



October 15, 2012

Federal Deposit Insurance Corporation

Board of Governors of the Federal Reserve System

Office of the Comptroller of the Currency

First Community Bank has \$340 million in assets and at this time has approximately \$52 million in AFS securities. Gains and losses in AFS portfolios happen primarily as a result of interest rate movements as opposed to changes in credit risk. How should our bank deal with this proposal, especially when interest rates rise again? Will we have to create an additional capital buffer as a cushion during value fluctuations? If so, **we are taking resources from customer needs and bank growth.** This proposal could cause a number of banks to sell all or part of their AFS portfolios. Have federal regulators considered what impact this will have on the markets for those securities? We are concerned about how this proposal might impact our asset liability function and our liquidity and contingency funding plans.

We are a community bank and, as such, should not be thrown into the "mark-to-market" frenzy that has consumed other segments of the financial services industry. This same change was proposed a few years back and then scraped.

The most likely result of this proposal will be an increase in employee time to monitor our AFS portfolio. This may also require us to purchase software to stay in compliance. **Both would lead to less time to service our customers.** We report our unrealized gain or loss on the Consolidated Reports of Condition and Income for a Bank (known as Call Report). This should be acceptable.

Sincerely,

Sheree Lewis, EVP

First Community Bank

416 North Water

Corpus Christi, TX 78401

ALICE 1600 East Main Alice, TX 78332 361/664-8775 FAX 361/664-3325	CORPUS CHRISTI 4201 S. Alameda Corpus Christi, TX 78412 361/985-9310 FAX 361/985-9468	CORPUS CHRISTI 416 North Water Corpus Christi, TX 78401 361/888-9310 FAX 361/888-9468	CORPUS CHRISTI 5406 Everhart Corpus Christi, TX 78411 361/993-9310 FAX 361/993-9468	KINGSVILLE 2525 Brahma Blvd. Kingsville, TX 78363 361/592-8002 FAX 361/592-8022	PORTLAND 1001 Wildcat Dr. Portland, TX 78374 361/643-9310 FAX 361/643-0095	PADRE ISLAND 14254 S. Padre Island Dr., Ste. 100 Corpus Christi, TX 78418 361/949-9310 FAX 361/949-0095
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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.

Sincerely,

Sheree Lewis, EVP

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