Platte Valley Bank®

October 18, 2012

Jenifer J. Johnson, Secretary
Board of governors of the Federal Reserve System
20th Street Constitution Ave, NW
Washington, D.C. 20551
Delivered via email regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Delivered via email comments@FDIC.gov

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219
Delivered via email regs.comments@occ.treas.gov

Re; Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for 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 the Federal Deposit Insurance Corporation (collectively the "banking agencies").

Platte Valley Bank of Missouri is a $375,000,000.00 community bank with 8 offices in northwest Missouri employing 175 individuals from the communities that we serve. Platte Valley Bank takes our role as a community banker very seriously. We are very involved in our communities with our Kid's, Young Advantage and Senior's clubs. We are active in our schools and community organizations. Platte Valley supports every aspect of our communities with our many outreach programs. If we don't have community banks our communities and those we employ will suffer.

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Platte Valley lends to members of our communities in all types of businesses located in our markets, and home loans to families. Construction and development lending took a steep decline during the recent economic debacle. This decline has impacted our loan-to-deposit ratio and we find loan demand very soft due to the current economic and regulatory conditions.

The capital requirements of Basel III, while may be appropriate for very large domestic banks and foreign banks are not appropriate for banks commonly referred to as "community banks". Community banks like Platte Valley had little to nothing to do with the recent economic debacle largely created by the misuse of sub-prime and residential loans made primarily outside the banking system and securitized by large investment banks and lenders. According to the American Bankers Association (ABA) approximately 94% of such loans were made outside the banking system. Community banks model is very different from the large and foreign banks. Community banks are not leveraged with material off balance sheet liabilities and community banks are familiar with their customers and the risks associated with lending to local customers.

The requirement of recognizing unrealized gains and losses on available for sale securities (AFS) will have substantial impact on our bank's capital accounts. Market fluctuations will cause great volatility of the bank's capital Our bank will be forced to stay very short in duration. This will limit the bank's ability to manage the investment portfolio in a manner appropriate for liquidity, earnings and the ability to manage Interest Rate risk.

The proposed rules regarding residential mortgages will make mortgage loans more difficult to obtain in many markets, such as those typically served by community banks. Mortgage loans that we keep on our books must be variable rate in some form or another. Either ARMs or balloon terms are necessary as a tool to enable us to manage interest rate risk. We cannot book and maintain 15 and 30 year fixed rate loans due to the interest rate risk inherent in those loan types. Requiring higher risk rating of those loans thus requires more capital, increasing the cost of the credit and reducing the availability of credit in our markets. Being a community bank we are able to make residential loans that do not quite fit the "conforming" mold.

Home equity lending is one of the remaining consumer lending functions that has not been pirated by the non-banking systems. The punitive risk weights of up to 200 percent will both increase the cost of credit to the consumer and have the effect of restricting the availability of consumer credit. The additional risk weights represent unnecessary and redundant sources of capital allocation that will drive up the cost of credit to the consumer and restrict the availability of consumer credit. The effects of Basel III on community banks will drive capital levels higher, which are already at historical highs, reduce return on capital and make raising capital next to impossible. The increased risk weights on all types of loans, commercial, real estate, and delinquent loans are all cause for concern. We are a highly regulated business and the redundancy in capital calculation is both unfair and unnecessary for community banks.

The scope and granularity of the proposed rules will require the collection and reporting of new information in order to calculate the risk weights of assets for our institution. With these new calculations and collection of information we will need new software, hardware and employees to comply. With this tough banking regulatory environment, Congress taking away income opportunities from community banks, restricting lending, while demanding more capital at a time when banks are struggling, this is not the time to increase capital requirements and regulatory burden on community banks by imposing the requirements of Basel III.

Sincerely,

Karen Anderson
EVP
Platte Valley Bank