Savers Bank
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October 22, 2012

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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

While we support requiring greater amounts of high quality capital, the regulation introduces undue complexity.

First, many banks will not have the data necessary to assign mortgage categories under the proposal. Second, even if a bank has the data necessary to calculate the risk weights applicable to each mortgage, it would be extremely burdensome for many banks to examine old records in order to determine mortgage categories and calculate LTV ratios under the proposed framework.
Third, given the substantial increase in capital that would be required for such existing category 2 mortgages, which may constitute a substantial amount of assets on an institution's balance sheet, the retroactive impact of the proposed treatment would be especially harsh. Given that the Basel III NPR is already substantially increasing required minimum capital, the need for retroactive application of the new standards is significantly decreased.

The capital requirements for higher LTV credits would restrict the lending to those who most need it and further deteriorate an industry already reeling from a regulatory onslaught.

We do not support the proposal to include unrealized gains and losses on available for sale securities.

Allowing unrealized gains and losses to flow through capital would:
Negatively impact the ability of banking organizations to contribute to the economic recovery in a rising interest rate environment. With the inclusion of unrealized losses of AFS securities in equity, rising interest rates would put downward pressure on banking organizations' capital levels, potentially causing banking organizations to reduce the growth of or shrink their securities portfolios considerably to maintain capital ratios at desired or required levels. Also, discourage banks from engaging in routine activities used as an important asset-liability management tool.

We are supportive of the Agencies' efforts to improve the level and quality of minimum required capital. We strongly recommend the Agencies pursue a more simplistic and effective proposal appropriate for a diverse banking system which is largely dominated by less complex, community based institutions.

We believe it is imperative for the Agencies to understand the impact on an aggregate basis and, more importantly, have a better sense of how changes in the capital rules will impact the bank's origination of credit.

Best regards,

Joseph A. Coderre
President & CEO
Savers Bank