



Post Office Box 5184 • Rome, Georgia 30162-5184
www.heritagefirstbank.com

East Rome Office
706/378-5300
Fax 706/291-9084

Armuchee Office
706/314-0560
Fax 706/291-1424

West Rome Office
706/378-5305
Fax 706/232-7766

October 22, 2012

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551
Delivered via email: regs.comments@federalreserve.gov

Robert E. Feldman, Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429
Delivered via email: comments@FDIC.gov

Office of the Comptroller of the Currency
205 E. Street, S.W.
Mail Stop 2-3
Washington, D.C. 20219
Delivered via email: regs.comments@occ.treas.gov

RE: Notice of Proposed Rulemaking (NPR) Regulatory Capital Rules: Regulatory Capital, Implementation of Basel III, Minimum Regulatory Capital Ratios, Capital Adequacy, and Transition Provisions and Notice of Proposed Rulemaking (NPR) Regulatory Capital Rules: Standardized Approach for Risk-weighted Assets; Market Discipline and Disclosure Requirements

Thank you for the opportunity to provide comment on the above referenced Notices of Proposed Rulemaking.

Heritage First Bank is a community bank with total assets of approximately \$100 million. We are located in Rome, Georgia and we have three branches which serve the banking needs of our community.

Our organization recognizes the importance of appropriate levels of capital as a key component of a safe and sound banking system and we concur with the objective that banking organizations' capital requirements should better reflect their risk profiles. Our primary concerns, outlined below, are with the rules as they are currently presented and the corresponding regulatory burden which will be placed on our bank.

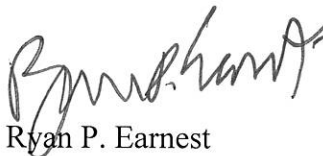
- The scope and complexity of the proposed rules will require the collection, monitoring, and reporting of considerable new information to calculate the risk weights of assets for our institution. The costs associated with new systems, software and technology, and human resources to meet these requirements appear to be significant and come at a time when we are making every effort to recover from the effects of the severe economic downturn which has been described as the Great Recession.
- Our institution uses a balloon structure for residential real estate lending in order to manage interest rate risk in a manner which is appropriate to the size and complexity of the assets and liabilities of our bank and to ensure compliance with regulatory guidance regarding interest rate risk management. We use prudent loan underwriting and under the current capital rules, the majority of our 1-4 family residential loans are in the 50% risk-weight category for purposes of calculating total risk-based capital. Under the proposed Standardized Approach for Risk-weighted Assets, all of our 1-4 family residential loans will move to a minimum of 100% risk weight due to the balloon structure which automatically disqualifies a loan from being classified as a Category 1 loan.
- The proposed inclusion in Common Equity Tier 1 capital of unrealized gains and losses on Available for Sale securities as accumulated other comprehensive income introduces "mark-to-market" accounting to this single segment of capital measurement. Our institution maintains a very disciplined approach to the management of our investment securities portfolio and the consequences of this provision could potentially have an unintended punitive effect on community banks like us.

We fully support all efforts which will strengthen the banking industry, but we encourage you to consider the impact of some aspects of the proposed rules which will have unintended consequences to competition, economic recovery, and the consumer's access to traditional banking services. We appreciate your further deliberations in this regard on behalf of community banking institutions like ours.

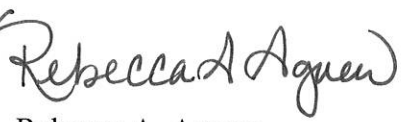
Sincerely,



Gregory C. Wilkes
Chief Executive Officer



Ryan P. Earnest
President



Rebecca A. Agnew
Chief Financial Officer