

From: [Tracy Pickering](#)
To: Regs.Comments@FederalReserve.gov; Regs.Comments; comments@FDIC.gov
Subject: Basel III Comment Letter
Date: Thursday, October 18, 2012 11:34:41 AM
Attachments: [image005.png](#)

October 18, 2012

Jennifer J. Johnson, Secretary
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Corporation
Washington DC 20551
Docket No. R-1430; RIN No. 7100-AD87
Docket No. R-1442; RIN No. 7100-AD87

Office of the Comptroller of the Currency
250 E Street, S.W., Mail Stop 2-3
Washington, DC 20219
Docket ID OCC-2012-0008
Docket ID OCC-2012-0009

Robert E. Feldman, Executive
Attention: Comments/Legal ESS
Federal Deposit Insurance
550 17th Street, NW
Washington, DC 20429
FDIC RIN 3064-AD95
FDIC RIN 3064-AD96

RE: Basel III Comment

On behalf of the Nebraska's Community Banks we thank you for the opportunity to comment on the Basel III proposal and for the 45 day extension to better get our arms around the issue. Our first thought is "Why" suddenly, banks under 50 billion who for the most part are not designated as a "Systemically Important Financial Institution" by the Financial Stability Oversight Council have become the target for massive change in Capital Adequacy.

Certainly there are NO banks chartered in Nebraska posing Systemic Risk to our financial system. In fact the FDIC would probably point out that only 3-4% in Nebraska are NOT well capitalized. Yet, the "One Size Fits All" attitude playing out in these rule making proposals does in fact, affect our ability to raise capital, make loans, and manage our investment portfolios.

We are in jeopardy of losing the viability of the community bank business model. We do not have the ability to access the capital markets and must build capital the old fashion

way, through retained earnings which can take time. Community banks may also replenish capital through bank stock loans from correspondent banks. This capital option may come to an end, as correspondent banks become more conservative with that type of lending. Repayment through bank dividends can be restricted by regulators if capital buffers are not met, even if the bank is experiencing no asset quality issues.

The inclusion of Accumulated Other Comprehensive Income in the common equity Tier 1 definition will discourage banks from holding AFS securities in their portfolio. As interest rates move higher, community banks will see significant capital reductions, due to their AFS holdings. These AFS holdings are an important source of contingent liquidity funding for community banks, that will be sacrificed for possible capital fluctuation protection.

The proposed increase in risk weights for 1-4 family balloon mortgages may create an end to this much needed service for many Community banks. Balloon mortgages have been a way for community banks to provide home loans and home improvement to our rural communities for years, while mitigating interest rate risk to the bank. Without balloon mortgages, the housing stock in our smaller communities will deteriorate, becoming far less attractive and viable. We suggest that the regulators collect data on the foreclosure rate of balloon mortgages over the past 15 years in our community banks. We are certain the results of that data would show our regulators, payment shock to the borrower is a nonevent. Our community banks put their customers concerns first and foremost as we live with these customers on a daily basis.

In closing we thank you for the opportunity to comment, but do take issue with Federal Reserve Chairman Bernanke's comment "in terms of Basel III, of course, it's not one-size fits-all." To impose Basel III on community banks puts us at a distinct disadvantage, along with our customers and communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Selko". The signature is fluid and cursive, with a long horizontal stroke at the end.

Officers & Directors of the Nebraska Independent Community Bankers
Scott Selko, Chairman



Opt Out Option: It is the policy of the Nebraska Independent Community Bankers (NICB) to use electronic mail (E-mail) to the fullest extent possible to keep association members and their staff informed. If you do not wish to receive information by e-mail please select the reply button to this message with "remove" in the subject field to remove your e-mail address from our records.

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