COPIAH BANK
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FDIC

HAZLEHURST MAIN OFFICE
P. O. Drawer 31
101 Caldwell Drive
Hazlehurst, MS 39083
601-894-2831

October 5, 2012

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E. Street, SW
Washington, DC 20219

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street & Constitution Ave. NW
Washington, DC 20429

Gentlemen:

I would like to take this opportunity to share my opinions with you concerning the Basal III Capital Standards that are scheduled to begin in January. Often I fear the concerns of community bankers fly below the radar of regulatory experts and go unaddressed because they comprise only a small percentage of the overall industry. I respectfully appreciate your time and consideration.

I have given thirty-five years of service to Copiah Bank, a community bank located in Hazlehurst, Mississippi, and have watched it grow and prosper throughout those years through wise leadership and prudent lending. Members of our community, who depend upon Copiah Bank to assist them with their diverse needs, have also been keenly aware of our stability and growth and speak of "their" bank with pride. Our assets now total approximately $160 million, and we employ seventy-plus employees. We are a well-capitalized institution, going through the hard times and the good times and still maintaining our integrity and profitability. We pride ourselves on our ability to serve our customers' needs, and we "know" our customers!

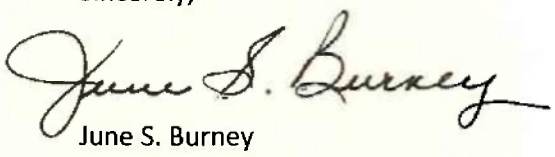
The new rules you contemplate imposing upon our bank will only serve to restrict our ability to serve our community. Our customers are diverse, and their needs and resources are different from those in other parts of the country. Although I agree that there are large banks that really **could** use your extra guidance and provisional capital requirements, the majority of community banks such as ours do not need any further regulations. Our customers are our friends and neighbors; we are aware of their abilities and their shortcomings much more so than any government agency ever could be, and we have made provisions based on that knowledge for years.

Perhaps you may think that I am oversimplifying a complicated matter on which you have based much study and investigation. I'd just like to call to mind an old saying, "If it ain't broke, don't fix it!" My opinion is that community banks are not broken! For the most part we are sound and stable and have survived many years using the standards now in place for reserve and capital requirements. Not only have we survived, we have prospered; and we have been there for our customers when the big banks were going under. Should we be forced to replace these familiar standards with the new Basal III standards, many community banks will be crowded out of the business market today. Where will that leave our customers who depend upon our knowledge and ability to work with them? The very people that you seek to protect are the ones who will be adversely affected by these new rules.

I beg you to consider carefully the potential ramifications of the Basal III Standards. Look at the possibilities of allowing more lenient standards for those banks who have consistently shown that they are not only capable of setting aside adequate reserve requirements as part of their on-going planning, but have profitably done so in the past, helping grow both the communities they work in and themselves as well in the process. Don't handcuff community banks with a measurement standard designed to curtail banks much larger and much harder to keep tabs on. Let us continue to serve our customers in the way that history has proven we can do.

Thank you for your time in reading and considering the opinions that I have put forth in this correspondence.

Sincerely,



June S. Burney
Executive Vice President and COO

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HAZLEHURST MAIN OFFICE
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October 3, 2012

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E. Street, SW
Washington, DC 20219

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street & Constitution Ave. NW
Washington, DC 20429

Gentlemen:

I take this means to comment on two of the NPRs recently proposed by your agencies in regard to the international Basel III standards and the Standardized Approach for Risk-Weighted Assets. Let me assure you that I am not qualified to adequately address all aspects of either proposal, but do feel compelled to express my concern for both my bank and all other like-sized community banks in my area if these proposals are implemented as currently drafted.

Our bank has been in the" community development" business for over 120 years here in a small but economically diverse community in southwest Mississippi called Hazlehurst. Assets now total approximately $160 million, and we employ some 70 long-termed loyal employees. Copiah Bank is considered a well-capitalized institution that has survived several recessions and one great depression without ever missing a day of serving our customers. Although the past five years have provided many new and unexpected challenges, our institution remains strong and viable. In fact, we take particular pride in being able to meet the credit needs of many financially challenged customers who have no other means of access to fairly-priced loans.

