

FIRST NATIONAL



CLARKSDALE, MISSISSIPPI 38614 / P.O. BOX 220 / PHONE 662-627-3261

October 22, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
reg.comments@federalreserve.gov
Subject: "Basel III Docket No. 1442"

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, D.C. 20219
regs.comments@occ.treas.gov
Subject: "Basel III OCC Docket ID OCC-
2012-0008, 0009 and 0010"

Robert F. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
comments@FDIC.gov
Subject: "Basel III FDIC RIN 3064-AD95,
RIN 3064-AD96 and RIN 3064-D97"

RE: Basel III Proposed Capital and Risk Weighting Rules

Ladies and Gentlemen:

Thank you for the opportunity to comment on the Basel III proposals that were recently issued for public comment by your agencies. We hope that you will seriously consider our comments and the effect that these rules will have on our bank and the communities we serve.

First National Bank of Clarksdale was organized in 1964 by local citizens to serve as a community bank in the Mississippi Delta. As you may well know this region is one of the most impoverished areas in the country. Our \$348 million bank has provided products and services consistent with helping many Delta families with mortgage loans and financing of local businesses. We feel the proposed rules will negatively impact our small town and other communities that we serve.

For example, under the proposed rules implementing Basel III, all banks regardless of size are required to deduct from Tier 1 capital unrealized losses on all available for sale securities. Our entire investment portfolio is categorized as available for sale which under a rising rate scenario will immediately cause an unrealized loss that will have to be deducted from Tier 1 capital.

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The compliance cost of implementing these rules, as well as the risk weighting rules discussed below, will be disproportionately borne by our bank because we simply don't have the infrastructure or technical capability to successfully implement these rules. We simply cannot keep up with the increasing cost of additional compliance.

We would like to briefly discuss the proposed rules regarding the risk weighting of Category 2 mortgages and high-volatility commercial real estate. For safety and soundness reasons we cannot maintain long-term Category 1 loans on our balance sheet. Instead, we offer customers alternative mortgage loans with features such as balloon payments or variable interest rates, but that amortize over a more traditional period in order to make them affordable to our customers. With the proposed risk weighting of Category 2 mortgages, our bank will have to reduce or simply discontinue offering mortgage credit to many of our customers.

The increase in the risk weighting of high volatility commercial real estate will likely prevent business owners from expanding or opening new businesses that could employ dozens of local citizens. Our bank is willing to lend to these borrowers but increases in risk weighting by 50% will cause severe strain on Tier 1 capital.

We understand the proposed rules were not meant to harm our bank and in fact are intended to help prevent another crisis. But these rules are punishing banks like ours that had nothing to do with creating the mess. Our bank has remained remarkably strong and stable through these tough times. We have continued to lend and continued to grow.

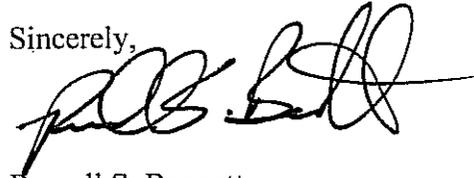
We ask that your agencies consider the impact that the proposed rules are likely to have on our bank and others around the country. We hope that you will consider adopting the following:

- Exempting, as originally contemplated by the Collins Amendment to the Dodd-Frank Wall Street Reform Act, financial institutions of under \$15 billion in assets from the proposed rules;
- Allowing all banks, or at a minimum those with \$15 billion or less in assets, to grandfather in existing loans under current risk weighting guidelines;
- Eliminating or reducing the scope of the increases to the risk weighting of residential mortgages and High Volatility Commercial Real Estate.

Board of Governors of the Federal Reserve System
Federal Deposit Insurance Corporation
Office of the Comptroller of the Currency
October 22, 2012
Page 3 of 3

We sincerely appreciate the opportunity to comment on these proposed rules. We hope that you will seriously consider our comments and the effect these rules will have on our bank and the communities we serve.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell S. Bennett". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Russell S. Bennett
President & CEO
First National Bank of Clarksdale

cc: Senator Thad Cochran
Senator Roger Wicker
Congressman Bennie Thompson