UNITED AMERICAN
Savings Bank

1812 East Carson Street, Pittsburgh, PA 15203

August 30, 2012

Federal Deposit Insurance Corporation

Via e-mail: regs.comments@fdic.gov

Attention: Comments/Legal ESS

Re: Docket No. R-1430; RIN No. 7100-AD87 – Minimum Capital Standards
Docket No. R-1442; RIN No. 7100-AD87 – Risk Weights

To Whom It May Concern:

United-American Savings Bank is a $73 million savings bank in Pittsburgh, PA. In 2010 in an effort to increase capital adequacy, we converted from a mutual to a stock form. Our bank makes mortgage loans primarily on one to four family properties to both homeowners and investors. We have a very strong community focus and have been in business in our community since 1922.

The proposed changes of Basel III will have a significant negative impact on our bank's total capital to risk-weighted asset ratio and appear to us to either duplicate or conflict with other pronouncements, namely FASB (ASC) Section 450-20-25, formerly FAS 5, and ASC Subtopic 310.10, formerly FAS 114 dealing with allowances for loan losses.

Existing methodology for computing risk-weighted assets for our bank do not include any loans at greater than 100% risk weight, nor should they. Our experience with junior lien loans is adequately dealt with under the old FAS 5 and loans in other categories are adequately dealt with under either FAS 5 or FAS 114. Any risk of loss anticipated in these is fully provided for in the bank's allowance for loan and lease losses. The addition of risk weights up to 200% on these same loans seems to us at best a duplication of intent and at worst a confiscation of capital, which could cause our bank to provide fewer loans needed by our community.

We are involved with other community banks in Pittsburgh to initiate a program of purchase and rehabilitation to low and moderate income home buyers under a program between the banks and the Pittsburgh Community Redevelopment Group. The program envisions the participating community banks funding the purchase and rehabilitation using a guarantee by Pittsburgh's Urban Redevelopment Authority and, upon completion of the rehabilitation, selling those loans to a fund. Once sold, the proceeds of those loans would be available to fund new home buyers. At our most recent meeting, the discussion of the potential impact of Basel III, this program is in jeopardy. Banks are at this point unclear whether under Basel III their new capital levels could support the level. Loans under the program would apparently go it at 100% risk weight due to the loan to value ratio and the banks may have to direct available funds to other loan types.

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We applied the new standard proposed by Basel III for computing risk-weighted assets to our most recent computation of the total capital to risk-weighted asset ratio as best we could and believe that our ratio will drop from 17.42% to 14.97%. In our very conservative loan mix, which is heavily concentrated in loans for one to four family housing, most of our new loans will be booked with risk weights ranging from 50% risk weight to 150% risk weight, pulling the ratio steadily downward unless we are prepared to curtail lending or limit loan products to exclude anything except first mortgage loans of 80% loan-to-value or less.

It strikes us that many community banks will most likely experience the same or worse and that the imposition of the new standards would work at devastating cross-purposes with efforts to revitalize the world economy. If the intent of Basel III is to cause banks to raise additional capital, any such new capital raised to meet the new standards will be absolutely sterile and provide no additional ability to leverage it into new lending. The problem is even greater for community banks, which lack the broad access to capital markets. We see greater consolidation among banks resulting from the proposal feeding the growth of the "too big to fail" institutions – exactly those kinds of institutions which caused most of the problems in the first place.

We also believe that Basel III has two proposals which might at first blush seem to benefit banks like ours. The first is the introduction into risk weights of a 35% level for mortgages with loan to value ratios of 60% or less. Loans in this category make up less than 19% of our loan portfolio and we believe that these loans will payoff faster than new loans will amortize to that level. This miniscule benefit is more than offset by the increases in the proposal. A second proposal allows the inclusion of other comprehensive income in the calculation of tier one capital, for us primarily gains on unrecognized gains on available for sale investment securities. That would be positive for us as of now, but negative for us when market rates rise and unrecognized gains become unrecognized losses. We strongly favor eliminating other comprehensive income to provide a more stable measurement of tier one capital.

Although few banks, even those of us who consider ourselves to be community banks, were untouched by the crisis in mortgage lending, community banks did not cause or contribute in any significant way to the crisis. Our banks are motivated to build our communities through prudent lending. We have a further mandate to provide loans to low and moderate income individuals. The U. S. economy and indeed the world economy needs more economic activity, not less and we believe the Basel III proposals will result in the latter.

We strongly encourage that U. S. regulators either reject Basel III or substantially modify the proposals to make them less onerous to community banks.

Respectfully,

Tom P. Smith, President and CEO
United-American Savings Bank