From: Erik Ganstrom <eganstrom@baileyvillestatebank.com>
Sent: Thursday, October 18, 2012 3:29 PM
To: Comments
Cc: regs.comments@occ.treas.gov; regs.comments@federalreserve.gov; chris_allen@roberts.senate.gov; william_ruder@moran.senate.gov; mark.kelly@mail.house.gov; colin.brainard@mail.house.gov
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, RIN 3064-D97

Dear Sir or Madam;

The formation and implementation of the Basel III Capital Accord as it pertains to large complex internationally active financial institutions is understandable, but the application of Basel III to community banks is not. Our bank is an important part of the economic fiber of our small rural Kansas town. We, as community banks throughout the nation, are the providers of personal and business lending in the communities we serve. Applying Basel III to community banks is akin to killing a fly with a sledge hammer.

Our bank has recently attempted to raise bank capital. We found it was close to impossible. Thankfully, current directors had the financial capabilities to purchase additional stock and were willing to do so. The only way we will raise capital in the future is through retained earnings, which is a slow and arduous process. The volatility in capital caused by the inclusion of accumulated other comprehensive income (AOCI), specifically paper gains or losses in the bank's investment portfolio will result in the need for additional capital that we will be unable to raise as quickly as necessary.

Additionally, the risk weightings on mortgages will slowly but surely reduce the number of residential loans made by community banks. If the compliance risk and capital cost become too high, this bank will not make residential real estate loans. The bank will simply not be able to afford to do so.

The compliance burden associated with Basel III will be heavy. Based on our review, in order to comply with Basel III a significant amount of new information will be required. Upgrades to core processing systems will be necessary and expensive. The time it takes our employees to comply will be excessive, decreasing our capability to serve our customers, which is our true mission. Every regulation added takes time away from our customers!

Is this bank a significant player in the international financial world? No. Is this bank an important financial resource in the community we serve? Yes. Will the implementation of Basel III significantly, if not completely, reduce the services this bank provides to our community and customers? Yes.

We understand that sufficient capital is important. But the current capital rules, coupled with regular on-site examinations, have served the community banking sector very well. If community banks are included under Basel III, it will be a great disservice to the community banks throughout this country and ultimately a greater disservice to the communities and customers we serve.

Sincerely,

Erik Ganstrom
Vice President

Baileyville State Bank

611 N. Second Street
PO Box 230
Seneca, KS 66538

(785) 336-6123
(785) 336-6744 (fax)

From: Marilyn Boeding <mboeding@baileyvillestatebank.com>
Sent: Thursday, October 18, 2012 12:58 PM
To: Comments
Cc: reg.comments@occ.treas.gov; reg.comments@federalreserve.gov; Chris_Allen@roberts.senate.gov; William_Ruder@moran.senate.gov; mark.kelly@mail.house.gov; Colin.Brainard@mail.house.gov
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96 and RIN 3064-D97

Ladies and Gentlemen,

Basel III would have devastating effects on the community banking sector, but without a doubt the real losers will be our customers, consumers, small businesses and local government units that the community banks serve. Basel III will result in fewer services and lending products being available to these entities, which are primarily served by community banks.

Community banks, at least this community bank, are struggling under the current compliance burden. It is costly in dollars and manpower. Compliance issues have already reduced the time we have available for our customers. Basel III will only make it worse.

Due to current compliance issues and pending additional CFPB regulations, residential real estate lending is at best a struggle for this bank and other community banks. The implementation of Basel III (mortgage risk weights and LTVs) for community banks will cause additional community banks to cease making residential real estate loans. I say additional because smaller rural banks in Kansas have already stopped making *in portfolio* residential real estate loans due to compliance issues. That's a problem because no one else will make those loans. They will not qualify for the secondary market.

The risk weighting of mortgages is difficult enough, but the inclusion of market swings in a bank's AFS portfolio in Tier 1 capital is quite possibly a community bank killer. The inclusion of Accumulated Other Comprehensive Income (AOCI) will require community banks to hold additional capital to compensate for the volatility in market rates due to interest rate fluctuations. It will be difficult if not impossible for community banks to raise the capital necessary. The only way available for community banks to raise capital is through retained earnings, which cannot be done quickly enough to compensate for the possible rapid change in portfolio values. All other means for a community bank to raise capital disappear as soon as there is a capital problem. To avoid capital problems due to investment value fluctuations, the investment portfolio will look more like cash and due from banks than a viable income producing sector of the bank.

