Citizens Bank OF ADA

October 15, 2012

To Whom it May Concern:

Regarding the Basel III proposal forthcoming, I would like to make the following points pertaining to community banks:

The risk-based capital proposal jeopardizes the viability of the community bank model, and forces community bank shareholders to seek alternatives to further investment. It will also hamper any lending growth due to the increased cost of compliance.

Further, the proposal is not tiered, and does not provide any exemptive relief for small community banks with simplified balance sheets and customary lending activities. Implementing such a proposal in 2013, just as banks are attempting to recover from the recession will make it even more difficult to build profits in this low interest rate environment.

While larger banks can hedge the impact of interest rates on AOCI, community banks cannot, and will have to be forced to hold additional capital. Also, it would discourage the holding of investment securities, depressing the market for these securities. As interest rates move higher, community banks will see significant capital reduction.

Similarly, the complexity of the mortgage risk weights based on loan-to-value ratios will create a greater regulatory burden for community banks, and curb future lending. Raising risk weights on residential loans will impair home financing by raising borrowing rates and limiting borrower access to financing.

Lastly, the implementation timeline is unrealistic and too aggressive, as well as assuming there will be no further decline in interest rates or future adverse economic conditions during phase-in.

I urge you to oppose the implementation of these unrealistic harmful Basel III proposals.

Sincerely,

EQUAL HOUSING LENDER

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