The new rules you contemplate imposing upon our bank will only serve to restrict our ability to serve our community. Although I could provide you details as to how additional risk-weighting requirements will potentially impact our 1-4 family mortgage loan offerings by forcing us to evaluate each and every new loan based on the capital requirements created by our existing loan portfolio, suffice it to say that we don't want to make credit decisions dictated by mathematical calculations mandated by an international banking standard. Such standards should not be summarily applied to small community banks.

In addition, I don't understand the reasoning in requiring that our AFS securities be marked through to capital. Although available for unexpected liquidity needs, we have not sold a single AFS security that I can remember in over 25 years. The mark to market value of this portion of our portfolio is already adequately documented on our call report if our regulators are concerned about monitoring the volatility of these assets.

Finally, I don't understand the need to increase the risk-weighting of past due loans when we already reserve for potential loan losses through our loan reserve. The implication is that we may be forced to be less willing and more restricted in working with past due customers. If our capital ratios become stressed for whatever reason, wouldn't we be forced to foreclose on past due loans earlier than maybe necessary in order to avoid additional capital stress? Although foreclosures are sometimes necessary and unavoidable, it is usually best to allow the borrower to liquidate a troubled property rather than the lien holder.

Gentlemen, please carefully consider the potential ramifications of these new rules. I can't imagine that restricting credit to some of America's most disadvantaged families is the ultimate goal your agencies seek to accomplish in the name of safety and soundness issues which are already being adequately managed by most community banks. Let community banks such as ours continue to serve our communities as our customers desire and deserve. Don't require us to create and maintain the same complex measurement systems necessary to manage banks ten times our size. Give us the ability to continue to make the "American dream" a real possibility for our present and future customers.

Sincerely,

Alford M. Cooley
Executive Vice President
Chief Financial Officer

Oct. 3, 2012

The Honorable Tom Curry, Comptroller
Comptroller of the Currency
250 East St. SW
Washington, D.C. 20219

The Honorable Martin J. Gruenberg, Chairman
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, D.C. 20429

The Honorable Ben Bernanke, Chairman
The Federal Reserve System
20th Street and Constitution Ave. NW
Washington, D.C. 20429

Re: Proposed Basel III Standards
Negative Effects on Community Banks

Dear Sirs,

I am writing this letter to express my reservations about the proposed Basel III standards, which I believe will do irreparable harm to small banks and the communities they serve.

I sit on the Board of Directors for Copiah Bank, N.A., a $160 million bank headquartered in Copiah County, Miss., with branch offices primarily around the Jackson metro area. Our bank plays an important part in the economic development efforts of our communities, and is a cornerstone establishment in my hometown of Wesson, where the Copiah Bank branch office serves everyone from small business owners to family farmers to offshore workers we only see once or twice every month. All are our friends and important members of our institution that help us contribute to the communities in which we live and work.

My fear is that the new Basel III requirements will make it difficult or impossible for Copiah Bank to continue the important relationships we've developed with the people in our communities, impossible for us to make the small loans that keep farms alive or families housed.

The increased risk weighting that is part of Basel III could curtail or eliminate home loans, and could also force our bank to bypass loan workout schemes for many late payers and move straight to foreclosure proceedings. Not only would this be a detriment for our clients and

saddle the bank with excess properties, it also flies in the face of foreclosure curtailment efforts the President has worked for the past four years.

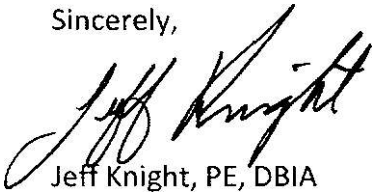
Basel III requirements that banks deduct from their capital based on the amount of tax credits would also limit our small bank's on-hand capital, when the stated purpose of Basel III to ensure sufficient on-hand capital in the first place. Our bank's finances would be further hampered by the new staff/additional staff development we would certainly have to undergo in order to meet the new reporting requirements, which even extend backward to existing loans. The lack of grandfathering for existing transactions represents a large burden on the manpower of small institutions like ours.

Finally I would submit to you that most of the Basel III requirements are simply unnecessary for small, community banks like Copiah Bank. Our bank has done a tremendous job managing itself through good times and the recent crisis (without needing or accepting any bailout funds) and is poised for more success in the future. Our management approach is conservative and low-risk. It has allowed steady growth and a "broad roof" under which we are able to shelter our community and its members.

Regulations on our bank have already been tightened. Lending restrictions now are such that young couples find it difficult to gain approval for the loans that would allow them to start their new lives in a new home, and these would-be customers of tomorrow are looking elsewhere and leaving community banks behind. Further regulation and complication of the transactions between a community and its bank will only increase the exodus.

