TIMBERWOOD BANK

September 24, 2012

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

Re: Proposed Basel III Changes

Dear Mr. Feldman,

I am writing to you today with great concern for our industry with the new proposed rules of Basel III that I have been following. I am the President of Timberwood Bank which is a community bank in central Wisconsin with about $175 million in assets and about 35 employees. The bank was founded about 9 years ago with a group of local investors who wanted a community bank that kept the community at heart and therefore we purchased a troubled bank in Northern Wisconsin and a branch of Marshall & Illsley here in Tomah. In short order the bank up North was straightened around and eventually sold to another bank in 2007 at which time we purchased Acuity Bank and grew our bank from just over $20 million to the $175 million we are at today.

Having said all this there are many things that concern me with the community banks having to face the extremely burdensome proposed regulations of Basel III and I would ask that you consider community banks to continue to operate under the Basel I capital regulations.

Specifically the changes to the accounting for the AOCI for a community bank will have very volatile effects and make it quite difficult for smaller banks to grow or strategically plan for acquisitions in the future as there will need to be an abundance of capital sitting to anticipate possible swings in the interest rates. For our specific bank that could amount to a decrease in our tier 1 capital of approximately 1.50%, which is additional capital that could have been used for growth and lending. As interest rates were to move higher this will have a significant impact on capital reductions and therefore halt lending and growth even further which puts community banks at a large disadvantage to larger banks which are permitted to hedge the impact of interest rates. The additional capital that would need to sit idle will certainly not help the fragile economy when those funds could be used for small business lending, housing, agricultural lending and so forth to promote growth.

As to the severe changes to the risk weighting that is proposed under Basel III, this will have much of the same impact as the AOCI in which banks will have to slow lending, cancel entire lines of business, or make it even more difficult for borrowers to obtain financing due to the substantial increase in capital. To have risk weights above 100% doesn't seem to be prudent and will certainly have an impact on lines of business. If I know that a loan made on a 2nd mortgage (which would allow money back into the economy) would subject 150%-200% risk weighting on my capital it will make these loans much more difficult to do, if at all. It would seem prudent that even the riskiest loan will only have dollar for dollar

P.O. Box 880
110 W Veterans Street
Tomah, Wisconsin 54660
info@timberwoodbanks.com
www.timberwoodbanks.com
608-372-BANK (2265)
Fax: 608-372-3757

of capital (100%) at risk at any time so having to put additional capital aside above and beyond that seems to be unreasonable. Furthermore as a credit is downgraded within the bank and there are any impairments to the credit, reserves are already established for those potential losses and that capital is set aside so this seems to double the impact of a troubled credit.

Lastly when I review the proposals that are forthcoming it appears we should be able to include our allowance for loan losses in tier 1 capital since it is our first line of defense against capital absorbing losses. Currently the allowance for loan losses is capped at 1.25% of total capital and for a bank like ours that has carried an excess for some time we are losing the credit of that additional capital in our tier 1 requirement because it is sitting as tier 2 currently.

As a community banker my entire life, working at a bank while still in my senior year of high school, it seems like the additional burdens being placed on community banks by Basel III is going to jeopardize the future of small town community banks for years to come. This bank was started within a community who wanted to see the community served and I'm afraid many small rural communities in the country will find themselves without a community bank to serve their needs like no one else can because of these proposals. I do not see how Basel III is going to help the community banking industry and indirectly the consumers and to what benefit it would be to this country.

I appreciate you taking the time to read my thoughts and hope that you would help encourage others to see the gravely negative impact that Basel III will have on the community banking industry for this country.

Respectfully,

Kevin Ravenscroft
President