Jennifer J. Johnson, Secretary
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Robert E. Feldman
Executive Secretary
Attentions: Comments/Legal ESS
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Office of the Comptroller of the Currency
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Re: Basel III Capital Proposals

Dear Sirs:

Thank you for the opportunity to comment on pending implementation of Basil III regulations. Although I do ask that you reconsider a couple points in the proposal, I agree with its objectives and appreciate the well-focused work you are doing.

I am a board member and shareholder of a family=owned bank holding company. Our BHC supports three community banks, one each in Dubuque Iowa; Cuba City, Wisconsin; and San Mateo, California. Our lead bank, American Trust of Dubuque, has been in our family for over 100 years. We acquired American Bank of Wisconsin ten years ago. United American, of San Mateo, was run by my cousin and an independent board until it encountered severe difficulty during the collapse of the residential construction industry in California. We acquired it about a year ago to prevent its failure.

United American is gradually stabilizing, and the other banks are performing well. Since 2008 we have given a lot of attention to conserving and augmenting capital, and these efforts have met with success. Also, our BHC has remained profitable throughout the downturn and its wake, and we have not laid off a single employee in the Midwest, nor have we curtailed our charitable giving or volunteer service to our communities.

I would respectfully request that you reconsider the timing factor in the plan to phase out trust preferred securities as a form of tier one capital. There are two reasons for this. First, the rules of the road, as initially established by regulators and then confirmed in the Collins amendment to Dodd Frank, have long held that trust preferreds are a valid form of tier one capital. To have followed the rules of the road to this point, only to see significant chunks of capital start disappearing spontaneously in 2013, would be a bit unsettling. Second, the 10-year phase-out period, as proposed, does not reflect the actual maturity dates of many of the securities currently held by community banks. Our BHC, for instance, has $19.5 million in trust preferreds (out of $112.9 of total capital) due in 2036 and 2037. The point that trust preferreds aren't the highest quality capital is well taken. But if they are to be phased out, why not "depreciate" the phase-out in a straight line across the full duration of the securities? From a banker's perspective, that would be less complicating and better aligned with how things ordinarily work.

I would also ask that you reconsider the risk ratings for home-equity based lending. Granted, this type of lending has caused problems for many banks, despite being regarded as generally low-risk in the past. But I would question whether a very substantial, one-number-fits-all increase in the rating is the best move that could be made. In our banks' experience, home-based lending has entailed an extremely low level of loss, even during the worst of the recession. While some banks ought to be carrying more cushion for their home-based loans, would not individual bank histories be a valid guide in determining which banks these are? Loan loss reserve provisions, checked by examiners, would be the mechanism for creating the appropriate cushions.

Community banks do need to be careful about capital levels. Arguably, their community mission requires them to carry a little more capital than a non-community bank would. On rare but important occasions, they will have the opportunity to make community-benefitting loans which carry a marginally higher degree of risk than disinterested bankers would take. (Of course the risk can't be too high, and the potential benefit must be great.) Then there is concentration risk, stemming from both narrow geographic focus and the tendency to specialize in certain types of lending. Fortunately, Basil III already emphasizes the simplest antidote to these and other risks, i.e. higher capital ratio requirements. The proposed requirements are an important improvement and, if anything, could be notched higher.

Thanks again for the opportunity to comment, and best wishes for the remainder of the process,

Sincerely,

Rory Holscher
Director, ATBancorp
Dubuque, Iowa