Basel III may have been meant to protect banks, but these additional burdens will cripple an otherwise healthy and productive institution. I urge you to reconsider forcing this plan on Copiah Bank and other community banks who, like us, enjoy honesty and success without it.

Sincerely,



Jeff Knight, PE, DBIA
Board of Directors
Copiah Bank, N.A.

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Since 1891

FLORENCE OFFICE
P.O. Box 307
150 Earl Clark Drive
Florence, MS 39073
601-845-1333

October 11, 2012

The Honorable Tom Curry, Comptroller
Comptroller of the Currency
250 East St. SW
Washington, D.C. 20219

The Honorable Martin J. Gruenberg, Chairman
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, D.C 20429

The Honorable Ben Bernanke, Chairman
The Federal Reserve System
20th Street and Constitution Ave. NW
Washington, D.C. 20429

Re: Proposed Basel III Standards
Negative Effects on Community Banks

Gentlemen,

I work for Copiah Bank, a small Community Bank in Florence, MS which is a suburb of Jackson, MS. I am a Senior Vice President and Chief Lending Officer with over 24 years in the banking industry. Copiah Bank is headquartered in Hazlehurst, MS and has $160 million dollars in assets with about $30 million at the Florence location. Florence has a population of about 4,000 citizens and is a middle income community of blue and white collar workers who depend on our bank for loans and services on a daily basis.

Copiah Bank as well as other banks in our community and all over the country will be severely hampered in their ability to serve our customers with the Basel III proposal. The banking industry is already one of the most regulated industries in the country and this proposal will further hinder our ability to function profitably and efficiently.

The Basel III will cause such strict limitations on our capital that we will not be able to continue making home equity and real estate loans that have been stimulating this sluggish economy and provide small businesses with operating capital. The Basel III will squeeze all banks capital and especially a small community bank. As you are aware when this happens, expenses are cut and employees raises are cut which further exacerbates the recession we are in.

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Under the Basel III proposal, we will not be allowed to work with our past due customers as in the past. Copiah Bank has a long history of low past due percentages and charged off loans. The new proposal will mean increased loan losses and additional foreclosed property on our books.

Copiah Bank did not accept any TARP or bailout money and has continued to be profitable in these uncertain economic times. However, the Basel III will require our bank to hire additional staff just to stay compliant and sort through the myriad of complex requirements.

I implore you to consider the negative impact the Basel III will have on all banks and let banks function with existing regulations and guidelines. This proposal will severely limit our ability to lend money and stimulate our economy. So I ask you to pray and seek guidance in making your decision to deny the Basel III proposal.

Sincerely,

Timothy A. Courtney
Sr. Vice President
Chief Lending Officer

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HAZLEHURST MAIN OFFICE
P. O. Drawer 31
101 Caldwell Drive
Hazlehurst, MS 39083
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COPY

October 11, 2012

Mr. Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E. Street, SW
Washington, DC 20219

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street & Constitution Ave. NW
Washington, DC 20429

Gentlemen:

Five years ago, I was blessed when I was given the opportunity to become a part of Copiah Bank, N.A., a community bank located in central Mississippi. There, I serve as Senior Vice-President and Chief Credit Officer of the $160,000,000 bank. On a daily basis, I am fortunate enough to work closely with a small group of other loan officers and a great group of community customers.

At our bank, we have become very concerned about the effects that the Basel III might have on our bank and our ability to help our customers. In the community banking environment, we take great pride in the fact that we know our customers well, and we truly believe that the relationships that we have developed with them allows us to better meet their individual needs. If the Basel III is implemented, we fear that we may be forced to begin using a "cookie cutter" to determine our lending policies and procedures. It could possibly limit us in our ability to treat each customer as an individual, which is something that we take pride in doing each and every day.

Another part of the Basel III that is a major concern for us are the Basal III requirements forced upon us as we address the issues of our past due loans. Currently, when a loan reaches the point of 90-days past due, we hold out the amount of the loan in loan loss reserve. The Basel III would require us to hold out an additional amount of capital for the weighted risk of the past due loan. We feel that this additional amount would be "double-dipping," and we are certain that this increased hold on our working funds would limit our ability to carry on the business of taking care of the needs of our customers.

