FLINT HILLS BANK

MEMBER FDIC

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Department of the Treasury: Comptroller of the Currency
Subject Line: Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements
Email: regs.comments@occ.treas.gov

Federal Reserve System
Subject Line: Docket No. R-1442;RIN No. 7100 AD 87 Regulatory Capital Rules
Email: regs.comments@federalreserve.gov

Federal Deposit Insurance Corporation
Subject Line: FDIC RIN 3064-AD 96 Regulatory Capital Rules
Email- comments@FDIC.gov

Dear Sir or Madam:

I appreciate the opportunity to submit comments to the Federal banking regulatory agencies regarding The proposal addressing Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets, Market Discipline and Disclosure Requirements. The Flint Hills Bank is a $120,000,000 community bank in Northeast Kansas with four locations in communities ranging in population of 500-3000.

Our institution has been well capitalized with tier one capital normally running in the 10.00%-11.00% range and risk-based capital of 18.00%-20.00%. In the current economic times with reduced loan demand, our loan to deposit ratio is only 55% with a large portion of assets currently being invested in mortgage backed securities. While very few securities in the past have been sold, they have been held as available for sale to allow full flexibility in managing the securities portfolio. It has been calculated with a +200 bps rise in interest rates our Basel Tier 1 Capital Ratio would be reduced to 6.80% and with a +400-+500 rate shock our capital would be completely eliminated. If the security portfolio is marked to market, the liabilities should also be marked to market to allow for change in value due to increasing or decreasing of interest rates.

Our institution uses closed-end balloon notes on 1-4 family residential mortgage loans that under the Standardized Approach would have a risk weighting ranging from 100%-200%. We have made these types of loans in the past to manage our interest rate risk when it becomes necessary if a loan will not fit the box for a long term fixed rate loan in the secondary market. Under the proposed regulations, it may become necessary to no longer offer these types of loans which would adversely impact consumers in our small communities.

In summary, we ask that you reconsider the implementation of the proposed capital regulations. We realize the importance of maintaining a safe and sound level of capital but feel that the proposed regulations only help create capital volatility. AFS valuation should not be a component of regulatory capital with the proposed regulations negatively impacting both capital leverage and liquidity leverage.

Thank you, once again, for the opportunity to comment on the proposed capital regulations.

Sincerely,

Rick D Bryan

Rick D. Bryan
President