STATE NATIONAL BANK of Texas

August 29, 2012

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

Re: Basel III Capital Proposals

Ms. Johnson:

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.

State National Bank of Texas is a well- capitalized 200 million dollar bank based in Iowa Park Texas with locations in and around Wichita Falls Texas. We are a conservative locally owned community bank offering traditional banking services to several North Texas counties. We are very concerned about the potential impact that this proposed regulation would impose on State National Bank of Texas. We strongly disagree with the regulation as proposed.

As proposed, Basel III regulations include changing AFS designated securities' gains and losses from unrealized to realized when calculating regulatory capital (Common Equity Tier 1). The new requirements would mean AFS securities would be treated like trading securities with regulatory capital adjustments required each month as security values change. The purpose of the securities portfolio for our organization, as is the case with most all community banks, revolves around interest income and liquidity strategies and certainly not the volatility of trading assets. This is especially alarming since interest rates are likely to move higher and community banks will certainly see capital reductions under the proposed regulation. Current interest rate environments are also limiting bank's ability to build profits and in conjunction with other existing and proposed regulation the Basel III regulation jeopardizes the viability of the community bank model as we see it.

In addition to implementing a new minimum capital requirement, the proposal completely revises many of the current risk weights that community banks use to calculate their regulatory capital particularly for mortgages and the prompt corrective action regulations. Many if not most of the residential mortgage loans we originate would carry a higher risk weight than presently allowed which would have a very negative impact on our capital ratios. We feel this is penalizing good community banks that provide local consumers the needed credit that these types of loans provide. There is a high probability that our bank and other community banks will stop making residential home loans if this proposal is implemented. The complexity of the mortgage risk weights based on loan-value ratios will create a regulatory burden for community banks much like State National Bank of Texas. Additionally, the proposal would require higher risk weights for non-performing loans. We feel this is most certainly a duplication of the current allowance for loan and lease losses strategy currently required through regulation.

In closing, the Basel proposal can only encourage banks to have less flexibility in asset management when more flexibility and capital is required in these uncertain times. We are respectfully and adamantly opposed to the proposed regulation.

Sincerely,

Bert L. Williamson

Bert L. Williamson
Chairman of the Board