October 18, 2012

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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 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 comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I am in complete opposition of the Basel III proposals as they relate to small, community banks. I am a 22 year employee of a small community bank in northern Minnesota. Community banks have a very difficult time raising new capital. Implementation of the capital conservation buffers for community banks will be difficult to achieve under the proposal and therefore should not be implemented. Many community banks will need to build additional capital balances to meet the minimum capital requirements with the buffers in place. Community banks do not have ready access to capital that the larger banks have through the capital markets. The only way for community banks to increase capital is through the accumulation of retained earnings over time. Due to the current ultra-low interest rate environment, community bank profitability has diminished further hampering their ability to grow capital. If the regulators are unwilling to exempt community banks from the capital conservation buffers, additional time should be allotted (at least five years beyond 2019) in order for those banks that need the additional capital to retain and accumulate earnings accordingly.

My biggest fear is that there will be a significant decline in the number of community banks in this country because of the regulatory burden proposed by Basel III. Community banks invest both in human and financial resources in the development of our communities. Big banks are far less likely to do so. It is crucial that community banks not suffer significantly more adverse effects from the proposed regulations than big banks. The Basel III regulations will result in disproportionate compliance burden, lower ROEs, loss of access to capital and small communities, like Grand Rapids, Minnesota – the town I live in – will likely pay the price.

Regulators need to level the playing field by reducing the burden of these regulations on community banks.

Sincerely,

Jill Mattson
Community Bank Employee