Guaranty Bank Strength. Growth. Vision.
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October 15, 2012

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551
Delivered via e-mail regs.comments@federalreserve.gov

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429
Delivered via e-mail comments@FDIC.gov

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, D.C. 20219
Delivered via e-mail 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.

Guaranty Bank is a $650 million community bank that was chartered in 1913. It is headquartered in Springfield, Missouri, and has nine full-service branches in Greene and Christian Counties and Loan Production Offices in Taney, Wright, Webster and Howell Counties. Like so many other community banks, we take our role in the community and the local economy very seriously. Our core values center around having the best products and the best people in which to serve our many customers, who are primarily small businesses and individuals. Our bank also prides itself on investing a significant number of hours of volunteer service on many charitable projects, as well as to provide financial related education to both customers and non-customers.

On the heels of the financial crisis, we firmly believe that capital requirements should be tightened for large banks due to their size and complexity. We also do not have a major concern with some increase to the current regulatory guidelines currently in effect for smaller community banks. In the current environment, banks need sufficient capital to weather the current and future challenges. However, we are very concerned with certain aspects of the current proposal that we feel would be detrimental to most community banks, especially in an operating environment that finds economic growth and loan demand to be very challenging.

First, the requirement of including unrealized gains and losses on our available-for-sale securities portfolio would have significant repercussions over time and would cause great volatility in our capital. We are in an unprecedented period of low interest rates. As interest rates begin to rise, the unrealized gains currently in portfolios would quickly go the other way and impair regulatory capital. For example, our consolidated Total Risk-Based Capital ratio as of June 30, 2012 was 13.60%. An immediate rise in interest rates of 300 basis points would reduce the ratio to 9.38%, which is well below the current minimum to be "Well Capitalized". Ultimately, the measure would limit the bank's ability to manage its investment portfolio in such a way to balance earnings, liquidity and interest rate risk.

Second, the elimination of trust preferred securities as a source of Tier 1 capital would greatly restrict our ability to expand and ultimately serve our community through lending. Our company has held $15 million in trust preferred securities since 2005. To eliminate, we would be required to reduce our balance sheet or find another cost effective means to generate Tier 1 capital. In today's environment, and probably for the foreseeable future, community banks have a limited source of cost effective capital as compared to the large banks.

Third, the proposed changes to the risk-weightings on several asset types are extremely concerning. The loan profile of a typical community bank includes significant balances secured by residential mortgage, commercial real estate and second liens (primarily home equity). The proposal to significantly increase the risk-weightings on these assets would be yet another way to significantly impair our ability to provide lending services to the community. Right now, we need banks to lend, not restrict lending.

Finally, from an administrative perspective, the complexities that are being injected into the calculation of risk-weighted assets are a massive undertaking and an overwhelming burden for most community banks. Thus, we have no means to fully evaluate the impact of the proposed rules. The rules are extremely complex, so much so that we will need a significant amount of staff training and re-programming of our core processing software to accommodate the tracking of certain items.

In summary, we do fully support an increase in the regulatory capital requirements for community banks at some level. However, certain aspects of the Basel III proposal (as noted above) would impose a severe financial and administrative impact to Guaranty Bank and all community banks. Over the past several years, the banking industry has been negatively impacted from measures taken by Congress and the regulatory agencies to curb lending and increase the regulatory burden. This is yet another means to force a community bank to reduce its lending efforts in an already weak economy. I would ask that you strongly consider the material adverse impact this proposal would cause to all community banks. Ultimately, it will prevent us from being able to serve our communities and help strengthen and expand our local economy now and in the future.

Thank you for your consideration.

Sincerely,

Shaun A Burke

Shaun A. Burke
President and CEO