



JOEL C. CLEMENTS
Chairman, President, & CEO

October 15, 2012

Dear Sirs:

Our bank, like most community banks, has been in business for almost a hundred years. We have managed through a depression, many recessions, wars, booms and busts, 21% prime interest rates, 3.25% interest rates, and many ups and downs in Washington. We are well capitalized and have never taken government handouts. The most important thing that we do is take care of our customers.

In a rural setting, we do not make a large number of home loans, but we do make some home loans. Due to the new appraisal regulations, most of our customers cannot get appraisal comparables that will qualify them for secondary market financing. We typically make a 5 to 10 year, fixed-rate, balloon home loan, because we do not want to take our bank the way the Savings and Loan banks did back in the eighties when they gave 30-year, fixed-rate loans and funded them with short term CD's. That broke the Savings and Loan banks. Our balloon loans are not an attempt to call the loan in 5 to 10 years, just to give us a chance to reprice it, if rates go up. If rates go down, the customer benefits.

Under Basel III, we could not make these loans because of the constraints it will place on our capital position. Our customer base will go unserved and the housing industry will be crushed.

There is no need for Basel III to be put on community banks, especially those in rural markets. Please support eliminating Basel III for community banks with under \$5 billion in assets.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel C. Clements", written in a cursive style.

Joel C. Clements
Chairman, President & CEO