



October 20, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219

Robert E. Feldman  
Executive Secretary  
Attention: 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 comment on the Basel III Capital Proposals, which if applied to the nations community banks as currently proposed, will irreparably damage the industry and the nation's economy.

Specific portions of these proposed rules will be particularly damaging. The inclusion of AOCI in the calculation of regulatory capital will needlessly increase the volatility of bank capital. Granted, all financial institutions must manage interest rate risk, but setting the stage to create an unnecessary regulatory capital crisis at this stage of the current interest rate cycle is unconscionable. This specific portion of the proposed regulation is even based upon flawed accounting principles which require marking portions of the asset side of the balance sheet to market, while ignoring the liabilities, which also change in value as interest rates move, but for which no consideration is given.

The overly complicated asset risk weighting called for in the Basel III proposals will also have a very detrimental impact on the housing finance provide by community banks. This will further delay the badly needed recovery in this area of our economy. Community banks have historically provided innovate housing finance in their local market area. This credit is typically provided to customers who are well known to the bank. Many such loans do not qualify for the secondary real estate loan markets and it was not these type loans which were at the heart of the recent financial crisis.



In the last market cycle, a few community banks in certain markets, took too much risk, particularly in the construction and development area. The failures that resulted from this excessive risk, in these few institutions, did not cause the national economic crisis. These failures were part of the inevitable economic cycles experienced in a free market economy.

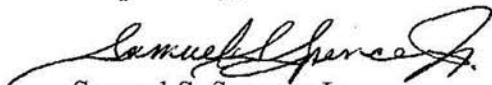
The latest economic crisis was created by the largest national banks, which were allowed by the regulators to utilize too much leverage while risking Federally insured bank deposits. In my opinion the only way a similar crisis will be prevented in the future is to bring back a Glass - Steagall type separation of commercial banking and investment banking. The currently proposed rules this area are too complex and will be too hard to enforce by the regulatory authorities. A clear and simple separation of commercial banking from investment banking worked for sixty years and will work again.

FDIC Director Thomas M. Hoenig's counsel with respect to bank capital rules is the correct prescription in my view. In a recent speech he said, "a simple, understandable and enforceable capital standard when measured consistently, not subject to manipulation, and enforced uniformly across the industry provides for equitable treatment of all firms within the industry, from smallest to largest." The Basel III Capital Proposals do not meet this test.

I have been the president of this community bank for over twenty years and a student of our local and national economies. I firmly believe that if the proposed Basel III capital requirements, are forced upon the community banking industry of our country, they will cause the community banks that survive, to without a doubt, reduce credit to small businesses and rural families at a time when our very economic survival as a country desperately depends on a growing national economy.

If for whatever reasons some form of these proposed rules must be implemented to rein in the excesses of the large national too-big-to fail institutions; for the benefit of the community banking industry and all of the small businesses and individual families that depend upon community banks for credit and other financial services, please exempt community banks from these onerous and overly complex capital rules.

Respectfully,



Samuel S. Spencer Jr.  
President & CEO