Ozarks Federal
SAVINGS AND LOAN ASSOCIATION

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October 18, 2012

Robert E. Feldman
Executive Secretary, FDIC
comments@FDIC.gov

Office of the Comptroller of the Currency
Regs.comments@occ.treas.gov

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
Regs.comments@federalreserve.gov

RE: Proposed Basel III Regulatory Capital Rules

Ladies & Gentlemen:

On behalf of Ozarks Federal Savings & Loan Association, I wish to provide comment and express my significant concerns regarding the proposed Basel III standards. Ozarks Federal Savings is a mutual thrift located in southeast Missouri. Our $225 million community mutual thrift specializes in residential mortgage lending, has capital ratios far in excess of current regulatory requirements, has always utilized sound loan underwriting and has never participated in the risky and complex activities that caused the financial industry meltdown.

Application of Basel III to small mutual thrifts will penalize financial institutions whose primary purpose is to extend credit to local citizens for the purchase of homes in the communities they serve. The proposed risk weighting categories for residential mortgages are arbitrary and illogical. Certain prudently underwritten residential mortgage exposures will be risk weighted at rates much *higher* than unsecured loans and credit card debts.

The proposal does not recognize private mortgage insurance (PMI) at all. Therefore, mortgages are subject to high risk weights even when PMI reduces the risk of loss on such loans. Credit available to these borrowers will shrink as excessive risk weightings make banks less able to extend credit for higher loan-to-value loans even when the true risk is reduced through PMI.

By assigning such inordinately high risk weights to past due loans, we will be less able to work with delinquent borrowers. Reserves are already required and funded to protect against losses on delinquent loans. Under this proposal, the punitive overweighting of past due loans will require our institution to hold more capital *in addition to* loan loss reserves. This will leave us with fewer options for working with delinquent borrowers who might otherwise avoid foreclosure and be able to keep their homes.

Implementation of the proposed rules will require our mutual thrift to expend significant resources evaluating each residential mortgage loan for proper assignment to the new arbitrary categories.

The proposed rules may be appropriate for large mega-banks with complex business plans and products but are, in fact, harmful to mutual thrifts and their customers. Citizens who rely on their local savings and loan associations for home mortgages will be left with less access to quality credit from their community lenders.

I urge you to withdraw these proposed rules and consider a more appropriate alternative.

Sincerely,

Michele L. King

Michele L. King, CPA
Senior VP & Chief Financial Officer

CC: Senator Roy Blunt
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Senator Claire McCaskill
US Senate
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Rep. JoAnn Emerson
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