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October 4, 2012

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

Thank you for the opportunity to provide comments on the Basel III proposals that were recently issued for public comment by your agencies. It is my desire to give you our comments in a short and simple format as to why we are against Basel III's implementation and the negative effects that it would have on us. Our comments are:

1) **Basel III was conceived with megabanks in mind, not community banks.** The business model for small community banks is totally different from the business model for large international banking institutions, and therefore, different sets of capital requirements make sense.
2) **The addition of AOCI to the capital calculation adds unnecessary volatility to capital planning.** Our capital currently sits at about $52,500,000. An increase in interest rates of 300 bps in the future is not an unreasonable assumption, once interest rates begin to climb. This would have an approximate $12,000,000 negative effect on our capital, representing a 23% decrease. Even so, with our strong capital policies, we would still have strong capital/asset ratios.
3) **The proposed risk weight framework of Basel III is complicated and will be onerous, burdensome, and costly for us to implement.** Community banks are

already struggling under the weight of overbearing regulations such as Dodd-Frank, and Basel III would just pile on more work for no real benefit.

4) **Housing throughout rural and small town America would be adversely affected.** A tremendous amount of housing loans are made in our community on balloon notes due to the limitations associated with customers being able to obtain Category I conventional mortgages. I am sure that this is true all across America. Approximately 25% of our loan portfolio is in this category and if Basel III is implemented, we may have to cut back significantly on these type loans due to the heavier risk weighting rules. This would not be good for our community, and as I believe it would play out in most small communities, not good for America.
5) **At the end of the day, after all the onerous tracking and calculating, no real benefit comes out of Basel III** – for either the banks or the regulators as far as community banks are concerned. If anything, it could have adverse effects such as drains on profits for the banks, less housing opportunities for American citizens, and an overall negative impact on our rural economies, among other things.

Thanks for the opportunity to voice our feelings about the proposed Basel III rules. It is our hope that you will sincerely give our opinion serious consideration.

Sincerely,

James R. Collins

James R. Collins
President

JRC/sm

Copy: Senator Roger Wicker
Senator Thad Cochran
Representative Alan Nunnelee
Mac Deaver