



October 3, 2012

Office of the Federal Reserve Board

[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)

RE: Basel III Docket No. 1442

To the Office of the Federal Reserve Board:

This letter is written regarding Basel III. My concern is not the end goal of focusing every financial institution in the country to restrict itself to holding less risky assets. The problem with Basel III is that consumer lending will not be a cost effective activity for any community bank. If the capital requirements apply as presented in the Basel III material released, the cost of allocated capital to home equity loan and the non-secondary market qualified first mortgages will exclude community banks from taking the consumer and first mortgage burden off the Federal Government as it exists now.

The long-term fix to the FNMA issues which we as a country have failed to face in the near term, will only push them so far into the future as to burden a future generation of Americans. The current refinance wave to all government loans is acceptable because of the underwriting, but not without risk. Borrowers that are not "perfect" as defined by the narrow rules of FNMA will have no option if the Basel III rules are put into place. Currently these first lien mortgages and purchase money second lien loans are 50% capital weighting for community banks. The net margin on these loans provides an acceptable return on capital allocated. If this allocated capital more than doubles in certain loan classes, then these consumer loans will be the least profitable option for community banks. Generally, the least profitable product gets the least attention and resources. Basel III will effectively close the door to home ownership for self-employed and A- credits, who have loyally serviced their debts everyday in this country. Hard-working middle income Americans are being burdened in this country at many turns, but they have always had a local community bank that understands their specific situations. Basel III has a potential to strip this away, damaging the fabric of this country's financing and spending.

This is the unintended outcome of Basel III.

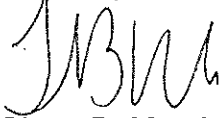
The continued concentration of financing to a few large institutions may be easier for the FDIC, OCC and the Fed, but it is the mistake of our generation. In 2008-2009, those

large institutions stopped lending when community banks continued to support individual and small businesses' needs in this country.

Please support a re-assessment of the Basel III application across every institution in this country.

If you have any question please feel free to contact me on my cell at 610-996-6661.

Sincerely,

A handwritten signature in black ink, appearing to read 'GBM', written in a cursive style.

Glenn B. Marshall

President & CEO

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