



THE PEOPLES BANK
A Service Institution

September 28, 2012

Ms. Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N. W.
Washington, DC 20551

Re: Subject: "Basel III, Docket #1442"

Dear Ms. Johnson:

On behalf of the Peoples Bank of Ripley, Mississippi, I am writing this letter to express our concerns over the proposed Basel III capital requirements for all banks. We strongly feel that community banks, less than 10 billion in assets, should be exempt from these new requirements.

The Peoples Bank is a home-owned and operated community bank located in rural Northeast Mississippi. We have approximately 320,000,000.00 in deposits and total assets of approximately 370,000,000.00. We have historically maintained high capital ratios and we have always been profitable. Maintaining sufficient capital has never been a real problem for our bank. The new proposed requirements under Basel III, however, do create some concerns for our bank.

We have two major concerns with the proposed Basel III requirements. Our first concern involves including unrealized gains or losses on available for sale securities in capital. We have a large investment portfolio. We do not trade bonds. We do, however, mark bonds available for sale. However, these securities are held to maturity or call with very few exceptions. Including these unrealized gains or losses as capital is not a true picture of the bank's capital position.

The second concern we have involves the proposed risk weights associated with home loans that have balloon payments. We have been making home loans in our market area for years that have balloons. Our home loans are kept in-house and are serviced by us. Our typical product is a five-year rate guarantee with a balloon. This product is very

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popular with our customers and has worked very well over a long period of time. Payments are based on ten, fifteen, twenty or twenty-five year periods. In addition, this product works very well for our asset/liability management process. Our loss percentage on these home loans has been virtually non-existent. We strongly feel that the same risk weights that exist under Basel I should apply to these types of loans that are kept in-house and serviced by the bank.

In our opinion, the Basel III requirements were never meant for community banks with very basic balance sheets and risk profiles. Please consider exempting community banks from these proposed Basel III requirements.

Sincerely yours,

A handwritten signature in black ink that reads "Kyle Smith". The signature is written in a cursive, slightly slanted style.

Kyle Smith

Executive Vice President, Chief Financial Officer and Trust Officer