FIRST COMMERCIAL BANK

P.O. BOX 12868
JACKSON, MS 39236

1300 MEADOWBROOK ROAD
JACKSON, MS 39211

PHONE (601) 709-7777
FAX (601) 366-8733

www.firstcommercialbk.com

October 3, 2012

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

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

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

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. I specifically want to discuss my concern about the impact of some of these proposals, particularly the proposals on capital ratios and risk weighting on certain assets, on our Bank and its customers.

Our Bank, First Commercial Bank, serves the Metropolitan area of Jackson, Mississippi. We have approximately $266,000,000 in assets. The Bank was started as a DeNovo 12 years ago and has grown slowly but steadily by offering businesses and professionals of our communities sound, conservative banking products. These products have included residential mortgages, and home equity loans. We also offer a full line of loans to businesses including working capital, SBA loans, and owner occupied real estate loans. In reviewing the Basel III proposals, I fear that the proposed Capital and Risk-Weighting rules will have a significant and negative impact on our ability to continue to serve our customers as we have in the last 12 years.

Like most community banks, our residential mortgage products are structured in ways that do not meet the definition of Category 1 loan. We structure this way not only for safety and soundness reasons, but also because many of our customers desire shorter term products. The mortgage loan product with 3, 5 or 7 year balloon meets the needs of our customer base, and at the same time is a prudent alternative to allow us to be competitive in this business while not exposing our institution to undue interest rate risk.

Under the proposed risk rating rules, the increase in risk rating of these loans may triple in some cases from 50% to 150%. Our Tier One Risk Based Capital Ratio is 12.5% as of August 31, 2012 and will certainly be negatively impacted by these proposed rules. If these proposed rules are adopted, we will be faced with the decision to possibly protect capital and forego entirely the offering of first mortgage home loans as well as home equity loans. Elimination of these products would significantly impact our ability to continue to serve our existing customer base as we have done for the life of our institutions.

For the same reasons the increase in risk rating of HVCRE will stifle much of the local commercial development that is vital to our community. We have been very instrumental in providing financing to local business people in our community in the last 12 years. We have done so in a prudent manner and this track record is supported by a very minimal level of losses in real estate loans since the inception of our Bank. Again, if these proposals are adopted, we will be forced to discontinue or reduce this type of lending and the result would be to limit availability of capital to business owners struggling to survive this current recessionary environment.

Finally, the exclusion of certain deferred tax assets in the capital base is very disturbing to us. Our Bank's primary market segments are business and professionals and as we have sought to serve a broader base in our community, we have been active participants in both low income housing tax credits and more recently New Market Tax Credits. We have invested significant time and energy in becoming involved in the New Market Tax Credit Program and have purchased both Federal and State New Market Tax Credits to support projects that have gone into low income and rural census tracts both here in our markets as well as the other areas of the state. The retroactive implementation of these proposals would penalize us for prior responsible actions and would more than likely eliminate our ability to continue to participate in these types of projects that can provide affordable housing and stimulate job growth.

I know you are aware that the recent financial crisis, for the most part, was not caused by community banks like First Commercial Bank. We have remained strong through these difficult times as we sought to serve the customers that we know and have underwritten credit in a prudent manner. Yet, the impact of these proposals will be damaging to community banks like us. As you consider the proposed rules I ask you to consider adopting one or both of the following:

- Exempting banks under $10 billion in total assets from the Basel III minimum capital and risk weighting rules, or perhaps exempting such banks from the proposed rules as they pertain to residential mortgages, commercial real estate and tax assets.

- Allow existing assets to be grandfathered in using the current risk weighting rules.

Again, I appreciate the opportunity to comment on these proposed rules. I hope that you will seriously consider my comments and the effect that these rules will have on our Bank as well as the consumers that we seek to serve.

Sincerely,

Alan H. Walters

Alan H. Walters
President