

First State

MEMBER FDIC

Tillman County's Only Locally Owned Bank

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October 19, 2012

Memo To: Federal Regulators

Subject: Basel III Proposal

From: John Simon Jr.
President & CEO, First State Bank

To Whom It May concern

We have been following the progress of the Basel III proposal and we wish to comment. This proposal was enacted to restrict the larger banks from taking unnecessary risk's, the smaller community bank's were to be exempted but guess what, the community bank's have all have been painted with the same brush just like the larger banks. Let me remind you it was the largest of bank's that nearly took our financial markets down. The community banks have continued to focus on our local markets to maintain economic stability in our home market.

We are a 40 million dollar rural community bank in Southwest Oklahoma. Our bank serves two communities with a population of about three thousand people. Our economy is agricultural and we are a bedroom community for two larger communities some thirty miles away. Our loan portfolio is make up primarily of agricultural and home loan products. No large regional or metropolitan bank have any interest in servicing our community.

If Basel III is implemented it will impact our ability to service our customers in two ways.

- 1) capitol will be damaged when interest rates start to rise again which will take away lendable funds now available to our community.
- 2) The standard risk-weighted assets proposal would present key challenges for mortgage lending. At a time when the government lacks a long-term solution to housing finance, the proposed framework would further stifle mortgage lending by our traditional lending methods.

The basel III proposal appears to be a direct assault on community banks. This proposal should be withdrawn and any future proposal should be applicable only to banks of 50 billion or more.

Sincerely,

John Simon Jr.