

Ms. Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street & Constitution Avenue  
Washington, DC 20551

Re: Basel III Capital Proposals

Dear Ms. Johnson:

As referenced above, I write regarding the proposed Basel III capital standards that will affect not only large financial institutions, but community banks as well. I am a retired banker and a director of a local financial institution based in central Michigan. The bank I represent is truly a community bank, gathering deposits and lending to individuals and small businesses. Our bank has also been a leading lender to individuals for the purchase of single-family dwellings.

The proposals that Basel III contemplates will affect the calculation of tier one capital and will require an increased risk weighting for residential loans. Our bank enjoys a strong capital position under current standards and did not take TARP funds, as many financial institutions did. Our capital position provides not only for a strong financial institution, but also provides us the opportunity to acquire other community banks in our Michigan market that do not enjoy a strong equity capital position. Basel III will only exacerbate the already existing capital needs of many financial institutions.

I urge the Federal Reserve to reject certain provisions of Basel III, especially those relating to the increase of tier 1 capital requirements by including unrealized gains and losses on all available for sale securities in the tier 1 capital calculation, AND in the increased risk weightings for certain types of residential mortgage loans, AND the use of loan to value as the sole determination of the risk weighting on a loan secured by a residential mortgage.

Current provisions of Basel III pose the threat that these additional requirements will curtail lending opportunities and have a negative impact on borrowers and community banks. I trust that you will accept and seriously consider the negative impact of this increased regulation on behalf of the banks and customers in our market area.

Very truly yours,

Aloysius J. Oliver