Congress of the United States
Washington, DC 20515

November 14, 2012

The Honorable Ben Bernanke
Chairman of the Board of Governors
Federal Reserve System
Constitution Avenue and 20th Street, NW
Washington, D.C. 20551

The Honorable Thomas Curry
Comptroller of the Currency
250 E Street, SW
Washington, D.C. 20219

The Honorable Martin Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Dear Chairman Bernanke, Comptroller Curry, and Acting Chairman Gruenberg:

We write to express our concerns with the proposed Basel III requirements and their impact on community and regional banks. As the deadline for comments approached, community and regional bankers from across Missouri expressed serious concerns about the impact these new requirements will have, not only on their banks but also on their customers and their communities.

While we recognize that the intent of Basel III is to serve as a safeguard for our nation's financial institutions, we are concerned that the proposed standards, which are designed for the management of large, complex risks, would be harmful to community and less complex commercial banks, and would impose regulatory burdens that would be impossible for some to meet. Additionally, the regulatory and accounting structures proposed in Basel III could prove to be de-stabilizing to our banks, particularly community and regional banks. For example, the Basel III requirements force unrealized market gains and losses from an institution's securities portfolio onto balance sheets as an adjustment to equity, resulting in volatility in bank regulatory capital and lending limits. The rule also increases the risk weightings on mortgage assets and could result in even less mortgage-based lending at a time when our federal monetary policy is intensely focused on increasing this type of lending as U.S. housing stock grows to unprecedented levels. Additionally, these expansive revisions to an institution's balance sheet must be implemented by January 2015 in order to maintain current capital classifications, a deadline that would be quite difficult for most institutions to meet.

Adopting a highly complex, "one size fits all" approach to regulatory standards should be avoided as it would undermine banks' viability and lead them to curtail lending activity in already underserved areas of the country. Additionally, many banks in Missouri are already at risk of closing or being consolidated because of excessive costs of regulatory compliance. Basel III will add to that compliance burden and reduce available financial products to consumers.

The practical impact of these requirements is that Missourians will face increased difficulty in getting financing for homes and business expenses. Hundreds of communities and businesses stand to be negatively impacted during a time of continued economic hardship.

We respectfully urge you to consider the unintended consequences of the proposed regulation on community and regional banks, and to adjust these standards to ensure that community and regional banks across Missouri can continue to properly serve their customers and communities.

Sincerely,

Blaine Luetkemeyer
Member of Congress

Roy Blunt
United States Senator

Jo Ann Emerson
Member of Congress

Claire McCaskill
United States Senator

Emanuel Cleaver
Member of Congress

Billy Long
Member of Congress

Vicky Hartzler
Member of Congress

Sam Graves
Member of Congress

Wm. Lacy Clay
Member of Congress