

From: James Polk Stone Community Bank, Richard E. Bradfute
Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules
Subject: Regs H & Y Regulatory Capital Proposals

Comments:

October 3, 2012

Dear Sirs:

Thank you for the opportunity to comment on the Basel III proposals.

Our bank is a \$170 million community bank, the oldest family owned bank in New Mexico. The Basel III proposals, if made into regulatory requirements, will greatly affect the way we serve our communities by restricting what we call in-house real estate loans (Loans that are not sold on secondary market.) The balloons that we now put on our amortizing eighty percent loan-to-value mortgages help us mitigate interest rate risk. There is a "canary" calculation that the examiners use to measure long term assets to total assets, necessitating these balloons to manage the long term rate risk.

The 150% risk weight Basel III assigns to these loans will significantly restrict or possibly eliminate our ability to make them. Both currently and historically, these loans have been very instrumental in helping us serve our communities.

Amortizing home loans that are prudently underwritten (requiring down payments and made at a minimum of 80% loan to value) should not be treated like the non-amortizing-interest-only-stated-income loans popularized by Fannie Mae and Freddie Mack. These kinds of irresponsible products were the root cause of large volumes of underperforming real estate loans that caused the sub-prime mortgage crisis, still persisting throughout our nation

Well underwritten real estate loans made to qualified borrowers are essential to Community Banks, allowing us to serve our customers, and by extension, aid in the recovery of our economy. Properly orchestrated real estate loans are also a significant income generator for Community Banks, providing returns necessary for retained earnings and higher capital ratios.

Based on these facts, I respectfully urge you to exempt Community Banks from the Basel III proposal.

Sincerely,

Richard E. Bradfute
Senior Vice President/Chief Information Officer
James Polk Stone Community Bank