



October 9, 2012

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

Re: Basel III Capital Proposal

Dear Ms. Johnson:

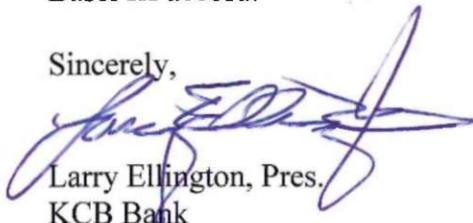
I would like to comment on the proposed application of the Basel III framework to community banks. In short, I believe the unintended consequences of the framework (which are imminently foreseeable) will provide a hurdle even well run community banks will not be able to overcome.

My almost 40 years of community banking lead me to suggest the most common community bank is \$50-250 million in deposits; is either family owned or has a small ownership group; does not raise capital through public markets; depends heavily on lending rather than fee based services; and serves a community the larger banks are hesitant to make a significant investment in. I should not have to explain how each of these characteristics will be negatively impacted by the imposition of Basel III. It is foreseeable, and has been well articulated by many sources, including the ICBA.

I have always supported home ownership for people who could afford their investment. I believed Fannie and Freddie served an outstanding purpose before political considerations impacted their performance. Like all community bankers, I also believe we ARE the true embodiment of a socially responsible CRA, (we know our banks cannot prosper if everyone in our communities are not given the opportunity to prosper also). It is always the unintended consequences which the community bank is left to struggle with while the very large banks almost always benefit (through consolidation and decreasing competition).

No community bank, no matter how poorly run, will affect the international banking community. An international banking law, however, if applied to community banks cannot help but severely impact that bank. Please lend your significant voice in exempting community banks from the Basel III accord.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Larry Ellington', is written over the typed name and title.

Larry Ellington, Pres.
KCB Bank