



October 17, 2012

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve  
System  
20<sup>th</sup> 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"

Robert E. Feldman  
Executive Secretary  
Attention: Comments/Legal ESS  
Federal Deposit Insurance Corporation,  
550 17<sup>th</sup> 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"

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

RE: Basel III Capital and Risk-Weighting Proposals

Ladies and Gentlemen:

First I would like to thank you for your time in reading my letter of concern. Our bank, Concordia Bank & Trust Company, serves the towns and cities of Vidalia, Monterey and Ferriday, Louisiana and also Natchez and Woodville, Mississippi, and surrounding communities. We have nearly \$510 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 weighing 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 do not qualify for a Category 1 mortgage due to

various reasons, such as no appraisal due to lack of comparables, size of the loan, or credit history. 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 loans. Also, our balloon notes tend to have considerably less fees associated with them.

We have limited access to raising significant capital and the bank will lose a significant source of income if it must forego these loans. The citizens of our communities could be forced to look elsewhere for such products. Their choices will be limited to large institutions who likely won't be willing to extend credit to their borrowers or other lending institutions that often only give loans with truly punitive terms and conditions.

For the same reasons, the increase in risk weighting of HVCRE will stifle much of the local commercial development that is vital to our small towns. Members of the community come to our Bank for loans that will allow them to buy 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.

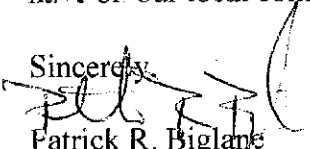
Our bank is also Subchapter S organization. The volatility inherent in including AOCI in the capital calculation, as well as the reduction in capital ratios caused by the increase in risk weights due to our mortgage loan portfolio, could very well result in our organization being in a taxable position, but unable to make distributions to our shareholders to pay the personal income tax. This will needlessly and unnecessarily diminish our already limited access to our only source of capital-our existing shareholders and members of our local communities. At a minimum, our organization should be allowed to distribute what it would have paid in taxes if it were a C Corporation.

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 difficult times because 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 \$15 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 'Patrick R. Biglane', written over the word 'Sincerely,'.

Patrick R. Biglane  
President & CEO

Concordia Bank & Trust Company