



## Western Commerce Bank

Pulling together for you...

October 22, 2012

Federal Deposit Insurance Corporation  
Comptroller of the Currency  
Federal Reserve Board  
Senator Jeff Bingaman  
Senator Tom Udall  
Congressman Steve Pearce

Re: Basel III Capital Proposal

Gentlemen:

I have been in the Banking industry in New Mexico for the past 42 years and I am very concerned about the Basel III Capital proposal which is before you. In my opinion this will be very detrimental to the community banks and further impact our ability to properly serve our customers. I know the intent is to strengthen the capital in our nation's banks; however the unintended consequences will have a dramatic and negative impact on our ability to adequately serve the needs of our customers

While we are obviously concerned about the damaging effects of this proposal on community banks, the ultimate loser in this draconian change are consumers, small businesses and local government entities, who will face higher borrowing costs and diminished availability of both credit and bank services. There is never a "good time" for public policy to result in such outcome, but given the tenuous state of the economic recovery, such seems especially counter-intuitive at the juncture.

This is a remarkably complex and cumbersome proposal, and the requirements for compliance and adherence will significantly add to an already untenable level of regulatory burden and cost for community banks.

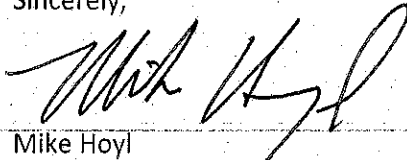
We all recognize the importance of adequate capital in our financial institutions. As we pay FDIC premiums, it behooves us to have a strong industry with minimal failures. Capital levels are currently at record levels in New Mexico community banks... we learned from the 1980's. The regulatory requirements for community bank capital continue to increase, and are generally well in excess of the levels contemplated in the proposal for common equity and Tier 1.

The risk weightings, especially in the mortgage loan category, are excessive, and will further chill and already challenging market. Rules already in effect and proposed, including escrow requirements, balloon note limitations, appraisal standards, additional disclosures, "QM" and "QRM," and new "zero tolerance" on the "Good Faith Estimate," among others, have significantly curtailed mortgage lending among community banks in our state, especially the "in-portfolio" loans. A number of our member banks have simply stopped making mortgage loans to their customers, thanks to regulatory and legislative "overkill" in an attempt to fix problems that we didn't contribute to nor participate in.

The proposal has a disparate impact on community banks vis-à-vis the too-big-to-fail banking conglomerates. Community banks are struggling mightily to keep up with the costly and burdensome tsunami of regulations and edicts coming from Washington, D.C. Large banks have the ability to absorb these compliance costs more efficiently.

I strongly urge you to consider exempting community banks under 10 billion in size from the burdensome and unnecessary regulation. Thank you for taking the time to hear my concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Hoyl", written in a cursive style.

Mike Hoyl  
Senior Vice President