Wayne County Bank
"Until It Grows On Trees, See Us"

October 10, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal System
20th Street and Constitution Ave., 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
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 issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. Wayne County Bank is a $300 million rural community bank. We are asking that community banks be allowed to continue using the current Basel I framework for computing their capital requirements.

In conjunction with other existing and proposed regulations, the Basel III proposal jeopardizes the viability of the community bank model. While the proposal mirrors the Basel III International Accord, which targeted only the largest, internationally active banks, it is sweeping in its scope and complexity and its impact on all U.S. banks. In addition to implementing a new minimum capital requirement, the proposal completely revises many of the current risk weights that community banks use to calculate their regulatory capital, particularly for mortgages and the prompt corrective action regulations. The proposal is not tiered and does not provide any exemptive relief for small community banks with simplified balance sheets and customary lending activities. Community banks cannot access the capital markets and need years to build capital through retained earnings. Since interest rates are likely to move higher, community banks will see significant capital reductions.

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Also, the complexity of the mortgage risk weights based on loan-to- value ratios will create a regulatory burden for community banks. Second mortgage liens should not carry 150 or 200 risk weights if we want an economic recovery. Raising risk weights on residential loans generally will impair home financing by raising borrowing rates and limiting borrower access to financing. Raising risk weights for balloon mortgages penalizes community banks that attempt to mitigate interest rate risk.

Furthermore, the timeline is too aggressive for community banks to meet minimum capital requirements. The limited opportunities to build capital will prevent community banks from rapidly meeting and maintaining conservation buffers.

Again, we appreciate the opportunity to provide comment on this issue and your consideration to these comments will be greatly appreciated.

Sincerely,

Mart L. Haggard

Martin L. Haggard, Jr.
President/CEO

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