



Steve W. Jordan, President
Don B. Kelly, Chairman of Board

"Locally Owned and Operated"
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October 13, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve
System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

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

Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation,
550 17th Street, N.W.
Washington, D.C. 20429

Re: Basel III Capital Proposals

Ladies and Gentlemen:

Thank you for the opportunity to provide comment on the Basel III proposals that were recently approved by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (collectively the "banking agencies").

Bank of Monticello is a \$96 million community bank located in Monticello, Georgia. Our bank has strived to serve the needs of our community for over 100 years. We have one location and are one of only two banks in the community.

The community banking industry is still struggling to emerge from the economic downturn, and many banks are under regulatory orders to raise capital. There is a great deal of uncertainty in the current economic environment, and many banks simply cannot raise the capital at this time.

Many banks like ours have adapted by controlling expenses, shrinking assets and managing nonperforming assets in an effort to earn their way back into the regulatory thresholds currently in place. However, the lack of loan demand and the low interest rate environment have presented significant challenges in these efforts. Implementing the proposed rules at such a time ignores the current realities and consequences of adding further burden to a struggling industry.

P.O. Box 29
141 Greene Street
Monticello, Georgia 31064



We would like to express our concerns about the decision to categorize real estate loans that have balloons as a Category 2 which calls for a significant increase in the risk weight. Our bank has always offered first mortgage real estate loans with an amortization schedule based on a 15 to 20 year term but with a three year balloon. We find that we can manage our interest rate risk by keeping the rates fixed for three years. These loans are generally made to borrowers in our community that may not fit into a conventional mortgage program. The Basel III proposal would penalize our Bank for helping customers buy a home.

It is our opinion that our customers would ultimately pay the price because they would be denied access to credit since banks would be forced to curtail lending. With this said, we feel this is a valid reason that small banks be exempt from Basel III.

Sincerely,

A handwritten signature in cursive script that reads "Steve W. Jordan". The signature is written in black ink and is positioned above the printed name and title.

Steve W. Jordan
President