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GLOBAL HEALTH, AND HUMAN RIGHTS

September 18, 2012

The Honorable Ben S. Bernanke
Chairman
Federal Reserve Board
20th Street and Constitution Avenue, N.W.
Washington, DC 20551

Dear Chairman Bernanke:

I write today to express my concerns regarding the proposed Basel III regulations and their impact on community banks. Strong community banks are critical to the future prosperity of our nation, but growing regulatory complexity and compliance costs are major concerns of community banks, specifically the proposed rules to implement Basel III. Many community banks in Arkansas have expressed that the Basel III rules are too broad and should be revised in a way that recognizes and accommodates the differences between small banks and large banks, and the vast amount of banks that fall in between. I, too, share their concerns.

Specifically, I am concerned that the new risk weights applied to residential mortgages will not only have a significant negative impact on community banks and the rural and suburban communities they serve, but that they will also negatively affect the already struggling housing market as a whole. With most customized residential home loans and home equity loans receiving greater risk weights, it will make it difficult for community banks to figure out a way to make residential lending profitable. Community banks should be able to tailor their loans to the unique needs of their borrowers, instead of being penalized for the options they are able to provide. Further, increased capital requirements for mortgage servicing rights above 10 percent of equity will pose a significant hardship on community banks.

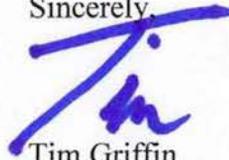
Many community banks are also concerned that they lack the staff and time to comply with the complexities of the Basel III rules, especially when combined with the additional regulatory compliance added by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Every hour and dollar spent on compliance is time and money not being reinvested or loaned to the communities served. The compliance costs faced by community banks are vastly out of proportion to any risk they pose.

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I urge you to reassess the Basel III proposed rules, especially their effects on community banks. I understand the need for regulation, but I am concerned that these regulations will leave the country with fewer community banks due to the cost of compliance. The regulatory burdens for community banks should be reasonable, manageable, and attuned to the actual level of risk they pose to their customers and the financial system.

Thank you for your consideration. My office contact for this issue is Holli Heiles at (202) 226-8500 or Holli.Heiles@mail.house.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tim Griffin', with a stylized flourish above the name.

Tim Griffin
Member of Congress