



PIONEER BANK

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October 22, 2012

The Honorable Thomas J. Curry, Comptroller
Office of the Comptroller of the Currency
regs.comments@occ.treas.gov
Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010

The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gov
Basel III Docket No. 1442

The Honorable Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
comments@FDIC.gov
Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-AD97

Re: Basel III Capital Proposals

Ladies and Gentlemen:

On behalf of the Board of Directors and Management of Pioneer Bank, we appreciate the opportunity to weigh in on the Basel III proposals that were recently approved by the Office of the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation.

Pioneer Bank is a \$600+ million Federal Savings Bank, headquartered in Roswell, New Mexico. As a community bank, we have limited time and resources to respond to the flood of regulation that has been pouring out of Washington. We feel that all of this regulation will have the consequence, intended or unintended, of forcing many community banks like Pioneer to throw up their hands to the disservice of our customers and communities. The single largest risk facing Pioneer is regulatory risk, a risk we are essentially powerless to manage.

Pioneer is opposed to the proposed inclusion of all Unrealized Gains and Losses associated with the AFS portfolio. Our opposition is based on the volatility that will result in our capital ratios and the fact that marking one side of the balance sheet through equity and not the other does not tell the whole story. Pioneer has purposefully chosen not to adopt various fair value options to avoid volatility in our income statement that ultimately only serves to move income from one period to another. We have also used our sizable investment portfolio to manage the interest rate risk in our loan portfolio of residential loans. Given the proposal we may need to leave that risk unmanaged or quit making portfolio home mortgage loans. We are being forced to increasingly make decisions based on accounting or regulatory considerations and not on fundamental economics.

We are also extremely disturbed at the proposals impacting residential mortgage banking activity. As you well know, the mortgage market has been struggling to recover since 2007. Your proposals in this area will further restrict consumer's access to credit during a time that our economy needs these loans the most. It will also unnecessarily raise the cost of mortgage loans to consumers over and above the already increased guaranty fee cost increases by the GSE's.

One of the greatest services we offer to our customers is the retention of our servicing. However, excluding servicing rights in excess of 10% makes no sense to an organization that was chartered under the Home Owners' Loan Act to promote home ownership. Servicing assets should be unlimited as a part of the scope of our authority or in the alternative, increased to a 25% limit. Failure to provide relief in this area will further encourage and give an unfair advantage to the shadow banks.

We request that community banks, like Pioneer, be exempt from the Basel III capital standards.

Sincerely,



Jon E. Hitchcock
President
Chief Executive Officer



Christopher G. Palmer, CPA
Senior Vice President
Chief Financial Officer