

From: The Home Loan Savings Bank, Rick Hudson  
Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules  
Subject: Regs H & Y Regulatory Capital Proposals

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Comments:

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.

I am the compliance officer at a \$160 million dollar community bank that has been in existence for 130 years. While I do not claim to understand all the complexities of finances at the bank, it does seem to me that there are many sources that are questioning the wisdom of the Basel III standards as they would apply to community banks.

My understanding is that the Basel III standards were not originally designed to apply to community banks, which are much smaller than the mega-banks. Community banks, as a whole, were not involved in the type of transactions that led to the recent financial crisis, but they are being forced to bear the increased costs of additional regulations. These costs end up doing one of two things: either they are passed on to customers; or they reduce the profitability of the banks, which ultimately leads to fewer community banks being viable. The first option reduces the money that consumers have to keep the economy going (recovering), and the second option leads to bank failures which impacts competition. Neither option seems like a good choice.

Community banks do not raise capital the same way as the mega-banks. Community banks stay in existence by treating their customer well. After all, we see our customers at the grocery store, the basketball game, and PTO meetings. If we cannot look them squarely in the face, we do not survive. Subjecting community banks to the same standards as the mega-banks is simply unfair.

Community banks should be allowed to remain under the Basell standards, which more accurately reflect the business model they follow. Therefore, I urge the banking regulators to exempt community banks from the Basel III proposed standards.

Thank you again for the opportunity to comment on the proposal.

Sincerely,

Richard L. Hudson  
The Home Loan Savings Bank