October 18, 2012

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

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

The Honorable Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street, SW
Washington, D.C. 20219

Dear Chairman Bernanke, Comptroller Curry, and Acting Chairman Gruenberg:

As Members representing districts within the Commonwealth of Pennsylvania, we write to express our concerns with the joint proposed Basel III capital requirements and their negative impact on community banks.

We appreciate your efforts to improve standards for the U.S. banking industry, reduce systemic risk, and restore confidence in our capital markets. However, we strongly urge you to consider the unintended consequences that pursuing a “one-size-fits-all” approach to the Basel III requirements could have on our fragile economic recovery. Community banks are a significant source of individual and business lending in communities across the country, and in some areas, are some of the only institutions available to provide direct, local support. The proposed rulemaking does not consider the unique, important role that these institutions play in our financial system.

Community banks have little to no access to capital markets. By forcing these institutions to greatly increase their Tier 1 capital reserves, the proposed rules significantly hamper their ability to manage liquidity and interest rate risk. These new requirements could force community banks to retain a greater portion of their earnings in capital, rather than investing it in their community for economic development and job creation. Additionally, we are concerned that the proposed rules could make it even harder for them to raise needed capital. Finally, the complex new reporting requirements will significantly increase the compliance burden on community banks and divert necessary resources from the communities they serve.

As you know, community banks are already carefully regulated by your agencies. We all recognize the interconnectedness of the global economy and the call for rules governing our respective financial systems, but there is little value in requiring community banks to adhere to systems designed for much larger and more complex institutions.

We appreciate your consideration and look forward to your timely response.
Sincerely,

Michael G. Fitzpatrick
Member of Congress

Mike Kelly
Member of Congress

Tom Marino
Member of Congress

Patrick Meehan
Member of Congress

Glenn Thompson
Member of Congress

Todd R. Platts
Member of Congress

Tim Holden
Member of Congress

Mark S. Critz
Member of Congress

Lou Barletta
Member of Congress

Jim Gerlach
Member of Congress

Bill Shuster
Member of Congress

Tim Murphy
Member of Congress