October 11, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals[1] that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I have been an Officer and Director for over 30 years in my small community bank with approximately $90,000,000 in total assets. I believe the Basel III proposal far overreaches what is needed to protect the banking system. Community banks should be allowed to continue to use Basel I guidelines and not be legislated into banking regulations that would seriously harm community banks. The culprit to unsound banking practices was the largest banks. Basel III was designed to apply to the largest banks that engaged in highly leveraged activities. Community banks did not engage in those highly leveraged activities and should not be thrown under the bus for the unsound practices of largest banks.

Additionally, this proposal is not tiered and does not provide any exemptive relief for the small community banks that have simplified balance sheets and customary lending activities. As a community bank we cannot access capital markets and need years to build capital through making profitable loans. With the current interest rate environment it's alrerady very difficult to build profits. Community banks should not be further regulated by the proposals at hand.

[1] The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions*; *Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule.*

The capital volatility caused by including Accumulated Other Comprehensive Income will in effect tax community banks by requiring us to hold additional capital to compensate for increased volatility.

At a time when regulatory burden is overwhelming, adding mortgage risk weights based upon loan-to-ratios (LTV) only exacerbates regulatory burden for community banks. If you penalize high LTV loans with credit enhancements it will curb future lending. Is that what we need? I think not. Additionally, 2nd mortgage liens should not carry 150 to 200 risk weights if we want an economic recovery. If this regulation is passed it would require raising risk weights for balloon mortgages and penalize community banks that attempt to mitigate interest rate risk.

Please use good common sense and don't over-regulate community banks and our ability to take care of our customers and still stay in business.

Sincerely,

Kim A. Wheeler
Executive Vice President
Stroud National Bank
Stroud, OK

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