



Michael S. League  
President

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October 22, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, D.C. 20219

Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to comment on the Basel III proposals. I am writing on behalf of 5Star Bank, a \$180 million community bank located in Colorado Springs, Colorado. The Bank has a legacy of providing service to service members: Serving those who serve this great nation. The 31 employees of this bank are committed to growing our community.

First, the Bank is in favor of strong capital levels, evidenced by our 29 percent Tier 1 Capital level and Total Risk-based Capital of 30 percent. It is our policy to maintain capital well exceeding required levels. However, numerous areas of these proposals are ripe with unintended consequences. The elimination of certain types of capital, in particular Trust Preferred Securities do more harm than good to community banks.

More alarming are the proposed risk rating models. The impact of increased risk weighting for nearly every type of commercial and consumer real estate loan will definitely reduce or even eliminate lending by community banks at time when the recovery is very fragile in Colorado. In addition to the effect on our ability to lend, the proposed change from "risk weighted asset classes" to picking "individual loans" will create administrative chaos. The additional cost of staff and monitoring will cut into the already thin margins of most community banks. It is a massive undertaking to one, evaluate, and second, to monitor every loan in a portfolio.

Granted, banks should do a better job in underwriting credits unfortunately the unintended consequences will be a reduction in non-owner occupied commercial lending.

In conclusion, I believe most community bankers will agree to support an increase in capital at some level, but the path that is currently proposed is filled with adverse consequences. My hope is that you either start this process over or propose an exemption for the majority of community banks in this nation.

Respectfully,

Michael S. League  
President/CEO  
5Star Bank

Cc Senator Mark Udall  
Senator Michael Bennet  
Congressman Doug Lamborn

Member FDIC