

# SECURITY STATE BANK & TRUST

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William H. Cowden, Jr.  
President/CEO  
NMLS #445867

October 16, 2012

Federal Deposit Insurance Corp.  
550 17<sup>th</sup> St. NW  
Washington, DC 20429

Re: "Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97"

Gentlemen:

Security State Bank & Trust is a State of Texas chartered Community Bank located in an area known as the "Hill Country of Texas". The bank consists of 14 branch locations throughout the Texas Hill Country with the Main Bank located in Fredericksburg, Texas.

The Board of Directors and Management of the bank are very concerned that the Basel III proposals will negatively impact the bank's ability to lend to its customers.

Our bank has \$660 million total assets and approximately 240 employees. We are already laboring in an environment involving increased regulatory scrutiny in compliance exams and the new burdens being placed on us by the Dodd-Frank Act. Our compliance costs alone have increased by 50% or more in the last 10 years.

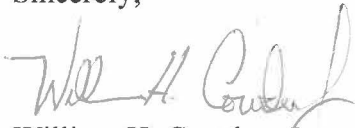
It appears that as proposed, Basel III will require us to change our internal reporting systems and provide additional employee training. More than likely we will have to hire additional employees. The complexity of the data requests probably means that we will also have to install new software systems and/or look for third parties to provide them. None of these requirements will allow us to help our customers in our community. The compliance costs will pull money out of capital and earnings rather than help our borrowers.

The increasing cost of compliance for community banks is leading to more consolidation in our industry. Basel III, as proposed, will only accelerate this trend.

Federal regulators may not be troubled by a country that has only a handful of banks. From our perspective, community banks still serve a vital function in our economy. It would be a shame if these new international capital requirements help lead to their demise.

We respectfully request you repeal Basel III proposals for Community Banks.

Sincerely,

A handwritten signature in dark ink, appearing to read "William H. Cowden, Jr.", written in a cursive style.

William H. Cowden, Jr.  
President/CEO