CROSSfirst BANK

October 19, 2012

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street and constitution Ave, NW
Washington, DC 20429
regs.comments@federalreserve.gov

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219
regs.comments@occ.treas.gov

The Honorable Marty Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
comments@FDIC.gov

Dear Chairman Bernanke, Comptroller Curry and Acting Chairman Gruenberg:

CrossFirst Bank is a de novo community bank headquartered in Leawood, Kansas committed to serving the financial needs of business owners, professionals and their families in extraordinary ways. CrossFirst Bank also operates branches in Wichita, Kansas and Oklahoma City, Oklahoma with plans to expand into the Tulsa, Oklahoma market in the near future. In the five short years since CrossFirst Bank opened its doors, it has grown to nearly $500 million in assets. CrossFirst Holdings, LLC is the bank's well-capitalized registered holding company.

CrossFirst has reviewed the proposed rules implementing the Basel III regulatory capital reforms. While CrossFirst agrees that reasonable efforts should be made to improve standards for all banking organizations in the United States in light of the recent financial crisis, CrossFirst does not agree that community banks should be forced to adhere to the same standards which have been designed to manage large global banks, as is the case under Basel III.

More specifically, CrossFirst would be negatively impacted by the implementation of Basel III because:

(1) Since December of 2008 we have experienced the lowest and flattest rate environment since the Great Depression. That environment, coupled with slow loan demand, has allowed CrossFirst Bank to build a well-balanced, available-for-sale investment portfolio, which provides a steady return, stable liquidity and good cash flow for reinvestment on a monthly basis and to fund loan growth.

With the inclusion of unrealized gains and losses on the available for sale securities in the Basel III capital calculation, CrossFirst would experience an initial increase in its regulatory capital; however, rising interest rates would create substantial volatility in the ongoing calculation of regulatory capital. Under the proposed capital guidelines, if CrossFirst were to include the unrealized gains and losses in its calculation for September 30, 2012, Tier 1 Leverage ratio would increase by 79 bps (12.07% to 12.86%) and Total Risk Based Capital would increase by 97 bps (15.98% to 16.95%). Should interest rates simply return to 2008 levels, CrossFirst would then see the evaporation of nearly $3.0 million of regulatory capital which would potentially impact the Bank's legal lending limits and could cause loan covenant

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violations with a bank stock lender. There is simply nothing to be gained by creating immediate and recurring volatility in community bank regulatory capital ratios from this new guideline.

The complexity of calculating capital under Basel III will create a new administrative task to track 13 categories of deductions and adjustments to capital and risk ratings on a monthly and quarterly basis. There are also three minimum capital requirements, plus the Capital Conservation Buffer that we will need to evaluate.

(2) Under Basel III, increased risk weights on delinquent loans will impact CrossFirst's ability to work with its customers. For example, the Bank would alter how it approached delinquent customers because the Bank would be less likely to pursue loan workout strategies and would instead proceed directly to foreclosure, deed-in-lieu, or loan sale. The impact on the Bank's existing loan portfolio would be that this may lead to greater potential losses if the Bank is not able to pursue a workout strategy that benefits more positively both the Bank and the borrower.

A less burdensome alternative to this particular Basel III proposal would be to not have the risk-weight change and instead continue to address these issues through the Allowance for Loan and Lease Loss Analysis.

(3) CrossFirst has a small amount of Trust Preferred Securities that would be phased-out of its Tier 1 capital over a 10-year period under Basel III. A simple extension of the phase out to the maturity of the securities rather than an arbitrary 10-year timeline would be a better solution for CrossFirst and many other community banks.

For the sake of brevity, CrossFirst has provided three specific real world examples reflecting the negative impacts Basel III would have on CrossFirst; however, there are several more. The complexity of these proposals will certainly have a material financial impact, likely greater than $25,000 on CrossFirst annually and could impact its ability to meet loan demand in all of its markets. No doubt community banks across the country will likewise suffer from the significant burdens Basel III places upon them. CrossFirst Bank urges you to further research and evaluate Basel III's effect on community banks before this overreaching, although well intended, reform is ordered.

Sincerely,

Mike Wynn

Mike Wynn
President, Oklahoma City

CC: **OSBD:** Oklahoma State Banking Commissioner Mick Thompson; **United States Senators of the 112th Congress:** Tom Coburn (OK), and James M. Inhofe (OK).