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October 15, 2012

Honorable Ben S. Bernanke  
Chairman  
The Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, D.C. 20551

Honorable Thomas Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, D.C. 20219

Honorable Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, D.C. 20429

Gentleman:

We are writing on behalf of our members in the Heartland Community Bankers Association (HCBA) to express our concerns with the proposed Basel III capital requirements and their impact on our members. HCBA represents thrift institutions, savings banks and savings and loan associations, in the states of Colorado, Kansas, Nebraska, Oklahoma, and Missouri.

As thrift lenders our members are, primarily to exclusively, in mortgage lending and the proposal appears to fall most heavily on our housing lender members. The proposed "risk weighting" provision, which we have been led to believe is a U.S. creation rather than Basel III, fall primarily upon mortgage lenders. This is a direct hit to our members and their community commitments.

Over the years, HCBA thrift members have met housing and mortgage funding needs in the Midwest both through local partnerships and individual borrowers. To remain a thrift our members must meet a "qualified thrift lender" test with the majority of qualified assets in mortgage related products. In reality, most have a concentration in excess of 90% of assets thus Basel III poses a serious threat to continued community mortgage lending.

Are we to abandon mortgage lending at a time when the real estate market is starting to improve? Are we to abandon community needs and either restrict or eliminate certain loan products with high ratio LTV... which Basel III penalizes? Are we to tell first time house buyers "no"? We fear Basel III will force a diversified balance sheet that will create risk as a result of limited experience and restrict housing and economic growth in the areas we serve.

We would point out that our member institutions maintain strong capital positions. In fact, in recent years we have built up additional capital as an "examination buffer" to meet the demand of Federal regulations. We do not need another capital regimen.

We make further comment to the need for the Basel III proposals be withdrawn:

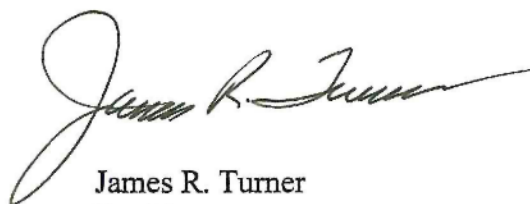
1. “One size **does not** fit all” and Basel III will crush community lending,
2. Community institutions are currently trying to meet the expense and burdens imposed by the Dodd – Frank Act and an additional regulator, CFPB,
3. Unrealized gains and losses on securities designed to flow through capital is a dangerous tactic for regulators, and
4. Mutual institutions have limited ability to raise capital.

Our members do not have the operational capabilities, from a scale and risk management perspective, to manage the volatility of a balance sheet that will be introduced if the proposals are adopted without substantial modification. As a result, they will need to further limit their product offerings or price them substantially higher than the comparable products of more complex banks in order to mitigate the risks introduced by the proposals. Either of these changes would impact the communities served by these institutions and the consumers in those communities.

In conclusion, standardization does not fit community banks. Basel III proposals, which are not U.S. treaty agreements, **should be withdrawn**. Consideration should be given to standards that impact those banks which operate on an international basis. Further, the OCC and FDIC should address the capital needs for community financial institutions via a joint rule with consultation from the State regulators... who are opposed to Basel III.

We appreciate the opportunity to share our views with you and can only hope that Basel III will soon be withdrawn.

Sincerely,



James R. Turner  
President

JRT/da

cc: Kansas Congressional delegation  
Colorado Congressional delegation  
Nebraska Congressional delegation  
Oklahoma Congressional delegation  
Missouri Congressional delegation