INDUSTRIAL BANK
Getting Things Done.

Ms. Jennifer J. Johnson, Secretary
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Proposed Risk-Based Capital Standards: Trust Preferred Securities and the Definition of Capital, Docket No. R-1193

Dear Ms. Johnson:

Thank you for the opportunity to comment on the Board of Governors' proposed amendments to the risk-based capital standards and the related Tier 1 leverage ratio guidelines for bank holding companies.

Industrial Bank is among the oldest African-American-owned commercial banks in the United States, having been founded in 1933 by an Act of Congress. We predominately serve markets in the Washington, D.C. metropolitan area that have large minority populations. We are deeply committed to assisting the residents and businesses of these communities in their banking needs, and supporting the economic revitalization of these neighborhoods.

We cannot serve these banking needs without a strong and growing capital base. One of the challenges that has faced us frequently over the years has been maintaining a strong capital base without surrendering the minority-owned character of our bank. A number of years ago, we offered common stock to our shareholders and others through a public offering, which met with modest success. Following additional growth that required new capital, Fannie Mae made investments in both our common stock and perpetual preferred stock. The perpetual preferred stock is non-voting, and represents approximately 40% of Fannie Mae's total investment. Fannie Mae's internal guidelines would have prevented it from making additional investments in our common stock or an investment in the perpetual preferred stock if it were voting. Without Fannie Mae's full participation, we would not have reached the level of Tier 1 capital that we needed at the time to support our growth.

We disagree with the proposal of the Federal Reserve Board to allow its staff to consider the non-voting stock issued to Fannie Mae as non-Tier 1 capital. There is no grandfathering of existing non-voting stock in the proposal. But our concern also relates to future issuances of nonvoting capital stock that we may need to make to non-minority institutions or other investors so that we can maintain our bank as a minority-owned institution.

We do not understand what is motivating the Federal Reserve Board to change the current guidelines with respect to nonvoting stock. Under current Federal Reserve Board guidelines, common stock and perpetual preferred stock, whether voting or nonvoting, is Tier 1 capital. We made our decision to issue stock to Fannie Mae based on these guidelines. Operating under their condition creates a cloud of uncertainty that makes doing business extremely difficult.

We believe that the investment made by Fannie Mae in our perpetual preferred stock is as good as any other Tier 1 capital. The fact that Fannie Mae cannot vote the stock has no bearing on the character of the capital. It is perpetual preferred stock that cannot be redeemed by our company without the approval of the Federal Reserve Board. It serves as a secure investment just as any of our voting common stock. We want to be sure that we will have a continuing opportunity to expand our capital base by using, based on the facts and circumstances at the time, additional nonvoting common or perpetual preferred stock.

We ask that the Board of Governors withdraw these proposals so that our bank will continue to have access to alternative Tier 1 capital instruments such as nonvoting common stock and perpetual preferred stock that fit the practical business needs of our bank.

Sincerely,
B. Doyle Mitchell, Jr.
President and CEO