From: David C. Meyer <David.Meyer@snbt.com>
Sent: Tuesday, October 02, 2012 11:56 AM
To: Comments
Subject: Comments

October 2, 2012

VIA ELECTRONIC DELIVERY
Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.,
Washington, DC 20429
comments@FDIC.gov
RIN 3064-AD95 and RIN 3064-AD96

RE: Regulatory Capital Rules: (1) Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Correction Act: Docket ID OCC-2012-0008; and (2) Standardized Approach for Risk-Weighted Assets, Market Discipline and Disclosure Requirements: Docket ID OCC-2012-0009

Dear Robert,

The Stephenson National Bank and Trust is a 300 million dollar community bank headquartered in Marinette Wisconsin that serves customers in the following counties Marinette and Oconto both in Wisconsin and Menominee Michigan. As a community banker with The Stephenson National Bank and Trust, I am gravely concerned over the broad approach taken by the Office of the Comptroller of the Currency (OCC), together with Board of Governors of the Federal Reserve System (FRB) and Federal Deposit Insurance Corporation (FDIC), (collectively, the Agencies) to impose a "one-size-fits-all" regulatory capital scheme on institutions of all sizes despite the fact that the industry believed the Basel III proposals were only intended for very large, complex international institutions.

Respectfully, I believe this approach excessively tightens regulatory capital requirements on community banks which is unwarranted, beyond Congressional intent in many respects, and will likely cause a disruption in available credit in our marketplace.

I am very much concerned about the cumulative burden these rules will have on my institution. It is vitally important that the proposed regulatory capital rules be analyzed together in the context of other rulemakings and regulatory reforms—and be prospective in approach. The Agencies must not create capital requirements that are based upon occurrences in the past, under a different regulatory environment, and without consideration of other rulemakings and reforms.

For these reasons and for the concerns outlined below, the Agencies must withdraw the proposed regulatory capital rules, conduct additional study and analysis, and only propose capital rules which take into consideration the impact other regulatory proposals and reforms will have on risk. The Agencies must recognize that there are many differences between community banks and large, complex international institutions—and must, therefore, not force a community bank into the same capital calculation "peg-hole" as a sophisticated international institution.
If the Agencies do not withdraw the proposals to further study the drastic impact they will have on community banks and on the U.S. financial industry as a whole, I urge the Agencies to take into consideration the specific concerns and recommended changes noted below.
Unrealized gains and losses on available for sale securities:
The current call reports provide Regulatory Agencies the effect of unrealized gains and loss that occur in AFS portfolios without increasing or decrease the capital ratio. The information provided is a tool for regulatory

action and should not be added to the capital component. Market interest rate swings could significantly affect our banks capital position. A +300 shock estimate would negatively affect our tier one capital by approximately 3%. This change is the result of interest rate movements and not credit risk.

Additionally, the reduction in capital would negatively affect our legal lending limit and require us to take action to reduce the amount of debt we have outstanding with current customer which make cause reputation risk for the bank.

Treatment of Trust Preferred Securities:

Trust Preferred Securities are a subordinate debt class that works like equity and by eliminating them in the capital calculation it would create capital problems for banks that used the money to make loans and better serve the community needs.

Additionally, many banks hold Trust Preferred Securities as an investment which we are one. My concern is that these investments will be down-graded and future repayments could be affected because of the potential capital problems of the banks who issued them.

Higher risk-weightings for Commercial Real Estate and Residential Mortgage Loans:

Our bank utilizes balloon mortgages to provide loans to our customers where the home they are purchasing does not meet secondary market standards. We have serviced these types of mortgages successfully over the years. Moving the risk weighting to 200% could affect our offering of this loan type in the future.

Additionally, we provide equipment and other loans to small business where the majority of the collateral comes from their home. This type of lending could be in jeopardy too. In this loan type only the home is looked at when considering the loan to value ratio. However we have additional security is not accounted for.

Establishing the loan to value ratio will be a hardship on our bank. Currently our data processor does not have the capability to combine all loans for the property to give the proper ratio. I am sure they have the capability to do it but at what cost.

Conclusion

For the concerns outlined above, please withdraw the proposed regulatory capital rules, conduct additional studies and analysis before changing the capital requirements.

I appreciate the opportunity to comment on the Agencies' proposals.

Sincerely,

David C. Meyer

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