First Federal Bank, FSB
6900 N. Executive Drive ~ Kansas City, Missouri 64120

August 22, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
Regs.comments@federalreserve.gov
Subject Line: Basel III Docket No. 1442

Robert E. Feldman
Executive Secretary, FDIC
comments@FDIC.gov
Subject Line: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96 and RIN 3064-D97

Office of the Comptroller of the Currency
Regs.comments@occ.treas.gov
Subject Line: Basel III OCC Docket ID OCC – 2012-0008, 0009, and 0010

Subject: Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action - DOCKET ID "OCC-2012-0008."

Ladies and Gentlemen:

On behalf of First Federal Bank of Kansas City, I would like to take this opportunity to express my strong concerns relating to the proposed implementation of the BASEL III standards. First Federal Bank of Kansas City is a mutually owned community based bank that has been in operation since 1934. We specialize in residential lending and helping our customers become more financially independent. We never participated in subprime mortgage lending, low doc, no doc lending, or negative amortizing mortgage loans. Our high quality mortgage portfolio is reflective of our strong capital position which is over three times the amount currently required by federal regulation. In addition, we never utilized TARP funding from the Federal Government, due to our strong capital position and quality balance sheet composition. I would also reflect that even if BASEL III were implemented as proposed, we would still meet and exceed all capital requirements.

Under the proposed international capital standards, our post BASEL III capital would be unjustly impacted due to an international standard that is not relevant to our own portfolio and our historic operation which focuses on safe and sound management. After reviewing the proposal, I also feel that the BASEL III proposed standards target those institutions that specialize in residential mortgage lending to a higher level than what I feel is justified.

Based on the proposed BASEL III capital standards, all of our assets would be subject to a different level of risk weightings in order to calculate a perceived level of risk with our mortgage portfolio. We totally disagree with the approach and the methodology being suggested in this proposal. We are a community based bank that has served our local customer base since our inception. We did not venture into other areas of lending that reflected greater losses for other institutions, or into other geographic locations where we did not understand the markets. By requiring the Bank to meet a new risk based capital requirement, we would be unjustly penalized. Under this requirement, we have tentatively calculated that the perceived risk weightings of our asset base would increase by approximately $48 million dollars. Our risk weighted capital calculation would drop from 24.47% to 18.05%.

Since we focus on residential lending, we have built up a portfolio of loans serviced for others on excess loan volumes we have sold to outside investors. Each quarter we are required to calculate a current market value of the value of that servicing portfolio based on current interest rates and repayment assumptions. Under the BASEL III proposal, once the value of our servicing portfolio would reach a certain percentage of our capital base, it would have to be deducted from our capital calculation. If we are currently calculating a market value on our servicing portfolio each quarter, I question why there should be a limitation placed on the amount of servicing values an institution could carry before it would impact their capital account.

First Federal Bank of Kansas City has always supported the belief and need to maintain a strong capital base. However, BASEL III reflects an international capital standard to be applied against all banks, no matter their size, complexity of their operation, and risk profile. I strongly disagree with this approach and the ultimate impact on well managed community based financial institutions that are focused on serving their communities. I also have concern that the BASEL III standards will not be uniformly enforced in foreign countries as compared to the United States, and community banks in this country will be more severely impacted than those in Europe. Finally, BASEL III, as proposed, will not facilitate a housing recovery in this country, which is vital to improving our national economy and once again positioning housing as a national priority.

I respectfully request that the BASEL III proposal be completely reviewed and revamped, and a common sense approach to capital adequacy be considered.

Thank you for the opportunity of responding.

Sincerely,

First Federal Bank, FSB

Clarence Zugelter

Clarence Zugelter
Chairman, President and CEO
First Federal Bank of Kansas City

Electronic copies to:

Senator Claire McCaskill
Senator Roy Blunt
Representative Emanuel Cleaver, II
Representative Sam Graves