



October 17, 2012

Agency: OCC
Email: Regs.comments@occ.treas.gov
Reference: Docket ID OCC-2012-0008

Agency: Federal Reserve Board
Email: regs.comments@federalreserve.gov
Reference: Docket No. R-1430; RIN No. 7100-AD87

Agency: FDIC
Email: comments@FDIC.gov
Reference: FDIC RIN 3064—AD95

To Whom It May Concern:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

Integrity Bank & Trust is a community bank located in Colorado Springs, Colorado. We were chartered in August 2003. Basel III was conceived as an international standard that would apply only to the largest, international banks. However, the proposed rule would impose Basel III standards on banks of all sizes. We are very concerned about the potential negative impact this regulation will have on our banking institution and ultimately our ability to provide banking services to our customers.

Available for Sale Impact on Common Equity

The proposed rules require that all unrealized gains and losses on available for sale securities must “flow through” to common equity tier 1. The volatility of this equity measure will result in additional capital requirements for Integrity Bank & Trust. Timing may prove to be particularly difficult when many economists are suggesting that the 30 year bull market in bonds is over. The volatility caused by rising interest rates could well be a major negative impact. It is particularly problematic when this volatility is a result of movements in interest rates and not increased credit risk.

Residential Mortgage Rules

The increased risk weights to residential mortgages will have a direct impact on the ability of our bank to make good residential mortgages to our customers. It will limit the type and amount of residential financing we can provide.

Home Equity Lending

The proposal will classify all junior liens and home equity loans as category 2 exposures with risk weights ranging from 100 – 200 percent. In addition, if Integrity were to hold a first and a second mortgage on the same property, we would be required to treat both mortgages as category 2 exposures. Needless to say, this blanket treatment of all home equity loans will greatly limit the available credit we would have to provide to deserving customers.

High Volatility Commercial Real Estate

Under the proposed standardized approach, each HVCRE loan in our portfolio will be assigned a 150 risk weight. It will not only impact our existing loan portfolio but will impact our ability to meet good loan demand in this real estate segment of our business.

Delinquent Loan Risk Weighting

There is a very distinct trend going with these concerns of increased capital requirements. Now add the increase in risk weighting for nonresidential loans over 90 days past due and the issue because even more magnified. As a community bank, we have worked hard to save our customers from foreclosure or business collapse by assessing their ability and willingness to work out their economic struggles. This provision will put an arbitrary limit of 90 days that will be forced on us and our distressed customers. Many customers who might otherwise survive difficult times will not have this luxury for us to have extended workouts with them.

Costs of Working with Basel III

The components of Basel III are very complex. We will have to change our internal reporting systems, provide significant amount of management, employee and director time in education. We are contemplating the hiring of additional staff in order to comply with all of the reporting requirements of this proposed regulation. The addition of this additional staff is a burden and does not add to the bank's efficiency or bottom line. The timing of these proposed regulatory changes is occurring at a time that Integrity Bank & Trust is working diligently to improve our profitability.

Deterrent of Raising Capital

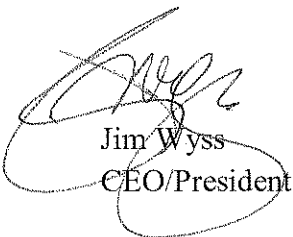
Community banks don't have the luxury of attracting money from traditional capital markets and they need to show good returns to attract capital from local investors. The higher capital level referred to with Basel III reduces return potential and in turn puts the community bank at risk.


Summary


Integrity Bank & Trust like every other community bank provides a unique level of service to our customers and meets needs of the community, small business and individual customers that are not met by other larger institutions. We meet a real financial need within our community. We are already faced with increased regulatory, compliance and competitive pressures that have raised the challenges to community banks over the past nine years. Basel III increases operating costs, increases capital requirements and adds to the complexity. The cost/benefit of these proposals is not justified and will ultimately harm the future customers of Integrity Bank & Trust.

Again, thank you for the opportunity to comment on the proposals and hope that a realization that the cure is worse than the illness.

Sincerely,


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