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October 22, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

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

I am writing on behalf of McClain Bank of Purcell, Oklahoma. We are a 175 million dollar community bank. We have been serving Purcell and surrounding communities for 90 years. My family is in the 3rd generation of bank management and we employ approximately 70 individuals.

We are deeply concerned about the Basel III proposals and how it will negatively affect our bank and the communities we serve. These concerns will be addressed below.

Investment Portfolio

All of our bonds are currently classified as "Available for Sale". If we were required to include Accumulated Other Comprehensive Income as part of Capital, we could face serious swings and dilution of capital when interest rates rise. If the proposal passed, we would have to consider moving our bonds to a "Held to Maturity" (HTM) designation so that we would avoid potential and substantial reductions to our Capital. Converting to HTM would then have a ripple effect on our liquidity practices and would greatly limit our earnings potential as we would seek very short term investments which are not always the best practice for the bank, nor for the communities that we support.

Real Estate Lending

We are a Real Estate Lending Bank. We cannot even begin to calculate the negative effects of the Basel III proposals, because we don't have the systems in place to periodically document the Loan to Value Ratios once the loan has been approved and funded. This requirement would be extremely costly both on a systems and a personnel basis. The largest portion of our Real Estate Lending Portfolio is residential mortgages and we do a lot of balloon loans for those credits in order to minimize our interest rate risk. The proposals could force us to change this practice because we would be penalized under the new risk weightings. Again, our communities would suffer because we might possibly have to originate only 15 or 30 year mortgage loans that we would sell on the market. Many of our customers would not qualify for those loans that we sell, but would qualify for the 1-4 residential loans that we would keep in-house and balloon to protect the bank from interest rate risk. This proposal could limit finance options for our customers and limit home ownership opportunities.

Mortgage Loan Credit Enhancing Representations

We have an active Mortgage Department that originates long term loans that we sell. These loans are sold quickly after closing and it is very rare that we have taken any losses on these loans. The removal of the 120 day safe harbor as proposed would again make us stand back and analyze if this service to our customers would be warranted based on the extra capital that would be proposed.

In summary we are asking that the proposal be withdrawn in its present form and that the proposed risk-weighting rules NOT be applied to community banks. These proposals are not in the best interest of the bank itself, the communities the bank supports, the customers we serve, and our shareholders. It is also not in the benefit of our employees because the proposals will negatively affect our earnings which could affect our staffing levels. If the proposals pass, we anticipate much more conservative investments, reductions in lending services, and limited or no growth since our balance sheet strategies will have to change. Community banks will possibly have to conservatively manage their balance sheets and even discourage deposits in order for them to maintain much higher capital levels. Again, this does not serve our communities well. Thank you for your consideration.

Sincerely,

Donald N. Sherman, II

Donald N. Sherman, II
Executive Vice President