Sent: Thursday, August 30, 2012 11:42 AM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97"

To Whom It May Concern:

Our bank is domiciled in a small and very isolated West Texas city. Our population is just over 10,000 and our citizens have to drive over 80 miles just to shop in a mall or super Walmart. There are three independently owned banks in our county and one branch of Prosperity Bank. West Texas State Bank is independently owned and we are committed to providing banking and financial services to the consumers and businesses that reside in our community. The success of that commitment is seen in the investment we have made in the consumers and small businesses that we serve. We have invested $60,000,000.00 in loans for the homes and vehicles of our consumers and in the business of our commercial customers. We have total assets of $140,000.00. We strongly believe that if our mission to provide these services is curtailed by additional regulation, the quality of life in our community will suffer and the economic impact will be severe. This is why we are writing to express concerns with certain elements of the Basel III Capital accords.

We know from experience how serious our regulators are about maintaining and retaining adequate levels of capitalization for financial institutions in this country. Our Board and bank management are in substantial agreement with that idea as nobody wishes to see additional bank failures. But we're not convinced that Basel III addresses this issue in a logical manner. We sincerely believe that Basel III is setting our industry up for an artificial capital crisis that we can ill afford. Our concern lies in the inclusion in Tier One capital of perceived gains or losses in the bond portfolio. Our bank has approximately $42,000,000.00 in AFS securities. At the moment, we have $1,000,000.00 in perceived gains in these investments. We know that a 200 - 300 basis point upward move in rates has the potential to reverse that number, so under Basel III, our institution is facing a swing of up to $2,000,000.00 in capital as rates eventually begin to rise. Under the proposed capital standards, we will have to allocate additional resources to replace the capital reduction. This has the potential of curtailing the loans we approve, the donations we make in community organizations, the number of jobs that we create and our ability to attract and retain talent in our staff. When the ramifications of this provision are fully felt in our industry, we expect the result will be a downward pressure on economic growth. This is not a good thing for the health and effectiveness of our industry in fostering economic growth and recovery. We urge regulators and other decision makers to not include paper gains or losses in calculations for Tier 1 capital so that an artificial capital crisis may be avoided and resources may be allocated for economic growth opportunities.

Our bank has invested almost $15,000,000.00 for 1 to 4 family mortgages in our community. Secondary market mortgage loans are not readily available in Snyder and mortgage lending is becoming more challenging with all of the new Dodd Frank regulations. Banks such as ours have a vested interest in accurate and adequate underwriting for mortgages and we rarely have foreclosures or elevated levels of delinquent mortgage loans. The new risk weight assignments may not affect our risk based capital levels, however; the required maintenance on our existing portfolio will be confusing, costly and unnecessary. As a result of new regulations, which we consider to be onerous for small community banks, we are considering discontinuance of mortgage lending for homes. This would present a serious problem for the local real estate market, forcing local buyers to find larger lenders in far away cities. We do not have the staff to properly analyze our mortgage loans, nor are we inclined to hire additional staff to accomplish this task. We fear that the ultimate result of the proposed risk weight levels will diminish available mortgage funds and help to prolong the recovery of our housing markets.

If you should have any questions regarding our comments, please contact me at this email address, or at 325 573-5441.

Respectfully submitted,

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