

From: Jon Ruff [mailto:JRuff@fsbweb.com]
Sent: Thursday, August 30, 2012 3:41 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95,RIN 3064-AD96, and RIN 3064-D97

Federal Deposit Insurance Corporation
Washington, D. C.

August 30, 2012

Re: Basel III Proposal

Ladies and Gentlemen:

First State Bank of Hallsville, Texas has 35million in assets and at this time has approximately \$10million in AFS securities. How should our bank deal with this proposal, especially when interest rates rise again? Will we have to create an additional capital buffer as a cushion during value fluctuations? **If so, we are taking resources from customer needs and bank growth.** Should we limit our investments in longer duration assets? How will this affect local governments and the housing markets? This proposal could cause a number of banks to sell all or part of their AFS portfolios. Have federal regulators considered what impact this will have on the markets for those securities? We are concerned about how this proposal might impact our asset liability function and our liquidity and contingency funding plans.

We are a community bank and, as such, should not be thrown into the “mark-to-market” frenzy that has consumed other segments of the financial services industry. The most likely result of this proposal **will be an increase in employee time to monitor our AFS portfolio.** This may also require us to **purchase software to stay in compliance. Both would lead to less time and service for our customers.**

Our bank has \$35million in assets with approximately \$10 million in mortgage assets. Our 17 employees provide mortgages in two communities. The most likely result of this proposal is that it will cause us to raise capital. Our earnings will be impaired. Our regulatory burden will increase. Most importantly, it will limit the availability of mortgages we offer in our communities. Rural borrowers in Texas, due to recent federal laws, are already confronting a market in which banks are making fewer home loans. This proposal will only make matters worse.

Please accept our comments as a sincere expression of our industry’s concern about Basel III proposal.

Very truly yours,

Jon B. Ruff
President
First State Bank
P. O. Box 600
Hallsville, Texas 75650

Jon Ruff, President
First State Bank Hallsville
P.O. Box 600
Hallsville, TX 75650
PH: 903-668-4044 x110
Fax: 903-660-0002

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