Being a community bank is not just a way of doing business for us, it is a way of life in our small community. We believe it to be a privilege to work with people that we know and care for very much. As a result of this relationship, our customers know that they can depend on us to be there during the good times and the bad. Basel III is simply not for Community Banks.

I respectfully request that you disregard this proposal and please come up with a plan that will offer benefits to all banks, large and small. If you feel that Basel III has a place in banking, then please consider excluding community banks in the proposal. We are trusting that you will do the right thing for our communities as they continue working to survive in an already challenging atmosphere.

Sincerely,

Michael C. Graham
Senior Vice President and
Chief Credit Officer

John A. Sullivan
TAX ASSESSOR
RANKIN COUNTY

211 EAST GOVERNMENT STREET
Suite C
BRANDON, MISSISSIPPI 39042

(601) 825-1470
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October 8, 2012

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E. Street, S.W.
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Washington, D.C. 20219

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street & Constitution Avenue

Washington, D.C. 20429

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Gentlemen,

Thank you for allowing me the opportunity to express my concerns with regard to Basel III Capital Proposals. From my overview of Basel III, it would better benefit relatively large financial institutions. For years, many local and regional lending institutions have provided consumers with services that will ultimately be eliminated should Basel III be implemented. A few areas of concern are as follows:

- First and foremost, interpreting and implementing the guidelines will result in smaller lending institutions incurring unreasonable and unnecessary hardships, as banks would have to increase staff and purchase additional computer software to comply with its guidelines, thus increasing the banks' expenses.

- Also, requiring gains and losses on available for sale securities to flow through to regulator capital has the potential to decrease regulatory capital when, in effect, nothing has changed--the gains and losses are the result of changes in interest rates, not changes resulting from credit risk. For local and regional banks, this requirement serves no purpose.

- For many local and regional banks, mortgage loans are a substantial percentage of their loans. Increasing risk level percentages could result in the inability of banks to continue providing this service. Currently, most of these banks have policies in place to assist consumers experiencing loan delinquencies, and they also have measures in place to minimize the banks' risk of loss by carrying larger balances in their loan loss reserve.

For years, local and regional banks have provided exceptional services to its customers, and Basel III capital proposals would hinder, if not eliminate, many of these services. While Basel III may benefit larger lending institutions, it is clearly not beneficial for smaller, local and regional banks. I request that you consider re-establishing banking/accounting guidelines that would also benefit smaller, more localized lending institutions; provide Basel III as an option, not the standard by which all lending institutions must adhere; or simply exempt local and regional banks from the proposal.

Sincerely,

John A. Sullivan
Board of Directors Member
Copiah Bank

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October 11, 2012

The Honorable Tom Curry, Comptroller
Comptroller of the Currency
250 East St. SW
Washington, D.C. 20219

The Honorable Martin J. Gruenberg, Chairman
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, D.C. 20429

The Honorable Ben Bernanke, Chairman
The Federal Reserve System
20th Street and Constitution Ave. NW
Washington, D.C. 20429

RE: Proposed Basel III Standards
Negative Effects on Community Banks

Dear Sirs:

I am proud to say that I have worked for Copiah Bank, N.A., a community bank, for the past 44 years. Believe me when I say that I have seen my share of change in our industry. As Executive Vice President of a $160 million bank located in central Mississippi, I have had the opportunity to see the positive effects our bank has made on our community and in the people in our service area.

In the past few years, this opportunity has changed due to the increased regulation on all banks that certainly filters down to the smaller community banks. When you talk about adding regulation to make all banks safer, consideration needs to be given to the community banks that have to implement that regulation. We just don't have the staffing or resources to do what we are commanded to do.

In the past, our compliance department was staffed by one full time officer. Recently, we had to add an additional two employees just to keep up with current regulations. As we send our compliance people to training schools, they come back with deep concerns of how the new regulations will adversely affect our customers and Copiah Bank.

Now we learn of how the Basel III capital proposals will result in tighter lending, increased capital, potentially higher borrowing cost for mortgages and more demands on the community bank to comply. It seems that the bankers and politicians want to talk about how to stimulate the economy while the regulators and accountants do everything they can to make it more difficult for community banks which fuel the economy.

I started in our bank as a part-time teller in 1968 and was able to climb the corporate ladder through hard work and determination. If this regulatory trend continues, I can see the day when banks will not be allowed to promote employees but, to stay compliant, must hire lawyers instead. This will result in fewer loan officers which will result in fewer loans being made.

