

# FIRST SECURITY BANK

September 21, 2012

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

Office of Comptroller of the Currency  
250 East 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 Proposal

Ladies and Gentlemen,

I am grateful for the opportunity to provide feedback on the proposed basel III that is being discussed and possibly implemented on all banks.

I feel this would be a huge hindrance placed on smaller community bank for a number of reasons. This would cripple us from helping our local communities grow and in turn banks grow. basel III is designed for the largest of the banking institutions and cannot be a "one size fits all" approach. Larger banks have resources and departments to implement the new systems and control the capital growth that smaller community minded banks cannot afford.

I pride myself and my institution on knowing our customers rather than viewing them as a transaction as the larger banks do. That is what gives us our advantage. I feel as knowing our borrower is making a sound decision based on the full relationship is what the larger banks have removed themselves from.



MEMBER FDIC

611 Summit Ave, Detroit Lakes, MN 56501 (218) 847-3041 fax (218) 847-3463

# FIRST SECURITY BANK

In smaller community based banks, we do not have the resources ready available to increase capital as the larger institutions would. This will require community banks to retain earnings for sometimes years as to get to an acceptable capital volume. Larger banks have many different ways to access capital that smaller institutions do not. The current capital scenario under Basel I is adequate for community banks.

With interest rates at historic lows, community bank earnings have decreased and therefore will take years to raise the two percent of extra capital. This will put a strain on many areas of the bank as well as the holding company and investors.

My other fear with the basel III proposals is we would not be able to provide our loyal customers options with regards to mortgages or home equity lines of credit. The only way community banks could handle this would be to only originate mortgage loans that could be sold on the secondary market. In smaller farming communities, this may not always be an option for our customers. I would hate to see the day that I cannot offer our customers products that would not fit their needs.

In conclusion, basel III would hinder community banks in many ways and I cannot strongly voice that basel III should be only for banks larger than \$500 million.

Thank you for your time and consideration on this matter



Rod Einerson  
President  
First Security Bank



---

MEMBER FDIC