

10/12/2012

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, SW
Mail Stop 2-3
Washington, DC 20219

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals¹ that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the “banking agencies”).

I am a branch manager of a community bank that is 44 branches strong and has been a pillar in the Wisconsin communities that we are located. Our slogan is we are “the bank of you” and we state that we are community minded in our vision and values statement. I am writing because I am concerned that with Basel III we will no longer be able to fulfill our promises to our customers because it will be much too costly to continue to lend with the restrictions that it would impose.

We have been able to stay active in our community as well as stay financially strong through our very conservative lending practices and our attention to measuring risk. We have a strong team of individuals who have been in their respective positions for many years and through those years and experience have developed sound lending practices and are very attentive to reviewing our portfolio constantly. Basel III would be detrimental to our business for several reasons.

Home equity loans are a very competitive product with fairly low risk for us. We depend on these loans as a part of our everyday profit. This product is managed and reviewed by a very capable staff currently that is able to keep our loss low and is able to monitor and contact our customers quickly when we identify any trends that may indicate that the customer would in any way be at risk of no longer being able to pay on these loans. I do understand that this is not a

¹ The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions*; *Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets*; *Market Discipline and Disclosure Requirements*; and *Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule*.

practical function or service a big bank would offer but if Basel III is to protect consumers and prevent risk then you must take into consideration that we are already doing that successfully in a much more consumer friendly way.

Being able to easily sell on the secondary market without extreme capital requirements is also a large part of our business for the pure fact that with the size of our bank we simply cannot take on the risk of 15-30yr terms on our books. We must stick to 10yr max amortization and ARMs or balloons to allow us to manage the changing interest rate environment while maintaining our competitive advantage. With Basel III you are virtually taking away our ability to continue with our current business practices which would result in our inability to have competitive rates which will lead to decrease in loan volume which of course will lead to our demise.

The fact that Basel III would cause need to increase paperwork, processing, document review and document retention will mean that we would need to add additional staff and additional salaries which would take away from the capital that we would need to make any loans at all. You can see where I am going with my points.

Basel III doesn't protect our customers or prevent our risk better than the systems we have already put in place. I would go so bold as to say that even if we where one of the big banks this regulation doesn't hold the necessary benefits to outweigh the disadvantages and cost to the institutions that they would affect. And most of all our Wisconsin communities do not want to be forced to having only two options, big banks or credit unions and that is why Basel III cannot pass.

Thank-you for your consideration,
Andrea Tadych
Branch Manager
North Shore Bank
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Shorewood, WI 53211