From: John Kingsbury [mailto:john@bankofdc.com]
Sent: Monday, September 24, 2012 2:15 PM
To: Comments
Cc: wabernat@aba.com
Subject: "Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97"

FDIC Proposed Regulations - Basel III *"Real World"* Comments - The most important thing I wish to recommend is to, "please listen to Thomas Hoenig." He is appropriately sounding the alarm about over regulation, intent, cause and Main Street effect. Once again, Mr. Hoenig is telling the experienced truth just as he did for years from the KC-Fed and the Fed Board when no one cared to listen.

How can I say this strong enough, "it is time to listen to Tom Hoenig who understands the realities on financial regulation and the impact on banking."

Do you really believe the nation's economy will ever climb out of this prolonged economic slump without strong, effective community banking? Seriously, where do most business developments, start-ups and new jobs originate?

Do you understand what has happened to the franchise value of community banks? Do you understand why the value of a community bank has declined so significantly?

How can you not understand for yourself how Basel III will restrict credit and economic growth? If you take ANY loan and risk weight it above 100% face value, what other result can there be but restricted credit? Every bank will be forced to make most loan decisions based on a 'possible' future risk weight above 100%. You might say, "well, rating risk is the point." OK, than ask yourself, is more than 100% of "reasonable' reflection of risk especially since we are already required to Impair loans in our Capital Reserve analysis?

We are already seeing the effect of pre-Basel III decisions limiting available credit today! It is very real, maybe not at the too-big-to-fail, but I am definitely seeing it NOW, TODAY in the heartland. I believe many, if not most banks are already eliminating any type of loan that might in the future require 150-200% Risk Weighting.

Let me give you a very honest Risk Weight example which we see as a serious concern. In our small rural communities in northeast Nebraska many borrowers and many older homes simply to not qualify for USDA, FHA or secondary market financing. This is especially true for many young families with perhaps limited credit histories, and little down payment. These families can only afford a modest older home to begin their lives. Over many years our bank has had excellent success making these starter home loans to hundreds of families. And you know what, I could count on one hand the number of losses we have had. Almost always these people work hard to improve the home, build equity and then move on to a nicer home. This happens in large part because of our community experience and believe it our not, our desire to HELP people. It also keeps our older homes from deteriorating. Our lending to young families for older, small homes helps our communities, our schools, our tax base and our neighborhoods.

Because of the absurd 'Risk Weighting' of such Residential RE loans I know for a fact some banks have already stopped making such loans, and I know our lending will be greatly reduced and possibility eliminated as well. This will affect tens of thousands of young families and virtually every community and neighborhood in the country. This comment is not a scare. It is a fact. A bank simply will not make a 200% risk weighed loan. How can we and still have sufficient loans?

The > 100% risk weight on many types of residential lending is simply NOT reasonable, nor is it based on actual risk or community loss history.

Basel III on top of Dodd-Frank and the thousands of existing rules and regs are suffocating community banks. That is not a political fairytale. If any fair regulator, consumer advocate, member of Congress or citizen would spend one day with us in our bank the direct consequences of over-regulation would be simple to see. It is simple math. There are only so many hours each day. There are only so many bank employees we can afford to hire. Each hour spent on compliance, rules and regs directly subtracts from our hours left for economic activity, loan production, consumer or small business assistance or our core community building activities.

Let me give you some "time related" examples. We are forced to include a 'time it will require" element in far too many loan situations. SBA or USDA loans would be good examples is extensive time requirements. Also, projects that require significant time with zoning, licensing or permitting suffer, or must be avoided due to our lack of time. If a bank's limited use of is not cost effective . . . then you don't do it.

I have been in our family bank for 41 years. Regulators, please listen: In any For Profit business allocation of time and resources IS the bottom line.

I fully realize the Federal goal is probably to greatly reduce the number of banks you must supervise. But once community banking is forced in to more massive consolidate because thousands of small banks simply can not survive in this environment . . . . only then, will the true impact will slowly be felt . . . and, far too few will recall the alarm of Mr. Hoenig. And for those who do, it will be too late!

Sincerely, John Kingsbury

John Kingsbury

President

Bank of Dixon County

"Demand *real* change. Demand Congressional Term Limits."

Let's change Washington . . . for good!

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