

October 3, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal
Reserve System
20th Street and Constitution Ave 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

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

Re: Basel III Capital Proposals

Thank you for the opportunity to comment on the BASEL III proposals recently approved by your respective offices.

I am the Sr. VP/CFO of a \$225 million community bank located in Delavan, WI. We are a community bank that began its existence over 16 years ago when the city lost its last community bank to a buyout by a large regional bank. We have successfully filled in niche of a community bank in our city and have expanded to three other locations to provide the same community bank type services small city residents expect. We are not a complex bank by any means. We have stuck to the basics of lending and strive to serve the communities with the products they need. We did not participate in the types of lending or lending practices others have done which caused the financial crisis we are now in.

In an early part of my career I was an examiner who examined many community banks during my tenure. I have seen how small community banks operate and serve the communities they are in. Because of this experience and my experiences now managing a community bank, I am fearful for what this regulation will do to the many community banks that exist to serve their communities.

My first concern deals with the type of housing loans we make. While we do make and sell real estate loans to a third party, we still maintain a portfolio of three year balloon 30 year amortization 1-4 family real estate loans, approximately 25% of our total portfolio. This has been a favorable product that many customers are appreciative of. By now

increasing the risk weight, it may force us to refrain from that type of lending, thereby decreasing the availability of loans to customers as well as our earnings.

My second concern deals with the mark to market of our investment portfolio. We have maintained a very conservative portfolio. While the duration is relatively short, the potential for a negative market value adjustment given a rate environment that we are in now could substantially negatively impact our capital ratios. This portfolio is not a trading portfolio and is intended to be a source of liquidity for our needs. It makes no sense that a community bank should have to impact its income stream due to market rate changes.

Lastly, a FDIC board member has publicly commented that the proposal should be scrapped for community banks and now your state regulatory counterparts have also indicated that the proposal as is should not be implemented. In addition members of congress have also indicated their displeasure with the proposal.

I ask that the various parties involved go back and take a much more thorough look at this proposal and actually confer with community bankers (outside of regional meetings) one on one to hear the impact. Simply crunching numbers from a call report does not result in determination of the true impact.

Sincerely,

Jon E. Martin
Sr. Vice President/CFO