

From: Wayne Bank and Trust Co., Bonnie Kruckenber
Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules
Subject: Regs H & Y Regulatory Capital Proposals

Comments:

October 21, 2012

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

Dear Mrs. Johnson:

Thank you for the opportunity to comment on the Basel III NPR.

I appreciate the chance to express my concerns, while this NPR may have merit for financial institutions who conduct business on a global scale, I believe it will be of little value, but very costly and burdensome, for community banks.

My first concern involves the proposed risk weights for mortgage loans. While it goes without saying that it is important for borrowers to have an equity investment in their dwellings (which is required of borrowers by this, and I imagine most, community banks), tightening the RBA ratios for mortgage loans will surely cause small banks to closely evaluate the amount of money they can loan and still remain well or adequately capitalized. This will lead to a tightening in the market, and ultimately make it more difficult for borrowers to obtain loans.

In addition to potential loss of income, I envision that this regulation will be costly for community banks in another way. The additional RBA categories will require an investment in time and money in order to establish and maintain systems for regulatory reporting requirements. Community Banks are so very important to the communities they serve. We support the United Way, the sport teams, the runs, the walks, the fund raisers...we are a key and core to the communities we serve. Our staff are leaders and volunteers in our communities. I do not think your intent is to reduce the number of community banks with this regulation, but I am afraid it will be a consequence of this regulation.

Also, community banks, particularly privately held ones, do not have access to capital markets that are available to larger institutions. In the event this regulation causes a small bank to become undercapitalized, it would be very difficult to remain in business without going public in order to raise capital.

I believe the current RBA capital ratios are fair and that they are reasonable and safe percentages. I cannot understand how the public will be served if Basel III is ultimately applied to community banks, nor will there be any benefit for these banks.

Thank you for your consideration.

Sincerely,

Bonnie Kruckenberg
Wayne Bank and Trust Co.