MACON BANK

October 18, 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, DC 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

Thank you for letting me make comments regarding the Basel III proposals that were issued for public comment by the Federal Deposit Insurance Corporation, Federal Reserve Board and the Office of the Comptroller of the Currency.

Macon Bank is a mutual financial institution and has been in existence since 1922, celebrating our 90 birthday this month. Being mutual, we are limited to raising capital. We are owned by our depositors and cannot issue common or preferred stock.

Our Tier 1 Capital structure currently is approximately 25% from a Trust Preferred Security (TruPs) and 75% from retained earnings. The TruPs was issued in 2003 so that we could grow our institution into new markets. This has served us well for inexpensive source of capital. I would like to ask that the capital rules match Dodd-Frank legislation, which grandfathers any outstanding TruPs for institutions less than $15 billion in assets. If that is not feasible, at least consider phasing it out of Tier 1 Capital with the maturity of the TruPs or start excluding 10% of the TruPs each year of the final ten (10) years of its maturity.

This is going to be a huge impact for community banks and ask that we are allowed to use the Current Basel 1 rules and be except from this proposal.

Also, another impact to our Bank and other community banks, is the Inclusion of the Unrealized Gains (losses), known as Other Comprehensive Income, in Tier 1 Capital.

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The inclusion of OCI in Tier 1 Capital is a problem for Community Banks because All Capital Ratios and Lending Limits would become erratic when Interest Rate changes.

The Proposed changes to risk Weightings under Basel III are so complicated that it will be such a burden on Community Banks. Banking in general is the most regulated industry in the world. These additional changes would threaten the viability of community banks across the United States. I for one believe we can better serve our customers than a lot of the bigger banks.

Increasing the risk weights for second liens, residential balloon loans and interest-only loans, will penalize community banks who offer these products and also deprive customers from being able to have these options to finance their residential properties.

Requiring higher risk weights for balloon loans would penalize us for mitigating interest rate and market risk. We would be forced to originate only 30 year, or 15 year fixed mortgages that could be sold to FHMLC or FNMA or worse, exit the residential loan market entirely.

If additional capital is required for second lien loans, it would become more expensive to the customer or we would discontinue the product. Neither is a good option. I believe that we should be allowed to continue with the Current Basel 1 risk-weight for residential loans.

After going through the last few years, I do understand the need to place a higher risk weighting on (A&D), Acquisition and Development loans. With the down turn in the economy, it is proven that it is not prudent to rely solely on the sale of lots for payment. My concern with the proposed rules is that the HVCRE (High Volatility Commercial Real Estate Loans has not been defined to know whether land and lot loans to individuals are included in HVCRE. Macon Bank operates in second home and retirement markets, which makes lot loans to individuals very appealing. They want to buy a lot with financing through us while they are working, pay for it and build their retirement home when they retire. This is a common practice in our area. These loans are not commercial loans but are unwritten the same way that a mortgage, vehicle or personal loan is done. The ability to repay the loan is through income from working and not dependent upon the sale of the lot. For this reason, I ask that you exclude these lot loans to individuals from the HVCRE.

Thank you for allowing comments to be made regarding these serious proposals.

Carolyn Huscusson

Carolyn Huscusson, Chief Retail Officer and
Senior Vice President