

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

Comments:

October 9, 2012

Ladies and Gentleman:

I would like to provide some comments aimed at the Basel III proposal issued by the Federal Reserve Board.

I am employed by a home owned and operated \$170M bank located in eastern New Mexico. It is my understanding that if the Basel III proposal is implemented it will effect adversely how we serve our communities. This proposal restricts our "in house" real estate loans that are not sold on the secondary market. We put balloons on our amortizing 80% LTV loans to protect interest rate mitigation. The calculation that the examiners use to measure long term assets to total assets make the balloon viable and required to manage the long term rate risk.

Amortizing, with down payments and 80%LTV home loans should not be treated like the NON-amortizing , interest only, stated income products that "Fannie" and " Freddie" made. Those loan products were the root cause of the problem that created pools of poor , underperforming real estate loans throughout the market.

Well underwritten real estate loans to qualified borrowers are essential to Community Banks serving their customers AND helping a struggling economy recover. Properly made real estate loans are also a main income generator for our Community Banks.

The 150% risk weight assigned to these loans will restrict and possibly eliminate our ability to make these loans. This product is currently and historically been a direct loan product to serve our communities, which I am proud to say I am part of.

Thank you,

Ron L. Jackson
Vice-President
James Polk Stone Community Bank