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DAVID E. RAINBOLT Chief Executive Officer

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Robert E. Feldman, Executive Secretary Attention: Comments/Legal ESS Federal Deposit Insurance Corporation 550 17th Street, N.W. Washington, D.C. 20429 FDIC RIN 3064-AD96 FDIC RIN 3064-AD95

Jennifer J. Johnson, Secretary Board of Governors of the Federal Reserve System 20th Street and Constitution Avenue, NW Washington, D.C. 20551 Docket No. R-1442; RIN No. 7100 AD 87 Docket No. R-1430; RIN No. 7100-AD87

VIA E-MAIL

Re: Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements

and

Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III

I. Introduction

Both BancFirst Corporation and its subsidiary bank, BancFirst, have significant concerns regarding the impact of the three Regulatory Capital Rules proposals (the "Capital Proposals") on the banking industry in the United States. We believe that **the Capital Proposals disincent lending by banks at a time when the U.S. economy is still struggling to recover from a deep recession**. Aside from the increased capital requirements and more restrictive definition of regulatory capital, our primary concerns are the overly complex and punitive changes proposed to the calculation of risk-weighted assets under the Standardized Approach, the application of the Standardized Approach to banks under \$50 billion in assets, and the implementation date for the Basel III proposal.

II. Standardized Approach

A. Greater than 100% Risk Weights for Residential Mortgage Exposures

The proposed arbitrary risk weights for residential mortgages include weightings of 150% and 200% for certain junior liens and nontraditional mortgage products, depending on the loan to value ratios. There is no evidence, even in the depths of this recession, that industry-wide losses approached the 11% to 14% level implied by these punishing weightings. Also, risk weightings being driven by the original loan to value, with no regard to amortization over time, makes no sense for a community bank like ourselves that holds these 1 to 4 family loans until maturity. While the balances reduce, the draconian weighting does not.

B. Risk Weighting of Residential Mortgage Loans Sold

Similarly, the proposal eliminates the exemption for early payment default and premium refund clauses for residential mortgage loans sold. In the case of premium refund clauses, a 100% conversion factor with the respective risk weightings applied to the entire balance results in requiring banks to hold 3 to 4 times as much capital as the actual exposure, which would be limited to the amount of premium that may occasionally have to be refunded.

C. 250% Risk Weighting for Threshold Deductions

A 250% risk weighting for Threshold Deductions not deducted from capital, such as deferred tax assets and mortgaging servicing assets, is arbitrary. These are real assets.

D. Application to Banks Under \$50 Billion

Subprime lending and the related problems that precipitated the financial crisis were concentrated in banks larger than \$50 billion in assets. **The application of the Standardized Approach to banks under \$50 billion is punitive to smaller banks** that generally did not participate in such activities. The Standardized Approach should be required only for banks with \$50 billion or more in assets.

III. Implementation Date for Basel III Proposal

It is an unfair double standard for the Agencies to require banking organizations to comply with the new minimum capital ratios and the more restrictive definition of regulatory capital by January 1, 2013, when the Agencies themselves did not issue the proposal until almost two years after Basel III was officially adopted. Banking organizations will be unable to prepare for or react to such an early implementation date.

Respectfully submitted,

David E. Rainbolt, CEO BancFirst Corporation