



Traditional Banking at its Best

October 16, 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

Office of the Comptroller of  
the Currency  
250 E Street, SW  
Mail Stop 2-3  
Washington, DC 20219

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

Re: Basel III Capital Proposals

Ladies and Gentlemen:

We appreciate the opportunity to comment on the Basel III proposals which were recently offered for public comment by the Federal Reserve Board, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Our bank is a five hundred million dollar asset community bank with a capital to asset ratio of 17.44%. This is one of the highest ratios in the state of Tennessee. This high ratio will surely let us be within the capital guidelines of Basel III.

We view our main problem being the complicated capital formulas and rules which must be applied. The items contained in the 700 pages of the Basel III proposal are more than we are able to comprehend. They will require new software, additional consultant fees and extra ongoing audit expense. We estimate these extra expenses to be more than \$60,000 per year.

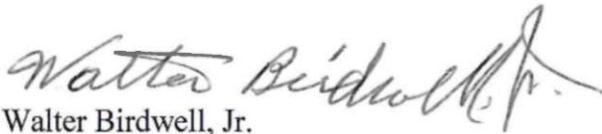
The new risk weights for residential mortgages are very complex and the loan to value ratios will be difficult to compute because on our in house residential mortgages we have mostly used estimates of value rather than certified appraisals. This practice has saved

our customers a substantial amount in closing cost at no extra risk to the bank. These values are not imputed into the loan information on the computer system.

The currently accumulated other comprehensive income or AOCI on available for sale securities should not be included in computing a banks capital. I have been in banking for many years and have seen this in a very negative position just as it is very positive at this time.

I understand that Basel III was intended to apply to only the largest, internationally active banks and not to community banks. We hope that you will develop a tiered approach that properly recognizes the difference between community banks and megabanks. Furthermore we ask that you exempt community banks completely from the proposed Basel III capital rules.

Sincerely,

A handwritten signature in cursive script, reading "Walter Birdwell, Jr.", written in dark ink.

Walter Birdwell, Jr.  
Chairman of the Board

WBJ:ps