

**From:** EJ Muehlbrad [mailto:ej@burtonbank.com]  
**Sent:** Tuesday, October 16, 2012 1:54 PM  
**To:** Comments  
**Subject:** Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-AD97

October 15, 2012

Re: Basel III Capital Proposals

To Whom It May Concern:

Thank you for the opportunity to provide comment on the Basel III proposals recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively referred to as the "banking agencies" for the succeeding text of this letter).

Our bank was established in 1906 in a small community in a rural area of Central Texas. We are a traditional, community bank, with approximately \$55 million in assets. We care about our customers, our employees, and our community. Our nine (9) full-time employees are active in the community and provide our customers with excellent, personalized, customer service. Our bank provides home loans, agricultural loans, small business loans and consumer loans to customers in our area. The relationships we have built with our customers, along with our conservative philosophies, have held us in good standing for more than 100 years. We work hard to maintain high marks in safety and soundness, compliance, and the related regulatory requirements. Our goal is to provide for the financial needs of our customers, to generate enough profit to provide a fair return to our shareholders, and to maintain our traditionally strong capital position.

I have many concerns about the provisions included in the proposal. At present, our investment portfolio is highly conservative with little, if any, risk of loss. The current environment of historically low interest rates has been difficult for us, but we are carefully monitoring our interest rate risk position and have been able to consistently maintain Tier One Capital ratios in excess of 11%. The testing requirements that are proposed could dramatically impact our capital which will, in turn, affect the bank's lending limit as well.

The proposals regarding the risk weighting on delinquent loans is another area of concern. At present, the level of past due loans in our portfolio is minimal. Today's economy, however, places good people in bad situations every day. These are people who WILL pay their obligations, but with whom the Bank may have to work during difficult economic times. The proposal of increasing the risk weighting on past due loans has the double effect for most banks of decreasing capital while still requiring that large balances be held in our Loan Loss Reserve. Careful management of our Loan Loss Reserve, as we have done traditionally, is a much more prudent and effective way of handling these type situations.

My final concern with regard to Basel III is the overall complexity required to interpret and adhere to the rules. Our Bank, like most other small, community banks, does not have the staff or computer systems that can generate reports and information necessary to comply. Even if the effects of the proposals do not significantly impact our capital position, they will most certainly require significant, additional expenses that will impact our ability to serve the financial needs of our community.

Our community is working together to grow; to offer a safe and affordable environment for individuals and families of all types. Sadly, the unintended consequence of additional regulations upon ALL banks will place undue burdens on OUR bank and limit our ability to serve the financial needs of our community.

Sincerely,

*E. J. Muehlbrad*

**E. J. Muehlbrad**  
President  
Burton State Bank  
515 N Main / P O Box 8  
Burton, TX 77835  
(Ph) 979-289-3151  
(FAX) 979-289-2101  
[ej@burtonbank.com](mailto:ej@burtonbank.com)