From: Bobby Heath [mailto:Bobby@fabathens.com]
Sent: Monday, August 27, 2012 10:56 AM
To: Comments
Cc: echandler@gabankers.com
Subject: Basel III FDIC RIN 3064-AD95, RIN 3064-AD96, and RIN 3064-D97

I have read the new Basel III capital requirements, and it is apparent to me that these new capital regulations designed for managing systematic risk in large financial institutions actually increase risk in community banks. It will also restrict access to mortgage loans and increase costs for consumers.

By having a higher capital requirement for balloon notes, Basel II will encourage smaller banks to take more market risk by funding longer term mortgage loans with short term funding. We all know that this funding practice was the primary reason for the crippling the savings and loan industry in the 80's and 90's. The capital requirements assume that LTV and balloon notes are the only measures of risk. There is no consideration for ability to pay (DTI) or credit scores in the process which will encourage community banks to take on more credit risk.

Historically, consumers (especially in rural areas) who do not qualify for secondary market mortgage loans, rely on community banks to provide portfolio loans to these customers. Most of these loans are made with balloon notes with lower closing costs at very competitive prices. The proposed capital requirements will certainly limit the availability of these loans and definitely will increase the cost to consumers with no systematic risk management value.

Community bank customers are low to moderate income consumers and small businesses. We are frustrated that most of the new regulations that are being imposed on us increase the costs to provide financing to these customers with no apparent benefit. Please reconsider applying these new proposed capital requirements on community banks under $10,000,000,000 in total assets.

Robert D. Heath
President & CEO
First American Bank and Trust Company
Athens, GA