

LA12-655

# United States Senate

WASHINGTON, DC 20510

September 27, 2012

The Honorable Ben Bernanke  
Chairman  
The Federal Reserve System  
20<sup>th</sup> Street and Constitution Ave, NW  
Washington, DC 20429

The Honorable Tom Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

The Honorable Marty Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

Dear Chairman Bernanke, Comptroller Curry and Acting Chairman Gruenberg:

We support your efforts to improve and enhance standards for banking organizations in the United States in light of the recent financial crisis. A strong and viable capital base is vital to ensure financial institutions are able to absorb unexpected losses. However, in developing rules to meet these objectives, we strongly urge the Agencies to consider the impact that applying standards developed for large, complex institutions will have on the unique and vital role that community banks play within the U.S. financial system.

Community banks are an important source of personal and business lending in communities across the country. In many areas, small institutions are the only ones that provide direct local services and have a stake in the success of their communities. These institutions are different from many larger institutions in size and scope, and we do not see the value in requiring them to adhere to regimes designed to manage larger and more complex risks.

As you know, community banks have little or no access to capital markets. In most cases, they must rely on the bank's officers, directors and shareholders to raise additional capital. Raising capital for community banks in the best of times is challenging and nearly impossible in times of economic stress.

We are concerned that the proposed capital rules could exacerbate these funding challenges. For example, the proposed rules are extremely complex and require the reporting and maintaining of granular data, greatly increasing the compliance burden on community banks. In fact, some small banks may be unable to service the future needs of the communities they serve because they simply do not have the resources to meet the new compliance obligations. In addition, the new increased capital requirements for U.S. Treasury and other securities that banks hold in their investment portfolios, could impact how small banks manage liquidity and interest rate risk.

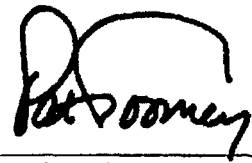
We are also concerned that these changes could have significant, unintended consequences for community banks. The proposed rules could make it even harder to raise needed capital. Community banks may change their business plans as a result of the rules, thereby reducing lending and economic growth in the communities in which they serve.

We understand that capital is an important source of strength in our financial system. However, the complexity of new global rules adds little value to the community institutions which your agencies rigorously regulate and monitor. As you review these proposed rules, we respectfully request you consider these unintended consequences and their effect on the viability of community banks across the country.

