FIRST ULB CORP.

September 6, 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, SW
Mail Stop 2-3
Washington, D.C. 20219

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comments on the Basel III capital proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

United Labor Bank is a $280 million community bank located in Oakland, California, that has been in business since 1990. We have a shell savings and loan holding company, First ULB, which is owned by members of our community. The defined community that we primarily serve is labor unions and labor-related entities and businesses. We provide a variety of loan products, but focus mostly on commercial real estate, multifamily, and small business lending.

In general, community banks already maintain the highest capital levels in the banking industry. Capital regulations, even as they currently stand, are relatively meaningless for community banks because the regulatory agencies expect community banks to hold capital far in excess of regulatory capital minimums if they want to operate without additional supervisory oversight. We believe the proposed capital rules to implement the Basel III capital standards are overly complex and will impose an additional and unnecessary burden on community banks.

Basel III was conceived as an international standard that would apply only to the largest, internationally active banks. However, the proposed rules would impose the Basel III standards on banks of all sizes, not just on the large and complex financial institutions it was intended to reach. Imposing these overly complex and burdensome regulatory capital standards on community banks will only serve to drive some community banks out of business and will definitely impede the nation's economic recovery.

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Although we object overall to the imposition of the proposed Basel III capital standards on community banks, there are two specific features of the proposals we would like to address. The first is that the proposals completely revise many of the current risk weights that community banks use to calculate their risk-based capital requirement. This additional calibration of risk weighting on many asset classes will increase our cost of compliance and reporting with no corresponding benefit. Instead, we suggest that community banks, which generally already have excess capital, be allowed the option of remaining under the Basel I rules to avoid the unnecessary burden of the more complex Basel III capital rules.

The second feature we are concerned about is that, under the proposals, all savings and loan holding companies, regardless of size, are required to comply with Basel III. The Federal Reserve has a long-standing policy statement excluding bank holding companies under $500 million from the capital rules. This policy exception was codified in Section 171 of the Dodd-Frank Act. However, the statute did not make a similar exception for savings and loan holding companies under $500 million. The proposals will require small savings and loan holding companies to develop costly compliance regimes and will create competitive disadvantages compared to small bank holding companies. This directly impacts our bank because our holding company has $6.4 million of trust-preferred securities (TRUPs) that it has infused as capital into our bank. Under the proposals, this capital will have to be phased out over time. This could require us to divert our retained earnings over the next several years to replace this source of capital, instead of using the retained earnings to increase our lending volumes within our community. We suggest that the proposed rules be revised to exempt savings and loan holding companies of $500 million or less from the Basel III capital rules similar to the Federal Reserve's long-standing policy position exempting small bank holding companies with assets of $500 million or less.

We appreciate the opportunity to comment on the proposed rules. Should you have any questions or comments regarding this letter, you can reach me at mhotchkiss@laborbank.com or at (510) 567-6910.

Very truly yours,

Malcolm F. Hotchkiss

Malcolm F. Hotchkiss
President and Chief Executive Officer

Copies to: Board of Directors, United Labor Bank