
From: Dirk Bagenstos <dirkb@hpbank.us>
Sent: Friday, October 19, 2012 11:59 AM
To: Comments
Subject: FW: FDIC RIN 3064-AD95, FDIC RIN 3064-AD96, AND FDIC RIN 3064-AD97

October 19, 2012

Jennifer J. Johnson, Secretary
Comptroller of the Currency
Boards of Governors of the Federal Reserve
System
Washington, D.C. 20551

Office of the
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: FDIC RIN 3064-AD95,FDIC RIN 3064-AD96, AND FDIC RIN 3064-AD97

Ladies and Gentleman

I am writing to express my concerns over the proposed implementation of the Basel III capital requirements. I do not feel that the requirements are relative to a bank serving small rural towns, such as Keyes Oklahoma. We operate a relationship based bank that recognizes the unique needs of our citizens. Imposing complex capital regulations from Basel Switzerland seems unreasonable and dangerous. Should these rules be implemented our first action would have to be to curtail lending at a high rate. As a bank that maintains a high loan to deposit ratio, there would be no other options. I don't believe Basel III will strengthen any small community bank. It will in fact begin to weaken the bank first and then the community in which it serves.

My first concern addressing Basel III is the complexity required to interpret and follow the rules. I do not have the staff or computer system to monitor compliance of such a proposal.

My second area of concern is the treatment of balloon mortgage loans. These type of loans are common in rural areas of which we serve. They are not made at the expense of the borrower and for the gain of the bank. These type loans are retained within our bank. Not Sold to someone we do not know. These loans typically do not qualify for the secondary market. Under the Basel III proposal these " sound community strengthening" loans will be a "category 2" mortgage with a risk weight of up to 200 %.

Another area of concern is the increased risk weighting on delinquent loans. In agricultural based towns this could result in a panic mode of operation. We have been very fortunate with few delinquencies at this time. Economic conditions do change.

My third and final concern is as a rural bank we have major concentrations in agriculture. It is very strong at this time. However my concern is, should the AG economy weaken and our risk rating fall from a 1 to 2. This would have the affect of doubling the size of our risk rated assets. As I understand Basel, this would reduce our capital by half and we would no longer be " well capitalized". The Bank reaction would be to cut off agriculture loans and reduce our exposure. Obviously, this would hurt the rural communities in which we serve as well as the entire agricultural industry.

In summary, the implementation of Basel III as proposed would significantly and negatively change the way community banks serve their customer and communities.

Respectfully submitted ,

Dirk Bagenstos
Presidents & CEO High Plains Bank