



Farmers Bank

OF WILLARDS

ESTABLISHED 1925
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August 10, 2012

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Dear Mr. Feldman:

Our officers and Board of Directors have reviewed your new capital proposals to implement Basel III using a new standardized approach for risk weighted assets. Our president traveled to the New York office to participate in one of your informational sessions. Although we agree capital is critical for banks, we are concerned about the effect this standardized approach will have on our Bank, other community banks and community bank customers.

We are especially concerned with the proposed changes to the risk weightings of one-to-four family residential mortgages. For many community banks, these mortgages are the cornerstone of their loan portfolio. Community banks often provide the funding for family mortgages where the borrowers would not qualify for a brokerage loan to be sold on the secondary market. We do not understand the change to the risk weighting of these assets; especially treating balloon loans as more risky than fixed rate, long-term loans. We also were informed that the current proposal does not provide guidance on how demand mortgages are to be treated as they were not part of the original deliberation.

Many community banks do not have the computer systems to gather the data that would be required to implement the new standardized approach. We are concerned about the cost to gather the data and enhance our data systems to allow the collection and reporting necessary. We urge you to consider scaling capital standards based on the size and complexity of financial institutions.

Changing capital standards by either requiring a capital cushion that would further restrict dividend payments or by changing the risk-weighting of the assets and thereby lowering capital ratios will make it very difficult, if not impossible, for banks in currently economically depressed areas to raise capital. Requiring increased capital standards before the economy has recovered could cause more community banks to flirt with capital issues and could result in additional mergers and closures.

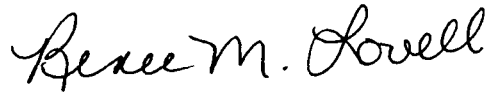
The Farmers Bank of Willards Administrative Center
31522 Winterplace Parkway
Salisbury, MD 21804

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We respectively submit this letter and will continue to follow your actions as you consider your changes to the current capital standards, including how assets are risk weighted. Thank you for your consideration. As directed at their meeting on August 8, 2012, I respectively sign this letter on behalf of the members of our Board of Directors.

Sincerely,

The Farmers Bank of Willards

A handwritten signature in black ink that reads "Renee M. Lovell". The signature is written in a cursive style with a large, prominent "R" and "L".

Renee M. Lovell, CPA
Chief Financial Officer