Committee Chairman Bachus, Sub-Committee Chairman Capito, Representative Westmoreland, and other committee members welcome to my congressional district and thank you for affording me the opportunity to provide my comments during these times which have been so detrimental to our communities.

First National Bank of Griffin is a 78 year old community bank, chartered in Griffin, Georgia in 1933, literally rising from the ashes of the 1929 financial collapse to serve the citizens and merchants of our community.

For all of these 78 years, service to, and access to credit for, our citizens and merchants have been our principal tenets of business.

Being located less than 50 miles from downtown Atlanta, our community has served as a longtime bedroom community for those commuting daily into Atlanta for work. As such, as the metro Atlanta economy prospered in the 1990's and early 2000's the demand for housing in our banking markets blossomed. Being a community bank we responded to this by providing both construction and development financing to many of the builders and developers. We provided responsible conventional long-term mortgage financing to many of the homebuyers through our longstanding, direct-delegated, authority through Freddie Mac. We did not knowingly participate in the sub-prime game of hybrid loan structures and perilously relaxed mortgage underwriting standards, and we often questioned the soundness and appropriateness of those activities. What we failed to anticipate in our risk management practices at that time, was the degree to which this sub-prime activity was propping up the unprecedented demand for new housing our market was experiencing. We also failed to understand the degree to which misrepresentation and manipulation were masking huge fundamental flaws in the mortgage securitization market.

We monitored our concentration risks in the areas of residential construction and development, comparing our levels against the regulatory guidelines, and against the levels of our market peers. Due to our seven decades of retained earnings and careful and prudent past dividend policies, our higher than peer capital levels helped mitigate our risks, and our concentrations in these loans as a percentage of capital generally came in at the lower end of our market peers, which was not substantially out of line with regulatory guidance. Regardless of these circumstances, no amount of forward analysis or stress testing anticipated the depth and length of the real estate housing collapse we were all about to face in the closing months of 2007.

We were early to recognize our problems, mainly due to the fact that we had used loan structures which were more stringent than many of our peers. We commonly required hard equity and monthly payment of interest on our construction lines. In addition it was the exception where we permitted borrowers to draw from a loan funded interest reserve to carry their development loans. Because of these practices, in many cases we knew our problems the first time a monthly payment was missed, as opposed to not discovering the depth of a problem until loan maturity. In spite of these efforts, the pace and magnitude of the residential collapse quickly overwhelmed our early warning devices.

We are a core-funded, community bank. As we entered the recessionary cycle we enjoyed the number one deposit market share position in our home market and had no wholesale or brokered deposit funding on our balance sheet. In spite of the significant credit stresses we have endured over the past four years, we continue to demonstrate an underlying core earnings stream. In other words, once the cloak of this real estate collapse is finally lifted, our bank can not only survive, but prosper for another 78 years.

I recognize that the title of this hearing is “Potential Mixed Messages…”; my frustration is not so much one of mixed messages, but one of changing messages. As this cycle began, we sensed a reaction from our regulator of supportive cooperation. They knew our bank. Many of the field examiners had been in our bank through multiple exam cycles for as long as 25 years. The general message coming from examiner comments in 2008 was one of acknowledging that the same core fundamentals which had sustained our bank for decades were still evident, but that we had become victims of an unprecedented real estate market collapse. The beginnings of the shifting message became evident when we received our written Reports of Examination, and many times the narrative seemed more harsh than the discussions. Unfortunately, it is the written narrative which becomes the written record, and the document by which we will all be judged in history. Did we have a role setting ourselves up to become victims? No doubt. But did we recklessly pursue growth and earnings at all cost with no regard to the other elements of our mission? Never!

