



October 16, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551  
[regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)  
Subject: "Basel III Docket No. 1442"

Office of the Comptroller of the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219  
[regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)  
Subject: "Basel III OCC Docket ID OCC-  
2012-0008, 0009, and 0010"

Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation,  
550 17th Street, N.W.  
Washington, D.C. 20429  
[comments@FDIC.gov](mailto:comments@FDIC.gov)  
Subject: "Basel III FDIC RIN 3064-AD95,  
RIN 3064-AD96, and RIN 3064-D97"

Re: Basel III Capital and Risk-Weighting Proposals

Ladies and Gentlemen:

Our bank, DeSoto County Bank serves the cities of Southaven, Horn Lake, Olive Branch and Hernando, Mississippi as well as smaller surrounding communities. We have nearly \$76 Million in assets. Our bank has grown by offering citizens of our communities affordable banking products such as residential mortgages and commercial loans. These products have allowed our citizens to start their own businesses, buy their own homes, and improve conditions in our communities. However, we fear that the proposed capital and risk weighting rules will have a significant and negative impact on our ability to provide these services.

Like most community banks, our assets include a high concentration of residential mortgages that, for valid safety and soundness reasons, do not meet the definition of Category 1 loans that large, institutional banks typically have on their balance sheets. Many of our customers do not want or may not qualify for a Category 1 mortgage. Additionally, it is not prudent for our bank to carry long term mortgage loans. Instead we believe that our customers are better served with our shorter terms balloon loans that generally renew to fully amortize the loan.



Under the proposed risk-weighting rules, the increase in risk weighting of these loans may triple in some cases from 50% to 150%. If the proposed rules are adopted, we may be faced with the decision to protect capital and forego making these loans entirely. As a small private Bank, we have limited access to raising significant capital and the bank will lose a significant source of income if it must forego making these loans. The citizens of our communities could be forced to look elsewhere for such products and their choices will be limited.

For the same reasons, the increase in risk weighting of HVCRE will stifle much of the local commercial development that is vital to our communities. Members of the community come to our Bank for loans that will allow them to buy the real estate to start their own restaurants, convenience stores, and other businesses. If the proposed rules are adopted, we may be forced to discontinue these loans and shut out would-be business owners.

As you are aware, the recent financial crisis was for the most part not caused by community banks such as ours. We have remained strong through these difficult times because of our willingness to serve our communities and trust in our customers. Yet, the impact of the proposed rules will be borne disproportionately by community banks which lack the resources to implement these excessively cumbersome and complicated rules. If the proposed rules are finalized, we ask that you consider adopting the following:

- Exempting banks under \$1 billion in total assets from the Basel III minimum capital and risk weighting rules, or, at a minimum, exempting such banks from the proposed rules as they pertain to residential mortgages, commercial real estate, and AOCI;
- Allow existing assets to be grandfathered in using the current risk weighting rules; or
- Revising the risk-weighting and capital rules to more accurately reflect the risks imposed by institutions such as ours and the realities of our operations.

Again, we sincerely appreciate the opportunity to comment on these proposed rules. We hope that you will seriously consider our comments and the effect that these rules will have on our local communities.

Sincerely,

A handwritten signature in black ink, appearing to read "William M. Renovich".

William M. Renovich  
President/CEO  
DeSoto County Bank