

LYNN A. WESTMORELAND
3RD DISTRICT, GEORGIA

WASHINGTON OFFICE:
2433 RAYBURN HOUSE OFFICE BUILDING
(202) 225-5901

DISTRICT OFFICE:
1601 EAST HIGHWAY 34
SUITE B
NEWNAN, GA 30265
(770) 683-2033

Congress of the United States
House of Representatives
Washington, DC 20515-1008

COMMITTEES:

FINANCIAL SERVICES
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT
SUBCOMMITTEE ON INSURANCE, HOUSING
AND COMMUNITY OPPORTUNITY

HOUSE PERMANENT SELECT
COMMITTEE ON INTELLIGENCE
CHAIRMAN, SUBCOMMITTEE ON OVERSIGHT

DEPUTY WHIP

November 15, 2012

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street & Constitution Ave, NW
Washington, DC 20551

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

The Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20551

Dear Chairman Bernanke, Comptroller Curry, and Acting Chairman Gruenberg:

As members of the Georgia Congressional Delegation we are concerned about the joint proposed rules recently released by the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (FDIC), implementing the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision. As currently proposed, the change in regulatory capital would be overly complex and could disproportionately harm smaller banks and thrifts. We urge you to reject Basel's overly complex risk weighting capital system, and instead adopt a more simple true loss absorbing capital system. New capital rules should appropriately distinguish between the size, risk and complexity of the financial institution in order to develop a more level playing field.

As we have all seen, in Georgia capital determines where a bank lives or where it is resolved. Conservative regulatory capital requirements are vital to a bank's overall strength and ability to absorb unexpected losses. Appropriate capital requirements also help protect local communities, the overall economy, and taxpayers from being negatively impacted.

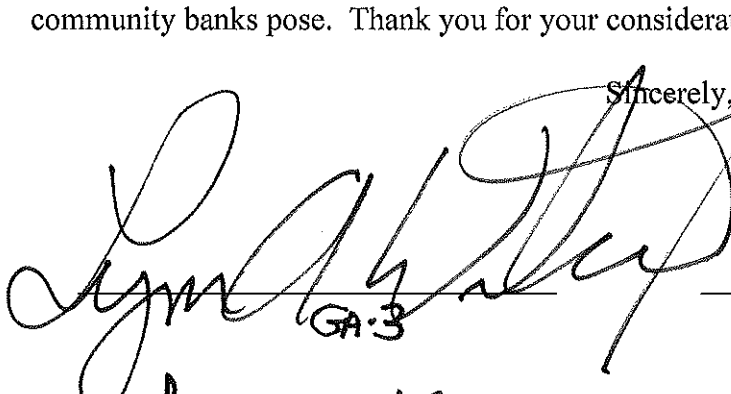
The initial focus of the Basel Committee was to develop uniform capital standards for the large internationally active institutions. The broad applicability of the current proposal to all banks and thrifts causes two major concerns. First, we worry that the complexity of the proposed rule will disproportionately affect the ability of our community-based institutions to comply and effectively serve their customers. Second, we are concerned that it will work to spur further consolidation in the banking industry as smaller community banks and thrifts struggle to comply. We have serious concerns these changes will further erode our banks' capital and could lead to more failures due to nothing more than a regulatory change.

Based on numerous comments we have received from our constituents, we have specific concerns with the proposal's potential impact on community banks and thrifts and our local economies. As you know, the proposal includes new regulatory capital requirements that will be applicable to all banks and thrifts, without appropriately taking into account size and risk. This "one-size-fits-all" approach has caused grave concern amongst our community bank constituents and their customers. The changes proposed will lead banks to hold more resources internally instead of providing access to credit to small businesses.

In a recent speech FDIC Director Thomas Hoenig said, "Applying an international capital standard to a community bank is illogical, particularly when models have not supplanted examinations in these banks," and that for a capital rule to be useful it must be simple, understandable and enforceable.

We ask you take additional time and adopt new capital rules that are simple, straight forward and distinguish between the systemic risk that megabanks, regional banks and community banks pose. Thank you for your consideration in this very important matter.

Sincerely,

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