in more conservative and restrictive lending practices.



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Summarizing, the implementation of Basel III as proposed, would have significant adverse consequences both to our institution, the banking industry as a whole and our nation's economy. As a result it would also have an adverse effect on my business, most definitely.

We most strongly request that it be withdrawn and reviewed carefully in light of the matters outlined above. Further, we recommend that it not be applied to community banking institutions that do not represent a systemic risk to our banking system. Thank you so much for your time and consideration of this most important question.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Frank E. Lucas", with a large, sweeping flourish extending to the right.

Frank E. Lucas, FAIA
Director
Carolina Financial Corporation and
Chair Emeritus and Founder
LS3P ASSOCIATES LTD.

cc: Senator Lindsey Graham
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District of Columbia 20510-4001

Senator Jim DeMint
167 Russell Senate Office Building,
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Representative Tim Scott
1117 Longworth House Office Building,
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