

1902

Serving Our Community for 110 Years

2012

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Denver Savings Bank

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October 20, 2012

Robert E. Feldman
Executive Secretary
Attn: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: (Basel III NPR) RIN 3064-AD95 & RIN 3064-AD96

Dear Mr. Feldman:

I appreciate the opportunity to comment on the proposed rules of Basel III and how they will impact small banks and the communities they serve. I strongly urge the Agencies to exclude smaller community banks from the proposed Teir-1 capital and risk-weighting rules.

Our "Main Street", \$134 million dollar bank was not a part of the sub-prime lending that lead to the financial crisis. We help customers purchase their homes and also lend for home equity, ag and small business purposes. All of our loans are "in-house" (except for a few FHLB first mortgage loans that are sold at the time of origination) and we practice safe underwriting standards for our customers - whom we will later cross paths with in our community. (They are more than just a number or dollar sign to us.)

The proposed complex capital rules should be directed only for the largest international financials that have risky practices. The "inclusion of accumulated other comprehensive income" (AOCI) that includes unrealized gains and losses on AFS securities would introduce substantial volatility in the bank's capital ratios. These rules do not give credit for the mitigation of interest rate risk by using matched funding. The bank may be forced to move securities to HTM which ultimately would cause more interest rate risk. The bank will also be required to hold more capital with results in less lending.

The proposed risk-weighting rules will also reduce lending and the economic growth of the community. This rule is retroactive to all loans on the books and would be costly and it would be a huge burden to put this granular analysis and data in place.

I am very concerned if our bank will be able to lead and serve our community in the future. Many "Main Street" community banks may be forced to sell out to the larger financial institutions. The "too big to fail" banks will just get bigger.

Sincerely,
Rita Hillmann
EVP

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