FIRST FEDERAL
SAVINGS BANK OF CHAMPAIGN-URBANA

October 17, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Delivered via email: regs.comments@federalreserve.gov

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219
Delivered via email: regs.comments@occ.treas.gov

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Delivered via email: comments@FDIC.gov

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.

First Federal Savings Bank of Champaign-Urbana was formed in 1908 in Champaign, Illinois as a mutual savings institution known then as First Federal Savings and Loan Association. At that time, the primary objective was to serve the local community by fostering savings at competitive rates and enhancing the area through mortgage lending. Like many other institutions similar to First Federal, we have endured significant events that have shaped the history of our banking system including the Great Depression and the Savings and Loan Crisis of the 1980's. Of the thrift institutions that were in existence throughout Champaign-Urbana during these periods, First Federal is the only thrift to remain in existence today.

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In 1995, First Federal successfully converted its charter from a federally chartered mutual savings association to a federally chartered stock savings bank. Currently, First Federal has three branches which are located within the Champaign-Urbana area. As of September 30, 2012, Great American Bancorp, Inc. and its subsidiary, First Federal Savings Bank of Champaign-Urbana, listed assets totaling just over $164 million. As of June 30, 2012, First Federal Savings Bank (consolidated) had Tier 1 Leverage Capital of 8.97%; Tier 1 Risk Based Capital of 18.60%; and Total Risk Based Capital of 19.85%.

In the wake of a financial crisis that has drastically altered not only domestic markets, but economies on the global scale, it is imperative that regulators take action and ensure that all institutions manage their portfolio in an effective, safe, and profitable manner. There are, however, certain fundamental aspects of the Basel III Capital Proposals that cause concerns for community banks like ours.

A major area of concern is the fact that no exemption from the Basel III Proposed Rules for Small Savings and Loan Holding Companies exists. The Federal Reserve has a long standing policy statement excluding bank holding companies under $500 million from the capital rules. This policy exception was codified in Section 171 of Dodd-Frank. However, the statute did not make a similar exception for savings and loan holding companies under $500 million. The Federal Reserve's current position is that Section 171 does not allow it to make exceptions for small savings and loan holding companies such as Great American Bancorp, Inc. In its current form, the proposal would force small bank thrift holding companies, such as ours, to develop costly compliance regimes and potentially raises concerns about the viability of this structure. Similarly, without an exemption from the current Basel III proposals, small thrift holding companies will be at a severe competitive disadvantage in comparison to small bank holding companies. We fear that these measures will drastically impact the goal of our institution, which is to serve and meet the needs of the community in which we operate.

First Federal Savings Bank is also actively engaged in home equity lending (a $4.6 million portfolio on lines of $9.4 million). The risk weights associated with this particular product of up to 200% are penal and will inhibit the availability of a credit that many of our customers currently rely on.

We also feel that increasing the risk rates on delinquent loans is unnecessary as this is addressed in our Allowance for Loan and Lease Loss analysis. Due to the fact that our Allowance for Loan and Lease Loss analysis is conducted frequently and incorporates current local market trends, we feel that the capital in place is sufficient. The proposed measures could also potentially decrease our willingness to work with a borrower to stay in their home, which is in the best interest for everyone involved including the borrower, the local economy, and First Federal. Because of the proposed rules, however, First Federal may be forced to be more aggressive in moving loans that become ninety days past due off the balance sheet.

Finally, the scope of the proposed rules will require our institution to acquire additional resources and new information in order to calculate the risk weights association with our current portfolio. In preparation for this particular response alone, the staff of First Federal saw firsthand the impact that it will have on our current employee utilization as more resources and time were required to conduct our analysis. These proposals will certainly increase the regulatory burden for not only First Federal, but for all community banks throughout the nation.

Looking back over the last 104 years of our existence, we have been extremely successful in serving our local community, its citizens, and various programs. However, First Federal believes that the effect of the Basel III proposals in their current form will have a significant impact on not only First Federal, but community banks throughout the country. We strongly urge you to consider an exemption from the bulk of the rules outlined in Basel III for the country's community banks with assets of less than $500 million.

Thank you for your consideration.

Sincerely,

Tyler R. Rouse
Senior Vice President of Administration

CC: Senator Mark Kirk
Senator Dick Durbin