

The First National Bank of Bells/Savoy

615 East Bells Blvd. • P.O. Box 97 • Bells, Texas 75414
Phone: (903) 965-7755 • FAX: (903) 965-7482 • www.fnbbells.com

C. ALAN RENFROE
President & CEO

October 18, 2012

Office of the Comptroller of the Currency
250 E Street, SW
Mail Stop 2-3
Washington, D.C. 20219

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

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

RE: Basel III Capital Proposals

Ladies and Gentlemen:

First National Bank of Bells/Savoy was originally Chartered by the Office of the Comptroller of the Currency December 24, 1904, Charter number 7524, making this bank 107 years old. We are a small, rural \$45,000,000 community bank serving our customers in north Texas. Our two communities of Bells and Savoy, Texas each have populations of approximately 1,000. As a small community Bank, we want to thank you for the opportunity of providing our comments to the Basel III proposal.

It seems that the proposal as written is presented as a one size fits all for banks. If this is the case, it will be quite detrimental to our customer base and could affect certain types of lending to our customers. Due to our size and interest rate risk, we do not make 15 or 30 year fixed interest rate loans, but rather offer fixed interest rate that convert to a variable rate at a later date within the term. These loans have been a portion of the successful existence of this bank due to the fact that all loans are retained by the bank and not sold to the secondary market. Therefore, there has been not risk to the financial segment as demonstrated by the large banks. Our Bank also maintains a successful security portfolio with all securities held in "Available for Sale". However, due to our Public Funds balances the majority of these securities are in the portfolio for pledging purposes. This is another example of our small bank being the cornerstone of our communities. Our public funds are from: City of Bells, City of Savoy, Savoy ISD, Bells ISD and Southwest Fannin Special Utility District. Our Board of Directors have chosen to operate this bank with excess capital, typically over 14% tier one. We recognize that with this excess

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capital we will be able to withstand the effects of a negative local and/or national economy. We have determined that we are willing to maintain the capital level necessary to mitigate the risks our Board and management are willing to accept within our business model, community, and customer needs.

Each of our primary earnings assets identified above, loans and our securities will be negatively impacted as the proposal is written. Our loans are currently risk weighted at 50% and in the new proposal these increase to 200%. Our security portfolio based on the dynamics of market movement will also have a negative impact on capital. We do recognize that our capital is in excess and will remain over the capital requirements. However, this operating quality of our bank is by choice.

We recognize that within our two communities, this bank has developed relationships with our customers. We know multiple generations of these families and can report that many of these families would not qualify nor deal with the "big" bank environment. Therefore, this proposal as written would force our bank to make many changes which could be detrimental to our customer base. The law changes that have taken place in the past several years as a result of the "Wall Street" and the "Big Banks Problems" are providing our bank with many additional expenses, but, no additional revenue.

We respectfully request that you reconsider Basal III as written and the impact on small banks. It would seem that this proposal is appropriate for large banks and should apply to banks of \$1 Billion and above. Thank you for your consideration and these examples of the effect on our bank.

Yours truly,

A handwritten signature in black ink, appearing to read "C. Alan Renfroe". The signature is fluid and cursive, with a long horizontal stroke at the end.

C. Alan Renfroe