

FARMERS NATIONAL BANK OF GRIGGSVILLE

October 5, 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. The Farmers National Bank of Griggsville has served western Illinois since 1943. The area we serve is a low income agricultural community. We have been using balloon loans for over 30 years. Why you might ask? A large number of our residents do not qualify for Farmer Mac or secondary market long term fixed rate home loans such as FNMA. Basel III if implemented, stands to crush rural America by eliminating sources of lending that have aided lower income borrowers to secure home and farm financing. Basel III was intended to help improve the strength of Too Big To Fail Banks not cripple rural America by handcuffing rural Community Banks. The formula for Basel III is a devastating recipe for rural economic disaster.

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.*

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Community banks should be allowed to continue to use the Basel 1 framework for computing our capital requirements. We did not engage in highly leveraged activities like the largest banks in the country so why should our bank and community be punished? Our business is based on building of customer relationships not high transaction volume. Consequently we know our customers unlike Mega Banks and present less financial risk to this great nation.

I pray that this short letter will encourage you to rethink this narrow minded proposition that stands to further weaken low income rural areas.

Sincerely,

A handwritten signature in black ink, appearing to read "D. W. Smith". The signature is fluid and cursive, with a large initial "D" and "S".

Douglas W. Smith
President