Golden Belt Bank

Locally Owned and Operated Since 1920

October 18, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
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Subject Line: Basel III Docket No. R-1442

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
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Subject Line: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

Office of the Comptroller of the Currency
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Subject Line: Basel III OCC Docket ID OCC-2012-0008, 0009, and 0010

Ladies and Gentlemen:

Golden Belt Bank is a locally owned $130 million savings institution that has been dedicated for more than 100 years to making the dream of home ownership come true for those in Ellis County and the surrounding areas.

We specialize in fixed-rate mortgages that we sell into the secondary market, offer adjustable-rate mortgages retained in our own loan portfolio, and rural housing guaranteed loans. In the first half of 2012, we were responsible for 35% of the total real estate mortgages filed in Ellis County, double that of the closest competitor.

We retain servicing rights to every loan that we sell into the secondary market. This is a strategy we feel is essential to maintaining a successful customer relationship and to properly serve our community. Our serviced loan portfolio has grown to over $120 million, while our portfolio of 1-4 family loans is about $40 million.

Unrealized Gains and Losses on AFS Securities Flow Through to Regulatory Capital

In the current rate environment, the implementation of this provision would immediately increase our capital by the $575,000 of unrealized gains and losses currently carried. However, based on projections made by our bond accounting vendor a 300 bp rate increase would result in an $800,000 shift in this line item. Remember, this consequence is not a result of any action or inaction on the part of the bank's management but is instead only a result of interest rate fluctuations.

We carry a small $14 million security portfolio. While it does provide an additional source of interest income, it is also maintained for pledging purposes. That is, to secure any public fund deposit over $250,000. If we are forced to shrink our securities portfolio due to the impact of unrealized gains and losses, we would have to turn public deposits away. These deposits currently help fund the lending needs of our community.

Residential Mortgage Risk Weighting

Since a third of our first lien residential mortgages have a loan to value of less than 60%, we will actually benefit from enacting this provision, as risk weighting of these loans will be reduced from 50% to 35%. So, why would we be against this requirement? Primarily, due to the Category II mortgage implications. Our data processing system currently has no way to capture correctly the loan to values of combined first and second mortgages, meaning our data processing provider will need to implement measures to allow proper reporting. This, in turn means additional costs to the provider which translates to higher processing costs to us. The result will eventually trickle to the borrower in the form of a higher underwriting fee. Increasing the underwriter fee will take us out of the market competitively as our primary competition is a credit union not subject to these rules. Consequently, the supply of reasonably priced residential mortgage loans will diminish in the community and the bank's profitability will be affected.

If the core provider chooses not to implement the necessary changes, we would be forced to manually review approximately 65 loans each quarter to determine proper reporting of the loan to value percentage. Assuming 15 minutes per loan, (We have paper files so this includes pulling the loan file, reviewing the collateral, determining if there is a first lien, entering information into a spreadsheet, etc.) this will take an employee at least two days each quarter. When you consider a loan department staff of only 5 employees, taking one person out for two days when already heavily burdened with meeting other regulatory requirements, the impact is significant and could lead to adding staff. Again the result means eventually the borrower will be impacted with an increased underwriting fee.

We are conservative minded and retain capital commensurate with the risk profile of this institution. The above cited Basel III provisions will have negative bearing on the way our institution does business resulting in a detrimental impact to our community.

Our capital ratios continue to grow because we are committed to maintaining a safe and sound and strong savings institution, we do not need the provisions of Basel III to accomplish that.

Sincerely,

Jessica Kerr

Jessica Kerr
Vice President of Compliance

cc: Senator Pat Roberts
Senator Jerry Moran
Representative Tim Huelskamp