

**Congress of the United States**  
**Washington, DC 20515**

February 19, 2013

The Hon. Ben Bernanke  
Chairman  
The Federal Reserve  
System  
20<sup>th</sup> Street and Constitution Ave, NW  
Washington, D.C. 20429

The Hon. Martin Gruenberg  
Chairman  
Federal Deposit Insurance  
Corporation  
550 17<sup>th</sup> Street, NW  
Washington, D.C. 20429

The Hon. Thomas Curry  
Comptroller  
Office of the Comptroller of the  
Currency  
400 7th Street, SW  
Washington, D.C. 20219

Dear Sirs:

We are writing to express our continued concern with the current approach to implementation of the Basel III capital requirements for U.S. financial institutions.

On November 29, 2012, representatives from your agencies testified at a joint hearing of the Financial Institutions and Consumer Credit Subcommittee and the Insurance, Housing, and Community Opportunity Subcommittee on the joint proposed rulemakings to implement Basel III. During the hearing, members of the subcommittees expressed near unanimous concern about the blanket application of the proposed rules to all financial institutions regardless of their asset size or business models. Members also received testimony from a diverse group of financial institutions that highlighted the significant consequences of your proposed rule for our financial system. We strongly encourage you to consider the concerns raised by members of the subcommittees as you finalize the proposed rules.

As many of the witnesses reinforced during the hearing, the Basel III capital requirements were designed for large banks that conduct business globally. We

believe the application of these standards to regional and community banks could have a significant negative economic effect. Therefore, we urge you to tailor the capital requirements to ensure they are appropriate for the wide range of institutions that comprise our financial system

Unique among the world's developed countries, the United States is served by a large number of relatively small depository institutions. These institutions did not cause the financial crisis—rather they have continued to serve their communities in a prudent manner, and in many cases have played a critical role in the recovery of local economies. We are concerned that the compliance costs of implementing the Basel III framework will force many institutions that are not engaged in global banking to consolidate or go out of business altogether.

We are also concerned that the cost will ultimately be borne by consumers in the form of higher down payments and higher interest rates on residential mortgages. The Basel III standardized approach for risk-weighted assets could severely limit the types of mortgages smaller banking institutions can feasibly offer in their communities and hold in portfolio. Traditional community banking mortgage products that help lower-income consumers finance their homes will become scarcer and more expensive, as the regulatory capital needed to originate and hold these loans will increase substantially. This impact will be especially pronounced in underserved areas, in both rural towns and metropolitan neighborhoods across the nation, where smaller institutions are often the primary source of credit.

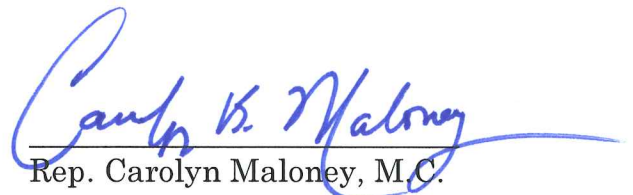
The diversity of lenders in this country has traditionally meant that consumers, small businesses, and other borrowers have many sources of credit from which to choose, adding to the resiliency of the U.S. economy. To maintain this valuable benefit, we urge you to tailor the new capital rules in way that is appropriate for the wide range of financial institutions that comprise our financial system and that reflects and preserves its diversity.

We thank you in advance for your consideration of this matter.

Sincerely,



Rep. Shelley Moore Capito, M.C.



Rep. Carolyn Maloney, M.C.