PORT RICHMOND SAVINGS

October 19, 2012

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Delivered via email: comments@FDIC.gov

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219
Delivered via email: regs.comments@occ.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Delivered via email: regs.comments@federalreserve.gov

Re: Basil III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to comment on proposals that were recently approved by your agencies.

Port Richmond Savings has been serving the Philadelphia area in one location since 1919 and is a $65 million dollar state chartered mutual savings bank. We do everything from consumer loans (home equity) to residential and commercial loans. We have been a top

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rated bank as far back as I can remember (I've been here 23+ years) and has tier 1 capital of about 14%. To increase our capital, since we are a mutual bank, we would either need to retail earnings or shrink.

Issues:

1. Requirement that unrealized gains and losses on available for sale securities flow through to regulatory capital.
    - Although we currently do not hold many securities most banks use securities to manage interest rate risk, liquidity, and generate earnings. This proposed treatment would take this tool out of the hands of community banks and force them to either cut their longer term securities (a hit to earnings) or keep more capital due to the potential volatility (at the expense of increased lending).
2. Risk weights assigned to residential mortgages
    - Our loss experience on these types of loans is currently .04% yet many of the risk weightings would require holding so much capital as to make some of these loans not viable for the bank. For example, home equity credit lines would have a capital requirement of up to 200% and we have never had a single loss on these loans.
    - All loans on the banks books would be subject to the requirement. Every old loan file would have to be reviewed to determine their appropriate category and loan to value ratio for each mortgage. Systems would have to be developed or modified for the continued reporting. All this cost but for what benefit?
    - Increasing the risk on delinquent loans is not only redundant (its covered in the allowance for loan losses) but would have the negative effect of banks willingness to work with delinquent borrowers.
    - PMI (private mortgage insurance) which reduces risk on lower down payment loans is not even considered in the proposal.
3. Scope and granularity of the proposed rules
    - The amount of effort and cost required to obtain, maintain, and report all the information required in the proposal would be an unwarranted burden and cost.

In summary, the effects of the above will alter, in a negative way, the way community banks across the nation operate and is totally unnecessary. If you review the facts of the current hits to capital , (see siefriedbrew.com data), these capital requirements do not fix the problem of undercapitalized banks (the benefit) and significantly alters the way they serve their communities (the cost). Remember that if community bank resources (people and dollars) are spent on unnecessary burdens it is not available for loans to businesses, ect (creating jobs).

Thank you for your consideration.

Sincerely,

Sidney O. Smith, CPA
President and Chief Executive Officer

CC: Senator Robert P. Casey, Jr.
Senator Patrick J. Toomey
Representative Allyson Schwartz
Representative Robert Brady