High Country
BANK
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Celebrating 125 Years of Service

October 18, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551
regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429
comments@FDIC.gov

Office of the Comptroller of the Currency
250 E Street SW
Mail Stop 2-3
Washington, D.C. 20219
regs.comments@occ.treas.gov

Re: Basel III Capital Proposals

Ladies and Gentlemen

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

High Country Bank (HCB) is a $184 million community bank with 4 branch locations in small Colorado communities. We serve the cities of Buena Vista, Canon City, and have two office locations, including our main office, in Salida, Colorado. HCB was established in 1886 and continue to do our best to serve our local communities with unmatched products and services. Our senior management and Board have long established tenure which has helped us establish such a strong footing in our local communities. We are a State Chartered Bank offering products and services to the many "mom and pop" businesses in our community. These businesses are mostly directly tied to tourism as the our location provides both summer and winter tourist attractions. We mainly specialize and thrive in mortgage home lending from our traditional savings and loan roots.

First, I believe that the Basel III capital requirements are appropriate and even needed for the largest financial institutions, both domestic and foreign. These capital requirements, however, do not apply to community banks like us. The community banking sector was not a major factor, if a factor at all, in the recent financial and economic debacle that the United States and World is currently in. We do not leverage ourselves like the larger banks that led us into this current economy. We have relationships with our customers, some of which are very close relationships developed over many years of working together. These customer relationships are what community banks thrive on. We don't treat people like a number and move on; we treat them with respect, care, and admiration as friends and colleagues. The capital requirements should apply to only the largest institutions that have the capabilities to be highly leveraged and don't have the intimate community ties that community banks have.

Secondly, recognizing gains and losses on Available for Sale securities will have a substantial impact on balance sheets and capital accounts. In the current low interest rate environment, these new requirements will strain many institutions seeking to build their investment portfolio due to the lack of loan demand. Once rates do begin to rise, these unrealized losses will cripple small community banks that do not have the ability to mitigate the risks with derivatives or hedge accounts. Securities will need to be categorized as Held to Maturity or we will be forced to stay with short durations, which decrease the portfolio yield and continue to tighten our margin. In any case, this requirement would burden community banks by increasing the pressure on our management of the investment portfolio for liquidity, earnings, and Interest Rate Risk.

Lastly, the new capital conservation buffers should not be applied to community banks that do not have the same abilities and access to the capital markets that large institutions have. Our capital levels build slowly with the accumulation of our earnings, which continue to be stressed in the ever-lasting low interest environment we are in.

The proposed Basel III rules are intended for large domestic and foreign institutions. These institutions have been able to operate with lower capital ratios because of their "systematic importance" to the financial industry. Our Bank is well capitalized and in excellent financial condition, and these new capital requirements shouldn't affect our classifications. That said, the regulatory burden is unnecessary for a community bank. There is no need for community banks to be put through the regulatory burden, rigorous expenses, and continued monitoring of excessive capital calculations. The current capital requirements are appropriate and serve community banks well.

The current banking environment and regulatory burdens already make it difficult for community banks to remain solvent. Income opportunities continue to decrease with low interest rate margins, less allowable fee income, and the need for more and more compliance officers and compliance education. With the demand for more and more capital in the current economy, the ability for community banks to be profitable and raise capital to the new required levels will be near impossible. Do not increase capital requirements and regulatory burden on community banks by imposing Basel III on community banks. Community banks had nothing to do with the financial duress created by the banks that this regulation is intended for.

Sincerely

Joe Smith
AVP Commercial Loan Officer
High Country Bank