



L.A. Amundson Investments, Inc.
PO Box 287
Benson, Minnesota 56215

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: Proposed Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provisions and Prompt Corrective Action (R-1442, Docket ID OCC-2012-0008, RIN 1557-AD46, RIN 3064-AD95)

Proposed Regulatory Capital Rules: Standardization Approach for Risk-Weighted Assets, Market Discipline and Disclosure Requirements (R-1442, Docket ID OCC-2012-0009, RIN 1557-AD46, RIN 3064-AD96)

Dear Mr. Feldman,

I'm writing this letter to express my concern over the Notice of Proposed Rule Making (NPR's) listed above. The new provisions of Basel III could have a very negative impact on community banks. I am an officer and director of four community banks in Minnesota & Iowa and an officer of a community bank in North Dakota. The five charters have 14 branches. Most are in small farming communities. The banks are all "well-capitalized" and well run. I actually am the senior credit officer for the company that manages the banks for the owners. Several of the proposed changes are of significant concern to me.

If the Accumulated Other Comprehensive Income (AOCI) provision is enacted our capital positions will become more volatile from possible market and interest rate fluctuations outside our influence in our communities. We don't hold securities for trading purposes. Unrealized gains and/or losses in our securities portfolios would give us a distorted view of our actual capital levels. Having unrealized gains or losses impacting Tier 1 capital could lead to unsound decisions regarding our ALM and investment decisions. This may be appropriate for large financial institutions with securities trading departments but it doesn't seem necessary for community banks.

I would next like to comment on the proposed new minimum capital ratios, the capital conservation buffer and prompt corrective action requirements. As stated previously all our banks are "well-capitalized". In fact, the Tier 1 and total Risk Based Capital in each of the banks well exceed the recommended current standards. The proposed new minimum capital standards in themselves are fine. However, my concern has to do with the proposed capital conservation buffer. Why should a "well-capitalized" bank need an additional buffer? It's conceivable a bank can be "well-capitalized" and still have restrictions on its ability to pay dividend and bonus. Your examining staff already has the ability to restrict capital distribution when it seems necessary based on the financial

condition of the bank. That seems the most appropriate. Well-capitalized and performing banks should not be overly restricted in providing a reasonable return to their owners.

The possibility of having to risk weight our residential mortgage loan exposure is alarming to me. This provision would force our banks to look at all of our residential mortgages, credit by credit. Our lending standards haven't changed during the housing boom and bust. It doesn't seem right to force community banks to take this additional step when our residential mortgage portfolios were prudently underwritten in the first place.

Lastly I would like to comment on the Securitization Exposures. Our banks will no longer be able to assign risk weights based on the credit ratings assigned by the national credit rating agencies. The process of calculating risk weighting based on a Supervisory Formula or a gross up approach would cause a great increase in labor when completing call reports. Also, the calculations wouldn't give the banks any credit for structural features of the securities including purchase price or carrying value. Our banks own a number of these instruments, but at deep discounts. They also have other than temporary impairment testing done regularly. It doesn't make sense for our banks to assign inflated risk weighting to these investments.

I understand the need to make sure our country's financial institutions are sound. I also feel the Dodd Frank Wall Street Reform and Recovery Act has had a very negative impact on community banks. Community banks in Iowa, Minnesota and North Dakota didn't cause the financial crisis of several years ago yet they are all suffering under the added regulatory burden resulting from it. The implementation of this round of new regulation on community banks isn't necessary. Thank you for allowing me to comment on these proposed new regulation.

Sincerely,

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

Mark Kettelkamp
Senior Credit Officer
L.A. Amundson Investments
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