

September 25, 2012

Re: Basil III

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation and thank you for taking the time to listen to my concerns. Although I support your efforts to improve standards for banking organizations in the United States, I am concerned that regulations are being imposed on financial institutions of all sizes, including our small community banks in Oklahoma.

Having been in banking for the past 37 years and have represented some strong Oklahoma community banks, I have seen an enormous amount of change. I have also seen Oklahoma community banks rise up, when times are tough and continue to provide the necessary services to the community along with maintaining healthy balance sheets, even through financial crisis. I would like to make reference to the "common equity tier 1 risk-based capital". This ratio provides an enormous amount of concern for me as I believe it will lead to dramatic consequences for all community banks. Oklahoma banks currently hold record amounts of capital and a strong capital base is vital to ensure financial institutions are able to absorb unexpected losses. The change in definition of capital and the increase in risk weights of many asset classes will squeeze banks even as our regulatory burdens are increased. The changes to bank capital requirements being made by your proposed implementation of Basel II are very threatening.

Oklahoma's small community banks serve as the foundation of their communities. We make mortgage loans that would never be serviced by large international banks, we invest in community bond issues and we have personal relationships with our customers. Those personal relationships give us an insight as to the integrity and character of our customers. Those relationships tell us far more about our customer than any credit score ever will. I believe this proposal has a disproportional view of a community banks 1-3 Family Residential Real Estate loans with balloons, deferrals and interest rate caps that don't match the new standards. I feel that the agencies are putting our loans in the same category as the secondary market loans with the same features. However, our loan performance is dramatically better than the performance of the secondary market loans. At Shamrock Bank we require down payments on purchases and equity in refinancing. Our lenders physically inspect the houses themselves to make sure the appraisals aren't out of line with the market. We have a personal relationship with our

customers and don't allow them to take on a debt they can't pay back. I understand that 1-4 Family Real Estate loans with a balloon feature will be assigned a risk weight of 100%. Many of our loans are written with a balloon to mitigate interest rate risk. We have been writing these loans for many, many years with no adverse effect on the bank.

I am just saying that we, the small community banks are different and I do not see the value in requiring us to adhere to regimes designed to manage larger and more complex risks. Community banks are an important source of personal and business lending in communities across the country. In many areas, small institutions are the only ones that provide direct local services and have a stake in the success of their communities. Much of the threat to Oklahoma banks' competitiveness has come as a result of the Dodd-Frank Act and the proposed implementation of Basel III just adds to that concern. Shamrock Bank is located in seven different communities in Oklahoma and our plan, of raising our capital so we could acquire another bank, has been moved aside. This proposal has brought such uncertainty to our organization that we have been forced to halt all plans of branching and providing services to other communities in Oklahoma.

The requirements associated with Basil III will have a dramatic affect on community banks, not only in Oklahoma but throughout the United States.

Respectfully,

Donalda L Manion  
Vice President