October 19, 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 approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

I am the SVP of Compliance and CRA, of a 176 year-old mutual savings bank located in Canton, Massachusetts with $625 million in assets and $59 million of total capital. I am writing to register my opposition to the proposed Basel III capital standards. The following provisions contained in this proposal will be significantly detrimental to our Bank, community banks like ours, our employees, our customers and the communities we serve.

1. The elimination of Trust Preferred securities from capital will cause us to restrict our growth. As a mutual savings bank we have no shareholders and can only increase our capital levels thru earnings or by decreasing our size. We currently have $10 million of Trust Preferred securities outstanding. At a minimum we would need to restrict our growth to offset the elimination of this capital. We would probably need to actually shrink our assets to ensure adequate capital levels. This would certainly cause a decrease in our lending and most likely also cause a loss of jobs.

2. We have a very successful residential lending business. Over the past four years we have originated and sold over $3 billion in residential loans. On an annual basis our residential loan sales volume normally exceeds our total assets. The inclusion of loans sold that are still "under warranty" in the capital calculation could increase our risk-weighted asset level by as much as 25%-30%, requiring a similar amount of additional capital (which I estimate at $15 million). Because of the unpredictability of lending volumes we would have to hold capital equal to the projected peak volume levels. If this provision is included in the final regulations we will have to drastically reduce or eliminate this line of business. As a mutual bank we would not be able to raise the capital necessary to support it. Residential lending is a core banking function that significantly benefits our community, including low to moderate income neighborhoods. The amount of the capital charge also seems to totally unrelated to the risk level. We have never repurchased a loan due to the "early default" provision nor have we incurred any losses from loans we have sold. From a "risk" standpoint the $15 million capital requirement is clearly too high to support an activity that does not have a history of losses. This requirement would cause the Bank's earnings to decrease and result in the loss of jobs. The forced reduction in mortgage lending will have a detrimental impact on the communities we so proudly serve.

We have received awards for lending to minorities and lower income borrowers by MassHousing, an honor that we take great pride in. Performance of these high loan to value residential mortgages originated by our bank meet or exceeds the peer group performance based upon conversations with senior management at the agency. The definitions of residential lending categories coupled with the proposed requirement to hold capital during the representation and warranty period (not clearly defined) will limit our appetite for this type of good lending that has significantly benefited the community at large and the bank.

Respectfully yours,

Rhonda L. Kale

Rhonda L. Kale
Senior Vice President, Compliance & CRA
Bank of Canton
Canton, MA 02021