AMERISERV
FINANCIAL®

October 18, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Office of the Comptroller of the Currency
250 E Street, S.W.
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, DC 20429

Re: Basel III Capital Proposals

Ladies and Gentleman:

As Chairman of AmeriServ Financial, Inc., I would like to take advantage of your kind invitation to comment on the Basel III proposals that has been provided to us. AmeriServ Financial, Inc. is a publicly traded company with two operating subsidiaries, the first is AmeriServ Financial Bank, a $1 billion commercial bank, and the second is AmeriServ Trust and Financial Services Company with $1.5 billion in assets under management and under administration. The Company is the largest community bank in Cambria and Somerset counties of Pennsylvania and has been providing services to the communities for over 110 years.

Our Board is concerned that the recent proposal is a bit of "one size fits all" which is the very antithesis of our approach to our communities. We do understand the intent of these proposals. The impact of the Great Recession has illuminated the knotty problems of the Too Big to Fail megabanks and the need for strong capital standards for community banks. It is difficult to guess how many of the megabanks would have failed without support from the various agencies of the Federal Government. As for community banks the record reveals that over 500 have failed and an additional 700 or so remain classified by your associates as troubled. But an examination of the situation readily reveals that the problems of the megabanks and the community banks were very different.

The megabanks were victims of extreme leveraging and of untested and generally poorly understood and newly invented financial tools. But the community banks failed because of the impact of the megabank generated Great Recession. It's unnecessary to mention again the decline in asset values, the high unemployment and this incredibly long duration of economic weakness. Therefore it is our view that since these very different kinds of banks have struggled for very different reasons that the "one size fits all" approach is not appropriate.

The United States economy still struggles some four years after the freezing of the financial markets in late 2008. Economic activity remains weak and unemployment remains cruelly high. It is commonly accepted that it is the small businesses of our nation that have always provided the bulk of strong job growth. It is also commonly accepted that it is the community banks that provide the bulk of financing for small businesses all around this vast nation. Recognizing these facts in 2011 the Congress passed legislation known as the Small Business Lending Fund Act. AmeriServ as a strongly capitalized and healthy community bank was named as a participant by the U.S. Treasury. The Treasury provided $21 million in Tier 1 capital/5% per year to encourage lending to small businesses – the job creators. Since that date AmeriServ has increased its lending to small businesses by $30 million or 25.2%This exceptional performance has been rewarded by the Treasury by reducing the 5% annual dividend to just 1%. This is indeed creative legislation!

However, Basel III would remove from Tier 1 Capital $13 million of Trust Preferred Stock issued by AmeriServ in 1998 and on which no dividend has ever been missed. Therefore, AmeriServ sees the strange paradox of the Treasury providing $21 million of Tier 1 capital to encourage small business lending while Basel III removes $13 million of Tier 1 capital for what purpose – to reduce lending to small businesses – the job creators? Our Board struggles to understand this type of logic.

This is just one example of how Basel III in its attempt to cure the flaws of the Too Big to Fail punishes community banks and thereby risks punishing the national economy. Please ladies and gentlemen review your logic again. Please exempt the community banks from this well-intended program which was meant to target megabanks throughout the world.

Our Board supports your efforts to strengthen the banking system but believes that Basel III is a flawed tool. A simple exemption of recognized community banks of less than $15 billion in total assets would be the correct decision on your part. Then apply appropriate standards relating to capital and liquidity and asset quality to community banks so as to ensure additional strength. But please do not encumber the community banks with an antidote for an illness that they never had.

We have always regarded our regulators as almost partners for we know your wish is that community banks be strong so that they can serve their communities. Please help us now by exempting us from Basel III.

Thank you for the opportunity to express the views of our Board and of our shareholders.

Sincerely,

Craig G. Ford
Chairman of the Board

cc: William Lang, Executive Vice President and Lending Officer, Federal Reserve Bank of Philadelphia
Glenn Moyer, Secretary of Banking and Securities, State of Pennsylvania
Congressman Mark Critz, Pennsylvania 12th Congressional District
Senator Robert Casey, State of Pennsylvania
AmeriServ Financial Inc., Board of Directors