Lakeside
Bank

October 17, 2012

Officer of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, D.C. 20219

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

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.

I have been in banking and finance since 1965. I am the president of a $93 million community bank in southwest Louisiana. Lakeside received the only de novo charter issued in 2010. Our area has the second highest concentration of the petrochemical industry in the state. We are scheduled to see $28 billion additional investment in our area over the next three years with permanent job increases over 5200. With the growth in the area and for the bank, management and the board of directors immediately recognized the need for future capital beyond what could be retained in a short period. Accordingly, a request to issue capital stock has been submitted. It is rather ironic given the regulatory emphasis on increased capital that a bank would have to request permission to gather more capital and when requested wouldn't receive an immediate resounding yes. Our management and board fully support the concept and requirement of every bank having adequate capital and reserves.

When I first read drafts of the Basel Accord on credit risk assessment and increased capital proposals three years ago, I noted that the proposals were addressed to issues at mega banks involved in multinational and highly complex financial transactions. I am deeply concerned and troubled that those requirements are now being thrust upon all banks regardless of size or structure. One particular issue in the proposal increasing the risk weight of credits on 1 to 4 family residences from 50% to as much as 200% will have a serious impact not only on my bank but most likely on all community banks. My bank has 17% of its loan portfolio involved with the financing of 1 to 4 family homes. All of these credits are held in portfolio and are not transferred to the secondary market since most are non-conforming. In order to mitigate interest rate risk, all of these credits are financed with a three to five year balloon note. Under the current proposal, none of these credits will be eligible for the 50% risk weighting. Given that this is the situation with most community banks, it would seem to be appropriate to consider maintaining the current risk weighting of 50% of all 1-4 family residences that are kept in portfolio. Pushing the proposed risk weighting to the 150% or 200% may well move many community banks out of the residential financing market at a time when the housing industry is suffering nation wide.

Home equity lending is one of the few remaining consumer lending functions that has not been pirated by non-bank or shadow banking entities. Our bank is very active in the home equity area. The risk weighting at 200% for this activity will both increase the cost of the credit to the consumer and restrict the availability of this consumer product.

The restriction or limitation on the percentage of the loan loss reserve inclusion in risk based capital is counterproductive to the intent of providing a safer banking industry. The ALL is where banks should allow and provide reserve against and for risk.

Community banks had little or nothing to do with the recent economic debacle created by the misuse of sub-prime or Alt A residential loans of which 94% were originated outside of the banking system and securitized by large Wall Street investment houses. The community bank model is quite different from the larger and "systemically important" banks. Community banks operate in home towns, support the local football teams, the local grocer, attend PTA meetings and know the name and business of their borrowers. The community banks are the truly "systemically important" component to an economic recovery in this nation. Community banks are the lenders to the "Mom and Pop" small businesses that create jobs, build houses, and pay taxes.

While I fully support an increase at some level in the amount of capital banks should hold, the cumulative effect of the proposals will have a severe impact on most community banks in this nation. I strongly urge you to consider the position of the Conference of State Bank Supervisors. When all 50 state regulatory agencies that are closest to the community banking system urge the agencies to not advance the proposed rules and encourage them to seek out a more meaningful and less complex capital framework, I would certainly hope that the agencies and our elected officials can listen.

Regards,

M. S. Harmison
President & CEO

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