From: Judy Berry

Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules

Subject: Regs H & Y Regulatory Capital Proposals

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Comments:

September 27, 2012

To Whom It May Concern:

Dear Sir:

Thank you for the opportunity to voice some concerns about the proposed BASEL III capital standards. As is the case with most banking regulations that have been passed in the past several decades, unintended consequences abound with BASEL III. First, addressing capital standards to community banks that have just survived the worst financial environment in many decades is preaching to the choir. For us to have survived means that we appreciated the importance of capital before the crisis and appreciate it even more now. We feel that the introduction of these standards, especially the portions addressed below, into the community banking world are totally unnecessary and will do much more harm than good.

1. BASEL III includes increased risk weightings for many mortgage loans, particularly those with balloons and other non-traditional features. Balloons are used by community banks to assist with managing interest rate risk. If this tool were penalized by these new standards, the result would be one of two negatives; either banks would have more rate risk or consumers who do not fit conforming mortgage standards would lose the primary vehicle to obtain mortgage financing that is available to them in today's market.

2. BASEL III proposes a phase-out of Trust Preferred Shares as Tier I Capital. This issue was addressed in the debate on the Dodd Frank legislation. Why bring it up again? This avenue of raising capital has been very beneficial to community banks in the past because our access to capital in our local markets is very limited. Regulations are in existence and are sufficient.

3. BASEL III proposes to include unrealized gains and losses from the investment portfolio in Tier I capital. Because of many reasons, this proposal is the most onerous of the changes. If rates go up, which would happen because of a strengthening economy, our investment portfolio would suffer losses. If we are forced to recognize those losses in our Tier I capital, our ability to grow and make loans would be severely impaired. Just as we finally make our way out of this long economic slowdown, the brakes would be put on economic growth because banks would not have the ability to lend and assist the recovery because of accounting rules.

I urge you to please defeat these changes. We are already in an overregulated industry which keeps us from fulfilling an old parable for community bankers "If you grow your community, your community will grow you". That is our goal and we know how to do it very well if regulators and legislators will allow us to. Thank you again for considering our comments and opinions.

Sincerely,

Judy Berry