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TENSAS STATE BANK

October 4, 2012

TO: Federal Deposit Insurance Corporation

FROM: W.E. Hawkins, Jr., Mark M. Miller, Roxanne B. James

We are writing to inform you that we oppose the standards required in the Basel III regulations for Tensas State Bank. The scope and complexity of our bank and other small community banks should not require any new capital standards. Those currently in place are sufficient.

Tensas State Bank has maintained Leverage and Risk Based Capital that has exceeded the required level in a variety of economic situations. In fact, these proposed rules along with other recent onerous requirements are contributing to an environment that will certainly reduce our bank's earning capability over the long term which is contrary to building capital. Retention of earnings has always been the overwhelming source of capital of non-publicly traded banks.

The role as a regulator is to ensure that we can operate in a competitive environment and succeed. It should not be the intention to promulgate regulations that would impair our ability to generate earnings which will result in decreased capital.

The following comments are in regard to specific areas we know Basel III would be a detriment to Tensas State Bank.

- If we had to monitor capital requirements against volatility in the market place, we would hold more capital as a cushion which would demand a higher rate of return because we would be keeping excess capital. The only way to achieve this would be an increase in loan rates and increased service charges.
- The investment portfolio would likely be held to a shorter duration than prudent in an effort to mitigate swings in the capital ratio in periods of high volatility. Again, this would ultimately lower return and earnings which decrease capital.
- In an effort to ensure proper liquidity, Tensas State Bank now has all investments in Available for Sale. Upon review of this proposal, we would have to consider the reclassification of some portion to Held To Maturity to avoid capital risk. As a regulator, there is increased emphasis on liquidity. The proposal compared to regulator emphasis is a dichotomy and both cannot be achieved.
- The consequences of risk weighting are simply horrible regarding residential loans. Constant underwriting, reappraisals, and associated costs of monitoring residential mortgages cannot be estimated. Again, increased loan rates and increased fees would be necessary to mitigate this proposal which is totally opposite of the current approach from regulators.

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TENSAS STATE BANK

- We do know that there would be less residential lending. Stronger underwriting standards would be applied to our customers with the end result being less lending. These changes could result in an inability to meet the requirements of the Community Reinvestment Act. Again you are not analyzing suggested changes in light of and in conjunction with the objectives that you wish to achieve under your other regulations.

- Our bank would like to increase home equity lending. However, additional requirements would result in the analysis of the viability of entering this market.

- We presently do not engage in High Volatility Commercial Real Estate loans but this proposal would ensure that we would not enter this market.

- The Basel III proposal regarding increased risk weights on delinquent loans will immediately increase the timing of collection and foreclosure efforts.

- The scope of the proposed rules have a significant impact on our institution. Modification to systems, time spent by staff, constant monitoring of capital and increased regulatory reporting will add additional burdens in an already ridiculously burdened regulatory environment.

- We are a Sub S bank. This election makes us conscious of building capital. This proposal will make us address the continuity of the Sub S Election.

In closing, we sincerely hope you will take the time to read not only this comment letter but others you receive in an attempt to explain the horrible requirements embedded in this proposal. Yes, we use the word horrible repeatedly because it comes to mind when we attempt to interpret and understand Basel III. From the smallest community bank to IMF opposition has been expressed. If you would talk to us, please call 318-467-5401, we would welcome the opportunity to visit with you about Basel III.

Sincerely,

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