

Congress of the United States  
Washington, DC 20515

October 22, 2012

The Honorable Ben Bernanke  
Chairman  
Federal Reserve Board of Governors  
20<sup>th</sup> and C Street, NW  
Washington, DC 20551

The Honorable Martin Gruenberg  
Acting Chairman  
Federal Reserve Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429

The Honorable Thomas Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, SW  
Washington, DC 20219

Dear Chairman Bernanke, Acting Chairman Gruenberg and Comptroller Curry:

Sound capital standards are an important component of a healthy financial system. However, we must be mindful of the effects that international capital standards will have on community banks that serve a unique role in communities across the country. We write to you to express our concerns regarding the proposed Basel III capital standards and their impact on community banks in Kansas.

Since the proposal was announced, Kansas bankers have expressed their concerns about the complexity of the proposed regulations and the impact on their lending practices. Their primary concern is their ability to meet the credit needs of the customers they serve. We fear that an increase in total capital requirements originally intended for larger, more complex financial institutions with international interests will result in less lending capacity for smaller institutions in communities across Kansas.

Loans commonly made in smaller communities in Kansas, such as balloon mortgage loans, will be adversely impacted by the proposed regulations. With many banks already experiencing greater compliance costs related to mortgage lending regulations, many of our smaller lenders tell us that they will simply get out of the mortgage lending arena all together. Our economy is made stronger when we have a robust housing market. The absence of mortgage lending by smaller lenders will devastate the progress made in the housing sector.

The complexity of the proposed regulations will undoubtedly be a burden on smaller lenders. With growing compliance costs, the movement toward international capital standards and risk weighting will be financially unbearable for small banks, regardless of their capital levels. Redefining capital will force a formerly well-capitalized bank to seek additional capital. Small financial institutions have very few capital raising options compared to their larger financial counterparts. These requirements will force


shareholders, officers, and directors to make up the capital difference. This is a difficult proposal in these economic times.


Kansas has a thriving, competitive banking environment that has benefitted the state and its communities. Regulations require balance to ensure that community banks are not disproportionately affected or placed at a competitive disadvantage. We fear these regulations and their complexity will ultimately impose a standard that will force banks to consolidate and make it more difficult for families and businesses in Kansas to obtain credit.

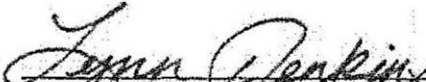
We are eager to maintain and appropriately improve the safety and soundness of the nation's banking system. We are concerned, however, that the current proposal will unnecessarily harm our state's small lenders with undue burdens originally intended for international financial players. We look forward to your response and hope you take seriously the concerns we have for the communities in Kansas we represent.

Sincerely,


  
Jerry Moran, U.S. Senator

  
Pat Roberts, U.S. Senator

  
Tim Huelskamp, U.S. Congressman

  
Lynn Jenkins, U.S. Congresswoman

  
Kevin Yoder, U.S. Congressman

  
Mike Pompeo, U.S. Congressman