

From: First Community Bank, James L. Nelson, Chairman, Board of Directors  
Subject: Reg D, Q, & DD

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Comments:

At a time when there is more regulatory pressure (and resultant increasing overhead expense) to which banks are being subjected, paying interest on checking will not benefit community banks. One of the greatest franchise builders for community banks is their demand deposit base. Additionally, paying interest on demand deposits will increase the level of expenses and further erode bank margins and profitability. Finally, interest on checking will add interest rate risk to the balance sheet as more interest sensitive instruments are introduced.

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