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

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, DC 20219

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 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").

Benchmark Bank is a community bank with approximately $360 million in assets. We have three branches in Dallas and a branch opening soon in Austin. Our bank has roots that go back to 1964 in a small east Texas town and was known then as Quinlan State Bank. We have stuck to those original roots in terms of what a community bank should be and always focus on the customer service experience.

I, myself, am new to the banking world as I have joined the team at Benchmark within the last 3 months. I was drawn to the bank originally as a customer as I left one of the "big four" to seek out better customer service. I found that customer service 9 years ago when I became a customer of Benchmark and have been lucky enough to now be a part of their team. In my short time with the bank I have learned the many regulations we must abide by and studied the recent Basel III proposals. Many of these proposed changes would adversely affect our bank, customers, and employees.

Specifically, the proposed changes that will increase risk weights for residential mortgages and the overall regulatory burden that the new capital rules will impose upon us.

<u>Residential Mortgages</u>

The most likely result of the increased risk weights for residential mortgages is that it will cause us to raise capital. Our earnings will also be impaired. Our regulatory burden will increase. Most importantly, it will limit the availability of mortgages in the communities where we offer loans. It also appears that the proposal will play into the hands of the large, multistate lenders to the detriment of community banks. Rural borrowers in Texas, due to recent federal laws, are already confronting a market in which banks are making fewer mortgage loans. This proposal will only make it worse.

Regulatory Burden

We are already laboring in an environment involving increased regulatory scrutiny in compliance exams and the new burdens being placed on us by the Dodd-Frank Act. Our compliance costs alone have increased a great deal in the last 10 years. It appears that as proposed, Basel III will require us to change our internal reporting systems and provide additional employee training. More than likely we will have to hire additional employees. The complexity of the data requests probably means that we will also have to install new software systems and/or look for third parties to provide them. None of these requirements will allow us to help our customers in our community. The compliance costs will pull money out of capital and earnings rather than help our borrowers.

The increasing cost of compliance for community banks is leading to more consolidation in our industry. Basel III, as proposed, will only accelerate this trend.

Federal regulators may not be troubled by a country that has only a handful of banks. From our perspective, community banks still serve a vital function in our economy. It would be a shame if these new international capital requirements help lead to their demise.

Thanks for your consideration to my concerns. As a new employee to the banking world I would want to be able to always help my community the same way the bank helped me as a customer a number of years ago.

Sincerely,

Corby Ferrell
VP of Business Development
Benchmark Bank