

3

*Section 664*  
*Caroline Feldman*

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AND  
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October 18, 2012

Honorable Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Office of the Comptroller of the Currency  
250 E. Street, S.W.  
Mail Stop 2-3  
Washington, D.C. 20219

✓ Honorable Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street N.W.  
Washington, D.C. 24029

Re: Proposed Regulatory Capital Rules: Regulatory Capital, Implementation of BASEL III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective action (R-1442, Docket ID OCC-2012-0008, RIN 1557-AD46, RIN 3064-AD95) Proposed Regulatory Capital Rules: Standardized Approach for Risk-Weighted Assets, Market Discipline and Disclosure Requirements (R-1442, Docket ID OCC-2012-0009, RIN 1557-AD46, RIN 3064-AD96)

Ladies and Gentlemen,

I appreciate the opportunity to submit comments on the above-referenced notices of proposed rulemaking (NPRs). The NPRs were released on June 12, 2012 by the Board of Governors of the Federal Reserve System (FRB), the Office of the Comptroller of the Currency (OCC) and the Federal Deposit Insurance Corporation (FDIC), (together, the "Agencies").

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October 18, 2012

Page 2

I am a Director of Carolina Financial Corporation. Carolina Financial Corporation is the sole shareholder of CresCom Bank, an approximate \$900 million community bank operating along the coast of South Carolina. CresCom Bank wholly owns Crescent Mortgage Company, which is a wholesale lender with annual volumes of \$1.5 to \$2 Billion on conforming mortgage loans. As community bankers, our bank is actively involved in our communities and providing banking services to numerous small business and individual of all means in our communities. In addition, we provides housing financing opportunities to thousands of borrowers annually. CresCom Bank has a very strong capital position.

I am in favor of strong capital rules for our banking system; however, the NPRs go far beyond safe and sound banking and create confusion, complexity and many unintended consequences. As directors, we have discussed with management the far reaching effects and potential impacts of the proposed NPRs. I believe that these changes will significantly impact banking, our nation's economy and capacity to lend to small and growing businesses in our communities. My businesses employ many people in our communities.

Further, these rules should only apply to those financial institutions that create a significant risk for the banking system and national economy. To apply complex capital rules to community financial institutions goes far beyond the scope of what is necessary. Community banks provide significant small business and home lending to individuals, who are not served by these large institutions, and these NPRs will cause lasting significant negative consequences to our nation's economy.

As a director of Carolina Financial Corporation, I fully support the Agencies' effort to improve the quality and quantity of regulatory capital and to build additional capacity into the banking system to absorb losses in times of economic stress, I believe that the adoption of the NPRs would impact Carolina Financial Corporation in the following ways:

1. Significant impact our abilities to provide, residential 1-4 family lending.
2. Significantly impact our abilities to hold Mortgage Servicing Assets, increase residential lending rates and will concentrate the holding of this important assets in the hands of unregulated institutions.
3. Significantly impact our ability to provide second lien financing.
4. Significantly impact our ability to provide safe and sound development lending in our communities.
5. Reduce our available capital for lending in general
6. Have significant adverse impacts to the housing industry.
7. Have significant adverse impacts to the U.S. economy as a whole.
8. Adversely impact the lending to higher risk low to moderate income borrowers.
9. The AOCI provision will introduce significant volatility to regulatory capital

October 18, 2012

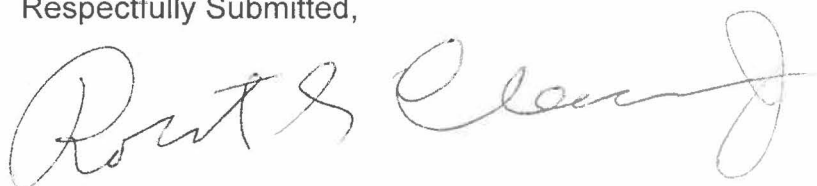
Page 3

resulting in more conservative and restrictive lending practices.

In summary, the implementation of Basel III, as proposed, would have significant adverse consequences both to our institution, the banking industry as a whole and our nation's economy. As a result it would also have an adverse effect on my businesses.

I strongly request that it be withdrawn and reviewed carefully in light of the matters outlined above. Further, we recommend that it not be applied to community banking institutions that do not represent a systemic risk to our banking system. Thank you for your time and consideration.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Robert G. Clawson, Jr.", written in a cursive style.

Robert G. Clawson, Jr.  
Founding Member  
Clawson and Staubes Attorneys, LLC. and,  
Director  
Carolina Financial Corporation

cc: Sen. Lindsey Graham  
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District of Columbia 20510-4001

Sen. Jim DeMint  
167 Russell Senate Office Building,  
District of Columbia 20510-4002

Rep. Tim Scott  
1117 Longworth House Office Building,  
District of Columbia 20510-4001