



THE BANK OF
WASHINGTON

QUALITY LOCAL BANKING

October 19, 2012

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

Re: FDIC - RIN No. 3064-AD95

Dear Mr. Feldman:

As CEO of a small community bank in suburban Seattle, I write to express my alarm and opposition to most of the provisions of the recently issued proposed rules over regulatory capital. I am not an advocate of special treatment for banks of any size or stripe, but at the same time the capital rules as proposed seem to fundamentally ignore the way community banks actually operate and their value to local communities. Different rules do not equate to special treatment.

The impact on communities will be less available credit. Using my own bank as an example, we have become expert in shrinking our institution to fit within existing capital and available community investment. I am pleased to say that The Bank of Washington's Tier 1 Leverage has remained in excess of 11% for the last 7 quarters – but the price has been to shrink the bank from nearly \$200 million in assets to <\$130 million. Our loan portfolio has fallen at an even faster rate. Higher capital requirements – especially when Trust Preferred Securities are excluded from regulatory capital – will lead to smaller and fewer community banks and less credit availability.

Washington State was a hot-spot of excessive residential construction and development lending, and many community banks here suffered or perished as a result. However, many failed banks started the down-cycle in real estate with abundant capital and reserves. Excessive concentrations led to losses that simply overwhelmed their capital. The lesson is that to ensure a vital community bank sector, regulatory focus must be on credit concentrations first and foremost.

Capital buffers as proposed will be self-defeating – scaring away community investment due to lower ROE potential and providing inadequate protection during periods of stress. I urge you to start over in your approach to community bank capital requirements. This complex proposal is not right for smaller banks and will, I believe, be ineffective in safeguarding my industry. Applying the proposed capital rules to community banks will only serve to reduce credit availability in the communities we serve.

Respectfully,

Bruce Clawson
President and CEO