



STATE OF NEBRASKA  
DEPARTMENT OF BANKING AND FINANCE

DAVE HEINEMAN  
GOVERNOR

October 19, 2012

JOHN MUNN  
DIRECTOR

Jennifer J. Johnson, Secretary  
Board of Governors, Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, DC 20551

Office of the Comptroller of the Currency  
250 E Street, S.W.  
Mail Stop 2-3  
Washington, DC 20219

Robert E. Feldman, Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, DC 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

I want to express my concern about the imposition of the proposed Basel III capital standards on Nebraska's community banks. Basel III is the cornerstone of efforts by international regulators following the 2007-2009 financial crisis to make sure the global banking system is more resilient. The impact of the 2007-2009 financial crisis was felt to a much lesser extent in Nebraska; the strength and management of our Nebraska community banks were factors in that diminished impact. They did not grant the loans on residential real estate which led to the subprime mortgage crisis and the resulting problems in liquidity in the banking system and loss in value of residential housing.

Although Nebraska banks are being told by federal banking regulators that the vast majority of community banks will not be impacted by Basel III, the ongoing effort that will be required of banks to demonstrate their compliance with Basel III standards will add substantially to the regulatory burden the banks operate under. State and federal bank supervisors already have the tools currently needed to insure the safe and sound operation of these banks, and the adequacy of the capital levels of banks in light of the risks they assume.

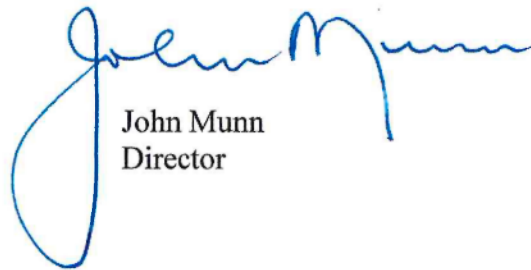
In addition to the added regulatory burden, Basel III would have the unintended consequence of making it more difficult for rural Nebraskans to obtain home loans. The application of Basel III will place a higher capital requirement on banks which extend home loans containing a balloon payment. This is a common practice in rural Nebraska. For such banks, it is important to have the opportunity to reprice these loans periodically. If the local bank will not be making these loans in our smaller Nebraska communities, it is doubtful that other sources of credit for home purchases will be readily available.

*Location:* Commerce Court ▪ Suite 400 ▪ 1230 'O' Street ▪ Lincoln, Nebraska ▪ 68508-1402  
*Mailing Address:* P.O. Box 95006 ▪ Lincoln, Nebraska ▪ 68509-5006

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Please weigh the impact which Basel III capital standards will have on Nebraska community banks in comparison to the role of these banks in the global banking system.

Sincerely,

A handwritten signature in blue ink, appearing to read "John Munn". The signature is fluid and cursive, with a large loop on the left side of the first letter 'J'.

John Munn  
Director