



R. Calvir Dye  
President

October 5, 2012

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

Re: Basel III Docket No. 1442

Dear Ms. Johnson:

Thank you for this opportunity to provide comments on the Basel III proposals recently issued for public comment.

Our bank, Cleveland State Bank, Cleveland, Mississippi, is a bank with approximately \$195,000,000 in assets. We serve the City of Cleveland and Grenada, Mississippi and several small towns in the Bolivar and Grenada County areas. We have been making residential mortgage loans and commercial loans to customers for many years. This type lending allows us to meet the many needs of our customers. I fear that the new proposed rules for risk rating of assets will have a negative impact on my bank being able to meet the needs of our customers. As a small bank, we are unable to operate like a mega bank that can raise capital by going to the markets. A small bank like us raises capital by issuing stock or lowering assets to raise our capital percentage.

We also make shorter term loans, as it is not prudent for our bank to carry long term mortgage loans on our books for asset liability reasons. The proposals for new risk rating in some cases will triple from 50 percent to 150 percent. Currently we have approximately \$23,000,000 one to four family mortgage loans which amount to roughly 23 percent of our total loan volume. To increase this risk rating will have an adverse effect on our bank.

The best I can determine at this point is that in one to four family mortgage loans the risk rating total will increase by 10 percent. For a small bank, the procedures are complex and burdensome. The end result is that capital percentages will decrease under the new Basel III proposals. This is an estimate, and some type of simple calculator should be provided to adequately project the exact impact to small community banks.

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Please consider adopting the following:

1. Exempting banks under \$10 billion.
2. Revise risk weighting and capital rules to reflect the actual risk imposed by institutions such as ours.
3. Grandfather existing assets using current risk weighting rules.

Thank you for this opportunity to comment on these proposals.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Calvin Dye", with a long horizontal flourish extending to the right.

R. Calvin Dye  
President & CEO

RCD/sw