

**BLACKHAWK BANK & TRUST**  
**301 Fourth Street West**  
**P.P. Box 1100**  
**Milan, Illinois 61264**

September 7, 2012

Robert E. Feldman, Executive Secretary  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street NW  
Washington, DC 20429

Re: Basel III Comments  
RIN 3064-AD95 & RIN 3064-AD96

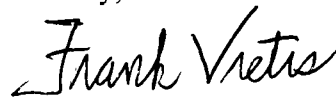
Dear Mr. Feldman:

I ask and request that you consider exemption from the Basel III Requirements for community banks less than \$10 Billion in assets. Community banks are already highly regulated and this additional regulation will only add to the burdens that make community banks less likely to serve their normal customers.

Banks such as ours routinely make loans that are to customers with long term relationships. For instance, they may be made to a grandson or granddaughter where we have dealt with the family for many generations. Because we know the customer and their family background, these loans are often made by us with small or no down payment. We hold our own loans and so our underwriting has to know that we know our customer. These types of loans will (if Basel III is to include community banks) require higher capital levels. And what about "balloon loans?" We hold all of our own loans....we do not sell mortgages to FNMA or GNMA. At the suggestion of our regulator (FDIC), we balloon these real estate loans to lessen our interest rate risk. Under the proposals for Basel III, these types of loans would now require greater capital.

We already have a Loan Loss Reserve. It has proven adequate over many years and many business cycles. Basel III is not necessary for community banks. We already have safeguards built into our system that conforms to the types of risks that we have. We do not do derivatives or options and other types of hedging that may require more capital. Please consider an exemption for community banks less than \$10 Billion in assets.

Sincerely,



Frank Vretis  
Senior Vice President