Charter BANK
Solid Solutions For Changing Lives

October 22, 2012

Jennifer J. Johnson, Secretary
Board of Governors, 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, D.C. 20219

Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS
FDIC
550 17th Street, N.W.
Washington, D.C. 20429

RE: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Controller of the Currency, and the Federal Deposit Insurance Corporation.

First I would like to say that I am completely in favor of strengthening the quality of the safeguards in the banking system. Our bank has maintained capital well above the required levels with over 12% tier 1 capital and risk based capital of over 20%. However, I do have concerns about the proposals that have been approved by the agencies and placed out for comment.

1. **Requirement that gains and losses on available for sale securities must flow through to regulatory capital.**

   The treatment of unrealized losses on securities is inconsistent that a community bank should manage interest rate risk at the balance sheet level. This imposes an unnecessary requirement that the securities portfolio be managed separately, possibly to the detriment of overall risk management and also to earnings and thus the overall health of the bank.

2. **Increased risk weighting for residential mortgage loans**

   The increased risk weighting and the increased complexity in risk weighting residential mortgage loans reduces our capacity to make and portfolio mortgage loans due to the additional cost of determining the appropriate risk weighting on an ongoing basis.

3. **Requirement to hold capital for credit enhancing representations and warranties on 1-4 family residential home loans which have been sold into the secondary market.**

   This section of the proposal is ambiguous. The standard reps and warranties include repurchase for fraud. Does capital have to be provided in this circumstance? If so this virtually eliminates the capacity to make and sell 30 year fixed rate mortgage loans.

4. **Proposal to increase risk weights on delinquent loans.**

   My concern with this rule is that we have already increased ALLL for delinquent loans by increasing the regulatory capital requirement we are being required to set aside capital two times for the same risk that is more appropriately managed through the ALLL.

5. **Change in risk weighting for home equity and second lien mortgages.**

   This proposal adds significant complexity limiting our capacity to offer these products. This will hurt profitability and reduce our capacity to serve our communities.

In conclusion, the proposal as it is currently written will greatly impact our bank in the following ways:

1. This proposal will require major resources to determine and comply with the proposal. I cannot at this time ascertain the full impact on our bank because of the incredible complexity in understanding and complying with this proposal. The level of complexity is not suitable for a bank under $10 billion in asset size.

2. It will significantly increase the amount of capital we need to hold above and beyond the increase which would occur as a result of the increased "capital ratios".

As stated above, I fully support, at some level, an increase in the amount of capital community banks hold. The increase in capital should be straight forward and easy to understand. It should also consider not only the need for capital to protect the insurance fund against the bank's failure, but should also consider the regulatory and capital burden on the bank and the impact of these burdens in providing a return to shareholders and the willingness of the capital markets to provide capital to the community banking system. I encourage you to reconsider this proposal and its applicability to community banks.

Thanks you for your consideration.

Very truly yours,

Curtis R Kollar

Curtis R. Kollar
Chief Financial Officer