There are numerous segments of Basel III that are detrimental to community banks. This comment letter could go on for pages outlining the unnecessary regulatory burden that would result from the implementation of Basel III. Instead I will give you an example of what regulatory burden has already done.

Recently two banking friends, who are excellent community bankers, have sold their banks. Both were locally owned hometown banks each chartered over 100 years. Each bank was sold due to the current over whelming regulatory burden. These bankers, who had served their communities well for years, gave up and walked away from a lifetime of banking. Now the communities they served have no locally owned bank, no local investment in the community and a decrease in services. Imposing Basel III on community banks will result in more unnecessary bank consolidation and loss of banking services to consumers and small businesses.

W.J. Bailey, who later served as the president of the current 10th Federal Reserve District, chartered this bank in 1894. His intent was to provide banking services to help his community grow and its residents prosper. That is what this bank has done for over 100 years. This bank has survived two World Wars, the bank holiday, the great depression, the dust bowl, Bonnie & Clyde style bank robberies and the farm crises of the 1980s. This bank has helped its customers fulfill their dreams, own a house, start a business, save the family farm, send their children to college, get married and raise families. Do to already excessive regulations, we are finding it more difficult each day to fulfill our simple mission of helping our customers. We simply do not need the additional regulatory burden that Basel III will heap on community banks. The current capital requirements along with regular examinations have served community banks well. Why make it harder for community banks by implementing Basel III.

I am the third generation in our bank and would like to think our bank could survive for future generations but with all the regulations it is getting more difficult each year. Thank you for listening to my concerns.

Yours truly,

Marilyn E. Boeding
Senior Vice President

Baileyville State Bank
611 N. Second Street
PO Box 230
Seneca, KS 66538
(785) 336-6123
(785) 336-6744 (fax)

From:	Paul R. Boeding <boedingbsb@yahoo.com>
Sent:	Thursday, October 18, 2012 11:43 AM
To:	Comments
Cc:	regs.comments@occ.treas.gov; regs.comments@federalreserve.gov; Chris_Allen@roberts.senate.gov; William_Ruder@moran.senate.gov; mark.kelly@mail.house.gov; Colin.Brainard@mail.house.gov
Subject:	Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97
Categories:	Blue Category

Ladies and Gentlemen:

There are numerous comments that could be made concerning the onerous burdens that will be placed on the backs of community banks if Basel III is implemented for all banks, instead of just for those internationally active banks for which Basel III was designed. As the major regulatory agency of community banks I am quite sure the FDIC is aware of the problems community banks will have complying with Basel III, so this will not be a long laborious comment letter outlining the devastating effects Basil III will have on community banks and ultimately the customers we serve.

Just one comment or thought for your consideration. On the FDIC website there is a section called "History of the FDIC". That section opens with the following sentence: "The FDIC was created in 1933 in response to the thousands of bank failures that occurred in the 1920s and early 1930s". How ironic it is that after nearly 80 years the FDIC will be the cause of numerous bank closings through the implementation of Basel III.

Sincerely,

Paul R. Boeding, President

Baileyville State Bank
611 North Second Street
P.O. Box 230
Seneca, Kansas 66538

From: Baileyville State Bank <baileyvillestate@yahoo.com>
Sent: Thursday, October 18, 2012 10:46 AM
To: Comments
Cc: regs.comments@federalreserve.gov; regs.comments@occ.treas.gov; Chris_Allen@roberts.senate.gov; William_Ruber@moran.senate.gov; mark.kelly@mail.house.gov; Colin.Brainard@mail.house.gov
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

Ladies & Gentlemen:

Basel III would have devastating effects on the community banking sector, but without a doubt the real losers will be the customers community bank's serve, consumers, small businesses and local government units. Basel III will result in fewer services and lending products being available to these entities, which are primarily served by community banks.

