



August 22, 2012

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

Jennifer J Johnson
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Robert E Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Vaughn M Noring
Bank Bureau Chief
Iowa Division Of Banking
200 E Grand Ave, Ste 300
Des Moines, IA 50309-1827

Re: Proposed Rulemaking on Minimum Regulatory Capital and the Standardized Approach for Risk-weighted Assets

Dear Madam and Sirs:

Capital is a terrible thing to waste. The current Basel III proposals will waste a vast amount of capital and severely slow the current recovery we may now have in our economy. The proposal now under consideration will have a negative net effect on our communities and national economy as I read and understand it. There will be a severe reduction in local lending activity and it appears municipal general obligation and revenue bonds will be impacted as well by the changes in risk weighting requirements. Both of these examples will have a major impact on the balance sheet and income statement of community banks.

Reductions in available credit in the form of loans will slow the already anemic economy. However, I question whether anyone has analyzed the true impact that the pending changes will have on the municipal markets. Their source of funding will be hampered and will result in higher interest rates, thus more expensive borrowing costs to local governments and

municipalities. The current proposal will require Peoples Bank to either curtail or eliminate local lending to 1-4 family residential loan, second mortgages, small commercial real estate (main street merchants) and support of our municipalities. Additionally we are analyzing whether it is even prudent to think about growing the bank through acquisitions or internal growth given the questionable future capital requirements. In a nutshell an enormous amount of capital will rest on the sidelines and not be used to spur growth.

Growth appears to be out of vogue in Washington DC. Given the state of our national and local economies I am perplexed as to why we continue to implement barriers that either hamper or eliminate growth and opportunity. A one-size-fits-all regulatory approach threatens to stunt our nation's economic recovery. The regulators' proposed rules would increase capital requirements and impose more complex regulatory standards on all banks regardless of asset size. While community banks typically maintain the highest levels of capital in the banking industry, the more complex standards could limit lending and credit availability in Main Street communities. An approach that takes greater consideration of the size and complexity of financial institutions into account would have a less disruptive impact on the community banking industry. Capital is a terrible thing to waste and under the current proposals we as Community Banks will be wasting away. Be advised the avalanche of regulations hitting Community Banks will have a lasting effect on our community and country. At some point common sense has to prevail and sensible and prudent measures can be implemented that are sound and beneficial to all parties involved.

As a community banker I urge you to reassess the practicality of Basel III and the true impact that it will have on our communities and economy. Keep in mind the spirit of Basel III was aimed at the highly complex international financial intuitions. These rules do not apply to community banks. We are the solution not the problem. We need to encourage and allow capital to be used wisely.

Thank you for your time and feel free to contact me with any questions.

Respectfully yours,



Kevin D Halterman
Pres/CEO