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October 19, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N. W.
Washington, D.C. 20551

Regs.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 E. 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 Capital and Risk-Weighting Proposals

Ladies and Gentlemen,

This letter is written to address comments and concerns regarding the Basel III Capital and Risk-Weighting Proposals. Charter Bank is a de novo bank established in March 2008 on the Mississippi Gulf Coast servicing the cities of Biloxi, Gulfport, Pascagoula, and Ocean Springs in Harrison and Jackson Counties. Charter Bank currently holds over \$100MM in total assets. Our bank has grown by offering affordable banking products such as residential mortgages and commercial loans. These products have allowed our citizens to start their own business, purchase homes, and improve conditions in the communities we serve. To the extent that the proposals are not withdrawn or significantly modified to better serve the community banking system, we fear the current proposals will have a significant impact on our ability to provide services which continue to grow and improve our communities.

Like most community banks, our assets include a concentration of residential mortgages that, for valid safety and soundness reasons, do not meet the definition of Category 1 loans that large, institutional banks typically have on their balance sheets. Many of our customers do not want or do not qualify for a Category 1 mortgage due to various reasons. Additionally, it is not prudent for Charter Bank to carry long term

mortgage loans. Instead, we believe our customers are better served with our shorter term balloon loans which generally renew to fully amortize the loan. We do not believe anyone can project with confidence the overall impact on the local economy the proposals will have. We do believe that if the proposals are adopted without material modification, the result will cause substantial withdrawal from a variety of lines of business including making and holding 1-4 family residential mortgage loans, originating and selling mortgage loans, financing development activity and providing short term lines of credit to small businesses.

Under the proposed risk-weighting rules, the increase in risk weighting of these loans may triple in some cases from 50% to 150%. We currently have approximately \$42MM of these or similar loans on our balance sheet, which constitute near 57% of our total assets. Our Tier 1 Risk Based Capital and Total Risk Based Capital would drop on a pro-forma basis under the proposed rules. If the proposed rules are adopted, we may be faced with the decision to protect capital and forego these loans entirely. Banks today have limited access to capital and Charter Bank will lose a significant source of income if it must forego these loans. The citizens of our communities could be forced to look elsewhere for such products. Their choices will be limited to large institutions- who likely won't be willing to extend credit to these borrowers- or other lending institutions that often only give loans with truly punitive terms and conditions.

For the same reasons, the increase in risk weighting of HVCRE will stifle much of the local commercial development that is vital to the Mississippi Gulf Coast. Members of the community come to Charter Bank for loans that will allow them to buy the real estate to start their own businesses. If the proposed rules are adopted, we may be forced to discontinue these loans and shut out would-be business owners.

As you are aware, the recent financial crisis was for the most part not caused by community banks such as ours. We have remained strong through these difficult times because of our willingness to serve our communities and trust in our customers. Yet, the impact of the proposed rules will be borne disproportionately by community banks which lack the resources to implement these excessively cumbersome and complicated rules. If the proposed rules are finalized, we ask that you consider adopting the following:

- Exempting banks under \$15 billion in total assets from the Basel III minimum capital and risk weighting rules, or, at a minimum, exempting such banks from the proposed rules as they pertain to residential mortgages, commercial real estate, and AOCI;
- Allow existing assets to be grandfathered in using the current risk weighting rules; or
- Revising the risk-weighting and capital rules to more accurately reflect the risks imposed by institutions such as ours and the realities of our operations.

Again, we sincerely appreciate the opportunity to comment on these proposed rules. We ask that you consider our comments in developing and prior to adopting the final rules.

Sincerely,

Gregory E Cronin
President/CEO

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