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August 26, 2010

ATTN: OTS-2010-0027
Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street NW
Washington, DC 20552

Dear Chief Counsel:

I appreciate the opportunity to comment on the Advance Notice of Proposed Rulemaking Regarding Alternatives to the Use of Credit Ratings in the Risk-Based Capital Guidelines of the Federal Banking Agencies.

My main concern is the risk-based capital calculation concerning the Mortgage Partnership Finance Program (MPF) of the FHLB system. When a loan is sold into the MPF Program, a credit enhancement is established for each individual loan that is sold into the pool. The credit enhancement remains with the pool even when the loan is subsequently paid off. This low-level recourse reduces the risk-based capital for the individual financial institution. This process is punitive for two reasons:

1. When the loan is paid in full and is no longer part of the pool, the credit enhancement is still included and not reduced.
2. These loans will typically have private mortgage insurance and additional loan loss reserves in the first loss account. Therefore, in reality the low-level recourse most likely will never be drawn against.

The requirement in the risk-based calculation does not take into consideration the credit quality, delinquency rate, percent of classified loans, and average loan-to-value of the individual institution's MPF portfolio.

Therefore, I suggest that the risk-based capital calculation for the MPF Program be adjusted so that it is not punitive for individual institutions.

Again, thank you for the opportunity to comment on the proposed rule.

Very truly yours,

Ronald Wente
President

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