From: Dennis Kutach [mailto:dkutach@ourhometownbank.com]
Sent: Friday, August 31, 2012 1:14 PM
To: Comments
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

Often a banking crisis creates a lot of new regulations, some good and some not so good. The new Basel proposals, if enacted, will have a significant negative effect on our bank and the entire Yoakum community. We pride ourselves in being a stable, locally owned and operated bank that has a strong capital base. Our bank makes consumer, agricultural, small business and mortgage loans that are all kept in our own portfolio. We make a lot of residential mortgage loans to middle and low income customers and feel we provide a much needed service to our community. The proposed risk weighted asset calculations will require increased monitoring and result in additional labor expenses not to mention the strain on capital. This proposal along with the new burdens placed on community banks by the Dodd-Frank Act requires additional employee training, new software systems and increased compliance costs. Additional staffing will be needed and that is a real problem finding qualified help in a rural environment. The costs involved will take money out of capital and earnings rather that help our customers. All of this will limit the availability of mortgages in the surrounding communities where we offer loans.

Another area of concern is including unrealized gains and losses on available for sale securities in common equity tier 1. Most of our securities have been classified as available for sale. We seldom sell or swap securities and our capital has always been strong. With the proposed rules and the interest rate environment the past 4 years, this could create a real problem when interest rates start to rise. It will place limitations on helping our local governments and adversely affect our asset liability management process. Liquiidity and contingency funding plans will also be impacted. We are a community bank and should not have to worry about "mark to market" since we hold our securities to maturity. If we change our securities to Hold to Maturity then it will affect our liquidity calculations and limit flexibility.

Our bank has 145 million in assets and 34 employees. Complying with new regulations has increased our work load significantly and taken qualified employees away from regular duties that are essential to serving our customer base. There is not a pool of candidates with banking experience available in our area and it takes a lot of time to train new employees especially in compliance matters. Our compliance costs have increased by over 25% in recent years and will continue to increase in the future. This takes away from funds that can be used to help the community.

Community banks play a vital part in our economy. These new international requirements that should be geared to large institutions and not applied to community banks. Many boards will get tired of the burden and expense opting to sell out to a larger institution. The future of community banking is in doubt but is doesn't have to be that way.

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