October 15, 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, S.W.
Mail Stop 2-3
Washington, D.C. 20219

Mr. 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 "regulators").

We are a small community bank located in Atlanta, Georgia with total assets of approximately $90 million. Since opening for business in June, 2008, we have served an important role in our local community with our lending efforts focused primarily on small business and real estate entrepreneurs. We primarily assist our customers by providing commercial and industrial loans, construction loans, and real estate loan. We are also a participant in the Small Business Lending Fund (SBLF) and have increased qualified SBLF lending from the baseline calculated at program inception by over 60%.

We are very concerned that the proposed Basel III rules will have a substantial negative impact on our ability to lend to our small business customers, distribute earnings to our shareholders as discussed more fully below, and raise additional equity capital that will be needed for future for growth.

As you are aware, the value of investments held for sale is marked to market during the financial statement preparation process. The resulting gains and losses are currently shown as a line item in the asset section of the balance sheet with a corresponding amount in the equity section of the balance sheet. This amount is shown in the income statement below the net income line as a component of Other Comprehensive Income. For regulatory capital calculation purposes, gains are subtracted from Tier 1 Capital and losses are added back to Tier 1 Capital to determine Total Tier 1 Capital. This effectively eliminates the impact to regulatory capital related to the temporary valuation changes resulting from changes in interest rates.

As you move forward with the final rules, serious consideration should be given to the proposed requirement that these temporary unrealized gains and losses resulting principally from movements in interest rates as opposed to credit risks be recognized in capital ratios. This effectively will result in an increase or decrease in capital levels without any real change in risk and introduce high volatility into common equity Tier 1 and Tier 1 capital. This would also discourage banks from investing in longer term investments which may result in less effective asset/liability management decisions and negatively impact bank earnings. For example, although the purchase of a longer maturity bond may earn a higher rate of return and result in more effective interest rate risk management, the long maturity would result in more potential price volatility and may not be considered for purchase.

This is even more critical in the current historically low interest rate environment. As rates begin to rise as economic recovery is sustained, the amount of unrealized losses will be significant as the value of investment portfolios will be decreased as rates rise. For our bank, a 300 basis point upward move in rates would result in a reduction in portfolio value of approximately $1.3 million based on investments held at June 30, 2012. Assuming this loss in value under both the current and proposed rules, our capital would decline by 10%. This reduction in capital would reduce our ability to lend by $16 million and require us to seek additional capital much sooner as we grow the bank.

With the proposed rules on the capital conservation buffer, the restricted payments on dividends do not contemplate the impact on Subchapter S Banks. The regulatory rules essentially ban the payment of dividends to cover the individual tax liability of our shareholders, which provides an uneven treatment with bank taxed as a C Corp. At a minimum, the rules need to include a carve out for Subchapter S Corporations to dividend the tax liability. The agencies are encouraged to consider the corporate structure where a bank may need to dividend the dollars to pay the tax liability to its holding company in order to get the monies to its shareholders.

Further in the Eligible Retained Income definition under the capital conservation buffer, it appears the agencies are double counting the portion of certain discretionary payments that are expensed above the net income line. There should be clarification on this issue as to add back the discretionary payments or make other appropriate, non-punitive adjustments.

We understand the regulatory move away from applying the same risk weighting to loans regardless of credit profile, but we are concerned that under the proposed methodology for 1-4 Family Residential Mortgages, a single loan criterion could trigger an unnecessary Category 2 characterization even though the overall credit profile is clearly very high quality and worthy of Category 1 risk weighting. This single factor vs. basket approach to the characterization of Category 1 or Category 2 loans may result in many unintended consequences. For example, a high LTV loan whose borrower has a very low debt-to-income ratio and/or a strong liquidity would be evaluated as a Category 2 loan with a much higher risk weighting. Alternatively, a very low LTV loan whose borrower has a higher debt to income ratio would not be similarly disadvantaged. Community banks often structure loans with balloon maturities in order to manage interest rate risk. We also offer flexible consumer mortgages and HELOC's that fill a need in our community. The punitive risk weights of up to 200 percent will both increase the cost of credit to the borrower and have the affect of restricting the availability of credit. This proposed additional capital requirement is unnecessary as the ALLL analysis already includes a risk analysis of all risk factors including LTV's, cash flow, credit scores, delinquencies, local market conditions, etc. Any increased level of required reserves provides the capital buffer for the risks inherent in these loans, rendering the Basel III risk weightings to be redundant. Also, as part of the safety and soundness examinations, regulators already scrutinize the ALLL analysis at community banks and promptly notify management if they feel it has not adequately recognized the need for capital to mitigate risks in its loan portfolio. Basel III's capital calculation is both unfair and unnecessary for community banks. A risk-weighting framework that is single-factor focused and confusing without regard to the overall profile will contribute to the delay in the recovery of our residential mortgage market as community groups limit lending in this areas due to regulatory uncertainty and confusion.

The agencies have outlined an increase in the risk weighting for all past due loans to 150% of the outstanding balance. Given the ALLL analysis as outlined by FAS 5 and 114, this approached is highly punitive and will force the bank to proceed to foreclosure (given the 100% risk weighting for OREO) at a more rapid pace than working with a borrower. For example, we had a $2 million loan that was over 90 days past due, we got an appraisal and then provided the appropriate loan loss reserve. Through working with the borrower and using available legal remedies, we were able to work out a plan for them to sell the property. Given the proposed rules, we would have likely pursued a quicker foreclosure and posted a charge off. Instead, the borrower will sell the property and we expect no loss. These rules will force community banks to take a more aggressive action that will negatively impact the community and the bank.

Given the proposed risk weighting for past due loans and 1-4 family loans, it baffles me why the loan loss reserve in Tier 2 capital remains limited to 125% of risk weighted assets. If the agencies move forward with risk weighting changes, a commensurate change amount of LLR in Tier 2 capital should also to adjusted upward or eliminate the limitation in its entirety.

Community banks have the desire to comply with ever increasing regulatory burden and have already spent a tremendous amount of time and money navigating the changing rules under the Dodd-Frank Act as being implemented by the CFPB and other regulatory agencies. The proposed requirements for collection and reporting of information to comply with the extremely complex risk weight calculations of Basel III will require community banks to spend more resources on new technology, additional staff and/or third party consultants to help steer the course for proper compliance. As a result, the dollars available to grow loans and support our communities will be significantly impacted as we reallocate to covering compliance/regulatory expenses.

Basel III, as proposed, will burden community banks by increasing capital ratios, narrowing regulatory capital and increasing risk weights. The end result to community banks will be restricted profitability, reduced lending capacity and the need to raise additional capital to meet the new requirements in addition to funding growth. To the small business and consumer borrowers, the end result would be increased costs to borrow and restricted availability of credit in the community. We urge you to reconsider the proposal in its entirety and, at a minimum, exempt community banks from Basel III.

Thank you for your time and consideration of this matter that is very important to Resurgens Bank. Your decisions will determine the future direction and fate of many small community banks. Please do not hesitate to contact me if I can be of any further assistance in providing insight into Basel III's impact to community banking.

Respectfully,

Charles M. DeWitt

Charles M. DeWitt
President & CEO