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October 16, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Docket No. R-1430; RIN No. 7100-AD87; Docket No. R-1442; RIN No. 7100-AD87

Dear Regulator:

I urge you to reconsider withdrawing the proposed Basel III capital requirement increases planned for community banks. The Basel III capital requirements pose grave concerns for community banks and their current and prospective customers. This legislation will directly stunt business expansion and job growth in Colorado and across the country. Basel III will make it prohibitively expensive for many small businesses to gain critical funding to survive and grow. This scenario will create a ripple effect creating increased consumer prices, higher unemployment, and other negative economic factors.

Small businesses and their employees are the most significant catalyst for our country's economic health. This pending legislation will severely impact small business. As CNNMoney recently reported, 36% of small business cited "access to capital" as the biggest growth barrier during the recent recession. Also, denial rates for small loan applications were more than twice as high as it was for bigger loans. Small loans are less profitable for major banks, so there is less reason to do them. Community banks serve this niche and, for the most part, have ample capital levels. This legislation will dramatically restrict access to capital for small businesses.

As a Board member of Citywide Banks, a \$1.0 billion 49-year old family owned community bank, I can see first-hand how the proposal will impact the bank, our customers, and the general economy. Basel III is too complex and misaligned to be effective. Instead, the policy's impacts will:

- Reduce access to credit
- Drive up the cost of credit
- Reduce the number of jobs (present and future)
- Creates an environment that does not encourage bankers to work with their customers through tough times, by creating an incentive to rush to foreclosure.

We can all agree that a strong capital foundation in the banking industry is essential. I am confident we can also agree that a diverse array of banking options is critical to meet the varying needs of industry-sectors, size and scope of businesses and geographic areas. Basel III is counterproductive to both these objectives. Basel III is creating an unfair playing field for community banks that strive to meet the funding needs of small businesses in both rural and urban communities across the United States. This plan not only inhibits the options for small businesses, it jeopardizes the entire community banking system. This country was built on the free market and good public policy. This proposal attacks both. The short-term impacts are extremely detrimental. The long-term impacts are disastrous.

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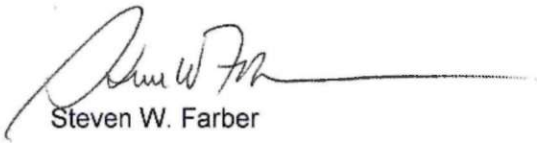
The Basel III proposed rules create a conflict where Bank management is forced to choose between managing capital levels and prudent interest rate-risk mitigation, over what is in the best interests of their clients and the broad overall effect of the economy as a whole.

Community Banks, due to size and ownership structure, generally have limited access to capital markets. Therefore, they will most likely tighten credit again for companies at absolutely the wrong time in this cycle. Elimination of retail and business lines will further concentrate the type of lending our community banks have in their portfolio. The reduction in sales tax revenues will impact communities. Large banks can't serve the small business environment profitably. Therefore, they will not fill the niche served by community banks in small town America.

A safe banking system is essential. There are many ways to get there. This single-minded approach is not the answer. The damage to American businesses is so severe that the proposals should be withdrawn and reworked to provide rational capital requirements that exist today as community banks now hold record amounts of capital.

We can do better than this. We must do better than this.

Sincerely,



Steven W. Farber