I would ask that you give consideration to not holding smaller community banks to the same standard as larger banks that have thousands of employees, hundreds of branches and unlimited resources to meet this compliance challenge. Please remember that community banks serve areas of our country that the larger banks are not interested in being involved with.

My hope is that you will give serious consideration to how Basel III will affect small town community banks now and in the future.

Sincerely,

Jerry S. Ford
Executive Vice President

COPIAH BANK
"Make Our Bank Your Bank"

HAZLEHURST MAIN OFFICE
P. O. Drawer 31
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Hazlehurst, MS 39083
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October 5, 2012

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E. Street, S.W.
Washington, D.C. 20219

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street & Constitution Avenue NW
Washington, D.C. 20429

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Dear Sirs:

I am a stockholder and a member of the Board of Directors of a community bank in a small township in central Mississippi.

I do not profess by any means to be an expert or fully understand what consequences community banks may experience with implementation of Basel III, but I do know the integrity and character of the officers that comprise the leadership of my bank. When they tell me that compliance with this provision will place extraordinary difficulty on this bank and perhaps eliminate services that this bank has provided for decades, then I believe them and have grave concerns for the stockholders and the citizens of this community who have supported and trusted this bank for over a century.

I do further believe implementation of Basel III will proliferate the bank merger process and essentially eliminate many community banks, which have been the backbone of small communities in America. This cannot be the intent of Basel III.

I respectfully encourage that you reconsider Basel III and further evaluate considerations and recommendations from the American Bankers Association.

Sincerely,

D. R Thompson

COPIAH BANK
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October 1, 2012

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E. Street, S.W.
Washington, D.C. 20219

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street & Constitution Avenue NW
Washington, D.C. 20429

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Gentlemen,

I am using this avenue and means to express my grave concerns with regards to the proposed Basel III standards. You will not be bored with a long, lengthy, and detailed communiqué as I am sure you have already received thousands of letters from community bankers and others from all areas of our great nation.

I am Chairman, President, and C.E.O. of Copiah Bank, N.A., which is a $160 million dollar bank headquartered in Hazlehurst, a town of 3,981 citizens, in south central Mississippi. We serve customers in three counties in seven towns. I have been president since 2000, C.E.O. since 2001 and have worked for the bank for thirty seven years. I can, therefore, unequivocally state to you that we have stood tall for our customers and communities, both individuals and businesses, as well as for economic development of our municipalities and counties. In fact, our long history of same dates back to 1891 when we were founded. If adopted as currently proposed, Basel III will severely limit, if not kill, our ability to be a positive force for our customers and the communities in which they live.

Specifically I will address my concerns with four areas of Basel III:

I. Increased risk weighting for mortgage loans. (1-4 family)
My bank currently has 700 loans totaling $36 million dollars on our books, so approximately 31.3% of our total loan volume is in this category. Increased risk level percentages as proposed would for all practical purposes shut down this important function for our bank in the future. Furthermore, assigning risk weightings to individual loans will be an administrative nightmare. My bank does not have the man power nor the technology to

effectively accomplish this task. I submit that the current percentages of the now existing risk-based system are completely adequate for community banks. Surely, your intent is not for us to have to say no to thousands of potential residential mortgage customers because of the Basel III risk weighting system on mortgages. Community banks should continue using Basel I risk weights.

II. Requirement that gains and losses on available for sale securities must flow through to regulator capital

This makes no sense for community banks. My bank currently holds about seven million dollars in AFS securities. All of us know what could happen if we experienced large interest rate increases. This requirement could severely decrease regulatory capital when, in actuality, nothing changes. My bank has not sold a single AFS security since FAS 115 was initiated in 1994. Forcing us to transfer all securities to HTM would serve no purpose other than limiting our ability to manage our balance sheet.

III. Change in risk weighting for home equity and other second lien loans

My bank presently has approximately $6 million in these type loans. Basel III will force us to discontinue this service to future customers and borrowers.

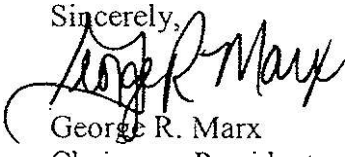
IV. Increased risk weights on delinquent loans

Community banks like mine have long been known for their ability to work with their customers. The Basel III proposal would significantly increase the risk % on past dues of 90 days and would take away our ability to work with customers to help mitigate their problems. In addition, we already account for these situations through our loan loss reserve. Why should we have to set aside capital in two ways for the same issue?

