COMMUNITY NATIONAL BANK

OC12-292

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RONNIE A. MILLER
President & CEO

FDIC

OCT 26 2012

OFFICE OF THE CHAIRMAN

October 18, 2012

The Honorable Thomas J. Curry, Comptroller
Office of Comptroller of the Currency
250 E Street, S.W., Mail Stop 2-3
Washington, DC 20219

RE: **Docket ID OCC-2012-0008; RIN 1557-AD46**
Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provision, and Prompt corrective Action
Docket ID OCC-2012-0009; RIN 1557-AD46
Regulatory Capital Rules: Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements

To Whom It May Concern:

Thank you for the opportunity to comment in response to the requests for comments in the notices of proposed rulemaking regarding the Basel III Regulatory Capital Rules.

We are a community bank of approximate $175,000,000 in total assets serving the residents of Medina County in Southwest Texas. While we understand and appreciate the need for adequate capital in the banking industry, we do not believe that community banks should be painted with the same regulatory brush as large, systemically important financial institutions. Both our business model and our respective abilities to absorb and deal with the ever-accelerating barrage of regulatory burden are dramatically different. We believe that community banks such are ours should be exempted from these proposals.

The inclusion of unrealized gains and losses in the available for sale (AFS) portion of the securities portfolio in Tier 1 Common Capital is the most counter- productive and ill-considered proposal in all of Basel III. Our projections indicate that in a rising rate environment (+300 bp), our bank would experience capital depreciation of approximately 11.00%.

These artificial capital constraints for community banks will have some very negative effects on the markets we serve. We will be unable to grow our balance sheet during these increasing rate cycles, short of raising capital externally. Lending will be curtailed in every area we serve due to this very short sighted proposal. Additionally, due to the yield curve on municipal bonds and the increased volatility in the longer term municipals, the costs of borrowing for school districts and municipalities will be increased.

Community banks are being overwhelmed with the cost of complying with the existing regulatory burden and we are now being saddled with more unnecessary regulation. The cost of complying with

the complex and cumbersome proposal will drive many smaller community banks such as ours out of business by forcing additional mergers in our industry. The result will be less competition, an acceleration of concentration in banking, and fewer consumer choices. NO ONE WINS!

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These proposals are not in the best interest of community banking, our communities and our customers. Please do not allow these proposals to be enacted!

Sincerely,

Ronnie Miller
CEO/President

Cc
The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gove

The Honorable Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
comments@FDIC.gov

The Honorable Senator Kay Bailey Hutchison
284 Russell Senate Office Building
Washington, DC 20510-4304

The Honorable Senator John Cornyn
517 Hart Senate Office Bldg.
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The Honorable Congressman Francisco Canseco
1339 Longworth HOB
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Sincerely,

Glen Riff
Board of Director

Cc
The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gove

The Honorable Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
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Sincerely,

Olin Gilliam
Board of Director

Cc
The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gove

The Honorable Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
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Sincerely,

William (Billy) Freed
Board of Director

Cc
The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gove

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Federal Deposit Insurance Corporation
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Sincerely,

Gail Boehme
Board of Director

Cc
The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
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Federal Deposit Insurance Corporation
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Sincerely,

Thomas C. Wooten
Vice Chairman

Cc
The Honorable Ben S. Bernanke, Chairman
Board of Governors of the Federal Reserve System
regs.comments@federalreserve.gove

The Honorable Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation
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Sincerely,

Geoffrey Groff
Board of Director

Cc
The Honorable Ben S. Bernanke, Chairman
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Sincerely,

Brad Boyd

Brad Boyd
Board of Director

Cc
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Sincerely,

Mike Saathoff

Michael Saathoff
Board of Director

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Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, Transition Provision, and Prompt corrective Action
Docket ID OCC-2012-0009; RIN 1557-AD46
Regulatory Capital Rules: Standardized Approach for Risk-Weighted Assets; Market Discipline and Disclosure Requirements

To Whom It May Concern:

Thank you for the opportunity to comment in response to the requests for comments in the notices of proposed rulemaking regarding the Basel III Regulatory Capital Rules.

We are a community bank of approximate $175,000,000 in total assets serving the residents of Medina County in Southwest Texas. While we understand and appreciate the need for adequate capital in the banking industry, we do not believe that community banks should be painted with the same regulatory brush as large, systemically important financial institutions. Both our business model and our respective abilities to absorb and deal with the ever-accelerating barrage of regulatory burden are dramatically different. We believe that community banks such are ours should be exempted from these proposals.

The inclusion of unrealized gains and losses in the available for sale (AFS) portion of the securities portfolio in Tier 1 Common Capital is the most counter- productive and ill-considered proposal in all of Basel III. Our projections indicate that in a rising rate environment (+300 bp), our bank would experience capital depreciation of approximately 11.00%.

These artificial capital constraints for community banks will have some very negative effects on the markets we serve. We will be unable to grow our balance sheet during these increasing rate cycles, short of raising capital externally. Lending will be curtailed in every area we serve due to this very short sighted proposal. Additionally, due to the yield curve on municipal bonds and the increased volatility in the longer term municipals, the costs of borrowing for school districts and municipalities will be increased.

Community banks are being overwhelmed with the cost of complying with the existing regulatory burden and we are now being saddled with more unnecessary regulation. The cost of complying with

the complex and cumbersome proposal will drive many smaller community banks such as ours out of business by forcing additional mergers in our industry. The result will be less competition, an acceleration of concentration in banking, and fewer consumer choices. NO ONE WINS!

The proposed increased risk weightings for real estate loans in general, and 1-4 family mortgage loans in particular, will have a chilling effect on mortgage lending by community banks! This proposal will cause many smaller community banks to entirely discontinue home mortgage lending in the communities they serve! The regulatory burden for participating in the mortgage lending arena has already forced many community banks to withdraw from this area of lending.

These proposals are not in the best interest of community banking, our communities and our customers. Please do not allow these proposals to be enacted!

Sincerely,

Thomas J. Rothe
Board of Director

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