Citizens
Community
Bank

3261 N. Valdosta Road
Post Office Box 3788
Valdosta, Georgia 31604-3788
(229)242-2225 - Fax (229)241-0123
www.CitizensCommunityBank.net

October 4, 2012

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

Dear Mr. Feldman:

Re: Basel III Proposed Rules
FDIC Standardized Approach / RIN 3064-AD96

It is with great concern that I write this, as the proposed Basel III rules will adversely affect our bank in major ways.

First, the proposed changes in risk weighted capital would adversely effect our bank with upward motion in rates. In a time when community banks have struggled with new legislation in every area, new capital rules that don't reflect the bank's safety and soundness will place many in a position of not being able to secure and maintain new and needed capital to meet the proposed thresholds. Community banks do not have the capability to secure new capital in ways bigger banks do. We have been able to steer through the toughest economic times in my lifetime and I've been in the business for over forty years.

During the past five years, we have concentrated on protecting and maintaining capital while working through write downs and facing severe downward valuations in our real estate collateral. These proposed rules will entice many locally owned community banks to get out of residential real estate lending at a time when we are the last opportunity for middle and lower income families to have a chance to own their own homes. Overall, these loans have been some of the safest in our portfolio. With the recently passed Dodd-Frank Act, many community banks have exited residential lending in their markets due to the over bearing regulatory burden.

These new rules will in fact hurt the very consumers you are attempting to help the most. More legislation on top of that already imposed will surely make more community banks seriously consider whether they can offer certain loans and make them profitable for the bank. In a safety and soundness exam, we are still required to be profitable and to maintain certain capital levels. These proposed rules will absolutely make that more difficult. Our stockholders will still want a return on their investment and the ability to secure more capital will be futile.

Community banks were told early on that these proposed rule changes were as a result of the strain the larger commercial banks placed on the economy during the past five years. I will be the first to say that community banks have had our share of poor decisions during the boom days. But, we have reversed course without additional capital offerings and by making hard decisions. Those decisions have allowed us to turn once again to a profitable course AND we have lowered our classified assets without assistance from any government program. We take pride in this, but we know the economy remains weak and fragile. Continuous regulatory burdens take time, monies and focus away from our ability to provide good and needed banking services to our market.

I am speaking of our bank, but in discussions with other community bank CEO's, the climate created just by the proposed rules has dampened what was beginning to be a more optimistic mindset after the past few years of struggle.

I ask that you listen to the counsel of the FDIC Director, Thomas Hoenig as he has implored officials to totally scrap the proposed Basel III capital regulations and start over with a simpler and more forward looking model to adjust capital goals. Furthermore, community banks did not get involved in the type lending and swaps that created the drastic events of the past five years. I believe community banks should not be painted with the same brush as the larger and more complicated banks.

Furthermore, the closing of many community banks during recent years has made the survivors more cautious and more focused on capital levels. The old saying "Capital is King", is still true today, but higher levels will not keep banks from making bad decisions. Banks know that prudent lending and investment decisions will keep them on solid ground. The competitive market will weed out the weak and strengthen the wise.

Finally, it grieves me to see that the heading of the proposed rule mentions "International Banking Guidelines". I don't believe the United States and the State of Georgia can gain anything by advocating any international banking rule. We have the strongest dual banking system in the world. The fact that we are beginning to come out of the current mess is a testament to the rules in place over the past decades. New rules and legislation are creating a burden that many community banks will not be able to bear. We are spending more and more of our revenues on compliance related issues. In an industry

That has traditionally operated on a one percent return on assets, this new proposed rule makes no sense.

I ask that you consider these and many other reasons for scrapping the current proposed Basel III rules. And, if new capital rules are needed, and I'm not sure they are, include community banking associations and individual bankers to assist in the framework.

Sincerely,

Glenn L. Copeland
Chief Executive Officer