

October 4, 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 proposals¹ that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I am deeply troubled by the Risk-Based Basel III Capital Proposals and its possible effects on our community bank and community banks in general. We have faced a mountain of recent regulatory requirements over the past few years and it has created a strain on capital, profits and personnel capital. The burden this proposal will present our bank, particularly the complexity of the mortgage risk weighting on loan-to-value ratios will be very large. We have been discussing whether or not we should be in the mortgage making business since the "High-Cost Mortgage" rules went into effect plus the S.A.F.E. Act. Adding another burden on community banks who did not contribute to the mortgage meltdown only increases the likelihood that community banks will discontinue making home loan mortgages. This will slow down the economic recovery, particularly the housing recovery and add another layer of regulatory burden to the community banking system and add to our costs.

I tried to work through the spreadsheet provided and it was very difficult to understand what we were suppose to enter. Additionally, we do not even have much the mortgage information readily available and the implementation of this proposal would result in us having to do a loan by loan review of all our mortgage credits to develop a system for the loan-to-value requirements.

¹ The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions*; *Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets*; *Market Discipline and Disclosure Requirements*; and *Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule*.

We are doing our best in helping our community by offering the products they desire but proposals, such as this, jeopardize the viability of the community banking model.

I believe this proposal may have a place with the larger banking institutions but not in the community banking world.

I would recommend that community banks be exempt from having to adhere to this proposal.

Sincerely,

A handwritten signature in cursive script that reads "Virgil Welker". The signature is written in dark ink and is positioned below the word "Sincerely,".

Virgil Welker, President & CEO
Bank of Monticello