Solomon State Bank
126 W. Main • P.O. Box 305
Solomon, KS 67480-0305

August 10, 2012

Department of the Treasury: Comptroller of the Currency
Subject Line: Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements
E-mail: regs.comments@occ.treas.gov; or FAX: 202-874-5274

Federal Reserve System
Subject Line: Docket No. R-1442; RIN No. 7100 AD 87 Regulatory Capital Rules
E-mail: regs.comments@federalreserve.gov; or FAX: 202-452-3819 or 202-452-3102

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

Dear Sir or Madam:

We are writing to comment on the Federal Regulatory Banking Agency's proposal regarding regulatory capital rules, specifically the standardized approach for risk weighted assets. It is our understanding that all 1-4 family real estate loans requiring balloon payments will be risk weighted more adversely than they have in the past.

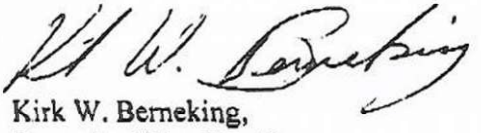
Please understand we are a small community bank and have been owned by the same family for 85 years. For the past 35 years, our bank has been actively involved in the local real estate market, offering three-year balloon notes that are amortized up to 30 years, maintained in-house and not sold on the secondary market. Our customers appreciate the flexibility of having their home loan held by a local lender. These loans are written under the Regulatory Loan-to-Value guidelines and do not represent the type of balloon payment real estate loans that evidently cause your office great concern.

We find it difficult to understand why your Agency would think a balloon payment note with, for example, a loan-to-value ratio of 50% would automatically be risk weighted more adversely. Approximately 80% of our bank's entire loan portfolio consists of three year residential real estate loans with balloon payments. As of 6/30/2012, our total risk base capital ratio is 22.44 and we would anticipate the ratio under the new rules to drop significantly.

The Solomon State Bank currently enjoys one of the highest ratings possible offered by Bankrate.com, Bauer Financial, The Street/Weiss and Depositaccounts.com. Our customer base takes pride in their local bank's rating that is so readily available to anyone on the internet. We are certain our rating will suffer if the Federal Regulatory Banking Agency's suddenly grade us a B- (or whatever) rather than an A, simply due to a regulatory change we had no control over.

Many community banks offer residential real estate loans with balloon payments and have for years. Please don't continue down the path of one size fits all. We respectfully ask that you reconsider this regulation, particularly for this country's small community banks. It seems there are an increasing number of smaller banks selling out to big banks, not due to lack of profit or the lack of providing service; rather, they are simply weary of the increasing regulatory environment. Penalizing small community banks with this additional regulation will do further harm to smaller communities and their local economy.

Respectfully,



Kirk W. Berneking,
Executive Vice President

cc: Kathy Olsen
KANSAS BANKERS ASSOCIATION
610 SW Corporate View
Topeka, Kansas 66615

The Honorable Jerry Moran
4 Russell Courtyard
Washington, DC 20510

The Honorable Tim Huelskamp
United States House of Representatives
126 Cannon House Office Building
Washington, D.C. 20515-1601