October 4, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Ave., 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 17th Street, N.W.
Washington, D.C. 20429

Regarding: Treatment of Unrealized Gains and Losses Under the Basel III Capital Framework

Ladies and Gentlemen:
We appreciate 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 Federal Deposit Insurance Corporation.

Our goal with this letter is to specifically comment on one of the key areas of concern to community banks, which is the proposed inclusion in Tier I capital of the net unrealized gain or loss on available- for-sale (AFS) investment holdings. Members of the Management Team of OmniAmerican Bank, a $1.3 billion publicly-owned federal savings bank In Fort Worth, Texas, believe that our institution and other community banks in our industry could be adversely affected over the long- term by the adoption of the rule as written.

We believe that this proposal will create excessive volatility and downward pressure on regulatory capital when interest rates rise. Lower capital could require us to reduce lending to our bank customers due to the possible violation of statutory or supervisory lending or concentration limits.

Also, by isolating one asset class that depreciates in market value (unrealized loss) as interest rates rise without regard to the appreciation in the value (unrealized gain) of deposits and interest bearing liabilities, the proposed rule creates a distorted portrayal of the true economic impact of interest rate changes to the Bank's capital position.

We also note that any expected credit related losses in investment holdings deemed as other-than-temporarily impaired (OTTI) are already being charged to income and thus flow directly into regulatory capital.

We believe that the proposed rule poses significant challenges for our asset-liability management. Our current portfolio is comprised primarily of GSE mortgage-related securities backed by 10, 15 and 20 year mortgages. The portfolio is not only perceived as risk-free, but also provides significant earnings to the Bank and collateralizes our line of credit at the Federal Home Loan Bank of Dallas. The monthly cash flows from the investment portfolio provide liquidity to fund loan growth, and also allow us to manage our interest rate risk. The passage of this rule would inhibit us from using the investment portfolio as an integral tool for asset-liability management. The composition of the Bank's current mortgage-related investment holdings for earnings, liquidity, and interest rate risk would likely be exchanged for investments with much **shorter-term** durations that exhibit less market value volatility in changing rate environments. If that event occurs on an industry-wide basis, we believe the negative impact to long-term borrowers, i.e., homeowners, U.S. Treasury, and municipalities will be significant.

We request that the Agencies revise the proposed rule so that unrealized gains and losses on AFS securities caused by fluctuations in interest rates are excluded from regulatory capital. The credit risk component of other-than-temporarily impaired securities is already being reflected in capital which should preclude the need to further reflect unrealized losses due to changes in interest rates in regulatory capital.

If the Agencies final determination requires that all unrealized gains and losses flow through capital, we ask that U.S. Government, Agency, and U.S. GSE issued debt and mortgage-related securities be exempted from the proposed adjustment to regulatory capital as the unrealized losses in these instruments are generally attributable to changes in interest rates.

For all of the reasons cited above, we believe that no change in the current regulatory treatment of AFS unrealized gains and losses should be made. The investment portfolio is an essential tool to manage the profitability, liquidity and interest rate risk of every financial institution. We appreciate the effort that the Agencies have made to listen to the Banks regarding the impacts of the proposed rule in question, and would appreciate your consideration of the points made herein.

Sincerely,

Kimberly Norris

Kimberly Norris
Senior Vice President-Director of Finance