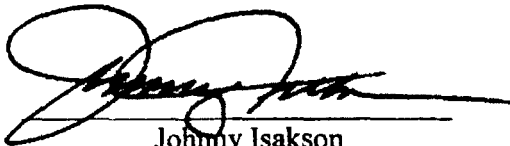
Sincerely,



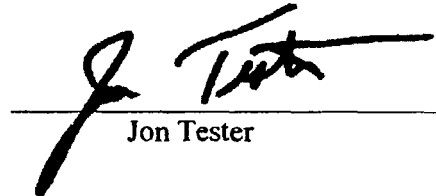
Mark R. Warner



Patrick J. Toomey



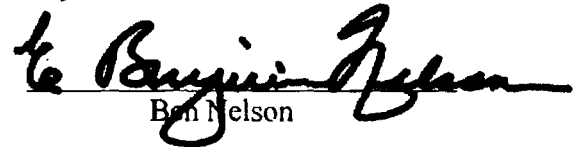
Johnny Isakson



Jon Tester



John Barrasso



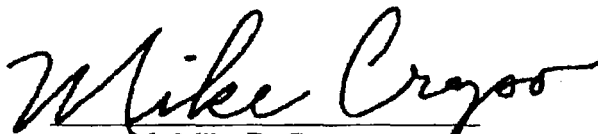
Ben Nelson



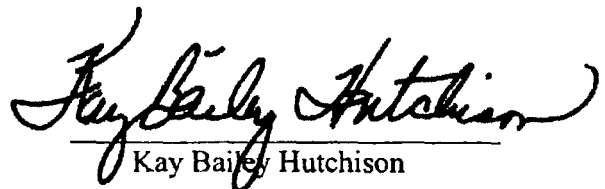
Debbie A. Stabenow




Mike Johanns



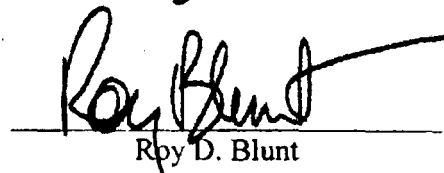
Mike D. Crapo




Kay Bailey Hutchison



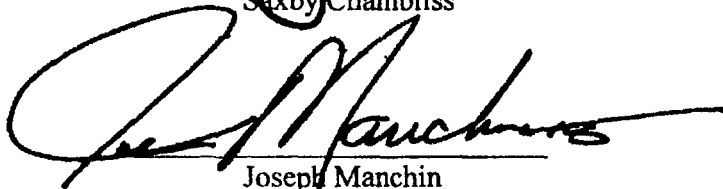
Michael F. Bennet




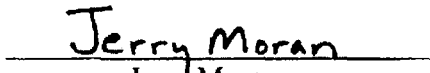
Roy D. Blunt


  
Saxby Chambliss


  
Mark L. Pryor


  
Joseph Manchin

  
Ron Wyden

  
Jerry Moran

  
Lindsey Graham

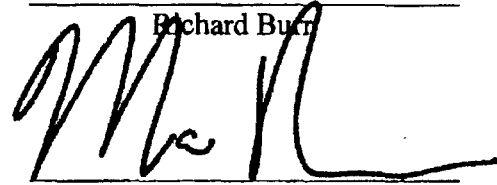
  
Kelly A. Ayotte

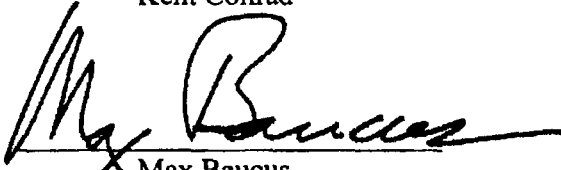
  
Mike Lee

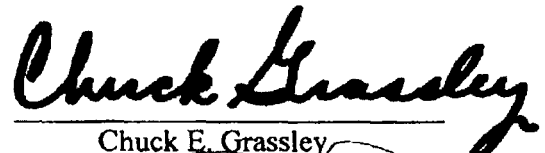
  
Bill Nelson

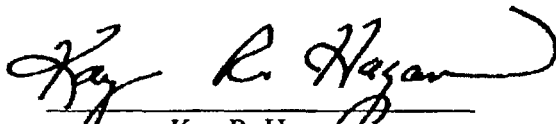
  
Richard Burr

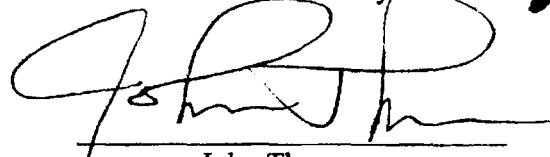
  
Kent Conrad

  
Marco Rubio

  
Max Baucus

  
Chuck E. Grassley

  
Kay R. Hagan

  
John Thune

  
John N. Boozman

  
Mitch McConnell

*Michael B. Enzi*

Michael B. Enzi

*John Cornyn*

John Cornyn

*Mary L. Landrieu*

Mary L. Landrieu

*John Hoeven*

John Hoeven

*Lisa Murkowski*

Lisa Murkowski

*Tom Coburn*

Tom Coburn

*Dan Coats*

Daniel R. Coats

*James M. Inhofe*

James M. Inhofe

*Scott P. Brown*

Scott P. Brown

*Olympia J. Snowe*

Olympia J. Snowe

*John F. Kerry*

John F. Kerry

*James E. Risch*

James E. Risch

*Susan Collins*

Susan M. Collins

*Robert Menendez*

Robert Menendez

*Jeanne Shaheen*

Jeanne Shaheen

*Orrin G. Hatch*

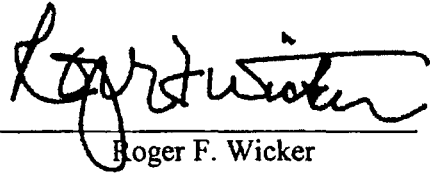
Orrin G. Hatch

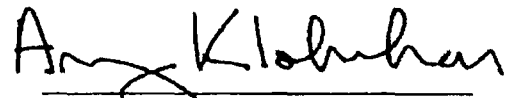
*Pat Roberts*


Pat Roberts

*Ron Johnson*

Ron W. Johnson

  
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Roger F. Wicker

  
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Amy Klobuchar

  
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Robert J. Portman

  
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Jon Kyl

  
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Herb Kohl