BankVista
Independent Community Bank

October 15, 2012

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Email: comments@fdic.gov
FDIC RIN 3064–AD95
FDIC RIN 3064–AD96

RE: Comments in response to notice of proposed rulemaking-minimum regulatory capital & standardized approach for risk-weighted assets as proposed by Basel III.

Dear Mr. Feldman,

As a community bank president, I recognize the importance of sufficient capital to a safe and sound bank and to the banking system. I am concerned about the consequences of instituting these complex new rules on community banks, including BankVista, irrespective of the size or risk profile of the bank.

The Basel III proposals were intended for large, sophisticated financial institutions competing with others of a similar scale across the globe. I am very troubled that our own U.S. regulatory authorities would include community banking in these complex new capital rules. The new capital proposal is unnecessary and a costly regulatory burden that will result in damaging unintended consequences for my bank and quite likely result in further consolidation of the community banking industry.

For the very reason that the agencies have proposed these rules – the safety and soundness of the industry – **community banks should be exempt from these proposals and allowed to continue to measure capital according to present methodology**. Measures already in place are clearly working to improve the community banking segment of the industry.

The ongoing and complex collection and reporting of information on various asset categories required by the proposed rules will further tax the limited resources of my bank. My bank's Chief Financial Officer is already stretched to her limits and, in my mind, will need to add extra staff and/or expertise to properly comply with the new proposals if implemented. The added cost and time needed to comply with these provisions will not benefit the bank or the public. The "mark to market" requirement will

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require my bank and others to hold more capital to compensate for inevitable swings in interest rates, thus hindering growth and lending opportunities.

The proposed risk weighting to various asset classes will be challenging, expensive, and a strong disincentive for me to provide certain lending options for my customers. This will serve as a strong disincentive to mortgage and real estate lending at my bank, especially loans kept in my banks' portfolio.

Additionally, the introduction of "High Volatility Commercial Real Estate" (HVCRE), with a 150% risk weighting and limited exemptions will limit my bank's willingness to make these loans and raise borrowing costs in this already challenged market and result in additional harm to an already shaky real estate lending market.

Regarding Allowance for Loan and Lease Losses reserves, in my bank specific allocations are already made for higher risk, classified, past due and non-accrual loans. It appears that with the additional proposed capital requirements of Basel III, reserve requirements could increase to unreasonable and unwarranted levels.

In my opinion, this is the wrong time for regulatory policies like Basel III that result in disincentives for community banks like mine to fund properly underwritten real estate loans and business loans. While apparently well-intentioned, many of these changes will limit choices and raise costs for my customers and will likely cause a further concentration of residential real estate mortgage loans in the very largest banking institutions. This proposal unnecessarily piles on regulatory burdens to community bankers.

The Basel III proposal is counterproductive to my bank, to the local economy, to the state economy and the national economy. I ask you to consider exempting all but the complex international banking institutions considered "systemically important" from these burdensome and elaborate new proposed capital rules.

Thank you for the opportunity to comment on these proposals.

Sincerely,

Stefan C. Freeman

Stefan C. Freeman
President