

**Congress of the United States**  
Washington, DC 20510

September 28, 2012

The Honorable Ben Bernanke  
Chairman  
The Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20429

The Honorable Tom Curry  
Comptroller  
Office of the Comptroller of the Currency  
250 E Street, S.W.  
Washington, D.C. 20219

The Honorable Martin J. Gruenberg  
Acting Chairman  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20429

Dear Chairman Bernanke, Comptroller Curry, and Chairman Gruenberg:

We are writing to express our concerns with the Basel III standards that were recently proposed for our nation's financial institutions. We encourage you to amend the standards to better ensure that they are appropriate to each covered institution's size, scale, and complexity.

While recognizing that capital is extremely important to the strength of our nation's financial institutions, we are concerned that the proposed standards, which are designed for the management of large, complex risks, impose a disproportionately heavy compliance burden on the nation's community and regional banks. A capital regime as complex as the one proposed may not be necessary to ensure the soundness of every bank in our financial system, and could have significant, negative consequences for certain banks, their customers, and their communities.

We are especially concerned about these standards' potential impact on the approximately 6,800 community banks with less than \$1 billion in assets. Such banks, which represent only about 10 percent of industry assets, lack meaningful access to the capital markets on which larger banks rely for capital. These banks therefore face very different challenges to raising capital. Although we recognize that compliance with the Dodd-Frank Act results in higher risk weights, we believe that any new capital standards should reflect the relatively higher burden to community banks in raising shareholder equity.

We are troubled by the negative impact that the proposed standards could have on the availability of mortgage credit. This is a particular concern in Mississippi, where local banks can be the only source of affordable mortgage lending in a community. Mississippi banks provide many small mortgage loans that make an enormous difference in the lives of the borrowers, but

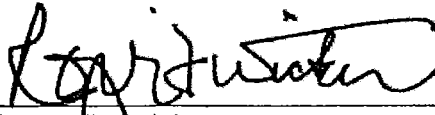
under terms that would disqualify the loans for sale in the secondary market. The proposed standards would increase the risk-weighting of such loans, however, requiring banks to have additional capital. The added compliance burden could lead banks in our state to substantially curtail the availability of this vital source of mortgage financing to residents of their communities.

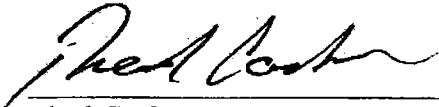
We note, too, that despite the recent wave of bank failures across the nation, community banks in our state have remained virtually failure-free. Mississippi's example suggests that, at least among the nation's community and regional banks, capital levels are just one facet of effective bank risk management.

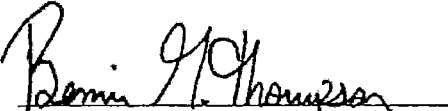
For the above reasons, we are concerned that the proposed standards, if adopted in their current form, could accelerate the recent trend toward consolidation in the banking industry. It is important to nurture the survival of the nation's smaller banks, which play a vital role in small business and agricultural lending, and which often are the only entities willing to offer small loans in their local communities. Adopting a highly complex, "one size fits all approach" to capital standards should be avoided if it would undermine these banks' viability or lead them to curtail lending activity in already underserved areas of the country.

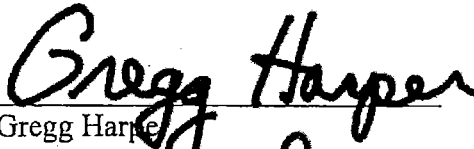
In closing, we respectfully urge you to examine carefully the likely effects of the new capital standards on the continued viability of our nation's community and regional banks, and amend these standards as necessary to ensure that our concerns are resolved.


Sincerely,

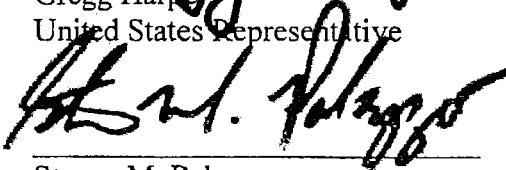
  
Roger F. Wicker  
United States Senator

  
Thad Cochran  
United States Senator

  
Bennie G. Thompson  
United States Representative

  
Gregg Harper  
United States Representative

  
Alan Nunnelee  
United States Representative

  
Steven M. Palazzo  
United States Representative