SpiritBank Mortgage

August 8, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Re: Basel III Capital Proposals

Ladies and Gentlemen:

I am writing to respectfully request that the Notice of Proposed Rulemaking (NPR) by the Federal Banking Agencies related to the implementation of Basel III be granted an extended period of comment of at least 90 days beyond the scheduled September 7, 2012 deadline.

As part of SpiritBank, a 96 year old Oklahoma owned and operated community bank with over $1 Billion in assets, SpiritBank Mortgage assists an estimated 1200 plus individuals and families with their long-term mortgage financing needs. As part of the communities in which we live and serve, we bring housing credit products and solutions to those who need it.

This is achieved through the underwriting, closing and funding of Conventional and Government loan programs. We are a provider of traditional fully documented Agency loans that conform to Fannie Mae and Freddie Mac standards as well as a Direct Endorsement FHA lender and LAPP lender for VA. We also participate in the USDA's Section 502 Guaranteed Loan program helping to meet the needs of our rural markets. In addition SpiritBank Mortgage is a proud participant in HUD's Section 184 Native American Lending program as well. All of these loans are made on a correspondent basis where we as a fully delegated lender originate, underwrite, close and fund in our name and present the loans for sale post closing on a serviced released basis.

In short, our focus is our customer. ***However we emphatically believe that certain proposals in the Basel III framework will make meeting our core mission as a provider of housing finance to our communities an impossible one given the impacts of the proposed capital restrictions which are inherently embedded in the NPR.***

One such area of concern is found on Page 40 of the section entitled *Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements*. The proposed treatment of "off-balance sheet" items related to credit enhancing representations and warranties on sold assets would essentially be the proverbial *poison pill* to our business model and would force us unfairly and unjustly to exit this business and therefore leave behind the 1200 plus Oklahomans we assist each and every year with a home loan.

That is 100 or more individuals and families ***each month*** who are left with ***less choice*** in the marketplace and therefore by default, higher costs. That is 100 fewer of our fellow friends, neighbors and citizens that we are able to assist in meeting their needs and dreams of home ownership. That is a fundamental re-defining of the meaning of the term "community bank."

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We appreciate the weighty responsibility under which the Agencies have found themselves laboring during this process. We appreciate the fact that the NPR represents a sincere effort to prevent the massive amounts of risk accumulation from occurring again as it did leading up to the 2008 Financial Crisis. However, we must remind the Agencies that banks such as ours did not contribute to the crash but rather have tried as much as possible to participate in the solution to the economic malaise caused by it.

As Basel III proposals apply only to banks, capital restrictions such as the one referenced above essentially create an unfair, unlevel and ultimately unsound playing field between Banks and the Non-Bank sector. Those Non-Bank financial concerns who were the purveyors of the noxious and nefarious "credit products" that helped to sow the seeds of the credit crises remain untouched by the NPR. We cannot help but question the fundamental unfairness of such a proposal existing in a nation that has established in her mores the concept of *equal protection under the law*. Furthermore, we question the basic wisdom of exempting those actors in the marketplace from these rules which in turn only "prop up" the shadow banking system.

An addition of time to the comment period would allow us to further analyze and assess the impacts of all these rules to our own particular department and model. We cannot provide the necessary analysis and "data mining" that make public policymaking the intended success that is aimed for without the element of time. Adequate time allows us to properly review, analyze and present the impacts based on our own historical business patterns and activity.

We are already faced with a daunting task to analyze and comment upon a wide variety of Mortgage Related rulemakings courtesy of the Dodd-Frank Act as well as prepare for further changes related to residential mortgage lending including but not limited to:

- The QM/Ability to Repay Rulemaking;
- QRM/Risk Retention Rulemaking;
- Proposed Integration of RESPA with Truth-in-Lending;
- Anticipated Mortgage Servicing Rule Changes;
- Proposed Changes to the HOEPA Triggers and Tests;
- Proposed Changes to the Definition of the APR including a new "all-in" APR test;
- Anticipated Changes to Mortgage Loan Originator Compensation Rules;
- Anticipated Changes to Rules Related to Appraisals

I thank you for your time and consideration in reading our letter and I would again respectfully request and extension of at least 90 additional days for comment on the various NPR sections from the current September 7, 2012 deadline.

Sincerely,

Scott Veitch

Scott Veitch
President, Mortgage