Community banks, at least this community bank, are struggling under the current compliance burden. It is costly in dollars and manpower. Compliance issues have already reduced the time we have available for our customers. Basel III will only make it worse.

Due to current compliance issues and pending additional CFPB regulations, residential real estate lending is at best a struggle for this bank and other community banks. The implementation of Basel III (mortgage risk weights and LTVs) for community banks will cause additional community banks to cease making residential real estate loans. I say additional because smaller rural banks in Kansas have already stopped making in portfolio residential real estate loans due to compliance issues. That's a problem because no one else will make those loans. They will not qualify for the secondary market.

The risk weighting of mortgages is difficult enough, but the inclusion of market swings in a bank's AFS portfolio in Tier 1 capital is quite possibly a community bank killer. The inclusion of Accumulated Other Comprehensive Income (AOCI) will require community banks to hold additional capital to compensate for the volatility in market rates due to interest rate fluctuations. It will be difficult if not impossible for community banks to raise the capital necessary. The only way available for community banks to raise capital is through retained earnings, which cannot be done quickly enough to compensate for the possible rapid change in portfolio values. All other means for a community bank to raise capital disappear as soon as there is a capital problem. To avoid capital problems due to investment value fluctuations, the investment portfolio will look more like cash and due from banks than a viable income producing sector of the bank.

There are numerous segments of Basel III that are detrimental to community banks. This comment letter could go on for pages outlining the unnecessary regulatory burden that would result from the implementation of Basel III. Instead I will give you an example of what regulatory burden has already done.

Recently two banking friends, who are excellent community bankers, have sold their banks. Both were locally owned hometown banks each chartered over 100 years. Each bank was sold due to the current over whelming regulatory burden. These bankers, who had served their communities well for years, gave up and walked away from a lifetime of banking. Now their communities they served have no locally owned bank, no local investment in the community and a decrease in services. Imposing Basel III on community banks will result in more unnecessary bank consolidation and loss of banking services to consumers and small businesses.

W.J. Bailey, who later served as the president of the current 10th Federal Reserve District, chartered this bank in 1894. His intent was to provide banking services to help his community grow and its residents prosper.

That is what this bank has done for over 100 years. This bank has survived two World Wars, the bank holiday, the great depression, the dust bowl, Bonnie & Clyde style bank robberies and the farm crises of the 1980s. This bank has helped its customers fulfill their dreams, own a house, start a business, save the family farm, send their children to college, get married and raise families. Do to already excessive regulations, we are finding it more difficult each day to fulfill our simple mission of helping our customers. We simply do not need the additional regulatory burden that Basel III will heap on community banks. The current capital requirements along with regular examinations have served community banks well. Why make it harder for community banks by implementing Basel III.

Sincerely,

Douglas, Heiman, Director

Baileyville State Bank
611 North Second Street
P.O. Box 230
Seneca, Kansas 66538

From: Baileyville State Bank <baileyvillestate@yahoo.com>
Sent: Thursday, October 18, 2012 10:25 AM
To: Comments
Cc: regs.comments@federalreserve.gov; regs.comments@occ.treas.gov; Chris_Allen@roberts.senate.gov; William_Ruder@moran.senate.gov; mark.kelly@mail.house.gov; Colin.Brainard@mail.house.gov
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

Ladies & Gentlemen:

The formation and implementation of the Basel III Capital Accord as it pertains to large complex internationally active financial institutions is understandable, but the application of Basel III to community banks is not.

Our bank is an important part of the economic fiber of our small rural Kansas town. We, as community banks throughout the nation, are the providers of personal and business lending in the communities we serve. Applying Basel III to community banks is akin to killing a fly with a sledge hammer.

We have recently attempted to raise bank capital. We found it was close to impossible. Thankfully current directors had the financial capabilities to purchase additional stock and were willing to do so. The only way we will raise capital in the future is through retained earnings, which is a slow arduous process. The volatility in capital caused by the inclusion of accumulated other comprehensive income (AOCI), specifically paper gains or losses in the bank's investment portfolio will result in the need for additional capital that we will be unable to raise as quickly as necessary.

The risk weightings on mortgages will slowly but surely reduce the number of residential loans made by community banks. If the compliance risk and capital cost become too high, this bank will not make residential real estate loans. The bank will simply not be able to afford to do so.

