From: First Federal Bank of Kansas City, Mike Sidebottom

Proposal: 1442 (RIN 7100-AD 87) Regs H, Q, & Y Regulatory Capital Rules

Subject: Regs H & Y Regulatory Capital Proposals

Comments:

September 10, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
Regs.comments@federalreserve.gov

Subject Line: Basel III Docket No. 1442

Robert E. Feldman
Executive Secretary, FDIC
comments@FDIC.gov

Subject Line: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96 and RIN 3064-D97

Office of the Comptroller of the Currency
Regs.comments@occ.treas.gov

Subject Line : Basel III OCC Docket ID OCC - 2012-0008,0009,and 0010.

Subject: Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Capital Ratios, Capital Adequacy, Transition Provisions, and Prompt Corrective Action

Ladies and Gentlemen:

On behalf of First Federal Bank of Kansas City, I would like to take this opportunity to express my strong concerns relating to the proposed implementation of the BASEL III standards. First Federal Bank of Kansas City is a mutually owned community based bank that has been in operation since 1934. We specialize in residential lending and helping our customers become more financially independent.

We never participated in subprime mortgage lending, low doc, no doc lending, or negative amortizing mortgage loans. Our high quality mortgage portfolio is reflective of our strong capital position which is over three times the amount currently required by federal regulation. In addition, we never utilized TARP funding from the Federal Government, due to our strong capital position and quality balance sheet composition. Even if BASEL III were implemented as proposed, First Federal Bank would still exceed all capital requirements; however, we still have many concerns regarding Basel III proposed capital standards.

Under the proposed international capital standards, our post BASEL III capital would be unjustly impacted due to:

· An international standard that is not relevant to our own single-family residential loan portfolio and our historic operation which focuses on safe and sound management, and meeting the credit and financial needs of individuals and families.

· The BASEL III proposed standards target small community banks that specialize in traditional single-family residential mortgage lending with a higher capital level than what is justified based on the credit quality of a traditional single-family residential lender.

· The Basel III proposal eliminates the 120-day exception grace period under the current risk-based capital rules for 1-4 mortgage loans sold in the secondary market. Over the last 5 years First Federal Bank only repurchased 3 loans as a result of early payoff.

Basel III capital standards will reduce First Federal Bank's risk-based capital by $7 million, increase our risk weighted asset base by $50 million, and reduce our tier 1 core capital ratio by 1.85% and our risk based capital ratio by 6.42%. The increased Basel III capital requirements will not only impact First Federal Bank but also the economy by reducing the amount of capital available to lend to credit quality individuals, and increasing the cost of credit to consumers as a result of requiring institution's to price loan products to meet Basel III's increased risk standards.

First Federal Bank of Kansas City has always supported the belief and need to maintain a strong capital base. However, BASEL III reflects an international capital standard to be applied against all banks, no matter their size, complexity of their operation, and risk profile. I strongly disagree with this approach and the ultimate impact on well managed community based financial institutions that are focused on serving their local communities.

I also have concern that the BASEL III standards will not be uniformly enforced in foreign countries as compared to the United States. Also, the United States banking industry is more diverse with international, national, regional, and small community banks; whereas Europe's banking industry is primarily centralized and nationalized with larger banks.

Finally, BASEL III, as proposed, will not facilitate a housing recovery in this country, which is vital to improving our national economy and once again positioning housing as a national priority.

I respectfully request that the BASEL III proposal be completely reviewed and revamped, and a common sense risk-based approach to capital adequacy be considered for the US banking industry.

Thank you for the opportunity of responding.

Sincerely

Michael A. Sidebottom
First Federal Bank of Kansas City