

**Testimony of Scott Cocanougher  
Chief Executive Officer  
First Community Bank of Bedford County**

**Tennessee Job Creation: Do Federal Regulations Help or Hinder  
Tennessee Economic Developments?  
The House Committee on Oversight and Government Reform  
June 18, 2012**

**Middle Tennessee State University  
Murfreesboro, Tennessee**

My name is Scott Cocanougher and I am the CEO of First Community Bank of Bedford County. We are a \$319 million bank that serves Bedford and Moore counties. We also own a mortgage company that services TN and surrounding states and recently received approval to sell loans directly to Fannie Mae. The bank just celebrated its 24<sup>th</sup> anniversary and I am proud to say that we have added annually to our bottom line – even through the past 5 years. We are rated 5 stars by Bauer Financial and are 1 of only 8 banks out of the 194 in TN with an A rating. During 2010, we were honored by being in the top 20 banks for Return on Assets and Return on Equity. At year end, we carried a capital ratio of 12.63%, which is well above the national and state averages, and we carry a Texas ratio of 13.35%, which is a measure of a bank's ability to withstand major losses of capital through past-due loans. Although we have identified and taken some losses on loans made in the development and construction industries, we have set aside sufficient loans to cover those losses and any losses in the future, while continue to provide a very good return to our shareholders.

As you can see, my bank is a conservative, well-run bank. Over the past 24 years we have assisted our community through funding local projects and sports teams and by simply being a good neighbor. We also finance small businesses and are there to watch them grow and develop.

During the past several years, however, we have been financing a different type of small business – one that started with 2 employees in the late 1980's, grew to 4 in 2005-2006, and now has 8. It doesn't sell a product nor does it earn a profit, but it does provide a valuable product to the bank. That small business is our compliance department. It performs feats of nature never seen before, including creating interest rate risk shock analysis on loan portfolios as well as investment and deposit portfolios, keeping logs on all complaints received – no matter how small or trivial – such as “my ATM card does not work because I don't have any money or I lost my pin number” or “a loan officer called me and was not nice when he told me I was past due”.

And my personal favorite...the Suspicious Activity Report (or SAR), which essentially turns normal, everyday bankers into police officers by having them assist in capturing criminals by reporting suspicious activities of our customers' bank accounts, check writing habits, use of cash, etc. They log this information, create a report for each instance of suspicious activity and submit it electronically where it is then stored in case a law enforcement agency needs to check someone's background in moving,

hiding or laundering funds. Just this compliance requirement requires the work of 2 full time employees.

Meeting these compliance requirements continually drains our bank of the ability to produce new products or services for our customers that will serve their needs and earn a profit for the bank. We have 69 employees and, of those, 8 work in compliance. But each regulation affects the daily operation of our bank, and the other 61 employees spend about 10 percent of their time gathering information and completing paperwork to assist the compliance officers in meeting in meeting our compliance requirements. Because of the Dodd-Frank Act and the hundreds of new regulations that will result from it, we are now making space to hire 7 new compliance officers.

As for the businesses we serve in our community, they too are struggling. They too feel the same effects of over-regulation and the uncertainty in the market and the uncertainty of what will come out of Washington. Are businesses in my community hiring people right now or do they plan to in the near future? NO. Are regulatory burdens on banks and mom-and-pop businesses affecting banks' ability to make loans to folks and create jobs? YES.

But, a lot times it is not the actual rule or regulation that causes problems, but the enforcement and interpretation of them during the exam process. I just mentioned SARs. Although I do understand why these reports are important, when an examiner comes into our bank and tells us "a bank of your size should be filing X number of SARs a month", I do not understand not do I agree with that. Although we disagreed with the arbitrary number cited by the examiner, we were instructed on how to find more instances of suspicious activity. So, we now file reports that are not suspicious, but at least we are meeting our examiner's target number.

This is just one of many instances where we are required to fill out documents and complete reports that amount to nothing less than busy-work for our employees. The time and expense it takes to meet our compliance requirements keeps us from doing what we do best...serving our community. Getting out with customers, helping them find ways to increase revenues, decrease costs and produce a better product...when we have the time, resources and staff to do those things, I believe this country stands a better chance of creating opportunities for jobs than by just sitting behind a desk and filling out reports.

When we can cut down on regulation and have time to spend with customers, I look forward to being there with that new start-up business and watching it grow and prosper. That is why I got into this business...to help people.

TNT form 2012[1].txt  
Committee on Oversight and Government Reform  
Witness Disclosure Requirement - "Truth in Testimony"  
Required by House Rule XI, Clause 2(g)(5)

Name:

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2009. Include the source and amount of each grant or contract.

I or the company I work for has not received any Federal Grants or Contracts since October 1, 2009 and I am not aware of any Grants or Contracts I or my Company has received from the Federal Government.

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

I am testifying on behalf of The First Community Bank of Bedford County, a FDIC and State regulated bank that has been in existence since April 1, 1988. Furthermore, I guess I represent any and all banks that are burdened with, and comply with the current and future bank regulation.

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2009, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

As stated above, I or the company I work for has not received any Grants or Contracts from the Federal Government.

I certify that the above information is true and correct.

Scott Cocanougher, CEO of First Community Bank of Bedford County

Signature:

June 14, 2012

Date:

I warrant and guarantee this document and the answers given to be a true and correct. I am unable to print and physically sign this document from my current location, but will deliver and hand carry an official signed copy of this document with me to the hearing to be held June 18, 2012 in Murfreesboro, TN at Middle Tennessee State University.

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**Bio for Scott Cocanougher**  
**Testimony for House Committee on Oversight and government Reform**

My name is Scott Cocanougher and I am the CEO of First Community Bank of Bedford County. I took over that position in July of 2011 after serving as its President for the previous 3 years. I have been working for First Community Bank as a lender and in the management stream since 1997 after moving to Shelbyville Tennessee from Decatur Texas where I worked with First National Bank in Decatur for 13 years. I have been in the banking industry since February 2, 1984. I received a degree from Texas A & M University in 1984 and a Masters of Banking from The Southeast School of Banking at LSU in 2003.

First Community Bank is a \$319 million bank that serves Bedford and Moore Counties. We also own a mortgage company that services Tennessee and its surrounding states and recently received approval to sell loans directly to Fannie Mae. The bank just celebrated its 24<sup>th</sup> anniversary and I am proud to say that the bank has added annually to our bottom line – even through the past 5 years. First Community Bank is rated 5 stars by Bauer Financial and is 1 of only 8 banks out of the 194 in Tennessee with an A rating. During 2010, we were honored by being in the top 20 banks for Return on Assets and Return on Equity. At year-end, we carried a capital ratio of 12.63%, which is well above the national and state averages, and we carry a Texas ratio of 13.35%, which is a measure of a bank's ability to withstand major losses of capital through past-due loans. The scale for the Texas Ratio is 0-150 although there are several banks over the 150 number during these economic times. Although we have identified and taken some losses on loans made in the development and construction industries, we have set aside sufficient loans to cover those losses and any losses in the future, while continue to provide a very good return to our shareholders.