MAIN Bank

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MEMBER FDIC

July 26, 2012

Federal Deposit Insurance Corporation
Email: comments@fdic.gov

Re: FDIC – RIN 3064-AD96 (Standardized Approach NPR)
Comment Concerning Off-Balance Sheet: Mortgage Banking

To Whom It May Concern:

Please register my strong opposition to the proposal of including representations and warranties on loans sold into the secondary market in the calculation of the Total Risk-Based Capital Ratio.

This one-size-fits-all approach will have many more adverse and unintended consequences than any new benefits the regulatory agencies can possibly achieve from this new rule.

To help you realize the impact that this rule will have throughout the industry, consider the impact on our bank. Main Bank, through its Ameriplex Mortgage division, originates a substantial volume of residential mortgages, most of which are sold into the secondary market to a small group of investors such as J. P. Morgan Chase and Wells Fargo. In the 24-month period of July 1, 2010, through June 30, 2012, we originated 822 loans totaling $146 million. During that period we have been asked to repurchase <u>zero</u> loans due to early payment default, and we were asked to refund $11,866 in premium because of early payoff of <u>one</u> loan. This $11,866 represents 0.0081% of the dollar amount of loans originated. Assuming that all of our agreements have a 4-month repurchase period, and based on our four months' (120 days') of loan volume through June 30, 2012, we would have to add a minimum of an estimated $17.3 million of risk-weighted assets to our Total Risk-Based Capital calculation under this new rule, which represents a 38.3% increase.

Based on the proposed rule, we would be required to set aside an estimated $2.1 million of capital for our additional risk-weighted assets, which would amount to 175 times (or 17,495% of) the refund amount described above. If you do the math, you will see that I used a 12% Total Risk-Based Capital ratio instead of the 10% in the current and proposed rule. The rationale is that, in practice, the field examiners no longer will let any bank get by with as little as 10% in Total RBC. The unwritten rule is 12%, which is common knowledge in the industry.

We already have an ALLL that is more than adequate to cover possible losses of principal on potential loans to repurchase. This adequacy has been confirmed numerous times over the years by field examiners from both the FDIC and the State of New Mexico. In our specific case, our track record shows that we have had zero early payment default repurchases in the history of Main Bank, and we have had only one premium refund of $11,866. Now, under this NPR we are expected to cover that zero historical loss and $11,866 in premium refund with an additional $2.1 million of capital. The proposed rule has no consideration of a bank's historical performance.

With regard to potential negative consequences, consider these scenarios playing out throughout the country, particularly amongst community banks like ours:

1. Any prudent bank is going to want, and the primary regulatory agencies that regulate it will require that it achieve, an attractive return on its capital. The added capital required under the proposed rule will drive our returns on that line of business down so low that we will have to consider, along with our primary regulators, if it is even feasible to stay in the market.
2. Exiting the market will displace many employees.
3. Over time, with lenders continuing to exit the market, the available options for consumers will diminish greatly. The price to consumers will only go up as their available options decline.

I could go on, but I believe the point is clear. This particular proposed rule has no net positive value. It will have an immense adverse impact on community banks like Main Bank, as well as the communities we serve. It certainly adds no incremental benefit to the regulators who supervise us. I encourage you to delete it.

Should you have any questions about my comments or would like to discuss please do not hesitate to call me at (505) 880-1700. Thank you for reading.

Respectfully,

Ronald J. Shettlesworth

Ronald J. Shettlesworth
President & CEO