Fast forward to subsequent examination cycles and we have found the field examiners less willing to disclose conclusions and very guarded in acknowledging progress in those areas where we may have been performing well. These are many times the same examiners we have worked with for years. We understand that it is not a personal affront; it is simply this environment of second guessing and weariness in which we are all operating. But as the field examiners have become less comfortable in making casual assessments of progress, or acknowledgement of bright spots within our banks, such as our extreme customer loyalty and core funding, the written Reports of Examination have taken on a clear pattern of excessive criticism and legal edification. So much so that one can find nearly contradictory statements within the same paragraph or section of a current report. We understand our shortcomings, and you can rest assured that we are working diligently to improve our banks in the areas we can control and influence. But, the inflammatory and demoralizing tone found in many of the examination reports only tend to send us clamoring for cover. We are trying to improve our banks and preserve our chances of survival, not because of heightened rhetoric or threat of repercussion, but because for most of us, our banks are a substantial part of our personal being. We are the ones leading our community's economic development activities and trying to attract jobs for our citizens. We carry the daily weight of knowing the importance of a pay check to the roughly 100 people we employ. This is bigger than pride, deflection of responsibility, or self-preservation.

I have observed some of the testimony of the regulators and the academic experts in earlier hearings on the subject of regulatory practices or behavior. A recurring theme seemed to be the position that forbearance in regulation is inappropriate and would only lead to greater potential losses to the fund. I would argue that forbearance is a necessary and logical part of any healing process. And that is exactly what is taking place in our banks; we are attempting to heal our banks, our local economies, and where salvageable, our borrowers. That is why I support the flexibility being offered in some of the proposed legislation such as smoothing out the effects of loan and asset impairments resulting from declining real estate values. The current methods of write down being employed today have the potential to wipe out all of the capital in our banks with no chance of living to see the eventual real estate market recovery. Unfortunately, by that point, our community will have been stripped of a valued commodity. My bank, and it's resources will have been extinguished, and the beneficiary will be a faceless, opportunist, investor, with no ties to my community.

The changing regulatory landscape has already led pundits to begin to opine that community banks of less than $500 million to $1 billion in assets are doomed to disappear from our landscape. Without some relief from the effect of downward spiraling real estate evaluations this fate could be sooner than later.

In spite of its imperfections and the public's general distaste for it, I was an early proponent of the TARP program and continued to be so, even after learning that our bank would likely not be allowed to participate, and as the public's distaste for it grew. I could elaborate on where I feel many of the shortcomings were in the evaluation process for who would be eligible, but that is water under the bridge. What I can say is it has created two classes of banks, those that can afford to and are motivated to dump problem assets at substantial discounts, and those of us who must cling to our precious remaining capital like a shipwreck survivor clinging to debris. Add to that mix a publicly traded institution who was able to leverage up its TARP "seal of approval" and access the public markets, and you have a bank which can now really flush some problems. And, to throw another wrinkle into the game, add a bank which has TARP and the good fortune to acquire assets through an FDIC-assisted transaction with loss-share, and they are now super-motivated to clear the system.

I hope that one thing that can come out of the studies being proposed in our congressman's legislation, H.R. 2056 that recently passed the House, is a forensic analysis of the bank failures in my area to determine how many would still be with us today, but for having received their proportionate share of TARP.

Theoretically, had we received the TARP funding which the funding formula indicated we were eligible, our June 30, 2011 Leverage Ratio would have still been at a respectable 8.25%, while our Total Risk Based Capital ratio would have been approximately 15%.

With the above capital ratios that TARP could have theoretically helped support, I am sure that it would have been much easier for my bank to attract additional shareholder investment to bring us into compliance with the regulatory order my bank entered into with the Comptroller of the Currency almost two years ago. The capital cushion would have added badly needed flexibility as we consider loan requests from qualified borrowers. We would find ourselves in a position to be able to operate our bank for the benefit of our community, employees, and the broader economy, as opposed to the regulatory paralysis we suffer from today.

Cycles eventually come to an end. We have endured this one for four years. We realize that much of what has been done cannot be changed or the effects reversed. What we kindly ask is that through forbearance and flexibility our regulators give us time and support us in trying to lead our communities to recovery.

Thank you for your time today and your interest in our communities.

United States House of Representatives
Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.

1. Name:	**2. Organization or organizations you are representing:**
John Charles "Chuck" Copeland	First National Bank of Griffin, Georgia

3. Business Address and telephone number:

[redacted]

4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?	**5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2008 related to the subject on which you have been invited to testify?**
☐ Yes ☑ No	☐ Yes ☑ No

6. If you answered .yes. to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.

7. Signature:

Chuck Copeland

Please attach a copy of this form to your written testimony.