

October 10, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street & Constitution Ave. N.W.
Washington, DC 20551

Re: Basel III Capital Proposals

Dear Ms. Johnson:

Thank you for the opportunity to provide comment on the Basel III proposals¹ 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.

We are a community bank with slightly over \$300 million in assets located in La Crosse, Wisconsin. Our primary market area is La Crosse and Monroe Counties which have a population of slightly over 100,000. In addition to serving the small urban area of La Crosse County, we have branches that serve rural banking needs, including offering non-traditional real estate loans and second mortgage loans. For example, it is not unusual to have a loan request that includes a home loan with some acreage attached. Not only will we be required to hold more capital to provide these loans, the accounting and compliance costs will be significant to us in an amount where we will closely reconsider whether we will continue to offer this type of credit. With the housing market still struggling I cannot understand why hampering the ability of consumers to get this type of credit is a good idea.

We also have a relatively large bond portfolio in which we have unrealized gains. This is fine for now, but we are concerned that when interest rates rise and unrealized gains turn into unrealized losses our ability to pay distributions (We are an "S" corporation) to our shareholders to cover taxes may be at risk—just because of a change in interest rates!?

We would like to grow as a bank which may include a potential acquisition of a smaller bank. This strategy may also need to be reconsidered as if we leverage our capital even slightly a change in interest rates could affect our ability to pay distributions on the profits we would anticipate gaining through an acquisition.

¹ The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions*; *Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements*; and *Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

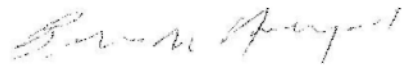
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Ms. Jennifer J. Johnson
Page 2 of 2
October 10, 2012

Please reconsider these new capital requirements and direct them to the banks that caused the economic downturn, not the community banks who have suffered enough.

Thank you for your consideration.

Sincerely,



Bruce M. Norgaard
President & CEO