WEST PLAINS
BANK
AND TRUST COMPANY

October 19, 2012

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

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals[1] that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

West Plains Bank and Trust Company is located in West Plains, Missouri in the central Ozarks just twenty miles north of the Arkansas border. West Plains Bank and Trust Company was organized in 1883, making it the oldest continually operated business in our area. Our bank has helped generations of families obtain loans and save money to better their lives. Located in Missouri's Congressional 8th District which normally ranks in the top 15 poorest districts in the nation, we continue to make home loans and offer the American Dream to many families and individuals. Although we are a full service commercial bank, home lending makes up a majority of our business.

In any given year, our $300 million asset institution will process between 300 and 500 home loans, not including home equity lines. Even with the economic downturn the last few years, our foreclosures on primary residences were minimal. Thus, we have never waivered from sound and conservative underwriting principles. However with the new Basel III proposal to risk

[1] The proposals are titled: *Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions, Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements; and Regulatory Capital Rules: Advanced Approaches Risk-based Capital Rules; Market Risk Capital Rule*

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weight mortgages up to 200% is extremely disturbing. They are heavily dependent on data that many large, complex organizations may have easily accessible, but what about the community banks such as ours? To add to the confusion, the proposal does not grandfather existing mortgages' on our balance sheet. In order to comply with this proposal, our staff will be required to go through old loan files to determine appraisal values and other pertinent information to determine the appropriate risk weight. Of course this is the best case scenario since at origination we may not have recorded the data required to assign the risk weight. With our volume of home loans in the past, I can easily foresee the need for two full time equivalent employees to properly review and analyze all of our existing home loans. Requiring banks to go back in time to make these adjustments is kind of like changing the rules after the game has started.

Another proposal in the Basel III requirements that is disturbing is requiring unrealized gains and losses on Available-For-Sale (AFS) securities to be counted against common equity. When rates rise, the Bank's equity position will decrease due to this adjustment. This requirement has our bank discussing if we should only invest in Held To Maturity securities in order to comply, since compliance can require us to shrink our size our divest our securities portfolio. If this proposal is made permanent, should it be revised so that unrealized gains and loss on AFS securities that reside in accumulated other comprehensive income do not flow through capital?

I have no doubt that serious reform needs to be implemented for the largest institutions that pose a systemic risk to our economy. Portions of the Basel III requirements do address this much needed reform. However, is it necessary for these complex and overreaching regulations to be pushed down to the community banks? What do the largest five banks in the world and my $300 million bank in south central Missouri have in common? Please consider these questions as you consider the permanency of the Basel III proposed regulations.

Thank you for your consideration.

Best regards,

David M. Gohn
President and Chief Operating Officer

cc Senator Roy Blunt
Senator Claire McCaskill
Representative Jo Ann Emerson