1st Community Bank
MEMBER FDIC

October 17, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551
Via email at regs.comments@federalreserve.com

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429
Via email at comments@fdic.com
Re: FDIC RIN 3064-AD95, FDIC RIN 3064-AD96, and FDIC RIN 3064-AD97

Office of the Comptroller of the Currency
250 E Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219
Via email at regs.comments@occ.treas.gov

Ladies and Gentlemen:

I am the Auditor for First Community Bank, which also includes responsibility for the Bank's regulatory compliance. First Community Bank is a moderate sized ($340 million) Texas State Chartered institution located in the Corpus Christi area of South Texas. We are regulated by the Federal Deposit Insurance Corporation and the Texas Department of Banking. Besides Corpus Christi proper, we have branches in the nearby towns of Portland (pop. 15k), Kingsville (pop. 26k) and Alice (pop. 19k), Texas. We attempt to be "good citizens" of the areas we service offering a full line of deposit products as well as mortgage, commercial, SBA, personal and some agricultural loans.

This letter is written in response to the proposed Basel III Notices of Proposed Rulemaking issued in June 2012 requiring all banking organizations to comply with Basel III pronouncements.

With close to 25 years in the community banking industry here in South Texas, I have a wide perspective of the current business and regulatory environment in which we operate. Although I applaud the efforts of legislators and regulators to help ensure that the American Banking System continues as the best in the world, the current requirements of the proposed Basel III rules are a cause of concern. After reviewing those proposed rules and considering their impact on my Bank's financial position, I am apprehensive as to our ability to continue to offer the quality and breadth of service we have worked so hard to achieve.

A major area of concern is the inclusion of gains and losses on available-for-sale debt securities in the common equity tier 1 computation. Currently, our bank has a $52 million AFS portfolio. As gains and losses in that portfolio are especially rate sensitive, a rising rate environment could severely affect our capital requirements. Without readily available access to capital sources, our availability of funds to lend to our customers could be seriously curtailed. Also consider that a rising rate environment coupled with heightened economic activity (loan demand) and losses in "available for sale" securities, could negatively impact the Bank's capital ratios for an extended period of time, perhaps years.

Another proposed rule regarding mortgage loans could adversely affect our ability to serve our market's need for affordable housing credit. Our portfolio of mortgage loans is populated by a large number of variable rate, balloon type credits. This is necessary to allow us to safely manage interest rate risk. The proposed rule requiring a higher risk rating on those types of loans would require more capital, increasing the cost of the credit and reducing our ability to make those products available in our markets.

Lastly I would like to comment on the burden additional regulatory requirements would place on smaller financial institutions like First Community Bank. Banks are currently required to fight terrorism and drug smuggling, protect our customers' information from identity thieves, protect our customers' assets from an increasing number of cyber attacks, serve our communities in a hostile interest rate environment, and operate in a safe and sound manner. Dodd-Frank demands an ever increasing amount of dollars and man hours. The average bank in the U.S. has 35 employees, and we have been faced with over 9,000 pages of new or revised regulations over the last decade. The scope and complexity of the new Basel III proposed rules will require many community banks to upgrade their systems and increase staffing. Requiring us to shoulder these burdens now, as we are just emerging from the worst economic environment since the Great Depression seems unreasonable and unnecessary. When used appropriately, the Allowance for Loan and Lease Losses adequately accomplishes most of the objectives of the new proposed rules in the smaller institutions.

In conclusion I would like to respectfully recommend that you give additional scrutiny to the applicability of the proposed Basel III rules to community bank business model. I submit that a "one size fits all" rule is not only inappropriate, but will actually be detrimental to the economy as the smaller financial institutions begin to decrease their services, and the availability of credit tightens.

Sincerely,

Stephan A. Pratz
Auditor, First Community Bank

# 1st Community Bank
MEMBER FDIC

October 16, 2012

FDIC via email

To Whom It May Concern:

Our bank has $340 million in assets and 130 employees. We are laboring in an environment involving increased regulatory scrutiny in compliance exams and the new burdens being placed on us by the Dodd-Frank Act. Our compliance costs have increased significantly over the last 10 years.

It appears that this proposal will require all banks to collect new and often granular information in order to calculate risk weight assets with existing loans NOT being grandfathered. The complexity of the data requests most likely means that we will also have to install new software systems and/or look for third parties to provide them. **None of these requirements will allow us to help our customers in our community.** The compliance costs will pull money out of capital and earnings rather than help our borrowers.

The increasing cost of compliance for community banks is leading to more consolidation in our industry. Basel III, as proposed, will only accelerate this trend.

From our perspective, **community banks still serve a vital function in our economy.** It would be a shame if these new international capital requirements help lead to their demise.

Respectfully,

Sylvia S. Aparicio
Senior Vice President


| ALICE | CORPUS CHRISTI | CORPUS CHRISTI | CORPUS CHRISTI | KINGSVILLE | PORTLAND | PADRE ISLAND |
|---|---|---|---|---|---|---|
| 1600 East Main | 4201 S. Alameda | 416 North Water | 5406 Everhart | 1629 Brahma Blvd. | 1001 Wildcat Dr. | 14254 S. Padre Island Dr., Ste. 100 |
| Alice, TX 78332 | Corpus Christi, TX 78412 | Corpus Christi, TX 78401 | Corpus Christi, TX 78411 | Kingsville, TX 78363 | Portland, TX 78374 | Corpus Christi, TX 78418 |
| 361/664-8775 | 361/985-9310 | 361/888-9310 | 361/993-9310 | 361/592-8002 | 361/643-9310 | 361/949-9310 |
| FAX 361/664-3325 | FAX 361/985-9468 | FAX 361/888-9468 | FAX 361/993-9468 | FAX 361/592-8022 | FAX 361/643-0095 | FAX 361/949-0095 |

www.fcbot.com

October 15, 2012

Ben Bernanke, Chairman
Federal Reserve Board of Governors

Martin J. Gruenberg, Acting Chairman
Federal Deposit Insurance Corporation

Re: Basel III Docket No. 1442;
Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97;
Basel III Docket ID OCC-2012-0008, 0009, and 0010

Dear Chairman Bernanke, Acting Chairman Gruenberg,

First Community Bank is a traditional 350 Million dollar Community Bank offering bread and butter products to our customers. Mortgages, car loans, home improvement loans, business loans, commercial real estate loans and capital loans to start new businesses are our bread and butter.

**Basel III simply stated, with its over 800 pages of capital rules, will more than likely put us out of business in several categories of lending.** Home Loans will be a thing of the past for Community Banks, with pending capital requirements and complicated rules and regulations. We originated approx. $35 million in 1-4 family mortgages last year, and if Basel III is adopted will be a product of the past. That's approx. 300 families that will lose the ability to have a home financed.

If the goal is to nationalize the banking system, or put smaller banks out of business, it would be much simpler to just make that a published policy. Regulation by the pound is torture and slowly suffocating the banking industry.

Sincerely,

Wes Hoskins
President & CEO
First Community Bank
416 N Water
Corpus Christi, Texas 78401
361-888-9310