

COMMUNITY FIRST BANK & TRUST

September 12, 2012

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

RE: Basel III NPR (RIN 3064-AD95)

This letter is intended to express my concerns regarding the Basel III NPR as it has been presented and the impact the rules will have on community banks. I believe this rule, if implemented, will be damaging to the majority of banks in the United States and to the overall economy. This proposed rule is particularly damaging when combined with the effects of the Standardized Approach NPR. I believe that it is time to implement some revisions to the capital rules, particularly for the largest, systemically significant institutions. This rule does not fit the risk profile and complexity of community banks. I believe that some reasonable threshold should be established to exempt community banks from this rule. I believe that threshold should not be lower than \$25 billion in total assets.


The ultimate effect of the proposed rule will be to increase the absolute dollars of capital that a financial institution will be required to maintain, while restricting the institution's ability to provide value to its shareholders. The increased capital requirements will reduce return on equity for the entire industry and reduce dividend payout ratios for the entire industry. Given the effects of the economic downturn on community banks, it is already difficult to raise new capital. The proposed rule would only further reduce the number of investors who are willing to invest in community banks. In this respect, the proposed rule could be a death blow to community banks who have been struggling to adapt to the increased regulation and decreased opportunity for profitability that resulted from the Dodd-Frank act.

Community banks are the life blood of many small communities across the country. Beyond just the jobs they create, they are truly a member of their communities. They support local sports teams, food banks, assistance programs, and many other

organizations that impact the lives of people in their communities. Large regional and national banks do not provide these services to communities. Community banks also serve a large segment of the U.S. population who do qualify for credit, even though they may not fit the mold for a conforming mortgage or other large scale program provided by a larger institution.

There are several individual components of the proposed rule that do not make sense for community banks, but those pale in comparison to the fact that the rule as a whole does not serve to make community banks and smaller institutions stronger. The rule proposes to eliminate the small bank segment of the overall banking industry.

I urge you to consider exempting community banks from this proposed rule and allow them to continue operating under the existing capital rules.



Jon Thompson, CFO
Community First Bank & Trust