

**From:** David Henderson [mailto:david@fsbdekalb.com]  
**Sent:** Thursday, August 30, 2012 2:55 PM  
**To:** Comments  
**Cc:** 'Harrison, John'  
**Subject:** FDIC RIN 3064-AD95 and FDIC RIN 3064-AD96

## FIRST STATE BANK OF DEKALB COUNTY

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August 30, 2012

Thomas J. Dujenski, Regional Director  
Federal Deposit Insurance Corporation  
10 Tenth Street NE, Suite 800  
Atlanta, GA 30309-3906

RE: Basel III Capital Proposals

Regional Director Dujenski:

On behalf of the Directors and Employees of First State Bank of DeKalb County and the customers of the community we serve, thank you for taking the time to hear comments on the Basel III proposals that were recently approved by the Federal Reserve Board, the OCC and the FDIC.

First State Bank is a full-service community bank in Fort Payne Alabama with assets of \$85,000,000 and we have been serving this area since 1981. The population of Fort Payne is some 14,000, situated in DeKalb County, having a population of 56,000. Fort Payne was once known as the "Sock Capital of the World", producing more socks than anywhere in the world, but that was prior to free trade. Now with our unemployment over 9% our community is struggling. We as community bankers are doing everything in our power to work with our customers during these challenging economic times and meet the needs of our community. The passage of Basel III will only increase our regulatory burden and have a negative effect on the bank's ability to meet the needs of those we serve.

We oppose Basel III and humbly request that all community banks with assets below one billion dollars be exempt. Based on statistics from the June 2012 Call Report Data, 6,621 banks or 91% of the total banks in the United States are in this category (please refer to attachment). While this request applies to a large number of banks it only represents 10% of industry assets. The banks with assets greater than one billion (some 700) control the remaining 90% of industry assets, with the top 4 banks controlling 41% of those assets. Based on this information alone, it is evident that in order to monitor the activity of 10% of the banks the remaining 90% will be penalized with increased regulatory expenses that will not only further decrease bank earnings but will also result in additional costs to bank customers. The passage of this proposal will do nothing but reduce the number of community banks and continue to place hardships on rural Americans. We oppose Basel III as it will, if passed, have the following effects on our bank and community:

Unrealized Losses in Capital Ratios. We will be required to modify our security portfolio behaviors and classifications. Our bank has always been conservative in its Investment Portfolio as evidenced by the fact that 90% of our portfolio is invested in Government Agencies. This one aspect alone of the proposal has the potential to lower our capital ratio by as much as 4% in a rising rate market. The bank would be penalized for investing in Government Agencies, this should not be.

Increased Record-Keeping Cost. There is no question that the costs far exceed any possible benefits. In order to meet the requirements of this proposal we would have the expense of updating and reprogramming our computer system. We will need to hire outside vendors to aid us in this process as it will not be cost effective to hire additional personnel. Due to the fact that a more complex loan operations process will be required, our estimates are that the implementation of this proposal will initially cost the bank 10 to 15 percent of its net earnings and the annual expense will be 5 to 10 percent of net earnings.

Staff Reduction. The additional expense with the passage of this proposal, in addition to the current regulatory overload, may potentially result in the reduction of staff by 5 to 7 people; this number represents 30% of our staff. We will have no choice except to downsize or discontinue current products and/or services; this could possibly result in the closing of a branch which would have a negative effect on our customer service and customer base.

Effect on our Community. Now as to the true effect of the Basel III proposal; in addition to all the facts listed above I feel those that will suffer the most are customers of rural America which are serviced by community banks. Although we are required by law to abide by the same regulations, there are major differences between “big banks” and “community banks”, one being the relationships we have with our customers. All over this Great Country of ours there are local businesses that would not be in existence if it were not for the community bank. The community bank cares about more than just profits; for instance, fees and service charges of community banks are 40 to 50 percent lower than those charged by the big banks. Additionally, we are concerned with the families we serve in our communities—they are more than just account numbers, our children grow up together, attend school and church together, we visit them in the hospitals and funeral homes when they have lost loved ones, and when natural disasters strike we are there to help in whatever way possible.

We respectfully request that you exempt community banks from Basel III as it will not strengthen the banking industry. Basel III only gives the big banks more leverage, adds to the demise of the community banking industry and robs rural America of the opportunities and banking services it deserves. Thank you again for your time and consideration.

Sincerely,

FIRST STATE BANK OF DEKALB COUNTY

David Henderson  
President & CEO

DH/tma

Attachment

pc: Senator Richard Shelby (202) 224-3416  
Representative Spencer Bachus (202) 225-2082  
House Committee on Financial Services (202) 226-3390  
Superintendent of Banks, John D. Harrison

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