

**From:** Jennifer Galbraith [mailto:Jennifer@hsbonline.com]  
**Sent:** Monday, August 27, 2012 4:46 PM  
**To:** Comments  
**Cc:** Dave Pankonin  
**Subject:** FDIC: Comments on Regulatory Capital RIN 3064-AD95 (Basel III NPR)

The proposed changes to Regulatory Capital (RIN 3064-AD95 Basel III NPR) could seriously incapacitate community banks, specifically Home State Bank in Louisville, NE. Ultimately the changes will prevent us from meeting the credit needs of our community, as well as create a burden to the bank both internally and financially.

Some of the reasons are as follows:

1. It is a very significant change to go backwards with risk weighting of loans.
  - a. It is always a problem to change the rules going backwards, when the bank Board of Directors and Loan Officers were making decisions with the rules in place. These rules are so different that going backwards seems very unfair and arbitrary.
  - b. How would real estate loans already on the books be valued for LTV's? Would the regulators expect new appraisals and new evaluations on all pledged real estate? This would be very expensive in time and money. Plus, who would pay? We assume the bank because the customers could not be expected to.
2. Significant issues with coding, call reports, and internal systems to properly track – difficult and expensive for community banks. There are countless examples of how these proposed rules would have a negative effect on lending. Community banks are the lifeblood for the community they serve and are already under duress.
3. Not as much flexibility for smaller community needs of loan customers.

Please contact Dave Pankonin, Bank President, at [dave@hsbonline.com](mailto:dave@hsbonline.com) for additional comments or questions.

Comments submitted by Jennifer Galbraith, Lending Compliance Officer, at [jennifer@hsbonline.com](mailto:jennifer@hsbonline.com).

We can also be reached at 402-234-2155.

Regards,

**Jennifer Galbraith – Assistant Vice President/Lending, NMLS ID#  
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