October 22, 2012

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

Risk Based Capital Proposed Rules
RIN 3064-AD95, RIN 3064-AD96 and RIN 3064-D97

Dear Mr. Feldman:

Thank you for the opportunity to provide comment on the Risk Based Capital Proposed Rules that were recently approved by the Federal Deposit Insurance Corporation, the Federal Reserve Board, and the Office of the Comptroller of the Currency.

Dean Bank is a state chartered mutual, cooperative bank opened on June 15, 1889 in Franklin, Massachusetts and currently operates 4 full service branches. Dean Bank employs 76 professional bankers and now reports assets of more than $225 million.

In reading the proposed changes to regulatory capital I have several concerns over the impact the proposed rules will have on our ability to maintain well-capitalized status and continue to provide appropriate credit products in the communities we serve. The two most significant proposals are:

Substantial Increase in the Risk Weighted Asset Amount for Residential Mortgages

Over 40% of Dean Bank's assets support residential real estate loans to local customers, which due to various reasons may not meet secondary market standards but are otherwise safe extensions of credit. These customers represent our neighbors and as a community bank we need to be able to serve these customers that might otherwise be priced out of the market. Our historical charge off rate on these types of mortgages is less than 5bp over the past 25 years and barely over 15bp in these most tumultuous financial times of the last four years. These losses clearly pose no threat to our safety and soundness yet would require significantly higher capital under the proposed rules. Residential real estate is currently risk weighted at 50%. The proposed rules would raise this level to as high as 200%, which would significantly reduce our ability to lend.

Inclusion of AOCI in Calculating Tier 1 Capital

The inclusion of accumulated other comprehensive income in the capital calculation will require significant changes in our investment portfolio management. We currently hold a sizable portfolio of municipal securities that have been purchased over the past decade.

The investment in local community bonds not only helps our communities, but also aids our bottom line through effective taxable income management. In order to eliminate the price volatility that these securities produce, we would have to curtail the purchase of long-term bonds and significantly trim duration and, as a result, yield to alleviate the risk of negative effects to capital in rising rate environments.

Impact Statement

Being a mutual bank chartered in 1889 we have weathered many financial crises in our 123 year history. As a small mutual bank we also face two significant challenges: capital formation, which is limited to income creation; and, growth, which is imperative to maintaining significance in our marketplace. Over the past 35 years of the current management team's direction, the bank has grown from $5 million to roughly $230 million in assets while maintaining its capital at "well capitalized" levels. While this grow has allowed us to maintain significance in the marketplace it is becoming increasingly difficult to remain relevant. Raising required capital minimums will translate into a need for Dean Bank to stop growing or perhaps even shrink the bank. This will imperil our ability to remain relevant in the market.

The proposed changes to the risk weighted asset amount for residential mortgages and the inclusion of AOCI in calculating tier 1 capital will significantly alter Dean Bank's offering of credit products in the market and our ability to support the credit needs of local municipalities.

Conclusion

The crisis facing us today unfortunately is coming from inequitable regulation geared to control and manage large complex financial institutions that pose a great threat to our financial system. Dean Bank is not one of those institutions and should not be regulated as one. I strongly urge that the proposed regulations be modified to exclude small community banks such as Dean Bank.

Thank you again for the opportunity to comment on the proposals. I respectfully ask that you consider my recommendation in developing final rules. If you have any questions or need additional information, please contact me at (508) 528-0088 or kgoffe@deanbanbk.com.

Sincerely,

Kevin R. Goffe
Chief Financial Officer
Dean Bank