The compliance burden associated with Basel III will be heavy. Based on our review, in order to comply with Basel III a significant amount of new information will be required. Upgrades to core processing systems will be necessary and expensive. Employee time to comply will be excessive, decreasing our capability to serve our customers, which is our true mission.

Is this bank a significant player in the international financial world? No. Is this bank an important financial resource in the community we serve? Yes. Will the implementation of Basel III significantly, if not completely, reduce the services this bank provides to our community and customers? Yes.

We understand that sufficient capital is important. But the current capital rules, coupled with regular on-site examinations, have served the community banking sector very well. If community banks are included under Basel III, it will be a great disservice to the community banks throughout this country and ultimately a greater disservice to the communities and customers we serve.

Lynn E. Heiman, Vice President

Baileyville State Bank
611 North Second Street
P.O. Box 230
Seneca, Kansas 66538

From: Baileyville State Bank <baileyvillestate@yahoo.com>
Sent: Thursday, October 18, 2012 9:48 AM
To: Comments
Cc: regs.comments@occ.treas.gov; regs.comments@federalreserve.gov; Chris_Allen@roberts.senate.gov; William_Ruber@moran.senate.gov; mark.kelly@mail.house.gov; Colin.Brainard@mail.house.gov
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96 and RIN 3064-D97

Ladies & Gentlemen:

We have been discussing Basel III at our bank board meetings for the last two years. The question I have as a board member and officer of a community bank is, why does an accord determined in Switzerland designed for financially important international banks have anything to do with our rural community bank in Kansas. This bank has been in existence since 1894. It was chartered to help and assist in the economic welfare of the area we serve. The bank has collected deposits and used those deposits to make loans and contributions from profits for the benefit of our customers and community. The bank has done that successfully for nearly 120 years. Now through Basel III we are being told that the products and services we have successfully used for over a century are no longer acceptable and we must change and alter our business model to the detriment of this bank and ultimately the customers we serve.

Needless to say we would like and believe that Basel III should be limited to those large internationally active banks for which it was designed and for this bank and all community banks to continue under the current capital standards, which have and do serve us well. We look at Basel III in any form and see that it will be harmful to our bank and all community banks.

1. Basel III is not tiered in any way and provides no relief for this bank or other community banks with basic balance sheets and lending products.

2. We and most other community banks have no ready access to capital. Basically, community banks have one way to increase capital, through retained earnings. Due to the capital volatility built into Basel III community banks will not be able to raise capital quickly when necessary.

3. Including Accumulated Other Comprehensive Income in capital will result in Capital swings that we will not be able to control. The current paper gain we have in our investment portfolio is equal to approximately three years of earnings. We will have a major capital problem when the current artificially low interest rates return to historical or higher levels. Our portfolio can go from its current paper profit to a paper loss of equal size very quickly. There is no way we or a large number of community banks will be able to raise sufficient capital in time to react to what are pure paper gains or losses. We will be forced to hold more capital if we can raise more capital. Also over time we will be forced to adjust our investment portfolio to decrease its volatility, which in turn will decrease our profits/retained earnings, which decreases our ability to increase capital. A very vicious circle.

4. The mortgage risk weights (balloon mortgages and LTVs) will cause this bank and other community banks to decrease the number of real estate loans we currently make. Good loans that have performed and have allowed consumers to own their own homes. Community banks such as this bank have used balloon mortgages as a means to control interest rate risk, something that is pounded into us every time we have a regulatory examination. The risk weights allocated to balloon mortgages under Basel III will cause immediate capital problems due to the number of balloon mortgages currently held in portfolio by community banks.

As a regulatory agency that has been in existence since 1933 the FDIC has promulgated and implemented numerous rules and regulations, some good, some bad. Because of the authority given to the FDIC, it has a moral obligation to do no harm. The implementation of Basel III on community banks will do harm, to community banks and ultimately to the communities and consumers they serve.

Sincerely,

Becky Lierz, Vice President

Baileyville State Bank
611 North Second Street
P.O. Box 230
Seneca, Kansas 66538

785-336-6123
785-336-6744 (Fax)