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Congress of the United States
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House of Representatives

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ENERGY AND MINERAL RESOURCES
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NATIONAL PARKS, FORESTS AND PUBLIC LANDS

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October 15, 2012

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
Administrator of National Banks
Washington DC 20219

The Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Dear Mr. Bernanke, Mr. Curry, and Mr. Gruenberg:

I am writing in reference to the joint proposed rules released on June 7, 2012, by the Federal Reserve, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency, that are intended to implement the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision.

I am concerned that the proposed application of the Basel III capital requirements will have a detrimental effect on community banks. While I agree that capital is vital to reduce risk and ensure sound financial institutions in the wake of the economic crisis, any overbroad capital requirement could have a disproportionate impact on community banks that are already practicing responsible lending through adequate capitalization. In effect, this could slow down lending at a critical time in our economic history.

Community banks in my district with significant residential mortgages, while previously considered to be very strongly capitalized, could face capital requirements that are significantly higher. These rules could lead to the consolidation of small community banks, which would displace jobs and reduce credit access for families and small businesses.

Community banks serve the credit and financial needs of rural and small town communities in markets that are not reached by large banks. They provide access to credit for homebuyers and small businesses across New Mexico, and they play a significant role in economic recovery. We need to work to ensure that community banks have support and we have to carefully tailor regulations to avoid regulating these smaller banks out of our communities entirely.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'MH', is written over a horizontal line. The signature is stylized and somewhat cursive.

MARTIN HEINRICH
Member of Congress

MH/kr