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GRAND BANK

☐ *Hattiesburg-Westover Drive:*
204 Westover Drive
Hattiesburg, MS 39402
Telephone (601) 264-1467
Fax (601) 264-5807

☐ *Hattiesburg-Lincoln Road:*
2802 Lincoln Road
Hattiesburg, MS 39402
Telephone (601) 264-2099
Fax (601) 264-6792

☑ *Administrative:*
Post Office Drawer 16988
14 Plaza Drive
Hattiesburg, MS 39404 (39402)
Telephone (601) 264-1467
Toll Free (800) 300-1467

☐ *Petal:*
226 East Central Avenue
Petal, MS 39465
Telephone (601) 582-8579
Fax (601) 544-1642

☐ *Flowood Mortgage Center:*
648 Lakeland East Drive, Suite B
Flowood, MS 39232
Telephone (601) 939-5801
Toll Free (866) 723-3175

October 22, 2012

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution Avenue, N. W.
Washington, D.C. 20551

The Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

The Honorable Thomas J. Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street SW
Washington, D 20219

Subject: Basel III Regulation's affect upon Community Banks

Dear Chairman Bernanke, Comptroller Curry and Acting Chairman Gruenberg:

Since 2010, there has been a tsunami of regulations with a plethora of complexity that will be on going for the next decade and more! Regulations now replace statutory laws, due to the broad latitude given to rule writing and subjective enforcement of various matters. The implementation of a multitude of laws and regulations will not begin in earnest until the year 2014. These complexities will further exacerbate any hopes of economic recovery that will be both meaningful and sustainable. We are systematically destroying our economy!

So what has been often called "unintended consequences" has risen to what can now be termed "intended consequences" when Basel III is reviewed. What was intended to be applicable to large, complex financial institutions in excess of $500 billion has now been applied to ALL financial institutions including Community Banks that simply do not fit the mold of complex financial institutions. Main Street, not Wall Street will be severely affected.

Now, due to the risk weighting of mortgages proposed by Basel III, there will be less capital dedicated to mortgage lending when the nation's economy is desperately in need of a recovery in the housing market. The housing industry has been decimated with incredible amounts of regulation and stringent underwriting criteria. The pendulum has swung too far! It is interesting to note that governmental mortgages such as VA and FHA are exempt from Basel III risk weighting, when those are the new, so-called sub prime mortgages of today.

Primary regulators have been and remain diligent in insuring safety and soundness in Community Financial Institutions. They have used all the tools afforded them in not only discretionary authority for increased capital ratios required for individual institutions, but also granular examinations of loan underwriting to insure adequate reserves are established for all categories of assets.

To add additional capital requirements on Community Banks rises to the level of believing that the earth is so flat that a puff on a marble in China would roll it to Washington, D.C.! Reasoned discernment is desperately needed. Community Banks have been shrinking due to the regulatory burdens imposed upon them. To further impose additional capital requirements would insure further consolidation of the industry and "dry up" a great deal of lending to small businesses and home lending that large, complex mega banks will not serve. The economy will languish indeed!

I implore you to reconsider this regulation's applicability to small Community Banks and restore the Basel I threshold of $500 billion or alternatively no less than $10 billion in asset size. To do so would insure that it's applicability is properly applied.

With hope of reasoned discernment, I am...

Sincerely yours,

Edward J. Langton
Chairman and CEO

CC: Jennifer J. Johnson, Board of Governors of the Federal Reserve System
Office of the Comptroller of the Currency
Robert E. Feldman, Federal Deposit Insurance Corporation
Charles Taylor, Deputy Comptroller for Capital and Regulatory Policy