There are other portions of Basel III that concern me that I will not take the space to detail. Basel III should be for very large, systemically important financial institutions. Community banks as a whole currently hold only approximately 10% of the total assets of the banking industry. I submit that you should direct your attention and efforts to the "folks" who hold the 90%.

Community banks are the very cornerstone of the tens of thousands of small communities throughout America. Basel III is not for us. I humbly and respectively request that you throw this proposal in the trash can and start anew on accounting requirements for banks, or simply exempt community banks from the Basel III proposal. Please do what is right – please allow us and our communities to survive!

Sincerely,



George R. Marx
Chairmen, President and
Chief Executive Officer

October 16, 2012

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E. Street, S.W.
Washington, D.C. 20219

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street & Constitution Avenue NW
Washington, D.C. 20429

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposal

Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently issued for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation.

I am a Board Member of Copiah Bank, N.A., which is a $160 million dollar bank based in Hazlehurst, Mississippi. Hazlehurst is a town of approximately 4,000 citizens located in south central MS. Copiah Bank serves customers in three counties in seven towns.

Applicability of Basel III to Community Banks
Community banks should be allowed to continue using the current Basel I framework for computing their capital requirements. Basel III was designed to apply to the largest banks and not community banks. Community banks did not engage in the highly leveraged activities that severely depleted capital levels of the largest banks and created panic in the financial markets. Community banks operate on a relationship-based business model that is specifically designed to serve customers in their respective communities on a long-term basis. This model contributes to the success of community banks all over our country through practical, common sense approaches to managing risk. The larger banks operate on more transaction volume and don't pay as much attention to the customer relationship. This difference in banking models demonstrates the need to place tougher capital standards exclusively on the larger banks to better manage the ability to absorb losses.

Capital Conservation Buffer
Implementation of the capital conservation buffers for community banks will be difficult to achieve under the proposal and therefore should not be implemented. Many community banks will need to build additional capital balances to meet the minimum capital requirements with the buffers in place. Community banks do not have ready access to capital that the larger banks have through the capital markets. The only way for some community banks to increase capital is through the accumulation of retained earnings over time. Due to the current ultra low interest rate environment, community bank profitability has diminished further hampering their ability to grow capital.

New Risk Weights
The proposed risk weight framework under Basel III is too complicated and will be an onerous regulatory burden that will penalize community banks and jeopardize the housing recovery. Increasing the risk weights for residential balloon loans, interest-only loans, and second liens will penalize community banks who offer these loan products to their customers and deprive customers of many financing options for

residential property. Additionally, higher risk weights for balloon loans will further penalize community banks for mitigating interest rate risk in their asset-liability management. Community banks cannot originate only 15 and 30 year mortgages with durations that will make their balance sheets more sensitive to changes in long-term interest rates. Many community banks will either exit the residential loan market entirely or only originate those loans that can be sold into the secondary market. Second liens will either become more expensive for borrowers or disappear altogether as banks will choose not to allocate additional capital to these balance sheet exposures. Community banks should be allowed to stay with the current Basel I risk weight framework for residential loans. Furthermore, community banks will be forced to make significant software upgrades and incur other operational costs to track mortgage loan-to-value ratios in order to determine the proper risk weight categories for mortgages.

In Mississippi, we have a large number of small-sized community banks which are located in neighborhoods, small towns, and rural areas. Community banks are important because they know the needs of their customers and their close ties to the communities they serve. Community banks evaluate each customer / prospect and their lending needs, assess the risk, and make a decision accordingly. Today's close to zero interest rates, restraints on mortgages, and other credit regulations adversely affect community banks. Basel III capital standards are too complex and would impose additional undue regulatory burdens on community banks. My concern is that Basel III will restrict lending in our community and further hurt local economic conditions. While smaller banks are a big driver of growth in our community particularly as a lender for small businesses, Basel III could force community banks to cut back on loans to small businesses and homeowners.

Basel III will enforce higher capital ratios, higher cost of capital, and significantly increase compliance costs. This can result in less lending and higher pricing for debt which will negatively impact the small business owner. These changes will lead to a slower recovery of the facets of the economy related to housing and development.

In summary, please exempt community banks from Basel III and continue our Basel I requirements. Your consideration is appreciated.

Sincerely,

Bob Cragon

Bob Cragon
Board Member
Copiah Bank