From: Patterson State Bank, Peter J. Lipari

Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules

Subject: Regs H & Y Regulatory Capital Proposals

Comments:

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

Dear Ms. Johnson:

We are a $215 million community bank that's been in business since 1925. I started with the bank in January of 1971 and have been the President and CEO since April, 1988. I'm writing today on behalf of the bank and our holding company, Patterson Bancshares, Inc. The proposed rules to implement Basel III capital standards would impose undue regulatory burdens on us and other community banks without materially reducing the industry's risk profile - a profile dominated by the nation's largest financial institutions. By exempting financial institutions with total assets of less than $1 billion in assets from the Basel III NPR, the FDIC would exclude 6,586 (91%) of the nation's 7,246 FDIC insured institutions (as of June 30, 2012) while still applying the heightened capital standards to 90% ($12.6 trillion) of the industry's total assets. FROM A RISK MANAGEMENT STANDPOINT, ADDRESSING 90% OF THE INDUSTRY'S ASSET EXPOSURE WHILE PLACING A BUREN ON ONLY 10% OF THE INSTITUTIONS SEEMS A LOGICAL AND EFFECTIVE CHOICE.

I always believed that we (a community bank) could always compete with banks larger than us especially in our local market. We have three offices all located in St. Mary Parish, Louisiana. However; I no longer feel that way. Community banks are struggling to keep up with the costly and burdensome load of regulations and edicts coming from Washington, D.C. Large banks have the ability to absorb these compliance costs more efficiently. Even under existing capital rules, there has been a disconnect between the capital levels required of community banks and what the large banks have been required to keep. Regulatory requirements for small banks have always been higher, and there is no reason to believe that this disparity will not continue under this new proposal. BASEL III WILL NOT ELIMINATE THE "TOO BIG TO FAIL" ADVANTAGE THAT THE NATION'S LARGEST BANKS HAVE OVER COMMUNITY BANKS.

The ultimate losers will be consumers, small businesses and local government entities, who will face higher borrowing costs and the diminished availability of both credit and bank services. The proposed changes to risk weightings, especially in the mortgage loan category, are excessive, and will further dampen activity in an already challenging market. You can expect a significant curtailment in mortgage lending among community banks, especially for loans held in portfolio. Please don't let the needs of the few result in excessive burdens on the many.

We appreciate the continuing efforts of the Federal Reserve and other regulatory agencies to ensure a safe, sound and fair competitive environment for all of America's financial institutions. We urge the FDIC to delay implementation of the NPRs and look for a simple, more effective solution. Apply Basel III to the 10% of all institutions over $1 billion and let existing regulatory practices continue to work for the other 90%.

Sincerely,

Peter J. Lipari
Patterson State Bank