

October 19, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

Office of the Comptroller of the
Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman, Executive Secretary
Attn: Comments / Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Please consider our comments regarding Basel III Capital rules as outlined below. Proposed Basel III rules are unnecessarily complex especially for the community banking industry. A few of our concerns are as follows:

- Community banks have been asked to hold more on balance sheet liquidity which is generally in the form of AFS securities. Under the proposed rules, banks which have complied with liquidity demands will be punished by these proposed rules adding significant volatility to our core capital measures. Any economic recovery accompanied by rising rates would have a significant negative impact to capital which in turn restricts community banks from participating in and enhancing the economic recovery.
- Community banks have historically been a provider of 1-4 family conforming and non-conforming residential mortgages as a key component of our business and needed support in the communities we serve. Ours and most other community banks' mortgage portfolios performed well during the recent financial crisis and **were not** a source of substantial losses. By the proposed changes in Basel III, residential 1-4 family lending may be curtailed hurting community banks' as a significant source of lending opportunity and more importantly add to cost or cut

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availability for these loans to our customers and the communities we serve. I believe this consequence alone is enough to rescind Basel III mandates on banks, especially for community banks.

- Cumbersome measurement and reporting for compliance to Basel III is also a concern. The level of detail required in order to calculate the proposed capital measures is far beyond the systems in most community banks. The ratings and stratifications add significant time and expense to outweigh any benefit. Existing rules and regulations of the past few years are already straining community banks to comply.

If your goal is to increase capital standards for community banks, this can be accomplished in a way that does not harm community banks by imposing additional costs and paperwork burden or restrict our mission of funding our customers and communities we serve.

I would suggest and request your Basel III capital standards proposal be rescinded. Any new capital rules proposed for community banks should have input and cooperation from our banking industry. Please remember, community banks were NOT the cause of our current crisis.

Thank you.

Sincerely,



Frank A. Suellentrop
President / CEO

FAS:clw