September 27, 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[1] that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

Orange Savings Bank, SSB has $420 million in assets and at this time has approximately $103 million in AFS securities. How should our bank deal with this proposal, especially when interest rates rise again? Will we have to create an additional capital buffer as a cushion during value fluctuations? If so, we are taking resources from customer needs and bank growth. Should we limit our investments in longer duration assets? This proposal could cause a number of banks to sell all or part of their AFS portfolios. Have federal regulators considered what impact this will have on the markets for those securities? We are concerned about how this proposal might impact our asset liability function and our liquidity and contingency funding plans. We are a community bank and, as such, should not be thrown into the "mark-to-market" frenzy that has consumed other segments of the financial services industry.

[1] The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions*; *Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

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Orange Savings Bank

Orange Savings Bank, SSB has approximately $33 million in mortgage assets. We provide mortgages primarily in Orange, TX and the surrounding communities. The most likely result of this proposal is that it will limit the availability of mortgages in the communities where we offer loans. When you combine this proposal with the increased risk weightings for mortgage assets that is also in Basel III, you are harming small institutions and small, often rural communities.

Orange Savings Bank, SSB has 2.62% of our regulatory capital in mortgage servicing assets. If we want to continue servicing mortgages we will have to hold additional capital. If we sell or discontinue these services, our customers will be harmed and so will our earnings. The net effect of all of the mortgage proposals is to drive the business to large, multistate mortgage lenders.

Orange Savings Bank, SSB has 105 employees. We are already laboring in an environment involving increased regulatory scrutiny in compliance exams and the new burdens being placed on us by the Dodd-Frank Act. Our compliance costs alone have increased 300% in the last 10 years. The impact of this proposal will increase our regulatory burden.

It appears that as proposed, Basel III will require us to change our internal reporting systems and provide additional employee training. More than likely we will have to hire additional employees and change our systems to accommodate the collection of information needed to compute the new ratios. None of these requirements will allow us to help the customers in our community. The compliance costs will pull money out of capital and earnings rather than help our borrowers.

The increasing cost of compliance for community banks is leading to more consolidation in our industry. Basel III, as proposed, will only accelerate this trend. Federal regulators may not be troubled by a country that has only a handful of banks. From our perspective, community banks still serve a vital function in our economy. It would be a shame if these new international capital requirements help lead to their demise.

Sincerely,

Janet Barden

Janet Barden
Senior Vice President/CFO
Orange Savings Bank, SSB

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