PIONEER BANK
Where Business is Personal

October 18, 2012

The Honorable Ben S. Bernanke
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

The Honorable Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

The Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Chairman Bernanke, Comptroller Curry and Acting Chairman Gruenberg:

As the Chief Executive Officer of Pioneer Savings Bank, I am writing to offer comments on the joint proposed rules released on June 7, 2012 by the Federal Reserve Board (the "FRB"), the Comptroller of the Currency ("OCC") and the Federal Deposit Insurance Corporation intended to implement the Basel III regulatory capital reforms from the Basel Committee on Banking Supervision (the "Basel III Proposals") and to advocate for modification of the proposed rules.

Pioneer Savings Bank is a 123 year old New York State chartered mutual savings bank headquartered in Troy, New York. We are regulated by the NYS Division of Financial Services and, on the federal level, by the FDIC. Pioneer maintains 16 branch offices all of which are located within less than 30 miles of our Main Office in Troy. Our current asset size is approximately $756 million. We are a full service mutual community bank and serve the individuals, families, small businesses, not-for-profit organizations and municipalities in our geographic footprint. We are strongly committed to fostering economic growth within our region and since January of 2009 have grown our local small to mid-sized business loan portfolio by approximately 70%, which represents net growth in small/mid-sized loans of over $125 million.

Pioneer, as a mutual community bank, has achieved a healthy Tier 1 Capital Ratio of over 11% by virtue of a century plus commitment to growing and preserving capital, through the accumulation of earnings and an operating philosophy grounded in safety and soundness.

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I am wholeheartedly supportive of the underlying motivation to strengthen the ability of the financial services sector to withstand periods of financial challenge without becoming a burden to our country's taxpayers. I do, however, find several aspects of the proposal troubling, especially to the community banking sector and even more specifically to the over 500 community banks that operate with a mutual charter. Mutuality has proven itself to be an exceptionally stable financial institution ownership model, with many of the over 500 mutual community banks in the country being in operation for over 100 years. We have survived, and thrived, contributing to home ownership and economic development in thousands of communities across the United States, through some exceptionally challenging times, from the Great Depression to the period during the early 1980's when deposit interest rates approached 20% to the past 5 years of historically low interest rates and an extremely unsettled economic environment. Those of us who were not lured into converting to public ownership, made the decision to remain mutual for strongly ethical, unselfish reasons. We are committed to our employees, our customers and our communities. The proposed rules regarding implementation of the Basel III regulatory capital requirements do not reflect an appropriate understanding or consideration of the mutual charter, its benefits and the potential challenges managing capital under the proposed rules pose for mutual banks.

As a mutual bank, we add to our capital only through accumulated earnings. Under the proposed rules, several new elements of significantly increased volatility have been added to the equation that will, most assuredly, change the dynamics of managing regulatory capital for us and, in turn, will impact how we must operate. In addition to the Bank's investment portfolio, Pioneer continues to provide a defined benefit retirement plan to its employees and under the new proposed rules, the volatility of the investment assets of that plan will be subject to inclusion in the calculation as well.

While I have personal concerns with layering additional regulation, and tracking/reporting, on an already beleaguered industry wherein the overwhelming majority of banks do not now, nor ever have, posed any risk of financial burden to the nation's taxpayers, I do understand the need for enhanced capital standards for the small percentage of institutions that do pose such a risk. I strongly advocate that a tiered approach be considered, acknowledging the size and unlikelihood of loss to taxpayers presented by community banks.

Although I understand that you are charged with implementation only, I feel compelled to comment that I am confounded by the logic that requires such a high level of re-invention of capital standards for "all" banks, no matter what the size or ownership charter, but not for any credit unions. In the market in which my institution operates, there are 3 different federal credit unions larger than we are, one of which is more than triple our size, and involved in nearly identical business lines, with capital ratios 20-30% lower than ours. Neither they, nor we, have the ability to raise capital except through accumulated earnings. Yet, they are not deemed to be systemically significant enough to warrant this additional level of capital regulation while smaller, mutual community banks are.

I appreciate the opportunity to share my comments and respect the challenge with which you are presented. Thank you.

Very truly yours,

Eileen C. Bagnoli

Eileen C. Bagnoli
Chief Executive Officer