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To: Comments

Cc: Packard, Richard L.; john.harrison@banking.alabama.gov; Dujenski, Thomas J.; nelson.cook@banking.alabama.gov'

Subject: "FDIC" AND "RIN 3064-AD95" AND "FDIC" AND "RIN 3064-AD96"

RE: "FDIC" and "RIN 3064-AD95" and "FDIC" and "RIN 3064-AD96"

If you insist on requiring the Community Banks to adhere to Basil III Capital requirements, please consider the following changes:

1.) Eliminate the Capital Conservation buffer. Essentially, all banks that manage their capital to maintain a well-capitalized position will be required to carry more in capital in order to provide flexibility in planning and implementing growth (or not) strategies. Banks in this position will be requiring themselves to carry more than the minimum required for well-capitalized institutions, thereby reducing credit to their trade areas. This will affect competition, geographic risks, Community Reinvestment Act policies, loan and deposit growth/reduction in existing markets. These considerations will negatively influence bank's decisions regarding these areas and will cause banks to become even more dysfunctional in the economy.

Also, bankers will be required to maintain higher than required Capital levels, just to be on the safe side, in case there is a temporary economic, or regulatory situation that causes a temporary negative change in capital levels. This will have a negative impact throughout the Bank's customer base.

Subchapter S banks are being unfairly singled out in this section. If the bank makes money, it MUST pay income taxes. Under this proposal, Sub S banks that make money may not be able to pay Distributions for tax purposes or upstream dividends to the Holding Company to distribute for tax purposes. This is unfair.

2.) "Prompt Corrective Action"-not sure how this will change because I haven't totally read the hundreds of pages in the proposal-it would seem you are not allowing sufficient time for Community Banks to recover from Regulatory actions and/or unavoidable economic downturns.

Also, the new Capital ratio component, CET1, complicates recovery from the above by increasing the thresholds for PCA. The thresholds can be raised on a bank to bank situation by regulators now under existing rules. Please do not penalize those bankers who are properly managing risk for the sins committed by those who have/will not. Again, the regulators currently have the tools to deal with these situations, without complicating and restricting the activities of those bankers who are properly managing their Capital positions.

3.) Changes in Definitions of Capital/Exclusions

a.) Inclusion of unrealized gains or losses on available for sale securities-this proposed revision will drastically alter the Capital position of all banks that have investments. Why should a snapshot view, performed in a hypothetical environment, using "at-a-moment" valuations, be used to perform Capital computations? By definition, your definitions, AFS securities are not normally traded. Therefore, why subject the Community Banks' balance sheet and Capital position to the extreme fluctuations that have and will occur if this rule is implemented? This valuation changes constantly and has no bearing on the Capital position of the Bank because, literally, in the next moment, it will change. Because Community Banks do not normally trade in securities, as you have defined, including this number in Capital will be a disservice to banks, investors, and customers.

If you implement this requirement, you will then have to dictate when, by whom, and how the measurement is conducted. This will, by itself, affect the number because markets will adjust before, during and after this measurement takes place.

Use the trading account in Capital computations, not AFS. It just doesn't make sense!

Also, since you appear to be headed towards including this number, what about the tax consequences? Should we record the Loss/Gain on our Income Statement? What about taxes? All of these questions are based on a non-event (the sale of securities) that is not going to happen at this time and/or at this number!

If you must use it, either exempt those Banks that have a small number or exempt Governments and Agencies from this requirement, or exempt Banks below 1 billion dollars.

b.) Trust Preferred Securities-As you have done regarding the AFS, you are changing the rules after we bankers have committed to the process. TPS should not be taken from Capital. Before we issued these, you, the regulators, gave guidelines. You should adhere to these for those on the books now.

My fear is that even though you are exempting smaller bank holding companies, what will keep you from changing in the future, as you are proposing to do now on those above \$500 million?

c.) Definition of Total Capital limitation of 125% of RWA for ALLL- If the bank has more than 125% of Risk Weighted Assets in its ALLL, does this not help the Capital position of the Bank? Why would you not encourage more security and more reserves? It just doesn't make sense to limit reserves when you are demanding more Capital.

d.) Changing risk weight for balloon loans- We are a temporary and short-term lender, again by your definitions. Balloon loans are an important part of our product package to the communities we serve. Many times a borrower will not qualify for a long term loan from an outside source. We are able to offer a balloon product to assist the borrower in establishing his credit, ability to pay, down payment requirements, etc. by borrowing from us using this product. Forcing banks to discontinue/restrict this product in our marketplace will be devastating to our communities. You should encourage us to continue to offer this service rather than penalizing us for performing a critical service to our customers. This will sincerely impact the economy in a negative way.

Sincerely,

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Chairman, President
and Chief Executive Officer

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