VISIONBANK
TEXAS

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th 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, DC 20219

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comments 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 (collectively the "banking agencies").

Chartered on April 23, 2007 Vision Bank-Texas (VBT) is a $140,000,000 institution with one location in Richardson, Tx. VBT appreciates the role it takes in providing banking products to consumers and businesses in the Dallas/Fort Worth metroplex. Our typical customer is an operating business in the manufacturing, wholesale, distribution or healthcare industry. VBT plays a key role in the local economy by helping these businesses expand, add employees and develop new product lines.

First, I believe the proposed capital requirements of Basel III are not appropriate for community banks. They may be appropriate for large domestic and foreign banks which played a large role in the financial crisis of 2008. The community banking business model is very different from the large and systemically important domestic and foreign banks. VBT knows each of its customers and their financial situation. Community banks had little to do with subprime residential loans, which were primarily made by firms outside the banking system. Community banks are not leveraged with material off balance sheet liabilities and financial instruments such as derivatives.

Second, the requirement of recognizing unrealized gains and losses on available for sale securities, will have substantial impact on our bank's capital accounts. Market fluctuations will cause great volatility to the bank's capital. If the bank desires to hold these assets for a lengthy period it should not have to mark the gains and losses, which could create large swings in capital due to normal business cycle changes in interest rates. VBT may be forced to classify these assets as "held to maturity" or stay very short in duration which would impact the bank's ability to manage the investment portfolio in a manner appropriate for liquidity, earnings and Interest Rate Risk.

Third, the proposed rules regarding residential mortgages will make mortgage loans more difficult to obtain. Mortgage loans that we place on our books must carry a variable rate in some form or another. VBT utilizes balloon terms as a tool to enable us to manage interest rate risk. The typical community bank cannot hold 15 and 30 year fixed rate loans due to the interest rate risk inherent in those loan types. Requiring a higher risk rating for those loans thus requires more capital which will increase the cost of credit. While the subprime crisis involved residential mortgage loans, the home loans that VBT makes are safe, sound and thoroughly underwritten to local customers. It is interesting to note that the proposed rules allow a bank to make far riskier unsecured loans with no impact to capital.

Fourth, increasing risk weights on high volatility commercial real estate loans is another redundant means of raising capital requirements in community banks. The risks associated with this type of loan must be assessed in the ALLL analysis and the increased level of required reserves provides the capital buffer for the risks inherent in these loans.

Fifth, increasing risk weights on delinquent loans is yet another redundant means of raising capital requirements. Delinquent loans must be considered in the ALLL analysis. Community banks are already regulated in this regard and criticized severely if not adequately recognizing the need for capital to mitigate the risks of delinquency in the ALLL analysis. This redundancy in capital calculation is both unfair and unnecessary for community banks.

Sixth, the scope and granularity of the proposed rules will require the collection of and reporting of new information in order to calculate the risk weights of assets for our institution. We likely will need to acquire new software and install new systems in order to comply with the complex calculations. Therefore, the proposed rules will cause our institution to incur new costs and regulatory burden. VBT believes the loan related matters are already appropriately accounted for in the ALLL analysis.

I understand that the proposed Basel III rules are needed for large domestic and foreign banks that have historically been allowed to operate with less capital than community banks. Imposing these onerous requirements on community banks is not reasonable. Community banks are at historically high levels of capital and are still struggling from the effects of the worst recession since the 1930's. Instituting the proposed rules will dramatically increase the cost of capital, and may in fact deter potential investors from putting additional capital into community banks. The unintended consequences of the requirements could lead to a weakening of community banks across the country.

This is not the time to increase capital requirements and regulatory burden of Basel III on community banks. Community banks did not cause the problems that led to the recession.

Sincerely

Gary D. Mulhollen
President and Chief Executive Officer
Vision Bank-Texas